Transparency and Disclosure, Company Characteristics and Financial Performance: A Study of the Emerging Libyan Stock Market

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Abstract

Corporate scandals and financial crises have focused attention on corporate governance (CG), including the quality of transparency and disclosure (T&D). Although many empirical studies have been carried out on CG in developed countries, an insignificant portion of that literature is focused on T&D in developing countries.

Taking a sample of 27 financial companies, this research looks at the issue of T&D in Libya. Employing both primary and secondary data, the study covers the period 2005-2008 during the emergence of the Libyan Stock Market (LSM). The research objective, questions and hypotheses are mapped onto a research framework that includes antecedent and subsequent variables of T&D.

Firstly, the study uses time-series data to provide empirical evidence relating to the level of T&D in annual reports by Libyan financial companies. The results reveal that overall T&D, three categorises and most of the twelve subcategories showed a statistically significant increase over the period under review, but that it was still low in Libya compared to other countries (developed and developing) when applying Standard & Poor's (S&P) data, and variation in levels of T&D from company to company in Libyan.

Secondly, this research analyses and explores the consequences of six characteristics on the level of T&D in annual reports. The characteristics being; listed status, ownership structure, company size and age, type of industry and audit peer reviews. The results revealed that T&D and three categories in general associated with all variables displayed a statistically significant increase during the examination period of four years. All corporations tested conformed to this rule with the exception of large companies, although the results were mixed statistically when tested with twelve subcategories. Furthermore, companies listed in LSM provided more T&D than those not listed, the public sector provided more T&D than the private sector, the banking sector provided more T&D than the insurance sector and companies with audit peer reviews provided more T&D than those without. Whilst small companies provided more T&D than other companies, and the variation in levels of T&D for different age groups was unclear.

Thirdly, the research investigates the relationship between fourteen variables related to T&D practice and three accounting measures of financial performance: return on capital employed (ROCE), return on equity (ROE) and return on assets (ROA). The study finds that there is a relationship between four variables and ROCE, two variables and ROE, and three variables and ROA. However, only one variable (disclosure of material foreseeable risk factors) has a relationship with all three financial performance measures. Disclosure on the corporate governance framework has the most impact on ROCE and ROA, while disclosure relating to major share ownership and voting right has the most impact on ROE.

The thesis makes several contributions. It adds to the limited literature on T&D in developing countries, especially to a transition economy like Libya's. In doing so, it provides a benchmark for further studies of T&D by Libyan companies. In particular, it pioneers the use of S&P's T&D index methodology in Libya, which enables a comparison with T&D in other countries. A notable feature of the research is the relatively comprehensive set of variables used, including "audit peer review" as a corporate characteristic that might affect the level of T&D, and the exploration of the possible relationship between fourteen variables of T&D and three financial performance measures.

Future research should be able to build on this study and perhaps examine other company characteristics (e.g. size/type of auditor, and external auditor's reviews that are limited to quarterly reviews), use other measures of company performance (e.g. Tobin's Q or specific elements such as competitive strategy, corporate culture or business ethics) or include samples from other industries as the Libyan economy and stock market develop.

Acknowledgement

بِسْمِ اللَّـهِ الرَّحْمَـٰنِ الرَّحِيمِ

"In the name of Allah, most Gracious, most merciful"

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List of Acronyms

MENA	Middle East and North Africa
UAE	United Arab Emirates
S&P T&D	Standard and Poor's Transparency and Disclosure
CG	Corporate Governance
T&D	Transparency and Disclosure
FTID	Financial Transparency and Information Disclosure
OSIR	Ownership Structure and Investor Rights
BMSP	Board and Management Structure and Process
OECD	Organisation for Economic Co-operation and Development
ROCE	Return on Capital Employed
ROE	Return on Equity
ROA	Return on Assets
Rev	Revenues
OPE	Operating Profit / Operating Income
QR	Quick Assets / Current Liabilities
MR	Market Return
TPTC	Total Profit / Total Cost
Lev.	Leverage
PER	Price Earnings Ratio
NI	Net Income
Ts Q	Tobin's Q
MTBV	Market-to-book- Value
REPS	Rates Earning per Share
MTSR	Market-to-sales Ratio
SR	Share Returns
EVAI	Ratio of Economic Value Added to Invested Capital
R-S	Revenues-Sales
PM	Profit Margin
TSR	Total Shareholder Return
SG	Sale Growth
TOT	Total Assets Turnover
NS	Net Sales
SR	Share Repurchases
ADCR	Average of the Daily Continuous Returns
PS	Performance of Stock
MASPR	Market Adjusted Stock Price Return
TR	Turnover Ratio (sale/assets)
OM	Operating Margin
SE	Salary Expenditures
NE	Net sale-to-equity
LP	Log Profits
OI	Operating Income
VSP	Volatility of Stock Prices
EVAC	Economic Value Added Capital Ratio
SG	Sales Growth
SP	Stock Price
TAT	Total Assets Turnover
SANE	Real sales/average number of employees

RI	Return on Investment
EPS	Earnings Per Share
RTAG	Rate of Total Assets Growth
CFPS	Cash Flow per Share
NAPS	Net Assets per Share
CACL	Current Assets Divided by Current Liabilities
FORC	The Financial and Operating Results of the Company
CO	Company Objectives
MSOVR	Major share ownership and voting right
BMKER	Board Members, Key Executive and their Remuneration
RPT	Related Party Transactions
MFRF	Material foreseeable risk factors
MIRES	Material issues regarding employees and other stakeholders
GSP	Governance structures and policies
PIAD	Preparation of information audit and disclosed according to high standard of accounting, disclosure and audit
EAM	External audit and monitoring
EAACR	External audit and audit committee role
EAAS	External auditors accountable to shareholders
CDI	Channels for dissemination information allow for fair, timely, and cost efficient access to information by user
CGF	Corporate governance framework, complemented by effective approach that addresses and promotes the provision of analysis
EQ	Empirical Question
H	Hypothesis
Q	Questionnaire
IAS	International Accounting Standard
ISA	International Standard Audit
GAAP	Generally Accepted Accounting Principles
CIPE	Centre for International Private Enterprise
AICPA	The American Institute of Certified Public Accountants
IFRS	International Financial Report Standard
FSL	Financial System Law
TCCS	Traders and Commercial Companies and Supervision
LFC	Libyan Financial Companies
LSM	Libya Stock Market
LLSM	Listed in Libya Stock Market
NLLSM	Not Listed in Libya Stock Market
SPSS	Statistical Package for Social Sciences
Chare.	Characteristics
Pa.	Panel
Ob.	Objective
DV	Dependent Variable
IV	Independent Variable

Chapter 1 Introduction

1.1 Introduction

Weakness in CG, low disclosure rates and lack of transparency are often considered causes of, or contributors to, financial crises and corporate scandals. It is worthwhile pointing out that CG has become a significant issue in the world since the Asian financial turbulence in 1997, which many believe was due in part to weak CG and low levels of transparency (Stiglitz, 1998), and the spectacular collapse of Enron in the US, prompting calls for increased transparency in financial reporting.

Since then, CG has become a key issue in international business agendas with regard to not just corporations but also governments and supranational authorities. The CG models of the early 1990s reflected specific contextual conditions–economic, political, historical and cultural (Markarian, Parbonetti, & Previts, 2007).

CG effectively delineates the rights and responsibilities of each group of stakeholders in the company. Ho and Wong (2001) view transparency as a major indicator of the standard of CG in an economy. The issue of CG has provoked calls for greater T&D from companies around the world (Lin, Huang, Chang, & Tseng, 2007). Transparency of corporate disclosure has become one of the crucial components of CG principles issued by organisations worldwide (Organisation for Economic Co-operation and Development -OECD, 2004). Zingales (2008) argues that the demise of Lehman Brothers (fourth-largest bank in the United States, went bankrupt in 2008) was the result of its very aggressive leverage policy in the governance context of a major financial crisis. The aspect of this crisis have to be found in bad regulation, lack of T&D, and market complacency brought about by several years of positive returns. Lehman's bankruptcy led to a reassessment of risk, in particular in the market for credit default swaps. According to the World Bank, companies in South Asian countries are still wrestling with the problem of low information transparency (The International Bank for Reconstruction and Development, 1998).

This chapter comprises of seven sections: section 1.2 discusses the research motivation, whilst section 1.3 lists the research aims and objectives of the study. In section 1.4 the empirical research questions are presented. Section 1.5 presents the research methodology undertaken. Section 1.6 discusses the main finding of this study. Finally, the organization of the thesis is presented in section 1.7.

1.2 Motivation

The objective of this section is to demonstrate why this topic was chosen for this study. The aim of the study is to contribute to the literature on CG especially T&D in developing countries by investigating the T&D of Libyan listed companies. In June 2006, the Libya Stock Market (LSM) was established and adopted the OECD principles 2004. This provides the opportunity to examine whether new regulations caused any statistically significant increase on the extent of T&D in Libyan financial companies. In addition, it should help evaluate whether theories originating from western countries are able to explain variations in T&D in the context of Libya. This study is motivated by three major considerations: studies of T&D, the effect of company characteristics on T&D, and its relationship with financial performance which continue to be important to academics and professional researchers.

There are many researchers examining CG in developed countries but only a few in developing countries. Furthermore, most empirical studies about CG are about ownership structure, independence of board, audit fees, audit committee and shareholders rights. Unfortunately, only a limited number of pieces of literatures are devoted to testing the differences in T&D and corporate characteristics or the relationship between T&D practices and company performance. These relationships and expected benefits of T&D are more important for emerging markets such as Libya, because emerging markets are in dire need of external capital and increased foreign investment as their economies are growing faster than those of developed countries. However, given the relative lack of research in developing countries, especially in the Middle East and North Africa (MENA), and in those undergoing transition from a planned to a market economy, it is believed that Libya is an interesting case for study. Furthermore, T&D is identified as one of the biggest challenges facing the implementation of CG especially in developing countries (Centre for International Private Enterprise - CIPE, 2003).

The significance of the T&D argued by prior CG studies suggests that a rigorous investigation of the questions and issues raised by these studies may be needed in developing countries (where there are few studies). Bhat, Hope, & Kang (2006) suggest that CG data is beneficial in evaluating the believability and quality of financial data, that is that the data utilized by analysts to come up with their earnings forecasts. Additionally, they show that CG information is even more important when financial disclosure is less transparent. Bujaki and Mc Conomy (2002) supply evidence that companies accused of CG failures tend to have poor T&D prior to failure. This suggests that investors should be wary of companies with poor T&D. Ramsay and Hoad (1997) suggest that T&D can help shareholders and other stakeholders to monitor managers. Further T&D is likely to reduce uncertainty about future prospects and to facilitate a more precise evaluation of the company (Botosan, 1997). Disclosure of information is one of the tools to reduce the cost of capital and agency conflicts will reduce if the shareholders are able to monitor the management based on the disclosure of information (Htay, Aung, Rashid, & Adnan, 2012).

T&D of financial information are critical components of the CG framework (OECD, 2004), and are viewed as an important indicator of CG quality (Aksu, 2006). Disclosure is clearly central to accountability and indeed to public confidence in the corporate system (Cadbury, 1993). Newer developments in corporate finance, economics and law have emphasized the importance of various legal factors in CG issues, including the role of financial disclosure (Hope, 2003b). According to Cadbury (1999) the foundation of any structure of CG is disclosure. Openness is the basis of public trust in the corporate system; the fund will flow to the centres of economic activity that inspire trust. The effect that the business system tend to have on the practices of CG in which transparency is regarded among the determinants of successful CG modes is one of the outcomes of research (Millar, Eldomiaty, Choi, & Hilton, 2005).

Mallin and Jelic (2000) suggest that transition economies might offer more fertile ground for study, because transition economies often have weaker rules and wider variations between companies in CG practices. Therefore, De Nicolo, Laeven, & Ueda (2008) propose that improvements in CG quality have a positively significant impact on all measures of macroeconomic outcomes considered, especially in the transparency dimension, as shown by the positively significant effect of the stock price synchronicity indicator. Millar, Eldomiaty, Choi, & Hilton (2005) argue that the different modes of CG and information disclosure can have an important influence on companies' performance. Kumar (2012) report that emerging market system after the crisis in East Asian economies 1997 and Brazil in 1998 are embracing market based CG mechanism, focusing on more T&D and protection of shareholder rights.

This study investigates the level of T&D of Libyan financial companies during the four years from 2005 to 2008 associated with the emergence of the Libyan Stock Market. A high level of T&D contributes to the establishment of confidence in capital markets and promotes a better flow of foreign direct investment into a country (Bushman & Smith, 2001). Several studies have examined the effect of disclosure quality and practices on investors. The corporate disclosure quality can be measured by examining the timeliness, detail and lucidity of the information (Sengupta, 1998). Prior studies have measured corporate disclosure quality based on the corporate disclosure practices measured by the Financial Analysts Federation (Sengupta, 1998) and the Association for Investment Management and Research (Bushee & Noe, 2000; Price, 1998). Both organisations evaluate disclosure quality along with different disclosure categories: reports (annual and quarterly) and informal communication such as public releases or discussions. With a different approach, Botosan (1997) developed a disclosure index to represent disclosure levels. Yu (2007) argues that CG practice disclosures are classified into two groups, the first classification investigating the determinants of governance disclosure while the other classification investigates the economic consequences of governance disclosures. This study adopted two groups; the first classification investigates the determinants of governance disclosure, because it investigates the level of T&D with the emerging Libyan Stock Market and the effect of six company characteristics on T&D. Ahmed and Courtis (1999) report that all corporate disclosure theories consider company characteristics as important drivers for disclosure; they are important from an empirical viewpoint, where empirical research typically controls the endogenous determinants of disclosure policy that are not inevitably part of the underlying theory (Core, 2001). According to Marston and Shrives (1991, p. 205) previous studies used index disclosure, the association between the level of disclosure and specific company characteristic was frequently investigated. The second examines the economic consequences of disclosure, because it investigates the relationship between T&D practices and company financial performance. Ertugrul and Hegde (2005, p. 22) argue that CG may affect future company performance, but future performance does not affect CG. Wu, Quan, and Xu (2011) report that when evaluating CG practices, both company performance and the variability of company performance should be taken into account. Xin and Xiao (2011) report that information transparency is one of the most important aspects of CG, this plays a very important role in company performance. It can reduce internal and external information asymmetry, reduce agency costs, improve the external governance mechanism, and in doing so can improve business performance.

Libya is an emerging economy with its first stock market established in 2006; for these reasons, CG is most important in this period of the Libyan economy. However, what is of vital importance for investors before deciding to invest their funds, is to obtain sufficient information to be confident that the investment is financially sound and will continue to be so in the expected future. According to Organisation for OECD (2004, p. 13) "CG is an increasingly important factor for investment decisions". The OECD principle of CG covers six areas: ensuring the basis for an effective CG framework; the rights of shareholders; the equitable treatment of shareholders; the role of stakeholders; T&D; and the responsibilities of the board. Indeed, the emergence of financial scandals all over the globe will continue to highlight CG issues, especially with regard to issues of control and accountability, T&D, necessitating more ideal forms of board structure that could thwart such scandals (Arsalidou & Wang, 2005). According to OECD (2004, p. 22), the fifth principle states that "the CG framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company".

To the best of the author's knowledge no study already exists in the Libyan context. Furthermore, according to Larbsh (2010) and Magrus (2012), the T&D in Libya may be a fertile field for future research, due to their importance in Libyan economic development. The study of T&D in this thesis is motivated by: 1) the few studies on CG in general and T&D in particular in Libya, and 2) the emphasis placed on improvements in T&D with the emergence of the Libyan Stock Market.

However, Lang and Lundholm (1993), Leuz (2003), and Miller (2002) suggest that while performance is related to disclosure, the nature of the relation is unclear. Therefore, the relationship between company performance and T&D still need further investigation in order to increase the literature of this area.

It should be noted that this study was conducted before the start of events in early 2011, which led to the collapse of the previous regime in Libya.

1.3 Aim and Objectives of the Study

The main aim of the study is to investigate the levels of T&D in Libyan financial companies, identify the effect of company characteristics on T&D, and explore their relationship with company financial performance (Return on Capital Employed - ROCE, Return on Equity - ROE and Return on Assets - ROA). This general aim has been divided into six objectives, which are:

1- To assess the level of transparency and disclosure in Libyan financial companies during the years 2005 to 2008 on three levels: overall transparency and disclosure, according to three categories, and according to twelve subcategories, in their annual reports.

2- To compare the level of transparency and disclosure in Libyan financial companies with those in other countries (developed and developing).

3- To assess whether there are variations between companies in transparency and disclosure practices in their annual reports.

4- To assess the extent to which transparency and disclosure is associated with listed status, ownership, size, and age, type of industry and audit peer review in Libyan financial companies during the years 2005 to 2008 on three levels: overall transparency and disclosure, according to three categories, and according to twelve subcategories, in their annual reports.

5- To determine the relationship between transparency and disclosure practices, and company financial performance (ROCE, ROE and ROA).

6- To find which variable of transparency and disclosure practices has the most impact on company financial performance (ROCE, ROE and ROA).

These objectives focus on current issues that are important for shedding light on the general quality of T&D, leading to: agency problems between the manager and shareholders, as well as between stakeholders being minimized; reduction of asymmetry of information between inside and outside investors; reduction of the agency cost. They are also important for informed decision-making: by providing the basis for informed decision-making by stakeholders, shareholders and potential investors with respect to financial performance monitoring, corporate transactions and capital allocation; by more efficient allocation of assets, through its influence on lenders and investors who must assess risks and returns and decide where best to place their money; by strengthening the efficiency of capital allocation as well as offering the benefit of reducing the costs of capital; by providing clarity on the extent to which companies meet legal and ethical requirements; by helping the public understand the company's activities, policies and performance with regard to ethical and environmental standards, as well as the relationship of the company with stakeholders and communities which are influenced by its process.

1.4 Empirical Research Questions

To achieve these objectives the study will address the following empirical questions which proceed from the literature review:

The first objective in this study is to assess the level of T&D in Libyan financial companies during the years 2005 to 2008 on three levels (see Figure 1.2). This study sets an empirical question (EQ) to investigate as follows:

EQ1- Have Libyan financial companies improved the level of T&D in their annual reports since the emergence of the Libyan Stock Market?

The second objective of this study is to compare the level of T&D in Libyan financial companies with companies in other countries. This study sets an EQ to investigate as follows:

EQ2- Do Libyan financial companies provide a low level of T&D in their annual reports compared to companies in other countries?

The third objective of this study is to assess whether there are variations between companies in transparency and disclosure practices in their annual reports as follows:

EQ3- Do Libyan financial companies vary in their transparency and disclosure practices in their annual reports?

The Fourth objective in this study is to discover the level of T&D in Libyan financial companies' associated with company characteristics, to explain the effect of special company characteristics on the level of T&D during the years 2005 to 2008 on three levels (see Figure 1.2). The empirical research questions investigate the different levels of T&D for six company characteristics.

This study sets an EQ to investigate the different levels of T&D according to listed status as follows:

EQ4- Do companies listed in the Libyan Stock Market provide more T&D in their annual reports than companies not listed?

This study sets an EQ to investigate the different levels of T&D according to ownership structure as follows:

EQ5- Do public financial companies provide more T&D in their annual reports than Private "individual" companies?

This study sets an EQ to investigate the different levels of T&D according to size of the company as measured by total assets, as follows:

EQ6- Do companies with greater total assets provide more T&D in their annual reports than those with fewer total assets?

This study sets an EQ to investigate the different levels of T&D according to age of the company as measured in years, as follows:

EQ7- Do older financial companies provide more T&D in their annual reports than younger age companies?

This study sets an EQ to investigate the different levels of T&D according to industry type as measured by banks and insurance companies, as follows:

EQ8- Does the banking sector provide more T&D in their annual reports than the insurance sector?

This study sets an EQ to investigate the different levels of T&D according to audit peer review as measured by companies that have audit peer review and companies that do not, as follows:

EQ9- Are companies that have audit peer review more likely to provide T&D information than companies that do not have audit peer review?

The fifth objective in this study addresses the issue of the relationship between T&D practices, and financial performance. The study adopts fourteen variables of T&D practices in the Libyan business environment (see Figure 1.3). In previous studies, the literature has noted many variables for company performance measurement related to CG (see Appendix 3). Rather than relying on a single measure, this study measures company performance by three financial performance indicators: ROCE, ROE and ROA. The study expects to find a relationship between T&D practices, and company financial performance for some reasons. First, higher T&D of the company has to ensure that agency problems between the manager and shareholder, as well as between stakeholders are minimized. Second, higher T&D of the company's business reduces asymmetry of information between shareholders and managers. Third, higher T&D of the company's business reduces the agency cost. Fourth, the more T&D on information there is, the stronger the investor decision ability, and the more efficient the allocation of assets is. On the other hand T&D might affect market based measures more than accounting based measures of financial performance. Thus, this study proposes the following research question:

EQ10-Is there a relationship between T&D practices and financial performance?

The sixth objective, the study examines which independent variable has the most impact on the dependent variable by addressing the following research question:

EQ11-Which of the independent variables (T&D practices) has the most impact on the dependent variable (financial performance)?

1.5 Research Methodology

This section presents a summary regarding the study methodology to meet the aim of this study. Chapter Five of this study provides the specification of the detailed methodology used, including the rationale for the selection of the research methodology.

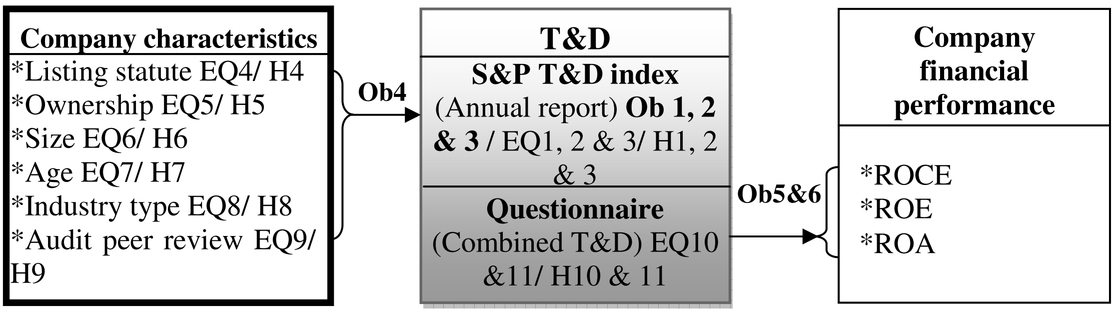
This study employs a quantitative approach (statistical analyses). The quantitative approach is based on the positive paradigm (see Figure 5.3). The research objective, questions and hypotheses are mapped on to the research framework. In the framework this study is examining and investigating empirically those variables within Libyan financial companies (see Figure 1.1 below).

This research focuses on Libyan data for the financial years ending 2005 to 2008. The research methods used to test the hypotheses includes univariate (independent sample ANOVA and Paired T-test for parametric, and Friedman and Wilcoxon for non-parametric; independent sample parametric Pearson's correlation) and multivariate (independent and dependent sample parametric Regression by Forward Selection Method) (see Chapter 5) procedures applied to the sample of 27 Libyan financial companies (LFC) as of 1st January 2008.

First, data was collected using Standard and Poor's Transparency and Disclosure (S&P's T&D) tool to highlight the level of T&D in Libyan financial companies from 2005 to 2008 financial years in their annual reports; use of secondary data from previous empirical studies to compare the level of T&D in Libyan financial companies with companies in other countries; investigate whether there are variations between companies in T&D practices in their annual reports. In addition investigate the statistically significant increase in T&D with six company characteristics during the years 2005 to 2008 in their annual reports. Second, use of a questionnaire in accordance with the T&D practices in Libya to determine the relationship with financial performance. The designing of the questionnaire entirely depended on the T&D practices in Libya and on the related literature T&D. (see Chapter 5).

The framework of this study are classified into two groups of practice disclosures: the first classification investigating the determinants of governance disclosure (company characteristics); and the second classification investigates the economic consequences of governance disclosures (company financial performance). Figure 1.1 explains the framework of this study as follows:

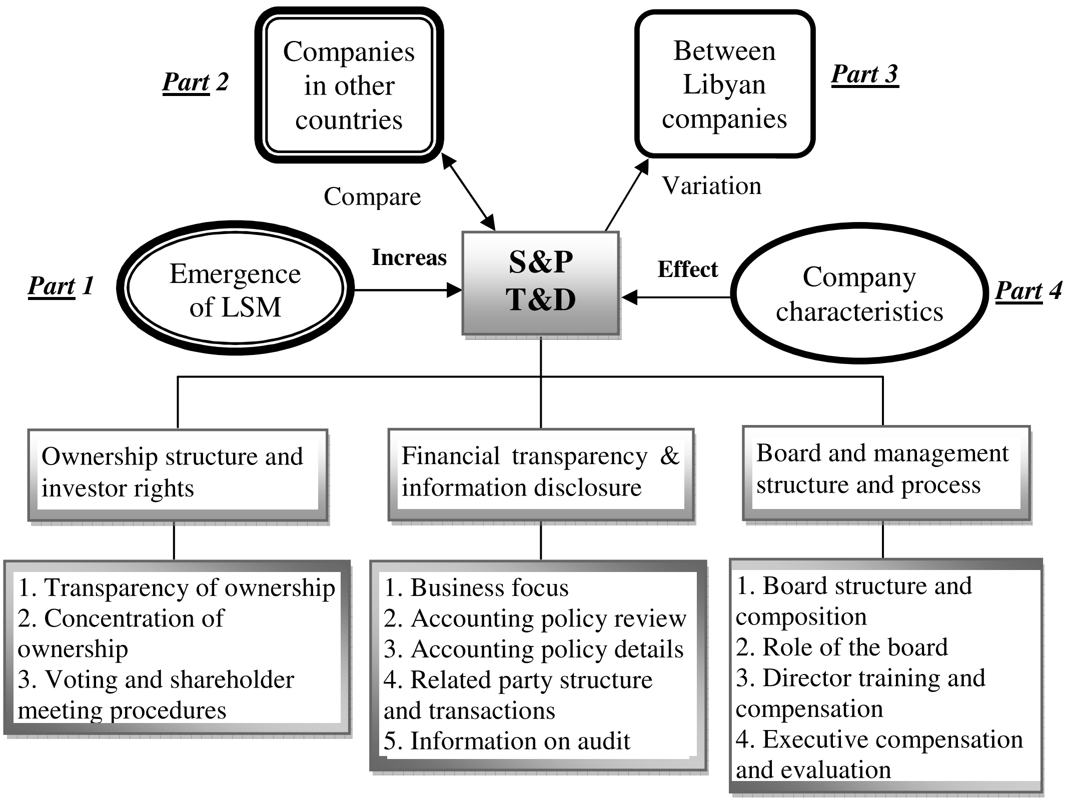
Figure 1.1 Framework of this Study



The framework (Figure 1.1 above) shows that T&D practices might be affected by certain company characteristics, that T&D practices might in turn be associated with company financial performance.

This study first uses time-series data to investigate the different levels of T&D by using data from 27 Libyan financial companies' annual reports for the years 2005–2008 by applying S&P criteria. The data for this study has been collected from 2005 (just one year before the establishment of the Libyan stock market) until the year 2008, which was the last annual report year available when this study began. The scoring process systematically assesses the T&D rate with 98 binary (Yes/No) questions. By using this data set, the study can separately assess the level of T&D in Libyan financial companies since emergence LSM on three levels: overall, three categories, and twelve subcategories, in their annual reports (see Figure 1.2, part 1). Then, compare it with companies in other countries (see Figure 1.2, part 2). Also, assess whether there are variations between companies in T&D practices in their annual reports (see Figure 1.2, part 3). Figure 1.2 explains the first conceptual framework in this study using S&P T&D as follows:

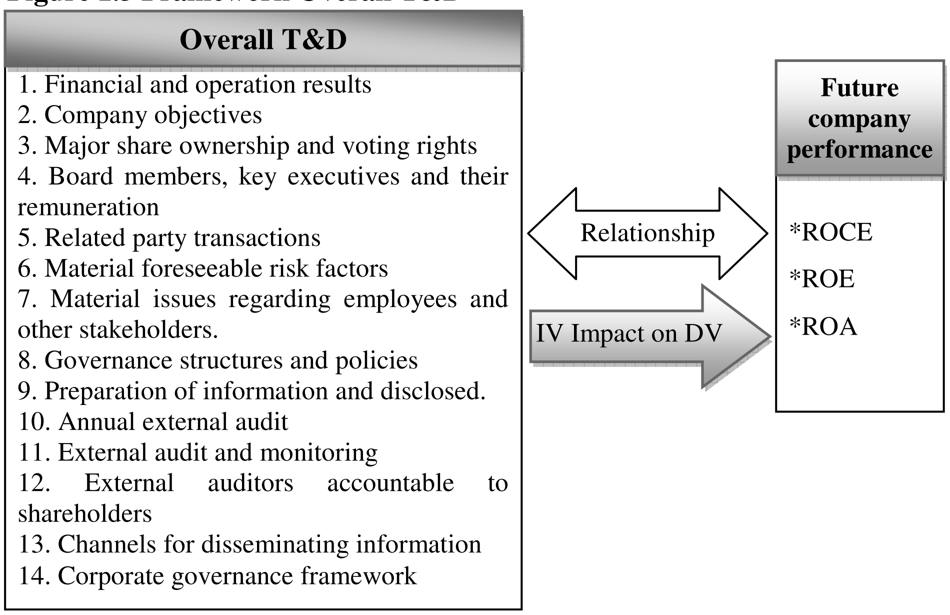
Figure: 1.2 Framework S&P T&D



Secondly, by using the above data and scores this study investigates the difference between the extent of T&D according to six company-specific characteristics: listing status, measured by whether listed or not in the Libyan Stock Market; ownership structure, measured by public and private sector; size of the company, measured by total assets; age of the company, measured in years; type of industry, measured by banks and insurance companies; audit peer review, measured by whether companies have audit peer review or not (see Figure 1.2, part 4).

Thirdly, this study examines whether CG as measured by T&D practices is associated with the financial performance of listed financial companies in Libya, using data from 25 out of 27 Libyan financial companies (93%), the data being collected by applying a questionnaire technique. The questionnaire uses a fourteen-category procedure to assess methodically the T&D practices with a five-point Likert-scale, binary (Yes/No) questions, as well tick box questions (see Subsection5.7.2). By using this data set, this study first, determines the relationship between fourteen variables of T&D and three company performance. Thereafter find which variable of T&D has the most impact on financial performance. Figure 1.3 explains the second conceptual framework in this study using questionnaire technique as follows:

Figure 1.3 Framework Overall T&D



IV= Independent variables and DV= Dependent variables

1.6 Main Research Results

The main researches finding in this study are presented in six sections as follows:
In general time-series evidence for the S&P T&D index indicates that, on level, T&D practices of Libyan financial companies improved during the same period. These findings further highlight the need for the LSM to push for T&D reform.
The results in this study show that the level of T&D in the annual reports of Libyan financial companies improved during the four years; total T&D showed a statistically significant increase for all pairs years and for the four years, but was still low. The best of the three categories of T&D was financial transparency and information disclosure, and the lowest level was ownership structure and investor rights (OSIR). The subcategories of accounting policy review were very high whilst voting and shareholder meeting procedures were very weak. However, the level of T&D was low when compared with companies in other countries, and there were variations between companies in T&D practices in their annual reports.

The results of this study measuring the level of T&D according to six corporate characteristics. First listed status showed the difference in levels of T&D associated with listed and unlisted companies in the LSM. Total T&D for the two groups, listed in the Libyan Stock Market (LLSM) and unlisted in the Libya Stock Market (NLLSM), showed a statistically significant increase for all pair years and for the four years. Companies LLSM showed more T&D information than those not listed.

The second element to be examined was the difference in level of T&D associated with ownership structure. Total T&D for two groups, public and private sector, showed a statistically significant increase for all pair years and for the four years. However, companies in the public sector provided more (T&D) information than companies in the private sector.

The third element to be examined was the difference in level of T&D associated with company size as measured by total assets. Total T&D for two groups, small and middle companies, showed a statistically significant increase for the four years, and small companies for all pair years, while larger companies revealed no statistically significant increase for the four years. However, the small size companies gave more T&D information than middle and large size companies.

The fourth element to be examined was the difference in level of T&D associated with company age. Total T&D for three groups, younger, medium and older, showed a statistically significant increase for the four years, and the older companies showed a statistically significant increase for all pair years. However, the companies of younger and medium age provided more T&D information than the older ones.

The fifth element to be examined was the difference in level of T&D associated with type of industry. Total T&D for two groups, banks and insurance companies, showed a statistically significant increase for all four years, but the banks also showed a significant difference increase for all pair years. However, the banks companies provided more T&D information than the insurance.

The sixth element to be examined was the difference in level of T&D associated with audit peer review. Total T&D for two groups showed statistically significant increase during the four years; also, the companies with audit peer review showed a statistically significant increase for all pair years. However, the companies with audit peer review had more T&D information than companies without audit peer review.

This study seeks to determine the relationship between variables of CG practices as measured by fourteen variables of T&D and three variables of financial performance indicators as measured by ROCE, ROE and ROA. First, the study showed that there are relationships between four variables of T&D practices Major share ownership and voting right (MSOVR); Board members; key executive and their remuneration (BMKER); Material foreseeable risk factors (MFRF) and corporate governance framework, complemented by effective approach that addresses and promotes the provision of analysis (CGF) and ROCE. Second, there are relationships between two variables of T&D practices (MSOVR and MFRF) and ROE. Third, there are relationships between three variables of T&D practices (MFRF, Governance structures and policies “GSP” and CGF) and ROA. Furthermore, the independent variable (CGF) was shown to have the most impact on the dependent variables (ROCE and ROA), and the independent variable (MSOVR) had the most impact on the dependent variable (ROE).

1.7 Organization of the Study

The current study has been organised into nine chapters and a brief overview of each chapter is presented as follows:

Chapter one, the introduction, describes the motivation of the study and provides information on scope, aims and objectives, empirical questions, and research methodology of the study, in addition to the main research results.

Chapter two contains a description of the Libyan CG framework. It offers an introduction and background about the Libyan economic sector. The external CG landscape is described in detail. These include Libya Commercial Law, Financial System Law, Income Law, Banking Law, Foreign Capital Investment Law, and CG, the quality of the accounting and auditing, and LSM regulation. For each of these external CG legislations, where applicable, its origins, CG provisions, strengths, weaknesses and challenges are comprehensively discussed.

Chapter three is a review of prior studies on CG in general and T&D issues in particular and related areas that have been carried out. Firstly, it offers working definitions of CG, and provides a focus of prior studies on CG. Secondly, it provides an overview of CG principles. Thirdly, role of T&D in good governance, and provides detail of agency theory and information asymmetry, which is related to CG, useful for explaining the role of T&D in CG. Fourthly, an overview of T&D definitions, cost and benefit of T&D, T&D and annual reports, role of T&D in the stock market, and environment factoring effecting T&D. Fifthly, T&D and company characteristics. Sixthly, T&D and financial performance.

Chapter four presents the development and formulation of testable hypotheses.

This study collected primary data by two methods, the S&P T&D score and a questionnaire, and secondary data from previous studies. The study set eleven empirical questions (see Subsection 1.5), and applied eleven hypotheses to answer those questions.

Research hypotheses are conceptually developed and prepared for empirical test in Chapter four. This chapter develops hypotheses with three main parts. The first is the extent of T&D with the emergence of the LSM which will be argued overall and according to three categories and twelve sub-categories (see Appendix 1).

Comparisons will be made with companies in other countries. In addition to addressing variations between companies in T&D practices in their annual reports. The second is the extent of T&D with six company-specific characteristics: listing status measured by LLSM and NLLSM; ownership structure measured according to whether a public or private company; company size measured by total assets; age of the company measured in years; industry type measured by banks and insurance; and audit peer review measured by whether companies have audit peer review or not – Overall consideration will be given according to the three categories and twelve sub-categories. Third, previous literature and requirements in the Libyan environment of fourteen T&D practice variables and three accounting measures for financial performance will be discussed. In three parts for each variable, the theoretical literature will first be discussed, followed by a review of the previous empirical literature. In addition the fourteen T&D variables will be argued to find which independent variables have the most impact on three dependent variables. Furthermore the eleven hypotheses with sub-hypotheses will then finally be developed on the basis of the review for each variable.

Chapter five discusses the research design, namely, the sources of data and methodology that will be applied in the empirical parts of this study. Chapter five presents research methodology. First, it reviews the research aims and objectives of this study, the philosophy of the research, and the research population. Second, the chapter divides into two parts, the first part about S&P T&D, and the second part about the questionnaire that is used in this study. Each part of the chapter gives information on research design, data collecting, validity and reliability of the study, and data analysis.

As at 01/11/2009 when the data collection began, there were a total of 30 companies listed by the Libyan Ministry of Economy and Trade. As three of the companies were not established until after 2008, they are excluded from the study, leaving a total of 27 companies to be sampled from 2005 to 2008 (2005 before the LSM was established, June 2006 when the LSM was established, and 2007 the first year the LSM started working). Company-level T&D data was collected from annual reports obtained for the 27 companies. Secondary data will be used for prior literature to compare company-level T&D in Libya with companies in other developed and developing countries. In addition, fourteen variables of T&D practices data will be collected from the questionnaire obtained from 25 companies to determine the relationship between T&D practices and financial performance, and to find which T&D practices (independent variable) has the most impact on financial performance (dependent variable).

This chapter contains descriptive statistics. The descriptive statistics have been divided into two main parts. The first part presents a summary of descriptive statistics of data collected from annual reports. One-way ANOVA (more than pair years) and Paired T-test (pair years) for Parametric method, and Friedman (more than pair years) and Wilcoxon (pair years) for Non-parametric technique are used to test the hypotheses H_1 to H_9 and their sub-hypotheses. Pearson's correlation technique is used to test $H_{10}$and their sub-hypotheses, and Multiple Regression analysis technique is used to test H_{11} and their sub-hypotheses.

Chapters six and seven in this study are related to results. **Chapter six** shows the results of the statistical analysis. This chapter starts with descriptive statistics, then the first tests of the hypothesis of the difference in level of T&D during the four years. The second compares the level of T&D with companies in other countries. The third find variations between companies in T&D practices in their annual reports. The fourth test of the hypothesis is the statistically significant increase of T&D according to six corporate characteristics (listing status, ownership of company, size, age, industry type, and audit peer review) measured by inferential statistic test.

Chapter seven starts with descriptive statistics, then the first tests of the hypothesis of the relationship between T&D practices and three companies' financial performance (ROCE, ROE, and ROA); the second test of the hypothesis is which of the independent variables (T&D) has the most impact on the dependent variable (financial performance), measured by inferential statistic test.

Chapter eight discusses the results of the research presented in chapter 6 and 7.

Finally, **Chapter nine** gives an overview, the aims and objective, and summary of research methodology of this study, its implication for investors, companies, and CG; specific T&D will be presented. After that, the contribution, recommendations, limitations, and future research are presented, followed by the conclusions.

Chapter 2 Background of the Research Setting: Libya

2.1 Introduction

This study is concerned with T&D practices in Libyan financial companies. The CG issues were controlled by both fiduciary restraints developed in the commercial law and supplemented by legislation so that modern directors' duties are an amalgam of commercial law, equity and statute (Thomson & Jain, 2006). To understand this issue the aim of this chapter is to explore the CG and T&D legislation, rules and codes related to company governance in Libya. For each of these laws, rules and codes, and hence provide the contact for the empirical study, its origins, CG provisions, strengths, weaknesses and challenges will be discussed. The chapter also provides a useful background to the Libyan economic situation.

This chapter introduces the distinctive features that characterise the Libyan economy. Since Libya is a developing country, its economy will certainly need to undergo certain changes in order to become a fully-fledged, developed one, which is what the Libyan authorities are striving for. Ntim (2009) argues that changes in the macro environment, such as government regulations and tax policies may impact differently on CG structures and financial performance over time.

This chapter is arranged as follows: section 2.2 relates to Libyan economic sectors; financial regulation is summarized in section 2.3; section 2.4 overviews CG in Libya; the quality of accounting and auditing in Libya are summarised in section 2.5; section 2.6 reviews the Libyan stock market; section 2.7 gives the summary and conclusion of this chapter.

2.2 The Libya Economic Sectors

During the period 1951-1978, the Libyan economic system was mixed between public and private sector. Following the 1979 and 1980 nationalisation of the private sector by the Libyan government, the economy sector became owned, controlled and supervised by government institutions. In 1988 a bye law No. 8 was promulgated which allowed the private ownership of economic activities. However, the private sector started again as from 1990s. Therefore, in October 2004, Libya applied to be an observer member of the World Trade Organization, and the Libyan Stock Market was established for the first time in 2006.

Libya is an oil and gas producing and exporting country and oil constitutes the backbone of its economy. The Libyan economy is different from the economy of Western countries in several aspects. This section highlights some of these aspects. First, it is a relatively small sized developing economy that depends exclusively on crude oil and natural gas extraction and exporting. Crude oil exports represent more than 90% of the total Libyan exports and both sectors, oil production and natural gas extraction; constitute about 27% of the gross domestic product. As pointed out earlier, oil is the main source of income in Libya. There is hardly any other resource in the country (Altunisilc, 1995, p. 48). Before the discovery of oil, Libya was considered as one of the poorest countries. Libya overcame the difficult economic circumstances of the 1950s with American aid and British financial support, along with UN backing through carefully planned programmes (Altunisilc, 1995). Before the economic development of Libya which took place after the discovery of oil, the Libyan populace earned their living through agriculture and animal husbandry (Higgins, 1968, p. 820). The limited number of enterprises that existed before were controlled by Italian expatriates (Bait-El-Mal, Charles, & Taylor, 1973). Second, the Libyan economy is in transition to a market economy and in order to do so it has to initiate changes and undertake measures that boost its economy.

Many researchers asserted that the Libyan economic situation developed positively after the discovery of oil and that this development led to an increase in the investment of foreign capital in the country (Altunisilc, 1995). With the increase of international oil companies' investment in Libya after 1959, the need for direct foreign subsidies declined. This revenue continued to rank Libya as the second largest oil producing country in the Arab world. Oil export revenue was $ 38.2 billion in 2007, $40.1 billion in 2008 and $47.1 billion in 2009.

2.3 The Financial Regulations

The Libyan authorities have undertaken several financial regulations and acts to promote their economy. These acts, measures and regulations will be presented and discussed in this section. The market for corporate control rewards good performance but judges under-performance with either falling share price as investors leave the stock or takeover bids occur by more aggressive managers.

The aim of this section is to summarise: the Libyan Commercial Law in subsection 2.3.1; the Financial System Law in subsection 2.3.2; the Income Tax Law in subsection 2.3.3; the Banking Law in subsection 2.3.4; the Foreign Capital Investment Law in subsection 2.3.5.

2.3.1 The Libyan Commercial Law[1]

The Libyan mercantile law and the income tax law are considered the most important legal factors that affect the regulation of accounting practices in Libya. The Libyan Commercial Law was enacted in 28/11/1953; it comprised regulations concerning business activities performed by individuals disregarding their legal status. It embodies the rules executed on traders (Libya State, 1970). These rules bound every trader to abide by the regular daily bookkeeping, inventory and budget at the minimum level according to Article 58 of Traders and Commercial Companies and Supervision (TCCS) (Libya State, 1970), and to maintain special files for correspondence and dialogue relevant to trade affairs according to Article 59 of the TCCS (Libya State, 1970). The most formal measures and objectives that guarantee the consistency of these books are outlined below. Every page of the obligatory book must be numbered and stamped, the first instance stamped by the court. Furthermore, it is crucial for the registrar to write attestation on the first page of each book, indicating the number of pages and confirming the official title with the signature and the date on this attestation. Books and files should not have blank spaces or anything written in their margins or between the lines, neither should they have any erasures, according to Article 60 of the TCCS (Libya State, 1970). The law binds every trader to preserve these books and files for a period of not less than five years, as stated in Article 64 of the TCCS (Libya State, 1970). It also binds the board of directors to set up the fiscal year Balance Sheet for joint-stock companies, to calculate profit and loss and to attach a report to the Balance Sheet demonstrating the progress of the

[1]The new Libyan Commercial Law No 23 was enacted in 2010, and according to the article No.1359 started working as of the date of its publication in the Code of legislation in 21/08/2010.

company's activity, as laid down in Article 272 of the TCCS (Libya State, 1970). The Balance Sheet content of assets and deductions has to be fixed in the Balance Sheet with the overall value, as stated in Article 273 of the TCCS (Libya State, 1970) and should be approved by the General Assembly, according to Article 516 of the TCCS (Libya State, 1970). The board of directors should submit a copy of the Balance Sheet and the calculation of profit and costs in an appendix to their report together with the control committee's report and the General Assembly approval minute to the trade register bureau within 30 days of endorsement, as set down by Article 583 of the TCCS (Libya State, 1970).

The Libyan Commercial Law has clarified many rules concerning estimating the assets, establishing the legal reserve, increasing and/or decreasing the invested capital and distributing profit. Among the important rules regarding the valuation of assets are the following:

- Assets are valued based on their original cost;
- The inventory should be valued at the "lower cost or market";
- The Trademarks should not be valued higher than their cost or purchase price, and the values of these assets are to be amortized each financial year in accordance with their useful life;
- Debts should be valued at their estimated realizable value;
- The organization and development costs may be capitalized with the consent of the board of directors, in which case the capitalized values should be amortized over a period not exceeding five years; and
- The Goodwill cannot be recorded unless it is purchased; once recorded, it should be amortized in the coming years by a suitable amount estimated by the directors and the board of auditors, according to Articles: 574, 575 and 576 of the TCCS (Libya State, 1970).

The legal reserve is established by deducting no less than 5% of the net annual profit until the value of this reserve is 20% of the company's capital; this is regarded as part of the retained profits classified as standing capital (Article 557). The increase in the company's capital is realised by issuing new shares with a price higher than their nominal value. This is realised before completing the establishment of the legal reserve or via transferring the reserve surplus to the company's capital by issuing free new shares or by increasing the nominal value of the floating shares, as stated in Articles: 578 and 590 of the TCCS (Libya State, 1970). The reserve surplus may be decreased when it surpasses the enterprise's needs or in the event of losses of more than a third of the capital, by exempting the participants from paying the remaining instalments or returning the capital instalment to the State in compliance with the current legislation Articles: 578 and 590 of the TCCS (Libya State, 1970).

The commercial law also stipulated the need to appoint auditors, as set down in Article 550 of the TCCS (Libya State, 1970) so as to monitor the company's administration and to ensure the sound progress of the company's activities in accordance with the law. Article 553 of the commercial law details the duties of the auditing board. The law obliges the auditor to submit a report to the General Assembly on the outcomes of the fiscal year activities, expressing his view regarding the progress of the company's work together with the authenticity and the endorsement of its budget and accounts, as described in Article 580 of the TCCS (Libya State, 1970). When the legal system which governs information disclosure is not enforced, companies are not likely to disseminate high quality information disclosure (Haniffa & Cooke, 2002). Libyan commercial disclosure requirements are very low, and companies are only required by law to provide a balance sheet and income statement together with the external auditor's report and directors' report (Article 572). However, the Commercial Law 1953 does not specify what this annual report should include, nor does it indicate the format of this report.

2.3.2 The Financial System Law

The Act concerning the Financial System Law (FSL) (Libya State, 1967) was first put into effect in 1967. According to Article 1 of the FSL, this law permits the Treasury Secretary to control the State Budget and to plan for future expenditure. In order to implement this, the Treasury Secretary assigns a Finance Controller to every institution, and organisation. The role of this controller is to prepare a report on the institution's policies; he then presents it to the Treasury Secretary. A copy of their report is forwarded to the concerned secretariat, organisation and/or institution. Kilani (1998, p. 213) observed that this procedure is based on the principle that "the Treasury should be wherever the public money is". As a result, the Treasury Secretary gets involved in all publicly held organisations. In general, all the administration processes of the budgets are identical. Based on Article 6, every budget consists of two sections: revenue and expenditure FSL (Libya State, 1967). The expenditure itself embodies three divisions: wages, general expenses and new projects. Moreover, Article 23 of the FSL (Libya State, 1967) requires that the Treasury Secretary should prepare an annual report for the Public Control Office, embracing detailed information of the State's budgets and expenses. It also embodies suggestions for its improvement, debts or any emergency accounts, as well as trusts.

2.3.3 The Income Tax Law[2]

The Income tax law that was in force in Libya during the period from 1923 to 1968 was the Italian income tax law (El-Sharif, 1981). But after initiating certain necessary amendments to suit the local circumstances, a new income tax law was enacted for the first time in Libya in 1968 (Central Bank of Libya, 1971, 1977). In 1973, this law was substituted by the Income Tax Law No. 64 (Libya State, 1973), which has had a direct impact on accounting practices in Libya; it has been applied by many companies for the purpose of setting up external financial reports.

The Libyan income tax law does not differentiate between income tax and other ordinary activities or between income tax and other unusual activities (Shareia & Buferna, 2001), whether this income is a product of an activity sale or of any of the activities involving material or non-material assets (Article 65).Both Income Tax Law No. 64 and the Stamp Law No. 65 (Libya State, 1973) were amended in accordance with the principal popular congresses' resolution adopted when the congress held its meetings during the period from 26/12/2002 to 2/1/2003. In March 2004, Income Tax Law No. 11 substituted the Income Tax Law No 64; it is worth noting that a significant change was initiated in the new law. It offers tax allowances, especially for those with high incomes, and it has also deleted the public tax category of income and increased the value of each category in the progressive taxes on activities (Libya

[2]The new Libyan Income Tax Law No. 7 was enacted in 2010, and according to the article No.105 started working as of the date of its publication in the Code of legislation in 21/08/2010.

State, 2004). The recent changes have encouraged the private sector to make more profit and, thus, to contribute to Libyan development plans.

2.3.4 The Banking Law

The deregulation of the banking system is one of the most significant steps towards reconstructing the Libyan economy. During the year 2005, the banking system witnessed an important development. Law No.1 for the year 2005 (Libyan State, 2005) was passed; this legislation governed banks, money and credit. The law enclosed several articles specifying the Central Bank's responsibilities, the work of the commercial banks, currency control and penalties for commercial discrepancies. The law stated that the Central Bank should be renamed the Central Bank of Libya. It also defined the Bank's functions that are related to its organisation, the monetary issues, and the maintenance of its stability, the organisation of credit, the banking policy and the bank supervision on administering the state's economic policy. In the field of bank work, it stipulated that the Bank should contribute to financing the development plan and to participating in economic projects.

It also stipulated that the commercial banks should adopt the form of joint-stock companies with a paid-in capital of not less than 10 million Libyan dinars divided into nominal shares for general subscription. It also permitted foreign banks to open branches or bureaus representing them in Libya in accordance with the conditions specified by the Central Bank of Libya. In the field of control, the law authorised the Central Bank of Libya the right to formulate general rules for controlling and supervising the rating of assets, specifying the rates of liquid assets, defining aspects of investment and determining the reserves to be provided, together with observing the financial rates and fixing the interest rate for all credit and debit accounts and discount prices. The law warned against the operations of the banking affiliation without the prior consent of the monetary authorities. In the field of banking confidentiality, the law obliged the banks not to enforce any restriction on the freedom of depositors that manage their own balance and guarantee the confidential maintenance of their account. The law had also forbidden dealing in foreign currency and the transfer from and into the country except under certain conditions specified by the Central Bank of

Libya via authorized banks and institutions. It also allowed every national or judicial person to preserve any foreign currency he possesses in a commercial bank.

In the framework of enhancing the safety of the banking system, the Central Bank of Libya shoulders the responsibility of monitoring and following up the effectiveness of controls and the internal audit in banks. In the context of the international efforts to combat money laundering and financing terrorism, in accordance with the existing international standards and supporting documents prepared by the Basel Committee on Banking Supervision, the International Organization of Securities Commissions, the International Association of Insurance Supervisors, and the team of the Financial Action Group on Money Laundering, the Central Bank of Libya took the necessary required precautions. It passed Resolution No. (40) For the year 2002, and endorsed in December 2005 Law No. (2) for the year 2005 concerning Anti-Monetary Laundering, the establishment of a Financial Information Unit for the Central Bank of Libya and the selection of terms of reference, as indicated by the resolution, “Creating a banking supervision and a monetary unit called the Financial Information Unit for the Central Bank of Libya specialized in monitoring and following-up all operations conducted by the banks”.

Although Bank Law No. (1) for the year 2005 in article No. 46 stated “the bank during the four months from the date of the end of its fiscal year should be display of their financial statements for the year ended in accordance with the International Financial Accounting Standards”, Banks in Libya are still in their early stage to comply with these requirements.

2.3.5 The Foreign Capital Investment Law[3]

Foreign Capital Investment Law No. 5 of 1997 (Libyan State, 1997) along with other Libyan laws and regulations concerning foreign investment comprise many of the protections international corporations demand when they invest in a country. Law No. 5 and its implementing regulations were enacted in 1997, with additional regulatory amendments made in 2002. So far, there has been little evidence demonstrating how

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[3]The new Libyan Foreign Capital Investment Law No. 9 was enacted in 2010, and according to Article No.31 started working as of the date of its publication in the Code of legislation on 21/08/2010.

these rules are really enforced, but foreign investors coming into Libya will take it for granted that the law will be applied as it is written and will not be altered after they arrive. The law aims at encouraging direct foreign investment in sectors such as industry, agriculture and services. It has become understandable to most countries of the world that investment is not any more a colonial instrument used to expropriate a nation's wealth as it used to be in the past (Gilston & Rockville, 2004).

Law No. 5 covers sectors such as transportation, health, education, and maritime services. District laws and rules govern the oil, gas and banking sectors. The law offers incentives for investors including exemption from some tariffs and import fees besides release from income taxes for five years. It permits the export of products and the repatriation of profits and provides for arbitration of disputes in the Libyan courts. Foreign investors need to be registered and to have their investments endorsed by the Investment Board. The board has already approved 91 investments, including 41 in 2004. The Libyan Secretary for Tourism addresses investment in tourism, which is expected to be a major source of income in subsequent years.

The General People's Congress (the highest legislative authority in Libya), for the purpose of attracting foreign investments and accelerating the social and economic development, enacted Law No. 5 that encourages foreign capital investment. In line with the implementation of 'the Development Plans' of 1980, the rise of a private sector, the growth of foreign investment and the impact of globalisation, a strong demand for changing accounting and accounting education has emerged (Ahmad & Gao, 2004).

Foreign investment was not allowed in the banking sector (but this is now changing). Libya plans to privatise two publicly owned banks, but their ownership will be restricted to Libyans. The banks are under the control of the Libya Central Bank. The Central Bank endeavours to upgrade the Libyan banks, to introduce modern technologies and to promote international standards so that when the time is appropriate to permit foreign banks to come to Libya, the Libyan banks will be in a position to compete with the foreign banks (Gilston & Rockville, 2004).

Table 2.1 provides Libyan investment projects according to areas and by type of capital for the years from 2000 to 2009.

Table 2.1 Libyan investment projects according to areas and by type of capital

Area (2000-2009)	Number of projects	Type of Investment		
		Size of Foreign Investment in LD	**Size of Local Investment in LD**	**Total in LD**
Industry	54	1,001,447,812	793,061,533	1,794,509,345
Tourism	51	303,480,100	173,540,916	477,021,016
Services	28	147,670,645	148,123,291	295,793,936
Health	10	24,716,604	23,403,289	48,164,893
Agriculture	2	5,808,730	-	5,808,730
Real Estate	1	3,553,000	3,553,000	7,106,000
Total	**146**	**1,486,721,891**	**1,141,682,029**	**2,628,403,920**

Source: The Annual Report of (Libyan Foreign Investment Board, 2009)

The performance indicator, foreign direct investment, which is prepared by the Trade and Development Agency of the United Nations (UNCTAD), indicates that:

- Qatar, the UAE, Bahrain and Jordan are considered leading countries with good performance and high potential.
- Libya, Algeria, Kuwait, Oman, Saudi Arabia have low performance in spite of high potential.
- Morocco, Egypt and Sudan exceeded their performance capabilities.
- Syria suffers from a lack of performance.
- Yemen suffers from a lack of performance and potential.

However, Alfergani (2010) find that there are many challenges facing the Libyan policy environment in order to reorganise the business environment to make it more attractive for foreign direct investment.

2.4 Corporate Governance in Libya

The international CG literature states that most developing countries have for long periods adopted Western CG systems; deplorably, in many cases, the contribution of these systems to the developing countries' socio-economic development tends to be very restricted. The historical Libyan culture of CG is poor. The Governor of the Central Bank of Libya in 2005 published for the first time an introduction to CG in Libya through an introductory paper covering the practice of CG in the banking sector. Larbsh (2010) suggests that the CG framework in Libya is less developed, and Libya has lagged behind its neighbours. Also, the study reveals that the absence of principles of CG has led to the weakness of accountability and responsibility processes. The influence of the opaque economic structure, outdated legal system, influences of culture and social norms, political interference, and lack of accounting professionalism in the CG framework were also evident. The weakness of the education system and the stakeholders' activism were other factors in the CG framework. Magrus (2012) argues that CG in Libya is in its early stages of development and is characterised by a weak legal environment, lack of knowledge about CG, and the influence of cultural, social and economic factors is evident.

Larbsh (2010) argues that the Libyan government encourages the improvement of CG through some efforts such as:

1- Transforming the public sector through privatization of the public sector.

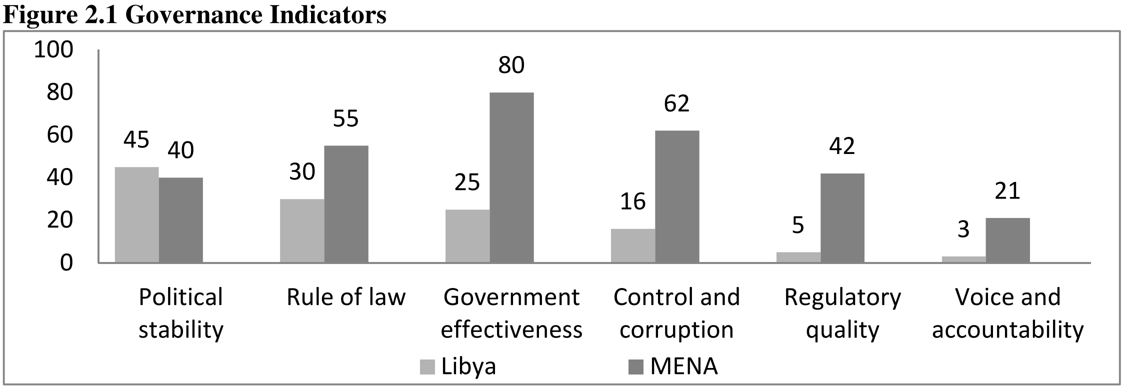
2- Encouraging foreign investment through publishing of new laws.

3- Encouraging the private sector to effectively increase accountability and reduce the spread of corruption.

Good CG is vital for establishing companies that are transparent, that are focused on long-term value creation and that can respond effectively to market pressures. Defined originally in terms of the mechanisms that resolve day-to-day issues between owners and managers of a company, CG has expanded to a great extent in its application and significance – especially in emerging markets – both as a tool for developing efficient companies and as a medium of reforms in a variety of economic, political, and financial areas (Nadgrodkiewicz & Shkolnikov, 2010).

Porter and Yergin (2006) argue that there are six key political governance indicators (Political stability, Government effectiveness, Regulatory quality, Voice and accountability, Rule of law, and Control and corruption) in MENA; they find that only the rank of political stability in Libya is better than MENA (see Figure 2.1).

Figure 2.1 Governance Indicators



Source Porter and Yergin (2006)

Libyan Accounting and Auditing

There are no accounting principles or auditing standards in Libya (Bait-El-Mal, et al., 1973; Buzied, 1998; Kilani, 1988). In the absence of these principles and standards, companies in diverse industries or even in the same industry applied various accounting principles, regulations, rules, methods and procedures. As a result, the choice of accounting standards, methods and techniques is left entirely to the interests of each company's accountant, manager and/or auditor in accordance with their educational background (Buzied, 1998; Kilani, 1988).

2.4.1 Accounting Quality in Libya

Accounting information has played a significant role in the Libyan economy for over half a century. Resource allocation, monitoring social and economic development plans and establishing a product-pricing system all rely on accounting information (rather than on the mechanism of the market forces). The users of accounting information are principally the state and the state agencies. This economy is thus essentially different from the Western market economies where private investors and creditors are among the major users of accounting information (Ahmad & Gao, 2004).

Libya's position as a less-developed economy with its embedded Arab and Muslim traditional conventions and beliefs contrasts with the more developed economies such as the US and the UK. Libya is a representative of a significant number of less developed economies with similar ethnic and religious backgrounds, which are striving to follow the competitive structures and processes widespread in the global economy. However, two factors, especially, can be identified as the most likely ones that explain the limited role of accounting in Libya. The first factor that adversely affects investment is the absence of any agreed-upon accounting standard and/or a general framework for an accounting system in Libya which could be utilized to provide guidance on how such systems can be sustained and developed. The second factor is the inconsistency between the adopted accounting system and the country's environment, particularly the culture context (Buzied, 1998).

Although Libya's laws (e.g., the Tax Law, the Commercial Law) have played an important role in developing its accounting systems in Libya, there is an absence of a comprehensive framework with regard to accounting standards, practices and methods. Such situation has limited the utility of accounting reports. Moreover, the absence of an accounting framework has led to a poor linkage between the economic development needs in Libya and the accounting information supplied by the companies. Consequently, the usefulness of this information in monitoring, planning and evaluating as well as preparing the national accounts, has become limited. Accounting in Libya should provide information crucial for effective evaluation and decision making at both the micro and macro levels.

Records that indicate precisely how and when the accounting profession was first established in Libya are not available. Since the early 1950s, the development of the Libyan accounting profession has been significantly influenced by a number of factors, among which are the educational system, the instruction of accounting academics, the preferences of international companies, the expertise of international accounting companies and to a certain extent, the speedy transformations in the Libyan social, economic, political and legal environment. Western influences have driven the Libyan accounting profession to pursue a path similar to that of its counterparts in the UK and the US. (Kilani, 1988). Compared with the Western accounting profession, which has existed for more than a century, the Libyan Accountants and Auditors Association is quite young. It is only 39 years old. It was established when the Certified Public Accountant system was introduced officially in 1973 by Law No. 116 of 1973 (Libya State, 1974). Following this date, the profession has become more formal. Moreover, accounting has become a popular course of study since 1957, when the Faculty of Economics and Commerce was established at Garuonis University in Libya. The preference for the US system was apparent because many Libyan students graduated from American universities during the 1970s (Kilani, 1988). The entire Libyan accounting systems together with the accounting principles, procedures, reporting, profession and education are found to be transplanted from the Western world, particularly from the UK and the US (Buzied, 1998; Kilani, 1988, 1998). The utility of this approach in developing countries is questioned, as the output of the current accounting systems in most Libyan companies is found to be of limited use and can only play a minor role in the country’s development process (Buzied, 1998).

Libya needs an increase in the relative benefit of accounting information for economic development; such increase can ensure the incorporation of the previous characteristics. Developing accounting in Libya must therefore comprise the use of unified accounting policies on the level of the main sectors in a manner that will allow the results obtained to be compared on one hand, and connected with the needs of national accounting on the other hand. This may be initiated by setting up an accounting manual and several forms of financial statements for companies with similar activities, with the flexibility that allows for understanding issues related to every sector and company and meeting any new development as well. Standards need to be developed to assess investment enterprises for both the public and private sectors and to assist in making fair judgements concerning efficiency and effectiveness in using available resources (Shareia, 2006).

Ellabbar and Havard (2005) find that the level of accounting disclosure of Libyan construction companies is lower than that of Egyptian companies. El-Firjani (2010) suggests that the accounting profession in Libya is still in its early stage of development and is still lacking a clear structure in order to develop corporate accounting practices.

Moreover, Scott and Troberg (1976) identified a number of factors that may differentiate accounting systems and practices in developing countries such as Libya from those of developed countries. These include: tax accounting regulation and auditing standards; lack of timeliness of accounting information; shortage of qualified accountants at all levels; lack of qualified accounting instructors; and inadequacy of locally authored accounting textbooks and the teaching of accountancy at college level. Very few of those developing countries that have professional accounting bodies offer a national qualifying examination such as in Libya. That constraint and those imposed by the scarcity of educational resources cause gaps to remain between the demand for and the supply of accounting technicians and qualified accountants and the development of the accounting system. Shareia (2010) argues that as Libya is a centrally planned, politically ideologically driven country, its accounting systems and accounting profession have not been developed autonomously, but rather in response to government requirements. Verriest et al. (2012) found that strong CG companies disclose more information, comply more fully and use IAS 39’s carve-out provision less opportunistically. Therefore, accounting bodies such as the Libyan Union of Accountants and Auditors must establish and tighten the accounting and auditing standards that are suitable for the Libyan environment. Larbsh (2010) argues that weak adoption of the International Accounting Standards (IAS) and the absence of Libyan Accounting Standards affects full disclosure and results in a deficiency in the content of reports and statements in Libya. Ellabbar (2007) suggests that there is an absence of domestic Generally Accepted Accounting Principles, and the major impact on disclosure requirements has come from Libyan laws related to economic activities. Few relevant Libyan laws and regulations influence accounting in this respect. Eldarragi (2008) shows that the profession in Libya is suffering from a severe lack of legislation and standard.

There are many obstacles facing successful implementation of IASs in Libya, including: culture, low education, technical and specialist accounting and auditing. Hove (1986) argued that accountants in less developed countries should be made conscious of the fact that accounting practised in developed countries might not be related to their environment and, hence, they must try to develop accounting practices that are suitable to the their national environment.

2.4.2 Audit Quality in Libya

From the early 1970s to the present day, UK and US foreign oil companies have proceeded with established practices and systems. Direct foreign oil investment in Libya has robustly affected Libyan accounting practices and promoted the audit profession to operate within the established frames (Bait-El-Mal, et al., 1973). The Libyan auditing profession itself has been intimately modelled on those of the US and the UK over a period of six decades. The nature and development of the audit profession in Libya could thus be contrasted with the US and UK contexts of audit behaviour (Ritchie & Khorwatt, 2007).

The legal imperatives originate from the legal statutes endorsed in 1973 (Law No. 116). This calls for the suspension, expulsion or imprisonment of auditors who fail to ‘live up to the expected professional standards’. More specific provisions relate to the disclosure or communication of client information and professional ethics. The same law (Article 53) founded the Libyan Auditors and Accountants Association, specifying its role and responsibilities, and provided its statutory legal powers. Presently, there are around 500 members of the Libyan Auditors and Accountants Association.

The Libyan Auditors and Accountants Association do not only undertake sole responsibility for implementing the legal statutes on behalf of the Government but it also manages every facet of the auditing profession. Auditors are not allowed to practice unless they are members of the Libyan Auditors and Accountants Association and all civil proceedings by clients can only be pursued via the Libyan Auditors and Accountants Association itself. The professional body can itself impose the suspension of a member for up to 3 years, the expulsion or imprisonment of others (i.e. the latter with the support of the appropriate public authority) if the auditor is deemed to have violated the 'professional requirements of honesty and integrity in their professional work'. A recent example for exercising such powers was the imprisonment of an auditor for deception; he produced two different sets of accounts: one for the tax authorities and a more profitable one for the commercial bank from which the client was seeking a loan. The Libyan Auditors and Accountants Association also provides numerous services expected of a professional body: enhancing professional education and development, managing entry to the profession, safeguarding members' rights, founding pension provisions and ensuring the communication of new developments throughout the profession. Competition is limited in the profession since members are not allowed to advertise their services or to use other intermediaries to undertake professional audit work on their behalf. Until very recently, the Libyan Auditors and Accountants Association had not documented the code of ethics but it has now adopted the American Institute of Certified Public Accountants (AICPA) code in its entirety, providing the groundwork for its own ethical standards and judgements. This is an appealing, though perhaps not surprising development, further promoting the previous links to the auditing standards and practices in the US (Ritchie & Khorwatt, 2007).

Therefore, one amongst audit practices in Socialist People's Libyan adopted from USA is audit peer review. The scope of the AICPA's audit peer review program followed the nine components of internal control that were stipulated in Statement of Auditing Standards 25 (AICPA, 1980) and Statements of internal control Standards

No. 1 (AICPA, 1979). In essence, audit peer review was designed as a compliance test to ensure that companies designed, implemented and maintained quality review systems. This is often accomplished through the audit peer review of documentation and a check of procedures that are followed. Hence, review systems are usually struggling to elaborate audit failure and to support the legitimacy of the audit method as an entire(Power, 1993).

Ritchie and Khorwatt (2007) argue that Libyan auditors work in a developing economy context; they have explicated the reasons for their strong affinity to the accounting and auditing practices, standards and professional education in the UK and the US. The significant differences in the operational context in terms of the religious, political and social behaviours and their effect on the competitive environment would suggest tensions or difficulties in directly applying these ‘borrowed’ professional standards.

Ahmad and Gao (2004, p. 369) observe that as a result of the increase in both the number and size of the accounting companies and the lack of regularity in accounting and auditing standards and practices, an urgent need emerged to set up a professional body that shoulders the responsibility for developing a general framework of accounting. To meet such demand, Law No. 116 was enacted in 1973. This is the first law that governs accountancy and other related areas. It embraces: (1) the establishment of the Libyan Auditors and Accountants Association; (2) the accountants’ registration; (3) exercising the profession; (4) the fees; (5) pension and contribution fund; (6) the obligations of the accountants and auditors; (7) the penalties; and (8) the general and transitional provisions. The Libyan Auditors and Accountants Association were established in June 1975 with the following objectives:

- To organize and improve the status of the accounting profession and to improve the standards of accountants and auditors professionally, academically, culturally and politically;
- To organize courses and to encourage members to participate in conferences and seminars in the field of accounting both internally and externally and to keep abreast of recent developments, events and publications whether they are articles published in academic periodicals or lectures;
- To establish a retirement pension fund for its members;

- To increase co-operation between its members and to protect their rights; and
- To take action against members who violate the conventions and code of ethics of the profession.

Moreover, Eldarragi (2008) shows that the analysis of audit reports in Libya indicates that there are different forms and contents of audit reports and no united standard. In addition, a large number of the issued audit reports do not comply with reporting standards. However, an internal and external audit report in Libyan companies was one of the reasons for the low disclosure practice in Libya. El-Firjani (2010) finds that the level of professionalism of auditors in Libya is below the required standard. Furthermore, accounting and auditing professional bodies have a limited role in developing the accounting and auditing profession in Libya.

2.5 The Libyan Stock Market

In June 2006, the LSM was established with the crucial remit of raising capital under an economic reform programme among corporations and investment abroad, which has made a significant contribution to growth of the Libyan economy. With reference to the encouragement of savings and investment, the market's role is responsible for offering investors the opportunity to participate, development of Libya's economic sector in general and the private sector in particular and to share in the growth companies' ownership, thus realising economic objectives.

Hossain et al. (1994), envisages a scope for further research in the field of corporate disclosure in emerging capital markets. CG is an increasingly significant factor for investment decisions. However, in emerging markets such as the MENA, the concerns are much more fundamental. Many countries lack legal conventions and frameworks that ensure the investors adequate protection and guarantee that the dominant shareholders do not change the rules and that the boards understand and fulfil their role objectively and responsibly. Moreover, in most developing countries, the stock markets are in their infancy; they have a restricted role to play in the economy, so applying CG only to listed private companies misses the point. In MENA, for instance, the state-owned enterprises account for an important fraction of the gross domestic products, the family-owned and the other small and medium-sized enterprises that comprise the bulk of all companies. One of the key challenges facing reformers is how to convince companies that are not using stock exchanges to raise capital to the values of good CG (Nadgrodkiewicz & Shkolnikov, 2010).

2.5.1 The Establishment of Libyan Stock Market

The Libyan stock market was started in 2006 under decision No. 134, and supervised by the Ministry of the Economy until 2008. Thereafter, under decision No. 436 in 2008, the Libyan Stock Market started as a company under the holding company 'Economic Development Fund' with a capital of Libyan dinar 50 million.

General People's Committee Resolution 134 regarding the revised establishment of a stock market in Libya determined its Memorandum Agreement. The fourth clause of the LSM law dictated market membership, including the following entities: Subscribed companies with capital no less than the limit stated by the market's administration committee; Commercial and specialised banks; Financial funds; Insurance companies.

Ellabbar (2007) argued that the most critical factors in establishing an active Libyan Stock Market include: clear political environment; an adequate legal framework; a stable economic environment; an adequate market infrastructure; adequate accounting and auditing standards; and an adequate tax framework.

Intended CG (rules, regulations and measures) to achieve and provide the best protection and the balance between the interests of the company's managers, shareholders and other stakeholders associated with them and to apply these rules in the first place on the joint-stock companies listed on the market, as well as heading financial joint-stock companies.

2.5.2 Objectives of the Libyan Stock Market

Article No. 3 in Committee issued decision No. 134 of 2006 for the purpose of establishing the Libyan Stock Market; the main objectives are as follows: to prepare an appropriate investment environment in order to achieve general welfare; to control and observe financial transactions; to serve social and economic development; to establish the required standards to ensure and secure the correctness of the financial market's transactions; to develop cooperative relationships with other regional and international financial markets; to organize stocks (shares) of new public companies; to encourage the saving habit and raise investment knowledge in order to direct capital to the most beneficial sectors; to contribute in the process of privatisation of state-owned enterprises; to develop the competence of the LSM's employees by conducting the necessary training; and to conduct research and collect statistical data about the listed companies.

2.5.3 The Libyan Stock Market Structure

Within the economy, the establishment of the Libyan Stock Market was a major action and step towards improvement of the financial institutions, in order to enable it to realise a better utilisation of financial resources by mobilisation of domestic savings, encouraging foreign savings and channelling such resources towards productive projects through the development of a sound capital market.

The current structure in the LSM consists of two types: a primary and a secondary market. Corporations or other institutions issue shares to the public in the primary market. The secondary market is a locus where shares previously in circulation are traded once they have been issued in the primary market.

The Libyan Stock Market consists of nine departments: Legal Affairs; Control Oversight and Supervision; Trading; Central Listing and Depository; Communications and Information Systems; Public and Quality Relations; Financial and Administrative Affairs; Research Studies and Development; Membership and Administrative Affairs.

The Libyan Stock Market is still in the process of growth, the number of listed companies in the Libyan Stock Market up to January 2010 was very few, the ten companies being five banks, three insurance companies, one cement producer, and a Libyan Stock Market company. Additionally, by the second half of 2008 there were 15 brokerage companies licensed by the Libyan Stock Market to trade in the market. In the Libyan legal system, a company can be formed with limited liability and comprising on three individuals functioning solely as a broker.

In relation to T&D, the Code recommended listed companies to have a written code to determine their policy and regulation. In addition, the Code recommended all companies to disclose at the same time, as their annual financial reports, the following: the CG practices; conflicts of interest; whether the chairman and members of the board and CEO have membership of other boards; full information about the chairman and other directors; chairman and members of the board and CEO ownership in the company; brief description of the responsibility of the sub-committees in the company as well as the names of the members, the name of the chairman and the time of meetings during the year; the manifesto about all remunerations and bonuses to the chairman and other members as well as the top management and watchdog committee; any commercial disputes, penalty, fines or obstruction suffered by the company; the annual review of results of evaluation of the procedures' efficiency of internal audit; amendments to the company's bylaws; the company's capital structures.

2.5.4 The Importance of the Rules of Good Governance in Libyan Stock Market

The Libyan Stock Market set of principles relating to CG can be summarized in the following (Libyan Stock Market, 2007):

2.5.5 For Companies

1- Contribute to raising economic efficiency through establishing solid foundations for a strong relationship between the company managers, the board of directors and the shareholders.

2 - Provide an opportunity for working on a regulatory framework that can be set up via considering the company's goals, and that can identify the means necessary for achieving them by providing appropriate incentives to the members of the Board of Directors and the management, both operational in order to achieve the objectives of the company, which take into account the interests of the shareholders.

3 - Lead to openness on the global financial markets and to attract the investments of a broad base of investors (especially foreign investors) to finance projects. If the companies do not rely on foreign investment, they can enhance the confidence of the local investors and thus increase the capital at a lower cost.

4 - Foster the confidence of investors because such rules ensure the protection of their rights. Thus, the companies that apply the rules of CG properly attract more investors. Such companies are capable of withstanding a crisis since they allow investors to contemplate the market before venturing on selling their shares even when the market is exposed temporarily to financial crises. Furthermore, in case of a crisis, prices do

not fall sharply because of the confidence in the company's capability to overcome such crises.

These principles function as an illustrative map that guides all regulators in the capital market and all the corporate members of the Board of Directors, both operational and management companies.

2.5.5.1 For Shareholders

1 - Help ensure the rights of all shareholders such as the right to vote and the right to participate in the decision-making process for any significant change that may affect the company's performance in the future.

2 - Secure full disclosure of the company performance, the financial situation and the decisive decisions that have been taken by senior management officials and that help the shareholders to determine the risks associated with investing in these companies.

• The Principles Underlying the Rules of Good Governance

1- The protection of the rights of shareholders

2- The provision of equal treatment for all shareholders

3- The protection of the rights of stakeholders or of those that deal with the company (such as the banks, the creditors, the suppliers... etc)

4- The attention paid to T&D; they should be handled accurately and timely.

5- The definition of the responsibilities of the Governing Council.

• Equity

The equitable treatment of all shareholders' rights, as not to compromise the interests of the company is consistent with the market system and implementing regulations. The company helps shareholders exercise their rights and facilitate their access to information. The Statute of the company ensures shareholders their rights for access to adequate information; there is no distinction among shareholders regarding the provision of information. The following are the rights of the shareholders concerning the meeting of the General Assembly: The General Assembly shall convene at the invitation of the Governing Council and the Council shall convene if requested by the External Auditor or if 20% of the company's shareholders approve of the meeting. The General Assembly also has the right to convene at least once a year during the four months following the end of the fiscal year. It must announce the date, the place and its agenda ten days prior to the meeting. All relevant information should be published in a brochure and posted on the company's website. It should also work to facilitate the participation of the largest number of shareholders and endeavour to specify the time and the place that is most convenient for the shareholders as well as the topics shareholders desire to discuss.

It should also encourage members to get actively engaged in discussions and to raise the points or the questions that are of interest to them. The responses of the Assembly members should be to the point; they should address the issues that are worth discussing and their answers should be precise so as not to expose the company's interest to damage. It should also enable shareholders to familiarize themselves with the minutes of the meeting published in the newspapers or in the specialized bulletins that publish the proceedings and deliberation of the formal convention.

- **Voting Rights**

Voting is a basic right that the shareholder exercises. It cannot be invalidated, but the company must facilitate the exercise of this right; it can approach the division of votes when voting to elect members of the Governing Council in the General Assembly. The shareholders should appoint one who summons other shareholders to attend the meeting of the Assembly. The representatives should be legally authorized to disclose their policies in the voting.

- **The Rights of Shareholders in Dividends**

The Governing Council should establish a lucid policy concerning the distribution of profits and that policy should be in the interest of all shareholders, the company, and the General Assembly. It should announce the date of distributing profits and the deadline for distributing them.

- **Disclosure and Transparency**

The disclosure policies, procedures and the supervisory systems should be formulated in compliance with the rules specified by the market.

- **Disclosure in the Report of the Board of Directors**

In addition to what is stated in the Listing Rules, the Board of Directors must issue a report on the provisions that have been applied. The report should incorporate the names and the classification of its company members together with a brief term of reference to the board committees and a statement of remuneration and any punishment, penalty or limitation imposed on the company in addition to the findings of the annual audit.

- **The Board of Directors**

The functions of the Governing Council are to adopt the strategic directions, to determine the objectives of the company and to oversee the implementation of the rules and regulations. The Board should also develop systems and adopt measures necessary to monitor the implementation of the strategies both internally and externally. The developed strategies, policies, standards and procedures should be made consistent, clear and specific with regard to the membership of the Governing Council. It should also develop a written policy governing the relationship among the stakeholders; thus protecting and preserving their rights.

- **The Responsibilities of the Board of Directors**

The Board of Directors possesses the powers and authorities necessary for the management and for shouldering the ultimate responsibility for the company and the Council. The responsibilities of the Governing Council should be clearly stated in the statute of the company. The Board should also guide the Council to implement its functions in good faith in order to realise the interests of the company in general. The Council must ensure that the company provides adequate information to its members. The Governing Council may sell, mortgage and/or discharge the Company's debtors of their obligations but only if it is authorized to do so by the company.

- **The Composition of the Board of Directors**

The Statute of the company's number of board members and the means of terminating their terms of office are determined by the Assembly in accordance with the term of office stipulated in the Statute of the company. According to the Board Statute, members of the Board who do not comply with rules and regulations as well as non-executive members who do not hold membership of the Board of Directors could be relieved of their duties.

- **The Board Committees and Independence**

The Board of Directors should form a number of committees. For the company's claims to be fully functional the company should be committed to inform the Board about its activities and that should be done with complete transparency. It should also appoint a sufficient number of members for the non-executive committees to resolve tasks that may result in conflicts.

- **The Audit Committee**

The Governing Council of the committee of non-executive members provides the company's board with proposals concerning the Governing Council rules for selecting members of the Audit Committee and its functions including overseeing the management of internal audit and the study of the internal control system as well as that of accounting policies and other related functions.

- **The Committees that Examine Nominations**

The Governing Council of the Committee informs the company's general assembly about the proposals of the Governing Council and the rules for the selection of Committee members and its functions which include recommendations on the Assembly nominations to the Council and a review of the structure of the Governing Council among other tasks.

- **The Board Meetings and the Agenda**

The Board members should devote adequate time for carrying out their obligations which comprise the preparation of the meeting agenda of the Council and those of the Standing Committees. The Temporary Governing Council adopts the agenda when the proceedings are over. The Council meetings' minutes including the voting process should also be documented and stored for further reference.

- **Emoluments of Members of the Governing Council**

The General Assembly should determine the emoluments of the members of the Governing Council as deemed appropriate.

- **The Internal Audit Department**

The Company's internal control system should be managed by full-time officials who report directly to the senior management members. The officials should present a quarterly report to the Governing Council and to the Oversight Committee on the company's commitment to the provisions of the laws and rules governing their activities.

- **Conflict of Interest**

The Company's system should provide for sending written statement to the members of the Board of Directors, the managers and the staff members when a conflict of interest arises; it should also maintain the company professionalism and integrity and develop an internal system that could monitor the implementation of its rules and regulation. It should not allow the President or any member of the Governing Council to participate in any action that would violate the company code of conduct, ethics and integral behaviour.

- **The Audit Committee**

The Company's oversight committee should be appointed by the General Assembly; it should have all the rights and duties set forth by the Libyan Commercial Law. The Committee should prove in its oversight that it has carried out all the required investigations and enquiries.

Therefore, from the above, the Libyan Stock Market has advanced CG practices in listed companies which are one of the most important steps leading to the development of the Libyan economy.

2.6 Summary and Conclusion

This chapter has discussed relevant background information for this study. It has presented a brief background about the Libyan economy; financial laws; quality of accounting, auditing, CG; and organisation of the Libyan Stock Market and their impact on CG practices. Several key factors influence CG practices: quality of economy; statutory requirements e.g., commercial, financial system, income tax, foreign capital investment and banking law; high quality standards e.g., code of CG, accounting, auditing, financial report standard; culture; and business ethics.

This chapter shows that in the Libyan environment: the economy is not considered a market economy per se; weakness of law legislation and regulations; an absence of code of CG, accounting, auditing, financial report standards and business ethics, which led Libyan companies to have poor governance practices. The Libyan economy is in dire need of many reforms: economic, legal, administrative and financial. An example would be the introduction of Libyan accounting principles and auditing standards, the introduction of its own accounting systems, the foundation of the Libyan Auditors and Accountants Association which is responsible not only for implementing legal statutes on behalf of the government but also for managing every facet of the auditing profession, issuing rules on good governance for both companies and shareholders together with clarifying the principles underlying them.

An essential element of an effective CG framework is the legal system. This is because the legal system defines the responsibilities of the parties and also enables enforcement. Like many other developing countries, Libya seeks to develop its economy through integrating into the global economy. This process requires the Libyan government to improve its economic environment by an effective enforcement of a well revised legal system.

Another factor that critically affects the practice of CG is the issue of legal system enforcement. Berglof and Claessens (2004) observed that, enforcement is more than regulation, laws-on-the-books or voluntary codes, it is the key to effective CG, at least in transitional and developing countries. Hence, good CG practice is related to fair and effective enforcement of the legal system to provide investors' confidence.

The next chapter draws on the literature review as a basis for development hypotheses and build the research framework and methodology for this study, such as overview of CG and principles, the role of T&D in good governance, overview of T&D, and issues related to T&D.

Chapter 3 Literature Review: Transparency and Disclosure

3.1 Introduction

The main aim of this chapter is to provide an essential theoretical and empirical background on CG in general and T&D issues in particular in both developing and developed countries.

Agency theory and asymmetry of information will in particular be adopted to explain the role of T&D in good CG. This chapter will focus on the need for CG and theories advocated by researchers to describe the phenomena. In addition, the conclusions of this chapter relating to the perceived gaps in the existing body of research will provide the basis for a theoretically grounded/supported theoretical framework that will be developed in chapter four.

This chapter presents a review of the relevant literature covering the major issues related to CG and especially T&D. This chapter is arranged as follows: Section 3.2 overviews CG. Section 3.3 then looks at CG principles. Section 3.4 covers the role of T&D in good governance. Section 3.5 overviews T&D. Section 3.6 presents T&D and corporate characteristics. Section 3.7 looks at the major issues related to the relationship between T&D and financial performance. Finally, section 3.8 gives the summary and conclusion of this chapter.

3.2 Corporate Governance

Over recent years, there has been substantial attention towards the CG practices of organisations. CG systems serve different functions in different countries. Anandarajah (2004) and Sharar (2010) argues that there is no universally accepted definition of CG.

According to Mallin (2003) generally speaking, the definitions of CG given address different elements from different perspectives:

1. The system of controls within the company;
2. The relationships between the company's board/shareholders/stakeholders;
3. The management of the company in the best interests of the shareholders or stakeholders); and

4. The greater transparency and accountability that enables users of corporate information to determine whether the business is being managed in a way that they consider appropriate.

The OECD (2004, p. 12) definitions of CG "CG is the rules and practices that govern the relationship between the managers and shareholders of corporations, as well as stakeholders like employees and creditors-contribute to growth and financial stability by underpinning market confidence, financial market integrity and economic efficiency".

It is important to note that there are many players with vested interests in CG. These are the shareholders, the management and board directors as well as employees, suppliers, customers, banks, regulators and the general community at large. One can view CG as an overall structure within which companies are directed and controlled. Within this structure, each body has its own commitments and obligations: the boards of directors, for instance, are accountable for the governance of their companies. The shareholders' role in governance is to select the directors and the auditors. The responsibilities of the board include setting the company's strategic aims, putting them into effect, supervising the management of the business and reporting to the shareholders on their stewardship. The board's activities are susceptible to laws, rules and regulations and to the shareholders' performance in general meeting (Arsalidou & Wang, 2005). Boards that are empowered by a strong CG system exercise better control over the various risks the business encounters. The members of the board have to ensure high levels of transparency since those help reduce the risk of fraud or theft due to the increased accountability and the likelihood that fraud or theft will be discovered; they should adopt clear procedures and responsibilities for taking important decisions since that guarantees that major decisions are made on a well-informed and objective basis; strong CG standards help ensure that the company is acting in the best interests of the shareholders.

CG structure provides useful information to investors and creditors to reduce information asymmetry and helps the company to improve performances (Chiang & Chia, 2005). Han and Saif (2008) report that good governance increases company valuation and performance and decreases financial fraud and the cost of capital. Claessens (2006) indicated that better CG is likely to improve the performance of companies, through more efficient management, better asset allocation, better labour practices, or other efficiency improvements. Sheridan and Kendall (1992), assert that achieving good CG requires a system of structured operating and controlling to fulfil the following objectives: a) complying with all of the relevant legal and regulatory requirements; b) achieving a long-term strategy of goals of the owner which may be maximising shareholder value or controlling market shares; c) maintaining excellent long-term relations with customers and suppliers in terms of service, quality and financial settlement procedures; and d) securing the interests of employees all the time and ensuring that they are guaranteed a positive working atmosphere, further training courses, health coverage, and fair retirement packages. Bai et al. (2004) find that there is a positive relationship between good T&D proxies and market valuation in China. Judge et al. (2003) show that effective CG may be essential to company performance in Russia.

According to Duztas (2008, p. 18)

> Good governance is far more than a ‘check list’ of minimum board and management policies and duties. Even the most thoughtful and well-drafted policies and procedures are destined to fail if directors and management are not committed to enforcing them in practice. A good CG structure is a working system for principled goal setting, effective decision-making and appropriate monitoring of compliance and performance.

Previous studies demonstrated that CG structure exerts a significant impact on company value and shareholder welfare (Chung, Wright, & Kedia, 2003). It is pertinent to point out that the CG guidelines are a mechanism by which a company can reduce agency costs and better align the interests of the boards and the suppliers of capital (Picou & Rubach, 2006). According to Aguilera et al. (2008), research on CG mostly focuses on a universal link between CG practices (board structure, shareholder activism) and performance outcomes, but it fails to consider how interdependencies between the organization and the diverse environments could lead to variations in the effectiveness of the different governance practices. CG is important to financial analysts since it relates 1) to the integrity and the credibility of financial disclosures; the insiders are the major source of financial disclosures and 2) to the role of governance disclosures in reducing uncertainty surrounding future performance (Bhat, et al., 2006).

Therefore, the empirical studies mainly focus on specific dimensions or attributes of CG such as top management and compensation; the role of non-executive directors;

board structure; board composition; social responsibilities and internationalization; capital market pressure and short-termism; other control mechanisms like director and managerial stockholdings, executive labour market and corporate control market, ownership concentration, debt financing. Berghe (2002), argues that the relationship between CG such as directors, management and shareholders has been the central topic of governance studies for a long time; focusing merely on the legal company and the company as the agent of the shareholder seems no longer sufficient and time has come to view the governance of the company as a whole. It is usually claimed that good CG enhances a company's performance (e.g., Brickley, Coles, & Terry, 1994; Brickley & James, 1987; Byrd & Hickman, 1992; Chung, et al., 2003; Hossain, Cahan, & Adams, 2000; Lee, Rosenstein, Rangan, & Davidson, 1992).

On the other hand, empirical contributions (e.g., Bauer, Guenster, & Otten, 2004; Brown & Caylor, 2004; Drobetz, Schillhofer, & Zimmermann, 2004; Foerster & Huen, 2004; Larcker, Richardson, & Tuna, 2004) find that there is a weak relationship between company performance and CG index. Furthermore, studies have reported a negative association between CG and company performance (e.g., Bathala & Rao, 1995), while others for example, Park & Shin, (2004) Singh & Davidson Iii, (2003) Prevost et al., (2002) have found no relationship at all between CG and company performance, Camfferman and Cooke (2002) find a negative significant relationship between the extent of disclosure and net profit margin ratio in UK companies. Core et al. (2006) use the GIM index (Gompers, Ishii, and Metrick) to find that CG has a significant negative association with future operating performance as measured by ROA. Bowen et al. (2008) find that discretion due to poor CG quality is positively associated with future operating cash flows and ROA. (see Appendix 3)

According to Singh et al. (2002), it is worth pointing out that the analysis of CG structures in developing countries has long been impeded by a lack of detailed information. One benefit that arose from the Asian crisis and from the focus of the international financial institutions on governance structures is the assembling of a large body of evidence on CG structures in developing countries at the World Bank. Most of the current empirical studies examine the correlation of specific CG aspects and companies' market value or performance. A relatively limited number of studies use a CG index in order to examine whether governance practices affect the company’s market value (Xanthakis, Tsipouri, & Spanos, 2004). Governments have an important role to play in improving CG. They can strengthen the laws that protect shareholder interests and reinforce the relevant laws and regulations (Bai, Liu, Lu, Song, & Zhang, 2006).

Mitton (2004) argues that the companies which have stronger governance are more profitable, but their greater profitability accounts for only part of the higher dividend payouts. It has become evident that CG addresses the agency problems that are brought about by the separation of ownership and control in the modern corporation. Previous studies illustrate that CG structure significantly influences company value and shareholder welfare (Chung, et al., 2003).

Javid and Iqbal (2010) report that previous studies have shown that good CG practices have led to:

- Lower risk of systematic financial failure for countries.
- A significant increase in the economic value added of companies.
- Higher productivity.

The above findings of these empirical researchers are mixed and as a result, it is often difficult for users to draw any company conclusion on the relationship. On the other hand, studies undertaken considering the overall CG mostly provide evidence of a significant relationship between governance and company financial performance measures by accounting and market. However, Biswas & Bhuiyan (2008) argue that Whether better CG causes higher company financial performance still remains a valid research question for reasons such as ambiguity regarding the direction of causality.

In previous studies, researchers from different parts of the world have mostly come forward with correlation between these two variables (CG and company performance). Rather than examining the impact of a complete set of governance standards on company performance, these studies mostly investigate the impact of single governance characteristics on company performance. This study focus on investigates T&D practices as a key element of CG and examines fourteen company variables and three measures of financial performances.

Many empirical studies have been performed on the subject of relationship between CG and financial performance, mostly in developed and a few in developing countries. Table 3.1 illustrates some of the key areas of research of the past twenty-seven years into CG and financial performance.

Table 3.1 Corporate Governance and Company Financial Performance: Forward Measures Employed

No.	Measure of company performance	Fr.	%	No.	Measure of company performance	Fr.	%
1	Return on Equity	40	15.6	**22**	Assets Per Share	1	0.39
2	Return on Assets	72	28	**23**	Total Assets Turnover	2	0.79
3	Revenues-Sales	3	1.17	**24**	Rate of Total Assets Growth	1	0.39
4	Rates Earning Per Share	8	3.13	**25**	Cash Flow Per Share	2	0.79
5	Tobin's Q	54	21	**26**	Return on Investment	2	0.79
6	Return on Capital Employed	3	1.19	**27**	Ratio of Economic Value Added to Invested Capital	1	0.39
7	Net Income	1	0.39	**28**	Economic Value Added Capital Ratio	1	0.39
8	Total Profit / Total Cost	1	0.39	**29**	Sales/Average Number of Employees	2	0.79
9	Profit Margin	5	1.95	**30**	Net Sales	1	0.39
10	Price Earnings Ratio	3	1.17	**31**	Share Repurchases	1	0.39
11	Current Assets Divided by Current Liabilities	1	0.39	**32**	Average of the Daily Continuous Returns	1	0.39
12	Leverage	3	1.17	**33**	Performance of Stock	1	0.39
13	Market-To-Book- Value	11	4.28	**34**	Market Adjusted Stock Price Returns	2	0.79
14	Market-To-Sales Ratio	2	0.79	**35**	Turnover Ratio (Sales/Assets)	1	0.39
15	Quick Assets / Current Liabilities	1	0.39	**36**	Operating Margin (Operating Income/Sales)	2	0.79
16	Share Returns	1	0.39	**37**	Salary Expenditures	1	0.39
17	Stock Price	1	0.39	**38**	Total Debt/Total Assets	1	0.39
18	Operating Profit / Operating Income	2	0.79	**39**	Cash Dividends/Book Value of Shareholders' Equity	1	0.39
19	Total Shareholder Return	2	0.79	**40**	Operating Income	1	0.39
20	Market Return	12	4.67	**41**	Volatility of Stock Prices	1	0.39
21	Sales Growth	6	2.33		**Total**	**257**	**100%**

No. = Number of financial performance, Fr. = Frequency of variables and %= Percentage variables

Previous studies demonstrated mixed relationship between CG and company performance. Most of those studies examine the relationship between company performance and CG such as: board structure, i.e. independent directors, separation of chairmanship and CEO role, board committee, foreign directors, director or managerial ownership, monitoring by boards, and board size; ownership and other control mechanisms, i.e. insider ownership, ownership concentration, family ownership, institutional investor ownership, takeover control, monitoring by large shareholders, shareholder rights, and other control mechanisms; relationship with governance structure; social responsibility, competitive or collaborative board politics; impact of internationalization; compliance with the code of compliance; audit committee; and T&D. In previous studies, the one hundred and eight researchers used forty-one financial performance measures. The key measures used to financial performance are ROA, Tobin’s and ROE. Table 3.1 shows that the most of the researcher used ROA (72 out of 108) approximately 28 % form all financial performance using (257). In additional Tobin's Q and ROE was 21% and 16% respectively. The key measures used to independent variables are board structure, chief executive officer duality and ownership structure. The key methodology used is annual report and questionnaire. The analysis used to examining relationship between CG and financial performance are Pearson correlation, Spearman rank correlation, Chi-Square test, simple and multiple Regression analysis. Therefore, previous studies provide a ‘window’ into the mixed research conducted to date that explores relationship between CG and financial performance (for more detail please refers to Appendix 3).

3.3 Corporate Governance Principles

According to the OECD principles, companies must provide material information on the financial and operating results of the company, on the company objectives, the major share ownership and voting rights, members of the board and key executives and their remuneration, related party transactions, any material concerning predictable risk factors, material issues concerning employees and other stakeholders and governance structures and policies.

The OECD 2004 definition of CG sets the rules and practices that govern the relationship between the managers and shareholders of corporations, as well as that between the stakeholders: the employees and creditors who contribute to growth and financial stability by fostering market confidence, financial market integrity and economic efficiency. However, the aim of this study is to determine T&D, one of the rules and practices of CG, to reduce agency problems and asymmetry information between management and shareholders of corporations, as well as those between other stakeholders, which leads to fostering market confidence and the financial market, improving company performance and reducing the agency cost by minimizing the cost of capital.

The OECD (2004) published Principles of CG are:

I. To ensure the basis for an Effective CG Framework

The CG framework should uphold transparent and efficient markets, comply with the rules of law and clearly communicate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

II. The Rights of Shareholders and Key Ownership Functions

The CG framework should safeguard and facilitate the exercise of shareholders' rights.

III. The Equitable Treatment of Shareholders

The CG framework should guarantee equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to attain effective redress for infringement of their rights.

IV. The Role of Stakeholders in CG

The CG framework should acknowledge the rights of stakeholders approved by law or through mutual agreements and promote active co-operation between corporations and stakeholders in creating wealth, jobs and the sustainability of financially sound enterprises.

V. Disclosure and Transparency

The CG framework should also ensure that timely and precise disclosure is made on all material matters with respect to the corporation, including the financial situation, performance, ownership and governance of the company.

A. Disclosure should include but should not be limited to material information on:

1. The financial and operating results of the company.
2. Company objectives.
3. Major share ownership and voting rights.
4. Remuneration policy for members of the board and key executives as well as information about board members, their qualifications, their selection process and whether or not they are regarded as independent by the board.
5. Related party transactions.
6. Predictable risk factors.
7. Issues regarding employees and other stakeholders.
8. Governance structures and policies, particularly the content of any CG code or the policy and process by which it is implemented.

B. Information should be prepared and unveiled in accordance with high quality standards of accounting, financial and non-financial disclosure.

C. An independent, competent and qualified auditor should conduct an annual audit in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.

D. The external auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.

E. Channels for disseminating information should consider equal, timely and cost-efficient access to relevant information by users.

F. The CG framework should be complemented by an effective approach that addresses and encourages the provision of analysis or advice by analysts, brokers, rating agencies and others; an approach that is relevant to decisions made by investors and free from material conflicts of interest that might compromise the integrity of their analysis or advice.

VI. The Responsibilities of the Board

The CG framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and shareholders.

The OECD Principles reflect not only the experience of OECD countries but also that of emerging and developing economies (Jesover & Kirkpatrick, 2005). They are greatly relevant to the non-OECD economies. Claessens (2003) maintains that the experiences of economic transition and financial crises in developing and emerging market economies confirm that a weak institutional framework for CG is incompatible with sustainable financial market development and growth. The OECD CG Principles provide specific guidance for policymakers, regulators and market participants for improving the legal, institutional and regulatory framework supporting CG, with close attention to the publicly traded companies (Jesover & Kirkpatrick, 2005). The OECD principles are not confined to financial disclosure since they envisage the company as a whole. Hence, alignment with the OECD must include changes in culture, methods, technologies, processes, ethics, policies and scope. Information and information flow is critical in order to institute a new point of balance (Lazarides, 2009). Many Asian countries have attempted to model their CG codes on the OECD Principles of CG (Arsalidou & Wang, 2005).

The theories underlying CG have been drawn from a variety of disciplines, such as economics, law, finance and accounting, amongst others. According to Teh (2009), one can deduce from the OECD Principles of CG 2004 that they are very much based on the principles embedded in the Cadbury Code and the Combined Code. The OECD Principles are more complete in the sense that they also emphasise the importance of corporate strategy as part of overall corporate performance. Although the OECD Principles are more general in order to take into consideration the different corporate structures and cultures of member countries, they are nevertheless based on the Anglo-American CG model. McCarthy and Puffer (2008) report that the standards developed by OECD 2004 contain principles based on agency theory acknowledging the primacy of owners (shareholders), as well as the roles of board directors as their representatives, and managers as their agents. Dalton, Daily, Certo, and Roengpitya (2003) argue that agency theory is the theoretical basis of most research on CG. Mülbert (2010) argues that agency theory provides a suitable framework, since, after all, CG is all about agency conflicts among different stakeholders, in particular about the principal–agent conflict between managers and shareholders, and about how to solve possible conflicts among them. Cotter et al.'s (2011) call for "agency theory could be used to explain CG disclosures", this study proposes an agency theory that will be able to explain the role of T&D in good CG (see Section 3.4 below).

3.4 The Role of Transparency and Disclosure in Good Governance

Disclosure and enhanced transparency are vital because they are the twin cornerstones that protect shareholders' rights. Complete disclosure practices along with transparency in Financial Reporting can build confidence and enhance the assurance of the investor community. Voluntary disclosure positively influences the performance of companies and safeguards the interests of shareholders. On the other hand, murkiness in disclosure practices can contribute to distrustful and unethical behaviour leading to poor valuation of the company.

Agency conflict exists when managers (agents) undertake opportunistic actions, such as earnings management, to maximise their own interests. Within companies where poor financial transparency and information disclosure practices are adopted, managers are more likely to use their information advantage to pursue private benefits of control, which ultimately leads to an increase in the agency costs encountered by the shareholders. As the agency problem worsens, insiders (such as the executives or the controlling owners) can easily exploit the wealth and rights of small shareholders; For this reason, poor CG is associated with bad disclosure practices (Chen, Chung, Lee, & Liao, 2007). According to Eisenhardt (1989, p. 58) and Jerab (2011, p. 4), agency theory is concerned with resolving two problems that can occur in agency relationship. The first is the agency problem that arises when a) the desires or goals of the principal and agent are different and b) it is difficult or expensive for the principal to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and agent have different attitudes towards risk. The problem here is that the principal and the agent may prefer different actions because of the different risk preferences. Hart (1995) points out that CG mechanisms are necessary if agency problems persist and contracts are incomplete. Klapper and Love (2004) also provide evidence for associations between CG mechanisms and either the extent of the asymmetric information or the contracting flaws that companies encounter.

Filatotchev & Boyd (2009) report that CG has been framed in terms of agency theory and has explored links between different CG practices and company performance. CG mechanisms are designed to cope with agency problems and asymmetry of information. Hart (1995, pp. 679-680) indicates that CG mechanisms are necessary if agency problems exist and contracts are incomplete. Watson et al. (2002) report that, according to agency theory, the main purpose of financial reporting is to monitor the efficiency of managers; managers might use disclosure to try to convince shareholders they are acting optimally.

Previous researchers have relied on asymmetry of information as a supporting theory to explain the link between managers (agents) and shareholders (principals) in modern corporations (e.g., Black, Jang, & Kim, 2006a; Shabbir & Padgett, 2005). The theoretical and empirical literature on information asymmetry, for example, Ross (1977), suggests that there is significant information asymmetry between outside investors and inside managers. Spence (1973) observes that if information asymmetry exists between company's managers and investors, the company can provide information to the investor in order to eradicate the asymmetry. T&D are integral to CG. Higher transparency and better disclosure reduce the information asymmetry between a company's management team and financial stakeholders, equity and bond holders, alleviating the agency problems in CG (Patel, Balic, & Bwakira, 2002). Improving T&D practices eventually leads to better CG, largely because the disclosure practices of a company can be viewed as efficient mechanisms for the protection of the rights of outsiders. Better T&D practices can help shareholders to gain better understanding of the companies' management practices; thus, helping to reduce the information asymmetry encountered by investors (Chen, et al., 2007). Good T&D mechanisms are set in place to fundamentally protect the rights of the minority shareholders, creditors and other outsiders who do not have instant knowledge about the company and its prospects, from drawing out of private benefits by insiders based on their superior information. This, in turn, is expected to minimise the informational asymmetry in the company and the probability of fraud, and to enhance its detection, leading to lower cost of capital and, hence, higher company value. A related informational benefit of good T&D practices is that it increases the investor consciousness and confidence which lessens the uncertainty of the returns to the capital suppliers and which, as expected, would reduce the company's cost of external capital and, hence, increase its value (Aksu & Kosedag, 2006). As Patel et al. (2002) put it, T&D are integral to CG and higher transparency and better disclosure reduce the information asymmetry between a company's management and its financial stakeholders – equity and bond holders – thus, mitigating the agency problem in CG. Previous researchers suggest that agency problems can be resolved through, first, increasing incentive alignment between agents and principals; second, effective principal monitoring of agents; and third, optimizing the risk-bearing properties of principals and agents (Beatty & Zajac, 1994; Boeker, 1992; Mallette & Fowler, 1992; Tosi, Katz, & Gomez-Mejia, 1997; Zahra & Pearce, 1989; Zajac & Westphal, 1994).

Literature states hat better T&D is associated with lower information asymmetry between managers and investors. Botosan (1997) notes that recent research suggests a positive association between increased disclosure and positive capital market effects and that the companies increased disclosures, specifically, reduce the information asymmetry between managers and investors which, thus, decreases the companies' cost of equity capital. Chen et al.(2007) report that information asymmetry is higher for companies with poor information T&D practices. Healy and Palepu (2001), Schrand and Verrecchia (2004) and Jo and Kim (2007) argue that there is increasing evidence that disclosure generally develops transparency and hence reduces information problems. Hermalin and Weisbach (2007) observe that the most highlighted benefit of transparency is that it reduces asymmetric information and thus, lowers the cost of trading the company's securities and the company's cost of capital: first, to offset this benefit, commentators typically focus on the direct costs of disclosure as well as the competitive costs arising because disclosure provides potentially useful information to product–market rivals; second, while both of these factors are certainly important in the companies' disclosure decisions, they are not particularly related to CG. Cai, Liu, & Qian (2008) argue that information asymmetry leads to higher costs of direct board monitoring and therefore a reason for companies to rely further on indirect governance mechanisms, such as market discipline and CEO incentive alignment.

3.5 Transparency and disclosure

Disclosure is the communication of information about an entity to external parties (Frost, Gordon, & Pownall, 2005). Bushman, Chen, Engel and Smith (2004) define governance transparency as the strength of disclosures utilized by outside investors to hold officers and directors accountable. It has become evident that increased public interest in transparency motivated stock exchanges and regulators to initiate regulations on the provision of governance-related disclosures by public companies. Transparency, thus, may assist in ensuring good governance; the temptations that seduce managers are properly taken care of and the information on which managers base their business decisions is subjected to external checking. Although the transparency mechanisms in the emerging system economies do not include compulsory disclosure to the widest audience, there are mechanisms built in the institutional structure that expose management to a considerable degree of checking. The institutions concerned are ones which are sensitive to national and oligarchic priorities, rather than to short-term economic gains and stock market value for the individual company (Millar, et al., 2005). Stanwick and Stanwick (2005) suggest that improving CG disclosure is related to enhancing transparency, promoting sound capital markets and regaining the confidence of stakeholders.

One major indicator of the standard of CG is transparency in an economy (Ho & Wong, 2001). According to Gregory (2002), the principal characteristics of effective governance consist of transparency, which is reflected in the disclosures made by the company. It includes the disclosure of relevant operational and financial information and internal management processes of oversight and control. Millar et al. (2005) argue that the issue of institutional transparency arose in relation to the dissemination of information and disclosure to the company stakeholders.

Corporate disclosure aims not only at investors, but also at creditors, employees, regulatory agencies and the public at large. As a rule, disclosure performs a facilitating function: it is designed to facilitate, assist or enable the decision-making of the persons to whom it is addressed (Borgia, 2005). However, Yu (2007) classified studies on CG practice disclosure into two groups: the first one examines the determinants, and the second one scrutinizes the economic consequences of governance disclosures. Cadbury (1993) commented on the focus of the CG issues his committee had addressed. He set out a number of general principles aimed at encouraging "Full disclosure", seeking "a right and inevitable" trend by companies towards more openness. The two important parameters of disclosure are: "Disclosure is central to accountability and indeed to public confidence in the system" and "Disclosure will remain a basic platform of any proposal for raising corporate standards".

The term quality is used interchangeably with the term transparency because the concepts of quality and transparency are elusive (Kothari, 2000). Transparency refers to "a process by which information about existing conditions, decisions and actions is made accessible, visible and understandable" (Ho & Wong, 2001, p. 154). Transparency permits users to observe the results and implications of the decisions, judgements and estimates of statement preparers. Full disclosure relates to furnishing of information necessary for decision-making, thereby providing sensible assurance that investors are not misled. The other major source of problems that contributed to the Asian financial crisis was the lack of transparency in major markets (Zingales, 2008). A governance system, respected by those under its authority, must reflect transparency and trust more than anything else (Olson, 2009).

According to Borgia (2005), media stories on transparency often focus on what's wrong at the top: on CEOs who report misleading or deceptive financials and on the secret deals between high-ranking military officers or backroom pacts among politicians, while some leaders are guilty; for a corporation to be truly transparent, four key elements are required:

- An open culture and a commitment to transparency from the corporation's most senior leadership.
- Programs and processes that promote and ensure openness at every level, that reward transparency and penalize people for their deception, treachery and fraud.
- Proficient and well-trained workers, managers and administrators at all levels of the corporation with the wisdom, integrity, confidence and security to perform and pronounce what is right and to recognise and act when the corporation or individuals are not doing things that should be done.
- Established means of proactive communication to the corporation's important stakeholders.

According to Borgia (2005, p. 20), the new view of transparency implies several important characteristics:

- A trend toward more transparency rather than less.
- More forceful scrutiny from more groups or individuals around the world.
- More comprehensive demands for new kinds of information.
- More complex requirements in assembling, analysing, and reporting information.
- More proactive attention by both the observer and observed.
- More debates about what information should be made public.

The discussion above suggests that strategic transparency is influenced by two factors: (1) the orientation of the institutional infrastructure in a certain economy and (2) the foundation of a business system in a certain economy (Tarek Ibrahim & Chong Ju, 2006). When managers choose not to disclose all the relevant information in their possession in their financial statements, there is an information gap between the managers and users and consequently a lack of transparency and asymmetry information (Marshall & Weetman, 2007). Bai et al. (2006) argue that financial transparency and adequate information disclosure are, undoubtedly, important in all countries, particularly in developing ones. Managers play a crucial role in securing the interests of not only the existing owners but also the potential investors. Honest managers should provide sufficient, accurate, and timely information concerning the company's operations, financial status, and external environment. A common factor determining the success of a CG structure is the extent to which it is transparent to market forces. Such transparency is more than pure financial transparency; as it can also be based on factors such as governmental, banking and other types of institutional transparency mechanism (Millar, et al., 2005).

However, a recent study by Tadesse (2006, p. 34), relating the incidence of banking financial crises in the 1990s to the regulation of disclosures made by banks, characterised the arguments over disclosure in the bank sector into two parts: The first part is the transparency-stability view – disclosure enhances transparency and improves information flows, thereby helping market discipline and leading to the more efficient allocation of resources, with sound banks rewarded and the unsound penalised. On the other hand, the second part, the transparency-fragility view, holds that 'disclosure creates negative externalities'. Jo and Kim (2007) found that transparency-reducing disclosure is concentrated in companies that substantially, but temporarily, increase disclosure prior to the offering. Hermalin and Weisbach (2007)find that reforms that seek to increase transparency can reduce company profits, raise executive compensation, and inefficiently increase the rate of CEO turnover.

Therefore, information disclosure could be classified into two categories: mandatory disclosure and voluntary disclosure as follows:

3.5.1 Mandatory Disclosure

Mandatory disclosure rules ensure equal access to basic information (Lev, 1992). As a result of the post-Enron increased awareness of the economic merits of good CG, T&D, many countries have augmented their mandatory disclosure requirements via enacting new laws and regulations. Mandatory disclosure is restricted by two factors: first, the evolution of the business system, which favours family and concentrated ownership, reduces the potential role of the outside shareholders and furnishes a parallel, family-based channel of influence and information for other stakeholders.

Second, the role of the banks as providers of long-term capital, which in the past further reduced the motivation for open disclosure to the market of potential outside shareholders. Finally, the limited extent and reliability of the legal infrastructure means that even mandatory disclosure rules might not provide adequate protection to minority shareholders' rights (Millar, et al., 2005). However, mandatory items of information are those items which should be legally disclosed in annual reports by the respective Acts and Ordinances governing (Meek, Roberts, & Gray, 1995).

CG structures should ensure that the minority shareholders receive "transparent" and reliable information about the value of the company and that the company's managers and large shareholders do not deceive them out of the value of their investments. Developing and maintaining a sophisticated financial disclosure is necessary to keep up with the international standards, to boost the confidence of investors, to increase attractiveness and to invite foreign direct investments.

Transparent disclosure requires the provision of "material" information. It is the omission or misstatement information that could influence the economic decisions made by the users of information. Applying the concept of materiality in developing disclosure requirements helps companies and regulators to determine what information is truly relevant. There are some disclosure deficiencies that should be averted; these are: 1) the inadequate disclosure of related-party transactions; 2) the concealment of large enterprise debts through related-party transactions and the off-balance sheet financing, such as cross-guarantees within corporate groups; 3) the insufficient reporting of contingent liabilities, especially loan guarantees granted to related and unrelated parties; 4) the inadequate segment information that would have revealed the risks related to specific sectors such as real estate. Furthermore, regulators, chambers of commerce, business groups, institutes of directors, and self-regulatory, academic and professional organisations must contribute to this effort to raise the awareness of shareholders' and the public's right to corporate transparency.

First-class information on capital and control structures is also critical for the exercise of governance powers. Insight into the type of companies that already report on CG can be of interest to regulators, allowing for a formal requirement on CG disclosure. The mere fact that companies are obliged to disclose information does not automatically mean that a change of behaviour is required or that substantial costs will need to be sustained. Furthermore, the OECD Principles state that disclosure requirements are not expected to place irrational administrative or cost burdens on enterprises, nor are companies required to make available information that may endanger their competitive position. Many countries have adopted the concept of material information in order to determine what information should be disclosed at a minimum; this concept is defined as 'information whose omission or misrepresentation could affect the economic decisions adopted by users of information.' The specific disclosure requirements imposed by the OECD Principles, fall into four categories: the content of information required to be disclosed, the manner whereby the information is to be prepared, the requirements that necessitate an annual audit be carried out by an independent auditor, and finally the channels for disseminating information (Arsalidou & Wang, 2005).

The Greenbury committee in (1995), observes that specifically addressed the disclosure requirements of director remuneration. However, there seem to be two serious omissions of disclosure, namely, the aggregate remuneration for outside directorships and the time spent in connection with them. The remuneration a company pays to outside directors sitting on its board is revealed but it is not necessarily the remuneration paid to its 'inside' directors by outside companies for sitting on their boards. Without full revelation, a shareholder may vote for the election or the re-election of a director believing that they are dedicating their full time and attention to the company affairs while they may not be (Ward, 1998).

3.5.2 Voluntary Disclosure

Corporate voluntary disclosure and its determinants are considered important research areas that have attracted both analytical and empirical researchers in accounting since the 1970s (Hossain & Reaz, 2007; Xiao & Yuan, 2007). Voluntary disclosure is measured by the amount and detail of non-mandatory information included in the management discussion and analysis of the annual report (Eng & Mak, 2003). Meek et al. (1995, p. 555), define voluntary disclosure as: "the focus of an increasing amount of attention by accounting researchers. Voluntary disclosure-disclosure in excess of requirements-represents free choices on the part of the company managements to provide accounting and other information considered relevant to the decision needs of users of their annual reports,"

Simultaneously, the companies themselves have poured out additional voluntarily disclosures such as the voluntary expensing of the employee stock options since 2000 in the US (Aksu & Kosedag, 2006). Healy and Palepu (2001) present a complete review of the voluntary disclosure literature. They observe that research into voluntary disclosure decisions tends to focus on the information role of reporting for capital market participants. They identify five forces relevant to managers' decisions to voluntarily disclose information for capital market reasons: 1) the capital market transactions hypothesis: the company's incentives to make voluntary disclosures in order to reduce information asymmetry and hence decrease the cost of external financing through reduced information risk. 2) The corporate control contest hypothesis: when the corporate performance is poor, the managers use voluntary disclosures in an attempt to increase the company valuation and to account for the poor performance; thus, lessening the risk of management job losses. 3) The stock compensation hypothesis: managers who are rewarded with stock compensation have an incentive to use voluntary disclosures to reduce the likelihood of insider trading allegations, and companies have incentives to increase disclosures to minimise contracting costs with managers who receive stock compensation. 4) The litigation cost hypothesis: managers have an incentive to disclose bad news to avoid legal actions for inadequate disclosure, but on the other hand, they also have an incentive to reduce disclosures of forecasts that might prove to be imprecise. 5) The proprietary costs hypothesis: voluntary disclosures will be restricted if managers perceive that disclosure could be competitively harmful.

The extent to which voluntary disclosure alleviates resource misallocation in the capital market depends on the degree of credibility of information on the company's economics that is not available from other sources, including required disclosures. Because managers have incentives to make self-serving voluntary disclosures, it is unclear whether management disclosures are credible (Healy & Palepu, 2001). Prior research has directly examined the impact of security litigation on managements' voluntary disclosure of bad news; these studies provide conflicting evidence on the nature of litigation-based disclosure incentives (Johnson, Kasznik, & Nelson, 2001).

A company’s extent for voluntary financial disclosure was implimented with two alternate disclosure scores. These scores were obtained using a three-step process: (1) indentifying voluntery disclosure items; (2) rating the importance of each disclosure item; and (3) computing disclosure scores (Chow & Wong-Boren, 1987).

Therefore, companies may adopt voluntary corporate disclosure in situations where mandatory disclosure is not conventional.

3.5.3 Transparency and Disclosure and Annual Reporting

The annual report is one of the most important sources of corporate information (Botosan, 1997). At the top of every analyst’s list (of financial reports used by analysts) is the annual report to shareholders. It is the major reporting document and every other financial report is in some respect a subsidiary supplementary to it (Knutson, 1992). The annual report is the focus of disclosure index because the annual report is generally considered to be one of the most important sources of corporate information (Lang & Lundholm, 1993).

The annual report is one of the avenues available for companies to report their financial performance. Financial reporting and disclosure are potentially important means for management to communicate company performance and governance to outside investors (Healy & Palepu, 2001).

Disclosure of information about items in the financial statements and their measures is detailed where required in the notes to the financial statements. Although there is some concern of potential disclosure overload, the greater disclosure reduces information asymmetry (Hope, 2003a). Prior research scrutinizes the usefulness of financial information by investigating the extent of the companies’ disclosures and the quality of the accounting information disclosed in annual reports. Studies that relate the level of disclosure to company characteristics include (Cooke, 1989a, 1992; Imhoff, 1992; Malone, Fries, & Jones, 1993; Singhvi & Desai, 1971). These studies provide evidence on the association between the disclosure level and the company characteristics such as the company size, the listing status, the company auditor, the scope of business, the risk of trading and the industry type. Most studies in this area use a disclosure index to measure the disclosure level or the disclosure quality.

Holland (1999) investigated the role of financial reporting in private and public CG. The case, which financial institutions argued for, was that the limited quality of public information, particularly in financial reports, was a major restriction on their ability to act in fund management and CG roles.

According to Bushman et al. (2003), corporate reporting involves periodic disclosure of company-specific information on a voluntary and/or mandatory basis. This information includes five aspects of corporate reporting: 1) the financial disclosure intensity, 2) the governance disclosure intensity, 3) the accounting principles used to measure financial disclosures, 4) the timeliness of financial disclosures, and 5) the audit quality of financial disclosures.

As stated earlier, transparency is the timely and adequate disclosure of the operating and financial performance of a company and its CG practices as related to its ownership, board, management structure and processes. Transparency is, thus, an important factor exposing the company's charm to investors as a crucial element of CG. The degree of transparency depends on both the willingness and the ability of the management to remedy any informational inconsistency with the market participants. In the long run, the capital markets will flourish only if a transparent informational environment is founded. Today, transparency in Financial Reporting is very vital. According to Pownall and Schipper (1999), financial statements are of high quality if they possess three attributes: transparency, full disclosure, and comparability. Those companies those fall short of the transparency standard, risk considerable damage to management credibility. They risk losing shareholder confidence, which definitely inflicts damage on market capitalization, credit rating and market liquidity. On the other side, enhanced voluntary disclosure has gained positively in building a transparent system. Voluntary information disclosure and transparent financial reporting help companies build long-term sustainable competitive advantages.

3.5.4 Cost–Benefit of Transparency and Disclosure

CG research identifies the benefits of the diverse governance practices. Most approaches hypothesise that enhanced company performance results from minimising action costs or maximising the company's resource base (Aguilera, et al., 2008). Although many theories were proposed to explain disclosure practices, some researchers relied solely on their intuitive reasoning that is based on cost and benefit analysis. Undoubtedly, more disclosure is better from the perspective of the information recipient, but in the real world, disclosure is not costless, as argued by Bhushan and Lessard (1992, p. 150). Cost–benefit analysis is required since it weighs the benefits of additional disclosure to investors against the costs, both direct and indirect, to issuers. Apart from the direct cost of disclosure, there are the indirect costs relating to the competitive disadvantage and the costs resulting from interference or regulation by government. One of the most frequently cited objections to augmented disclosure requirements is competitive disadvantage (Blake, 1992).

Among the benefits of disclosure to a corporation are reducing uncertainty about financial performances and future prospects, weakening the bargaining powers of participants and increasing their belief/recognition of mutual interest within the corporation. Other benefits lie in any positive contribution to the achievement of its goals; this contribution can only result from the positive influence that information has on the discloser or the third party's behaviour; other benefits include lowering the cost of capital. Frankel and McNichols (1995) suggest that this is especially the case with companies that use external financing more frequently. In fact, some researchers argue that there is a clear commercial reason for companies to disclose as that will minimise the cost of capital (Choi, 1973; Meek & Gray, 1989). In other words, disclosure can be used as a public relation tool especially if it receives awards for reporting and also adding credibility to management (Elliott & Jacobson, 1994).

In the dichotomy between ownership and management of a corporate operation, management has better access to the information about the business operation than the owners and other external stakeholders, which thus creates information asymmetry. This information asymmetry provides management with an opportunity to extract resources and deceive the owners. According to Glosten and Milgrom (1985), information asymmetry is negatively correlated with corporate information disclosure, indicating that increased accounting transparency and greater information disclosure will decrease information asymmetry. Investors, creditors and other external users gain access to better corporate information when information disclosure requirements are increased. Management is more likely to follow corporate policies and government regulations under tighter information disclosure requirements, which make it more difficult to conceal any conspiracy and deception (Ghoshal & Moran, 1996). The increased information disclosure will also improve market efficiency in the capital market, and thus, help reduce the market risk for investors and potential investors. As Patel and Dallas (2002), put it, the cost of capital will decrease if a corporation's accounting information becomes more transparent from a higher degree of disclosure. Information disclosure helps to augment the stockholders' confidence in a corporation, improve corporate image and promote support for the corporate management team and its decisions.

Investors require companies to disclose high quality information in order to make economic decisions. Greater disclosure is assumed to boost the investor's welfare and will thus attract investors to trade more aggressively. Managers are claimed to have better information about the economic performance of the company and there are incentives available to managers to withhold value-relevant unfavourable information (Sengupta, 1998).

Botosan (1997) develops a disclosure index to measure the disclosure level of manufacturing companies. In her study, she directly examines the association between the company's voluntary disclosure levels and the cost of equity capital. She argues that since the cost of equity capital is difficult to obtain, prior research has adopted an indirect approach by examining the impact of disclosure on variables that are expected to be positively related to the cost of debt. Sengupta (1998) documents the relationship between disclosure quality and the cost of debt; he argues that lenders and underwriters consider corporate disclosure in assessing the degree of detail and the clarity in the annual and quarterly reports, the management discussion with financial analysts and the frequency of press releases to calculate the default risk.

However, a number of empirical studies have supported the prediction of a negative relation between disclosure and the cost of capital (Botosan, 1997; Botosan & Plumlee, 2002; Frankel & McNichols, 1995; Healy, Hutton, & Palepu, 1999); thus, establishing an important link between information disclosure and economic efficiency.

Therefore, According to Madhani (2009, p. 8) the most important merits of complete disclosure and better communication are: 1) Increased management credibility. 2) More long-term investors. 3) Increased trading volume. 4) Higher institutional ownership. 5) Increased liquidity. 6) Decreased volatility. 7) Decreased bid-ask spread. 8) Greater analyst following. 9) Improved access to and lower cost-of-capital. 10) Improved relations with the investment community. 11) Higher share prices.

3.5.5 Role of Transparency and Disclosure in the Stock Market

Disclosure studies presume that even in an efficient capital market, managers have superior information to outside investors on their companies' expected future performance. If accounting and auditing regulations work perfectly, the managers' accounting decisions and disclosures communicate changes in their company's business economics to outside investors. Alternatively, if accounting regulations and auditing are imperfect, which is a more likely possibility, the managers make a trade-off between making accounting decisions and disclosures to communicate their superior knowledge of company's performance to investors and managing reported performance for contracting, political or CG reasons. Management motives for making voluntary disclosure and their credibility are, thus, interesting empirical questions (Healy & Palepu, 2001).

Information disclosure plays a key role in all of the internal governance mechanisms (includes incentive plan, board of director's and compensation of manager) and external governance mechanisms (includes government, external auditing and professional investors) to ensure whether the governance mechanisms of the listed companies work well or not (Lu & Chen, 2009). Financial transparency enables market participants to better assess the companies' future performance by providing detailed information that is useful in predicting future earnings whereas governance transparency provides information useful in assessing the quality of the financial information. Even if it is hypothesised that both financial and governance transparencies improve the financial analysts' ability to predict future earnings, it is not clear whether these two types of disclosures substitute or complement each other (Bhat, et al., 2006). Eldomiaty and Choi (2006, p. 284) define strategic transparency in corporate information disclosure as "the ability of companies to signal or provide adequate and relevant information timely and effectively to their shareholders, or to other major parties such as policy makers who stimulate or restrain their behaviour within the principal's interest and in a way acceptable to the society".

Markets are far from perfect, and transactions, deals or bargains between actors have costs related to the process of coming to an agreement. Organisations emerge simply because they are the most efficient form of dealing: they reduce transaction costs. Where transaction costs are minimal or low, the market mechanism works perfectly well. Where transaction costs are high, iterations of market transaction are too costly and a hierarchy will replace the market (Freeman & Evan, 1990).

According to Healy and Palepu (2001), corporate disclosure is crucial for the functioning of an efficient capital market. Companies provide disclosure through regulated financial reports, including the financial statements, footnotes, management discussion and analysis among other regulatory filings. Moreover, some companies engage in voluntary communication, such as managing forecasts, analysts' presentations and conference calls, press releases, internet sites, and other corporate reports. Finally, there are disclosures about companies made by information intermediaries, such as financial analysts, industry experts and the financial press. A wave of corporate scandals (Enron, Worldcom, Parmalat . . .) at the beginning of the millennium has placed public confidence in capital markets on top of the agenda of today's business (Bauwhede & Willekens, 2008).

Researchers consider six forces that affect managers' disclosure decisions for capital market: capital market transactions, corporate control contests, stock compensation, litigation, proprietary costs and management talent signalling (Healy & Palepu, 2001). Disclosure and the institutions created to facilitate credible disclosure between managers and investors play an important role in reducing these problems.

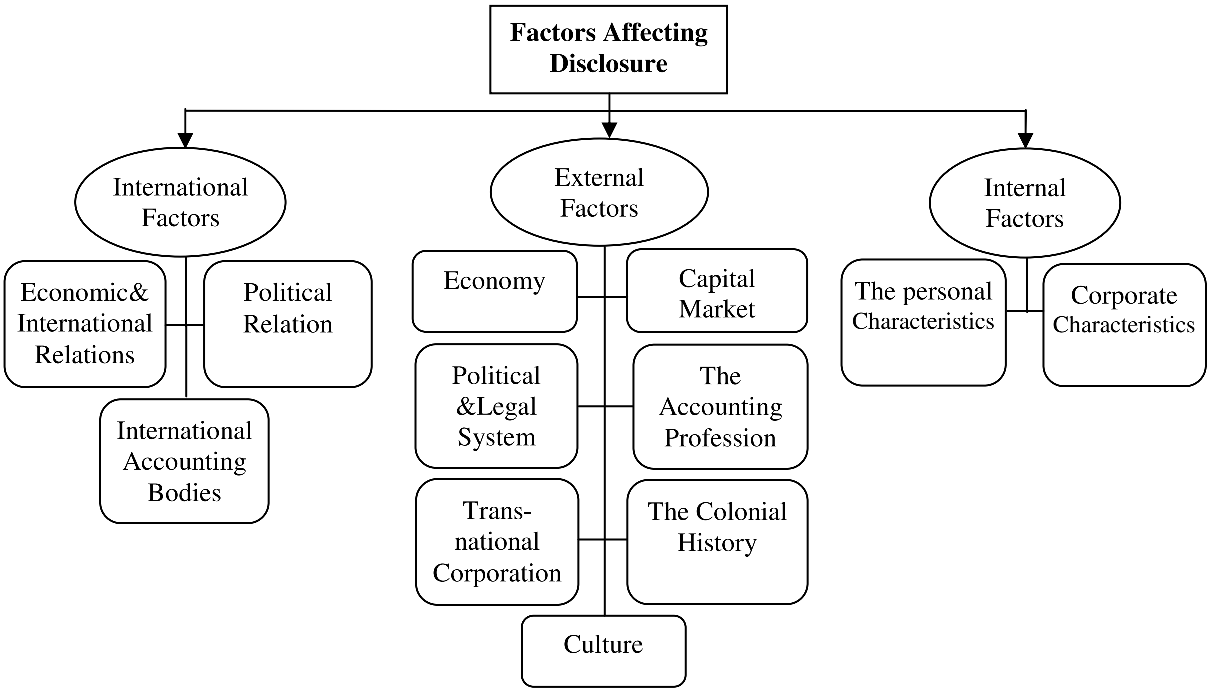
Bushee and Noe (2000) maintain that institutional investors are susceptible to corporate disclosure practices. First, institutional investors might be attracted to companies with good disclosure quality because such disclosure could reduce the price impact of trades. Second, good disclosure may affect the potential for beneficial trading opportunities, which raises the interest of institutional investors. Early research studies examined the effect of different mechanisms. They deal with: the proportion of independent directors in the board (Chen & Jaggi, 2000); the ownership structure; the shareholders relationships (Ho & Wong, 2001); and the institutional investors' activism (Bushee & Noe, 2000; El-Gazzar, 1998).

Therefore, from the discussion above, it has become evident that corporate disclosure is critical for the functioning of an efficient capital market. The companies provide disclosure through regulated financial reports, including the financial statements, footnotes, management discussions, analysis, and other regulatory filings. Furthermore, some companies engage in voluntary communication, such as management forecasts, analysts' presentations and conference calls, press releases, internet sites and other corporate reports

3.5.6 Environmental Factors Affecting Transparency and Disclosure

Many researchers in accounting and financial reporting believe that certain characteristics of the environment inherent in a country influence disclosure; this gives rise to the environmental determinism theory. Among those who believe in this theory are Mueller (1968), Nair and Frank (1980), Radebaugh (1975), and Seidler (1967). Cooke and Wallace (1990) argue for three factors: international (outside the country), external (within the country but outside the company) and internal (within a country and inside a company). Summarises environmental factors affecting disclosure quotations from Cooke and Wallace (1990), as follows in Figure 3.1.

Figure 3.1 Environmental Factors Affecting Disclosure



Researchers have examined relationships between corporate characteristics and disclosures for more than 40 years (Ahmed & Courtis, 1999).

3.6 Transparency and Disclosure and Corporate Characteristics

Prior empirical studies have recognised the relationship between the extent of disclosure and some company-specific characteristics such as size, ownership, industry type, liquidity, leverage, profitability, and auditor type. Therefore, the prior researches have examined the disclosure according to three types: aggregate, mandatory and voluntary disclosure (see Appendix 4). Acording to Lang & Lundholm (1993), Wallace, Naser, & Mora (1994), Camfferman & Cooke (2002), and Alsaeed (2006), company-specific characteristics are categorized into three groups: structure-related variables; market-related variables; and performance-related variables.

Singhvi and Desai (1971) documented the association between the quality of corporate disclosure measured by the disclosure index and company characteristics.
They maintain that the quality of disclosure is related to characteristics such as: size, number of stakeholders, rate of return, earning margin, listing status, and the size of the company). In this study, company-specific characteristics used will be measured in next section. Cooke (1989a, 1992) investigated the association between the disclosure quality of national annual reports and company characteristics. It employed a stepwise approach to examine the relation between the extent of disclosure and the company characteristics, namely the quotation status, the parent company relationship, the annual sales and the total assets as a proxy for size and number of shareholders. The results indicate that the company size and the listing status are considerably related to the level of disclosure. Malone et al. (1993) investigated the relation between the extent of corporate disclosure and the characteristics of companies in the oil and gas industry. Choi (1999) examined the disclosure quality of corporate environmental disclosures in this context: he reports that: a) companies in high profile industries unveil systematically greater quantities of information than their counterparts in lower profile industries, b) the corporate size is found to be positively associated with the tendency to disclose and finally, c) when the analysis is restricted to the discloser group, financial leverage and corporate age emerge as significant variables.

Table 3.2 shows previous studies: company characteristics Effect on T&D.

Table 3.2 Previous Studies: Company Characteristics Effect on T&D

No.	Company Characteristics	Fr.	%	No.	Company Characteristics	Fr.	%
1	Company size	69	20	**43**	Age of company	7	2
2	Ownership structure	11	3.2	**44**	Equity ratio	1	0.29
3	Rate of return	10	2.88	**45**	Dividends	1	0.29
4	Listing status	15	4.3	**46**	Ownership distribution	2	0.58
5	Audit company	17	4.9	**47**	Official domicile	1	0.29
6	Profitability	21	6.1	**48**	Internationality	1	0.29
7	Industry composition	1	0.29	**49**	Length of incorporation	1	0.29
8	Industry type	29	8.4	**50**	Foreign sales	1	0.29
9	Liquidity	11	3.2	**51**	Debt ratio	1	0.29
10	Capitalisation ratio	1	0.29	**52**	Domestic culture	1	0.29
11	Auditor type	13	3.8	**53**	Complexity of business	3	0.87
12	Leverage	31	8.9	**54**	Accounting standard adopted	1	0.29
13	Growth in net assets	1	0.29	**55**	Multiple listing status	1	0.29
14	Multinational affiliation	3	0.87	**56**	Foreign activates	2	0.58
15	Type of manager	1	0.29	**57**	Proportion of outside directors	1	0.29
16	Assets in place	8	2.3	**58**	Size of audit company	18	5.2
17	Quotation status	1	0.29	**59**	Dispersion of shareholding	1	0.29
18	Parent company relationship	2	0.58	**60**	Profit margin	2	0.58
19	Foreign listing	6	1.7	**61**	Foreign & Arab ownership	1	0.29
20	Government ownership	1	0.29	**62**	Board composition	3	0.87
21	Earning volatilities	1	0.29	**63**	Type of information	1	0.29
22	Market risk	1	0.29	**64**	Country legal origin	1	0.29
23	Cash flow risk	1	0.29	**65**	Shareholders of audit committee	1	0.29
24	Source of financing	1	0.29	**66**	Audit committee size	1	0.29
25	Total percentage of shares held by the public sector	1	0.29	**67**	Audit committee financial expertise	1	0.29
26	Level of diversification	2	0.58	**68**	Risk-adjusted returns	1	0.29
27	Performance variability	2	0.58	**69**	Shareholders owned	1	0.29
28	Issuing securities	1	0.29	**70**	Payout ratio	1	0.29
29	Foreign operation	1	0.29	**71**	Identity of auditor	1	0.29
30	Corporate gearing	1	0.29	**72**	Board size	2	0.58
31	Industry diversification	1	0.29	**73**	Industrial sectors	1	0.29
32	Industry composition	1	0.29	**74**	Institutional investor's ownership	1	0.29
33	Earning margin	2	0.58	**75**	Number of subsidiaries	1	0.29
34	Sale	1	0.29	**76**	Change in profitability	1	0.29
35	Operational complexity	1	0.29	**77**	Change in leverage	1	0.29
36	Qualification of principal accounting officer	1	0.29	**78**	The effect of Saudi Organization of Certified Public Accountants creation on the level of accounting disclosure	1	0.29
37	Commercial law type	1	0.29				
38	Financial leverage	1	0.29				
39	Labour pressure	1	0.29	**79**	Barriers to entry	1	0.29
40	Local ownership	1	0.29	**80**	Securities and exchange commission notification		0.29
41	Industrial membership	1	0.29				
42	Market discipline	1	0.29	**81**	Ownership stake held by public banks and insurance companies	1	0.29
	Total	**347**	**100%**				

No. = Number of company characteristics variables, Fr. =Frequency of variables and %= Percentage variables

Table 3.2 illustrates some of the key areas of research of the past fifty years into disclosure and corporate characteristics. The eighty-two researchers used eighty-one corporate characteristics measures. The empirical studies related company-specific characteristics considered as potential proxies for the level of disclosure, use a classification of three main groups: structure-related variables (e.g., company size, company age, ownership dispersion, and debt); market-related variables (e.g., industry type and company audit size); and performance-related variables (e.g., return on equity, liquidity, and profit margin). Table 3.2 shows that the most of the researcher used company size (69 out of 82) approximately 20 % form all corporate characteristics using (347). In addition, leverage 8.9 % and industry type 8.4 (for more detail please refers to Appendix 4).

Therefore, many empirical studies have been performed on the subject of effect of company characteristics on T&D, mostly in developed and a few in developing countries. The key measures used to company characteristics are company size, leverage and industry type. However, no researcher was found to be using the effect of audit peer review on disclosure. The key measures used to dependent variables are the level of voluntary disclosure, the level of social responsibility disclosure, the level of corporate environment disclosure, disclosure of financial and non-financial information and the level of T&D on CG. The key methodology used is disclosure statement in annual report and review company's website. The analysis used to examining effect of company characteristics on T&D are ANOVA tests, Chi-Square test and T-test. Therefore, literature findings related the effect of company characteristics on the extent of T&D were different effects. The current study using six company characteristics (structure-related and market-related) may affect T&D, will be discussed in the section 4.5.

3.7 Transparency and Disclosure and Financial Performance

This section discusses the relationship between T&D and company financial performance. The review of extant literature contained within this section defines the concepts of T&D and financial performance and explores the potential importance of context-specific variables upon their relationship (see Appendix 3).

Rogers (2008) suggests that CG can influence over 34% of the financial performance of banks in Uganda. Bushman and Smith (2003), in their survey, provide encouraging evidence of a positive relation between the quality of a country's corporate disclosure regime and economic performance.

Black et al. (2003) show a strong positive correlation between disclosure to investors and company value. Mitton (2002) in a sample of 398 companies cross countries (Thailand, Indonesia, Malaysia, Philippines, and Korea) finds that significantly better stock price performance is associated with companies that had indicators of higher disclosure quality in 1997 and 1998 during the East Asian financial crisis. Chen et al. (2002) show that better returns of shares of a certain company are associated with better information disclosure. Naser et al. (2002) suggest that high marginal profits would tempt the management information to present more information. Huang and Hsiao (2009) argue that, when the financial performance as measured by returns on assets, earnings per share is better, and returns on equity, when the transparency information disclosure is higher. Chen and Jian (2006) find that companies disclosing more transparent information benefit from a significantly lower interest cost of cost than those disclosing less transparent information. Chi (2009) finds that the overall company performance is positively related to the quality of corporate disclosure practices, indicating that better T&D practices are a set of stronger CG mechanisms leading to good corporate performance. Rogers (2008), who finds that financial T&D are positively related with most financial performance (capital adequacy, asset quality, earnings and liquidity). Miyajima (2005) finds that information disclosure is significantly associated with better ROA. Klapper and Love (2004) find a positive association between T&D score and ROA using the Credit Lyonnais analysis. Jiamsagul (2007) finds that there is a positive relationship between T&D and ROA using the S&P T&D score. Xu, Li and Liu (2009) provide evidence of a positive relation between disclosure quality of accounting information with CG efficiency which is enterprise value per share, earnings per share, ROE and ROA. Chen et al. (2004) found that companies with a high quality of T&D can reduce the cost of equity in countries where the legal protection of investors is relatively strong. Li and Tang (2007) find that information disclosure is positively associated with financial performance as measured by: ROA; total assets turnover; rate of total assets growth; net assets per share; earnings per share; and operating cash flow per share. Callahan and Smith (2004) find that disclosure practices in the management's discussion and analysis section of the annual report predicts future company performance and market value. Aksu and Kosedag (2005) by using S&P T&D index found that companies with higher scores, especially in the category of board and management structures, have higher ROA and ROE. Cheung et al. (2010) find a positive and significant relation between company disclosure index into overall disclosure mandatory index and voluntary disclosure and market valuation. Also, voluntary disclosure index is related to the market valuation, but does not relate to mandatory disclosure and the market valuation. Jiao (2011) shows a positive relation between the companies' mandatory and voluntary disclosure and future operating performance, stock returns, market valuation, and research and development. Chen et al. (2007) find that companies with better CG measured by S&P T&D have better market liquidity. Healy et al. (1999) suggest that enhancement of the disclosure ratings are accompanied by a swell in companies' stock returns. Mitton (2002) find that companies' higher disclosure quality is significantly associated with better stock price performance. Botosan (1997) finds that the increasing level of disclosure by companies leads to reducing the information asymmetry between managers and investors, and hence reduces the cost of a company's equity capital. Lang and Lundholm (1996) indicated that higher levels of disclosure should lead to a lower cost of capital by reducing the transaction costs and the information risk. Ho and Wong (2001) indicate that the existence of an audit committee is significantly and positively associated with the extent of voluntary disclosure. Durnev and Kim (2005) indicate that more concentrated cash flow rights practice higher quality CG and more disclosure; and moreover, higher value in the stock market is associated with companies that score higher in governance and transparency rankings. Bauer et al. (2008) argue that governance provisions dealing with financial disclosure do influence stock price performance. Cheung et al. (2011) good T&D can predict future market valuation.

On the other hand, Haat et al. (2008) find that company performance is not associated with the level of disclosure and timely reporting, and disclosure and timeliness are not significant contributing factors in the relationship between CG and market performance. Huang, et al. (2011) find that information T&D has a significant negative relationship with ROE. Kinney et al. (2004) show no significance between fees paid for internal audit services or financial information systems design and implementation and earnings restatements. Javed and Iqbal (2007) document that the T&D mechanism has no effect on company performance as measured by Tobin's Q.

Therefore, financial performance measures by accounting, market and economy have focused on large corporations within America, Europe and Asia. There are very few empirical studies for the MENA area. In addition, little empirical evidence exists concerning the relationship between T&D in the MENA. However, from Appendix 3, the great variation in findings among the different studies on this relationship is a result of the differences in measurement methods used, for both CG and financial performance. Therefore, most of those researchers examined the relationship between CG measured by board, CEO and ownership, and financial performance as measured by accounting performance ROA and ROE, and market performance by Tobin's Q. Agency theory dominates research on CG and financial performance relationships; however, extant researches provide no consensus about the direction and magnitude of such relationships. Consistent linkages have not been demonstrated for T&D and financial performance. Chen and Dodd (1997) indicate that the frequently used accounting measures of corporate performances are earnings per share, return on capital, and ROA. Johnson (2000) finds strong evidence supporting the importance of CG with respect to the financial performance of companies during the Asia financial crisis.

This study examines the relationship between T&D and financial performance (ROCE, ROE, and ROA). In addition, this study expects those variables of T&D practices to have a positive relationship with financial performance. For two reasons, this study prefers to use future financial performance rather than contemporary financial performance as dependent variable. First, T&D requires more time before its effect on company performance is reflected. Second, many of the T&D researches link CG variables to future company performance.

Previous studies such as for example Jiamsagul (2007) argues that research use future performance to allow for the lag effects of governance influence on company performance. Ertugrul & Hegde (2005) report that CG might affect future performance. Bhat, Hope, & Kang (2006) argue that the role of the governance disclosures in reducing uncertainty surrounding future performance. Gillan, Hartzell,

& Starks (2003) argue that companies with better company performance are able and willing to choose better CG practices, as this may further raise their performance in the future.

However, some have shown that the problem lies in the use of either survey data or publicly available data as these sources are generally restricted in scope. It has also been shown that the nature of performance measures, i.e. restrictive use of accounting-based measures such as ROCE, ROA, ROE, or restrictive use of market-based measures (e.g., market value of equities) could also contribute to this inconsistency (Gani & Jermias, 2006).

Table 3.3 shows previous studies that use future performance:

Table 3.3 Researchers using Future Performance

	Year & author	**Performance**	**Examining**	country
1	Core (2001)	ROA and stock market return.	Whether the predicted component of compensation arising from the board and ownership structure variables is correlated with future period company operating and stock market performance.	US
2	Bhagat & Black (2000)	ROE, ROA, and stock market performance.	Correlation between company performance and board composition computed at two different times, early 1988 and early 1991.	US
3	Bhagat & Black (2001)	Tobin's Q, ROA, ratio of sales to assets, and market adjusted stock price returns	Whether the degree of board independence correlates with various measure of long-term performance of large American companies.	US
4	Brown & Caylor (2004)	Return on equity, profit margin, sales growth, Tobin's Q, and shareholder payout.	Which of the eight categories (audit, board of directors, charter/bylaws, director education, executive and director compensation, ownership, progressive practices, and state of incorporation) underlying Gov-score are most highly associated with company performance.	US
5	Core et al. (2006)	ROA	Stock returns and operating performance for strong and weak CG companies.	French
6	Jiamsagul (2007)	ROA, Tobin's Q, and stock return.	Investigate whether T&D and board of directors affect three performance measures.	Thail-and
7	Larcker, Richardson, & Tuna (2007)	ROA and excess stock returns	Examining the association between typical measures of CG and various accounting.	US
8	Bhagat & Bolton (2008)	Stock return, ROA, and Tobin's Q,	The relationship between CG and company performance.	US
9	Hermes & Katsigianni (2012)	ROA and Tobin's Q	Investigate whether differences of CG practices across companies explain variations in performance	Greece
10	Lopes & Walker (2012)	Operating earnings	The relationship between future company performance and company-level CG arrangements	Brazil

Therefore, literature findings related the relationship between T&D and company performance were mixed. Section 4.6 will discuss whether fourteen variables of T&D practices have a relationship with three financial performances.

3.8 Summary and Conclusion

This chapter provided a review of the literature in relation to the theoretical and empirical background of CG in general and T&D particular. Although studies related to T&D has been done in CG area (most of them in developed countries), this research is still limited. In the MENA region, a few studies have concentrated on T&D; however, there is no evidence that this subject has been tested in Libya.

Based on the above discussion in chapter three, the following points can be identified:

- ❖ Previous study examining effect of company characteristics on T&D, even though there are more than eighty-one variables measured in literature review, most of those using company size variable, and to the best of my knowledge, no previous study has examined the effect of audit peer review on the level of T&D (see Table 3.2).
- ❖ Most of the researchers in past assessed effect of company characteristics associated with disclosure of financial information and few with non-financial information (see Appendix 4).
- ❖ Past research focused more on relationship between overall CG or few variables of it such as board structure, chief executive officer duality, ownership structure, shareholder’s rights, audit committee, and audit fees, and one or more financial performance such as ROA, Tobin's Q, and ROE (see Table 3.1). While, there is a limited literature examining relationship between T&D and financial performance (see Appendix 3).
- ❖ The previous studies determine relationship between T&D and financial performance by using index, and measure T&D in annual report, not all different types of company disclosure that may exist.
- ❖ The majority of T&D studies cover a single point of time, i.e. one year only. However, a longitudinal study on a yearly basis that can trace disclosure practices over a number of years may help to provide more explanation as to how disclosure

practices evolve over time. In addition, it will help trace the trends of disclosure (Haniffa & Cooke, 2005).

❖ Although, there are very few studies of CG concerning Libya, and none of the previous disclosure studies in the Libyan context examines the effect of company characteristics on the extent of T&D and relationship between T&D and financial performance.

❖ Most of the previous studies examine the effect of company characteristics on the extent of T&D or the relationship between T&D and financial performance, none of the previous disclosure studies examining both together.

❖ The majority of disclosure studies examining the relationship between of overall disclosure and one or more financial performance.

❖ The majority of disclosure studies using S&P T&D in developed and few in developing countries, and none of the previous disclosure studies in MENA.

❖ There have been no previous disclosure studies to find which variable of T&D practices has the most impact on company financial performance.

The current study tries to contribute to CG literature through examining the T&D practices in Libyan financial companies. The study is intended to cover four years (from 2005 to 2008) that emergence LSM.

The literature review provided in chapter two and three (this chapter) forms the basis for the hypotheses developed in chapter four. The next chapter is the development of the hypotheses in this study.

Chapter 4 Development and Formulation of Testable Hypotheses

4.1 Introduction

Many studies have been carried on the issues of CG and its association with the company characteristics and their relationship with company performance. Chapter three discussed the major issues related to CG in general and T&D particularly, as a prelude to the formulation of a set of hypotheses to be tested in this study.

The main aim in this chapter will be to develop hypotheses to test the T&D in three parts: the first, the extent of T&D with the emergence the Libyan Stock Market (H_1 H_2 and H_3); the second, the extent of T&D associated with six company characteristics (H_4, H_5, H_6, H_7, H_8 and H_9); and the third, the relationship between T&D practices and financial performance (H_{10} and H_{11}). Hence, this chapter will review previous empirical work and set eleven hypotheses for the current study as well as sub-hypotheses.

Full disclosure and transparency of financial information are vital components of the CG framework (OECD, 2004) and are regarded as an important indicator of CG quality. Indeed, Beekes and Brown (2006) find that companies with higher CG quality make more informative disclosures. Sadka (2004) provides both theoretical and empirical evidence that the public sharing of financial and analyst reports (market transparency) has enhanced factor productivity and economic growth in 30 countries. Parum (2005) defines CG as "A set of principles concerning the governing of companies and how these principles are disclosed or communicated externally". Howell, Heatley and Talosaga (2011) argue that the agency problem can be found in all areas of cooperative endeavour including the coordination of entities in the same layer of a hierarchical structure, for example between shareholders. Agency costs are the additional costs of using an agent compared to the principals undertaking the task themselves. Agency costs arise because the agents and principals, in general, have different interests, different attitudes to risk, and different access to information (information asymmetries).

T&D practices are important elements of CG because investors and other corporate stakeholders need sufficient information about a company's operations and financial performance to make investment decisions and assess risk.

Theoretical and practical studies related disclosure discuss factors might to influence disclosure, for example, Cooke and Wallace (1990) argue for three factors to influence disclosure: international (outside the country), external (within the country but outside the company) and internal (within a country and inside a company) (see Figure 3.1). Considering the previous studies the current study assumes nine hypotheses related to, these three factors might affect transparency and disclosure. First, stock market established in Libya (external factor); second, adopted the OECD principles 2004 in Libyan Stock Market (international factor); and third, company-specific characteristics (internal factor) structure-related variables (company size, company age, and ownership structure) and market-related variables (listed status, industry type, and audit peer reviews).

In addition, based on agency theory (Jensen & Meckling, 1976) and previous empirical studies (see Appendix 4), there is positive relationship between T&D and companies performance. The theory of agency and disclosure has been perhaps one of the most important areas in the study of corporate finance and accounting, direct empirical evidence on the issue is scarce (Jo & Kim, 2008). Renders et al. (2010) find that companies can improve their performance by adhering to good governance practices. This study assumes hypothesis to find a positive relationship between fourteen variables of T&D practices and company financial performance.

However, these relationships and expected benefits of T&D are more important for emerging markets such as Libya because they are in dire need of external capital as their economies are growing faster than those of more developed nations. Therefore, this study does not aim at developing a theory or hypotheses but rather seeks to describe the transparency and disclosure practices in Libyan companies' annual reports and to investigate the relationship between the transparency and disclosure practices and a number of financial performances measured.

Therefore, based on the preceding review of theoretical and empirical literature, this chapter develop hypotheses and a conceptual framework in relation to the extent of T&D, the effect of company characteristics on T&D, and the relationship between T&D and financial performance.

The remainder of this chapter is organised as follows. Section 4.2 provides an overview of the S&P T&D Index, and pinpoints the one research hypothesis. Section 4.3 shows the S&P T&D Index comparable with companies in other countries, and pinpoints one research hypothesis. Section 4.4 provides T&D variations, and pinpoints the one research hypothesis. Section 4.5 presents a review of T&D and company characteristics and identifies the six research hypotheses, which are tested in this study. Section 4.6 shows T&D and financial performance, and identifies the two research hypotheses, which are tested in this study. Section 4.7 gives the summary and conclusion of this chapter.

4.2 Standard & Poor's Transparency and Disclosure Index

Recently, the T&D score criteria of S&P have been used as a measure of CG. For example, Patel et al. (2002) used S&P T&D for 354 companies in 19 emerging markets over the three years ending 2000. They showed that price to book equity ratio is positively correlated with T&D scores. The market places a premium on companies with a lower asymmetric information problem. In addition, free-float is also positively correlated with T&D. Using only US data, Patel and Dallas (2002) provide evidence that US companies with high S&P T&D rankings have lower market risk (beta), higher price to book equity ratio, and larger size. Some researchers have used the Standard measurement criteria to gauge information disclosure in their country (see Appendix 5).

Aksu and Kosedag (2005) find that the companies with higher scores, especially in the category of board and management structures, have higher returns and accounting measures of profitability. Wu and Bowe (2012) report that bank with high T&D with adopted international accounting standards, is more likely to experience growth in its deposit base and are more able to attract funds by offering higher interest rates.

Johnson et al. (2000) argue that:

> "Agency problems can make countries with weak legal systems vulnerable to the effects of a sudden loss of investor confidence. Countries with weakly enforceable minority shareholder rights are particularly vulnerable. If such a country experiences even a small loss of confidence, outside investors reassess the likely amount of expropriation by managers and adjust the amount of capital they are willing to provide. The result can be a fall in asset values and a collapse of the exchange rate."

Libya is an emerging market; thus, agency problems will appear in Libya, because of Libya's transition to a market economy. Agency theory would suggest that such managers have similar objectives to other shareholders, but in some cases, their personal objectives may predominate to the detriment of other shareholders.

However, it is more important to study the level of T&D in Libyan companies with the emergence the Libyan Stock Market and the Libya economy transaction to a market economy. Hence, low levels of T&D lead to higher information asymmetry which exists in capital markets because the managers know more than the investors about the value of the company. Nestor & Thompson (2000) report that the T&D norms are low, insiders can have selective exchange of inside information.

However, Wang, Meng, Huang and Huang (2011) report that companies with lower transparency might raise debts extensively, and that would further impact on stockholders' equity, inducing a more serious agency problem. Fama and French (2005) and Bessler et al. (2011) indicate that information asymmetry between management and investors is the sole reason for the pecking order. This implies that information T&D have an impact on corporate financing decisions. Yet, based on the perspective of the debt financing agency problem, excessive leverage will hurt shareholders. In addition, as corporate information T&D improves, the agency problem is minimised, and investors become more willing to be involved in the stock market. Edelen, Evans and Kadlec (2011) present empirical evidence on the role of T&D in resolving agency conflicts and addressing agency costs in delegated investment management. Ashbaugh, Collins and Lafond (2006) and Ang and Ma (1999) find that companies reporting lower disclosure quality and transparent earnings have a higher cost of equity. Huang, Fu-Hsing and Chung-Jen Fu (2011) find that cost of capital and CG have a significant positive impact on corporate disclosure. Patel et al. (2002) argue the agency problem in CG can be mitigated in practice in several ways: 1) a vigilant board of directors; 2) a transparent ownership structure; 3) timely and adequate disclosure of financial information; and 4) clarifying the conflict of interests in allowing majority shareholders or large creditors to manage the company. In addition Al-Saeed (2012) indicates that there is a significant positive relationship between T&D codes, and reduction of the global financial crisis implications.

This study explains the T&D in Libyan financial companies in their annual report during the four years when the Libyan Stock Market emerged. Marston and Shrives (1991) concluded that the annual report is the most comprehensive document available to the public and is therefore the main disclosure vehicle. The annual report is even more important in the case of Libya because some companies do not publish interim reports. Bayoud, Kavanagh, & Slaughter (2012a) suggest that annual reports are considered as the most important document in Libyan companies.

In this study the first empirical research question (EQ1, section 1.2) asks, “Have Libyan financial companies improved the level of T&D in their annual reports since the emergence of the Libyan Stock Market?”

The emergence of LSM was one of the most important factors leading to the improvement of T&D in Libyan companies in their annual reports. Therefore, for the reason, this study assumes first hypothesis transparency and disclosure in Libyan financial companies increase during fiscal years from 2005 to 2008.

This study expects to find the level of transparency and disclosure has improved during the period. This study examines whether overall S&P T&D has different levels during the years from 2005 to 2008. To test EQ1, the study sets the hypothesis as follows:

H_1: There is a statistically significant increase in S&P transparency and disclosure in Libyan financial companies’ annual reports, through fiscal years from 2005 to 2008.

In this study the first hypotheses is “There is a statistically significant increase in S&P T&D in Libyan financial companies’ annual reports, through fiscal years from 2005 to 2008”.At the second and third level of T&D by three categories and twelve subcategories this study set sub-hypotheses related to the first hypothesis as follows:

Table 4.1 The Sub-hypotheses Related to First Hypothesis

No.	**Sub-hypothesis**
$H_{1.1}$	Ownership structure and investor rights
$H_{1.1.1}$	Transparency of ownership
$H_{1.1.2}$	Concentration of ownership
$H_{1.1.3}$	Voting and shareholder meeting procedures
$H_{1.2}$	Financial transparency and information disclosure
$H_{1.2.1}$	Business focus
$H_{1.2.2}$	Accounting policy review
$H_{1.2.3}$	Accounting policy details
$H_{1.2.4}$	Related party structure and transactions
$H_{1.2.5}$	Information on auditors
$H_{1.3}$	Board and management structure and process
$H_{1.3.1}$	Board structure and composition
$H_{1.3.2}$	Role of board of directors
$H_{1.3.3}$	Director training and composition
$H_{1.3.4}$	Compensation and evaluation of executive

4.3 Standard & Poor's Transparency and Disclosure Comparable with Companies in other Countries

Libya is an emerging economy whose first stock market was first established in 2006 a period when CG is very relevant. Libya is improving in the area of corporate governance but when compared with other developed economies when the hypothesis is tested it is expected to be low especially when the Standard and Poor's (S&P) data and variation in levels of T&D are taken into consideration.

Saidi (2005) argued that, given the fact the corporate sector in MENA is mainly comprised of small and medium enterprises, it is important to develop a positive incentive for compliance with best practices for CG and disclosure, by providing public recognition and establishing a reward system for good CG. Also it is imperative to reduce the cost of compliance with CG principles by providing tool-kits, training and other means of support.

T&D practices do not develop in a vacuum (Ho & Wong, 2001); Archambault and Archambault (2003) argue that there are many factors that affect the quality of overall disclosure. Environmental factors affecting disclosure noted in the literature include: political system, the legal system, CG practice, ownership structure, financial system, culture, colonial background, education level, technological development, stage of economic development, inflation, size and efficiency of capital market, the independence of auditors and demand for a public accounting market.

Larbsh (2010) examined whether Libyan companies should provide more disclosure, employing nine variables to measure that: timely and accurate disclosure; company objectives; foreseeable risk factors; issues regarding employees and other stakeholders; impact of the company's activities on the society and environment; ownership structure; remuneration policy; conducted by an independent, competent and qualified auditor; and audited and disclosure in accordance with international standard of accounting. He finds that the six groups (academic staff, external auditors, investment advisors of bank, company employees, government officials, and investors) that participated in the survey believe that Libyan companies should disclose all issues regarding employees and stakeholders in the annual reports.

Magrus (2012) report that most Libyan companies do not meet their obligation to disclose information. Elmogla (2009) reports that Libyan companies generally disclose some information related to social responsibility, but the amount of information is low compared with counterparts in developed countries. In addition, Mashat (2005) shows that mainly companies provide some measure of social disclosure, although the volume of information disseminated is low compared to developed countries. Some reasons for this might be a lack of awareness of the importance and the perceived benefits of corporate social responsibility disclosure, absence of pressure to disclose this kind of information, the weakness of the accounting profession, and the lack of mandatory disclosure requirements.

In the Libyan environment: the developing economy; weakness of law legislation and regulations; an absence of code of CG, accounting, auditing, financial report standards and business ethics (see Chapter 2). According to the classification of Transparency, Libya has a low level of transparency with a rise in the level of corruption. In the index of Transparency International, during the last five years from 2007 to 2011, Libya ranked 131, 126, 130, 146 and 168 respectively out of 183 countries. Therefore, from the above this study assumes second hypothesis Libyan financial companies have a low level of transparency and disclosure in their annual reports.

In this study, the second question (EQ2) seeks to explain "Do Libyan financial companies provide a low level of T&D in their annual reports compared to companies in other countries?" The secondary data collected from previous studies used S&P

T&D. This study expects to find low level of T&D compare with companies in other countries. This study examines whether "Libyan financial companies provide a low level of T&D in their annual reports compared to companies in other countries"? To test EQ2, the study set the hypothesis as follows:

H_2: Libyan financial companies have a low level of transparency and disclosure in their annual reports compared to companies in other countries.

At the second level of T&D according to three categories this study set sub-hypotheses related to the second hypothesis as follows:

Table 4.2 The Sub-hypotheses Related to Second Hypothesis

No.	**Sub-hypothesis**
$H_{2.1}$	Ownership structure and investor rights
$H_{2.2}$	Financial transparency and information disclosure
$H_{2.3}$	Board and management structure and process

4.4 Transparency and Disclosure Variations

Mallin and Jelic (2000) suggest that transition economies might offer more fertile ground for study, because transition economies often have weaker rules and wider variations between companies in CG practices. Ho & Wong (2001) found that there were large variations in voluntary disclosure practices among companies in Hong Kong.

The economy of Libya is in transition with weaker rules. The study assumes third hypothesis where there is variations of transparency and disclosure in Libyan financial companies' annual reports.

This study expects to find variations in Libya financial companies T&D in their annual reports. This study examines whether "There are variations between companies in T&D practices in their annual reports"? To test EQ3, the study set the hypothesis as follows:

H_3-There are significant variations in Libyan financial companies' transparency and disclosure in their annual reports.

4.5 Transparency and Disclosure, and Corporate Characteristics

There are three broad categories of corporate characteristics or attributes that can affect the degree of corporate T&D. The first category consists of the financial characteristics of the company (Hossain, 2008a), the second comprises the company's

CG characteristics (Bushman, Piotroski, & Smith, 2004), and the third consists of market discipline variables (Chipalkatti, 2002; Nier & Baumann, 2006).

Previous studies find that the quality of corporate disclosure is associated with certain company-specific characteristics. Company-specific characteristics found to be associated with quality of disclosure by Meek et al. (1995) are company size, international listing status, leverage and country of incorporation; by Chow and Wong-Boren (1987), company size, financial leverage and proportion of assets-in-place; by Singhvi and Desai (1971), listing status and earnings margin.

A considerable international literature has developed which investigates the association between corporate characteristics and disclosure levels in corporate annual reports (e.g., Buzby, 1975; Cooke, 1989c, 1992; Firth, 1979; McNally, Eng, & Hasseldine, 1982; Singhvi, 1968a; Singhvi & Desai, 1971; Wallace & Naser, 1995; Wallace, et al., 1994) (for more details see Appendix 4).

This empirical study examines the influence of six company-specific characteristics on the general level of T&D in the annual reports of financial companies listed in Libya. Six variables, both financial and non-financial, which are intended to capture different company characteristics that can influence the degree of T&D, are proposed in this study. These variables are described in detail in the following subsections. In consistent with previous studies, the study includes listed status, ownership structure, company size, age of the company, industry type, while audit peer review is introduced the first time.

The typical methodology employed is to construct a country-relevant disclosure index and to relate the quantity of informational items disclosed to selected corporate characteristics. The empirical research questions EQ 4, 5, 6, 7, 8 and 9 in section 1.2 ask whether "there is a relationship between the extent of T&D and corporate characteristics". The subsection identifies and discusses the six research hypotheses drawn from research framework and empirical questions in this study. Furthermore, the extant literature identifies several company-specific characteristics effect on transparency and disclosure.

This study expects to find a company characteristics effect on the extent of transparency and disclosure. The general hypothesis is: **"There is a statistically significant increase association between annual reports of high quality S&P**

transparency and disclosure, and corporate characteristics". On the basis of the empirical research questions 4, 5, 6, 7, 8 and 9 this study tests the level of S&P T&D for all corporate characteristics measured as follows:

4.5.1 Listed Status

According to Chow and Wong-Boren (1987), the stock market listing status of a company is a mechanism that helps the interest conflicts between principles and agents.

There is reason to suspect that the extent of disclosure is associated with listing status (Buzby, 1975). When a company wishes to have its stock traded on a stock market it must first file a listing application. This application calls for the inclusion of an extensive amount of information pertaining to the company's affairs. Also, the contents of the original listing application must be periodically updated.

According to Wang, et al. (2008, p. 16):

> "As suggested by agency theory, firms with dual listing status (foreign and domestic), such as B-share companies, are extremely motivated to disclose more voluntary information as compared to firms that only issue domestic shares, and as such, provide us with a unique setting to explore the characteristics affecting corporate information disclosure in emerging economies."

Additionally, the company must sign a listing agreement as part of the listing application. Among other things, this agreement requires that the company issues yearly reports to its stockholders and partially delineates the form and contents of the financial statements included therein. In addition to the financial statements, several other specific disclosures are required to be included in the annual report.

The emerging markets of Asia and South Africa have significantly higher T&D compared to the Latin American, Eastern European, and Middle Eastern emerging markets (Patel, et al., 2002).

According to Cooke (1989a), disclosure is very variable and there is a significant association between the extent of disclosure and listing status. A significant difference in the extent of disclosure was found among the three categories of companies: not listed, listed only on one stock market, and multiple listed.

Adhikari and Tondkar (1992) report significant variability in the amount of disclosure required as part of the listing and filing requirements of stock markets around the world. Raffournier (1995) suggests that pressures from outside markets play a major role in the disclosure policy of listed companies since companies whose activities are internationally diversified do exhibit a larger extent of disclosure than more domestic companies. Haniffa (1999) recorded that more new companies are formed in new stock markets than in established stock markets. As such, disclosure will be important in competing for the limited resources. This attribute is especially important for developing countries compared to developed countries. Besides, listed companies of recent origin may not yet have fully appreciated the relationship between disclosure and cost of capital.

Singhvi and Desai (1971) maintained that the quality of disclosure in annual reports is influenced to a great extent by the listing requirements of a stock market. Frost, Gordon and Pownall (2008) examine how five financial reporting and disclosure quality proxies are related to emerging markets companies' cross-listing choices and their access to the global capital market. Their five financial reporting and disclosure quality proxies are: transparency of the annual report, global vs. local auditor, local Generally Accepted Accounting Principles (GAAP), translation of the annual report into English, and voluntary dissemination of information through websites; they find evidence of a strong association between each of their five proxies and emerging markets companies' participation in US and UK stock markets.

Table 4.3 shows that summary results prior empirical studies the relationship between the extent of disclosure and listing status as follows:

Table 4.3 Listing Status

Year	Author	Listing status	
		Domestic	Multiple
(1961)	Cerf	√	
(1971)	Singhvi & Desai	√	
(1975)	Buzby	×	
(1979)	Firth	√	
(1989c)	Cooke		√
(1991)	Cooke		√
(1992)	Cooke		√
(1993)	Malone et al.	√	
(1994)	Wallace et al.	√	
(1994)	Hossain et al.		√
(1999)	Mahmood	√	
(2009)	Curuk	√	
(2012)	Bremer	√	
(2012)	Wen et al.,	√	

Key: √ Significant, × Not Significant

From literature review in this area, this study expects to find that company listed in stock market is positive associated with transparency and disclosure levels. In this study, the fourth question (EQ4) about the corporate characteristics asks, "Do companies listed in the Libyan Stock Market provide more T&D in their annual reports than companies not listed?"

To investigate this question, the study set the hypothesis as follows:

H_4: Companies listed in the Libyan Stock Market provide more transparency and disclosure in their annual reports than companies not listed.

In this study, the fourth hypothesis is "Companies listed in the Libyan Stock Market provide more T&D in their annual reports than companies not listed". At the second and third level of T&D by three categories and twelve subcategories this study set sub-hypotheses related the fourth hypothesis as follows:

Table 4.4 The Sub-hypotheses' Related to Fourth Hypothesis

No.	**Sub-hypothesis**
$H_{4.1}$	Ownership structure and investor rights
$H_{4.1.1}$	Transparency of ownership
$H_{4.1.2}$	Concentration of ownership
$H_{4.1.3}$	Voting and shareholder meeting procedures
$H_{4.2}$	Financial transparency and information disclosure
$H_{4.2.1}$	Business focus
$H_{4.2.2}$	Accounting policy review
$H_{4.2.3}$	Accounting policy details
$H_{4.2.4}$	Related party structure and transactions
$H_{4.2.5}$	Information on auditors
$H_{4.3}$	Board and management structure and process
$H_{4.3.1}$	Board structure and composition
$H_{4.3.2}$	Role of board of directors
$H_{4.3.3}$	Director training and composition
$H_{4.3.4}$	Compensation and evaluation of executive

4.5.2 Ownership Structure

The ownership of a company can be concentrated in the hands of various shareholders such as, the state, individual or a group of individuals, foreign investors or institutions like banks, non-bank financial institutions, non-financial institutions, and family (Shleifer & Vishny, 1997).

Agency theory suggests that where there is a separation of ownership and control of a company, the potential for agency cost arises because of incentive conflicts between contracting parties (Fama & Jensen, 1983; Hossain, et al., 1994). It is assumed that a wider dispersion of share ownership of a company is associated with its compliance with mandatory disclosure rules. This proposition is explained in terms of positive (agency) theory of accounting because modern companies are characterised by a separation of ownership and control.

This arrangement for corporate control generates agency costs resulting from conflicting interests between management and owners and across classes of owners (Fama & Jensen, 1983; Jensen & Meckling, 1976). Agency costs tend to be higher for companies with a widespread public ownership of securities, therefore, shareholders of such companies press for more adequate information for monitoring purposes (Watts, 1977).

In discussing ownership structure as an important determinant of disclosure, most studies looked at it from the diffusion perspective. However, it is important to recognise that there is a variety of equity owners that exist in the market which may include local individuals, companies and banks, foreigners, nominees, government agencies and professional investment funds. Each of these groups will have an impact on disclosure and as such, care should be taken in the selection of the appropriate proxy to use, depending on the environment of the country (Haniffa, 1999). Leftwich, et al. (1981), Craswell and Taylor (1992), McKinnon and Dalimunthe (1993), Hossain et al. (1994) and Raffournier (1995) observe that disclosure will be superior to companies whose ownership is disseminated because it helps owners to observe the behaviour of management as predicted by agency theory.

Stakeholders in different organisations apply unlike pressures with a view to information disclosure; organisations with foreign or private performance might have to abide by the demands of the foreign country's reporting requirements and might also be permitted to implement it their country. On the other hand, such organisations might also choose not to disclose more information disclosure to avoid setting a precedent for other organisations or tax evasion.

Empirical evidence relating the influence of ownership structure to the extent of voluntary disclosure is mixed. For instance, McKinnon and Dalimunthe (1993) find a significant association between ownership structure in diversified Australian companies and voluntary segment disclosure, while Craswell and Taylor (1992) find a significant association between ownership structure and voluntary disclosure reserves in the Australian oil and gas industry. Healy and Palepu (2001) find that disclosure is associated with institutional ownership.

Foreign regulation – in particular that imposed by the Securities Exchange Commission – is an important factor in this explanation. The greater the need to raise capital outside the country, the greater the likelihood of additional voluntary disclosures (Cooke, 1989c). Hossain et al. (1994) record that foreign listing status is significantly related to voluntary disclosure levels. Haniffa and Cooke (2002) suggest that there is a positive relationship between voluntary disclosure and foreign ownership.

Table 4.5 shows that summary results previous studies the relationship between the extent of disclosure and ownership structure as follows:

Table 4.5 Previous Studies of Ownership Structure

Year	Author	Ownership structure
(1992)	Craswell & Taylor	×
(1993)	McKinnon & Dalimunthe	√
(1994)	Abu-Nassar & Rutherford	×
(1994)	Hossain et al.	√
(1995)	Raffournier	×
(1996)	Al-Modahki	×
(1999)	Haniffa	√
(2000)	Depoers	×
(2003)	Eng & MAK	√
(2005)	Alsaeed	×
(2012)	Ismail & Ibrahim	√

Key: √ Significant, × Not Significant

From literature review in this area, this study expects to find that ownership structure is positive associated with transparency and disclosure levels. The fifth, EQ5 about the corporate characteristics asks "Do public Libyan financial companies provide more T&D in their annual reports than private 'individual' companies?" To investigate this question, the study set the hypothesis as follows:

H_5: Public financial companies provide more transparency and disclosure in their annual reports than private "individual" companies.

In this study the fifth hypotheses is "Public financial companies provide more T&D in their annual reports than private "individual" companies". At the second and third level of T&D according to three categories and twelve subcategories this study set sub-hypotheses related to the fifth hypothesis as follows:

Table 4.6 The Sub-hypotheses' Related Fifth Hypothesis

No.	**Sub-hypothesis**
$H_{5.1}$	Ownership structure and investor rights
$H_{5.1.1}$	Transparency of ownership
$H_{5.1.2}$	Concentration of ownership
$H_{5.1.3}$	Voting and shareholder meeting procedures
$H_{5.2}$	Financial transparency and information disclosure
$H_{5.2.1}$	Business focus
$H_{5.2.2}$	Accounting policy review
$H_{5.2.3}$	Accounting policy details
$H_{5.2.4}$	Related party structure and transactions
$H_{5.2.5}$	Information on auditors
$H_{5.3}$	Board and management structure and process
$H_{5.3.1}$	Board structure and composition
$H_{5.3.2}$	Role of board of directors
$H_{5.3.3}$	Director training and composition
$H_{5.3.4}$	Compensation and evaluation of executive

4.5.3 Company Size

Agency theory predicts that larger companies will disclose more information in their accounts to alleviate the potential for wealth transfers from suppliers of outside capital to managers (Hossain, et al., 1994). Marston (2003) indicates that agency theory and cost–benefit analysis can all be used to show that a positive relationship among company size and disclosure can be expected. She argues that larger companies incur higher political costs, having an increased need for external funds, and political costs can be reduced by improved disclosures.

Size has been found to be a significant factor in explaining difference in the extent of disclosure in a number of different countries, (see e.g., Belkaoui & Kahl, 1978a, 1978b; Cerf, 1961; Cooke, 1989a, 1992; Firth, 1979, 1980; Singhvi, 1968b; Singhvi & Desai, 1971; Stanga, 1976). When speaking of an association between asset size and disclosure it really refers to the special characteristics surrounding the size of a company and their logical link to the extent of disclosure (Buzby, 1975).

Many researchers argued for the relationship between disclosure and organisation size (see Table 4.7 below). Organisation size is one of the characteristics that have been extensively related to disclosure policy (Hassan, 2004). There are many reasons why large organisations might disclose more information than small organisations (Cooke, 1991). Larger organisations are expected to provide more transparent information as they incur lower costs in accumulating detailed information. They have more profitable securities and they have superior ease of financing (Cooke, 1991). Also (e.g., Ahmed & Courtis, 1999; Ahmed & Nicholls, 1994; Cooke, 1989b, 1989c; Wallace, 1987) provide evidence that company size is positively associated with disclosure level. Cerf (1961) recorded that there is a significant impact of size with both voluntary and mandatory disclosure in both emerging and developed stock markets. On the other hand, a large size organisation might also choose not to disclose more information to avoid setting a precedent for other organisations. McNally et al. (1982) suggest that, significantly different levels of voluntary disclosure are closely associated with differences in corporate size. The proxies for size that have been used in studies include total assets (e.g., Bazley, Brown, & Izan, 1985; Cerf, 1961; Chow & Wong-Boren, 1987; Cooke, 1989a; Haniffa, 1999; Singhvi, 1968a; Wallace, et al., 1994).

Singhvi and Desai (1971) recorded that a positive relationship between the asset size of a corporation and the quality of disclosure can result from many reasons. First, the cost of accumulating detailed information is relatively high for smaller corporations. In larger corporations, such information is accumulated for internal reporting to top executives and, therefore, disclosure of such information is not a costly affair for them. Second, the management of larger corporations is likely to realize the possible benefits of better disclosure, such as easier marketability of securities and greater ease in financing. Smaller corporations usually do not raise funds in the securities market and, therefore, cannot realise the possible benefits of better disclosure. Finally, smaller corporations are likely to feel more than larger corporations that the full disclosure of information could endanger their competitive position.

Previous study in this area suggests company size as the main determinants of corporate disclosures (e.g, Healy & Palepu, 2001, Lang & Lundholm, 1993). Leuz (2003) asserts that company size is expected to be statistically significant with level of disclosure. Foster (1986) argued that company size is the most commonly used control variable in disclosure studies (see Table 3.2). The size of a company is likely to positively affect disclosure practices for a number of reasons. First, preparing and disseminating detailed annual reports is costly. Hence, larger companies are more likely to have an incentive to disclose detailed information because it is relatively less costly for them to do so. Second, because annual reports are usually the main source of information for competitors, Buzby (1975) points out that extensive disclosure in their annual report puts small companies at a competitive disadvantage to large companies in their industry. This means that small companies are likely to bear higher opportunity costs in providing detailed disclosures than are large companies (Owusu-Ansah, 1998). Therefore, smaller companies may be reluctant to disclose more detailed information about their activities. Third, some studies show that greater disclosure is associated with a lower cost of capital (Botosan, 1997; Choi, 1973; Elliott & Jacobson, 1994). Therefore, large companies may be motivated to disclose more in order to get relatively cheap capital through the security market to finance their growth. Fourth, large companies are more likely to have a broad-based ownership structure which requires more comprehensive information to meet the information needs of various groups of users (Jaggi & Low, 2000). However, size could be measured in a number of different ways, e.g., total assets, fixed assets, current assets, bank borrowing, turnover, viz. capital stock, shareholders' funds, number of shareholders, total equity, market capitalisation, debt ratio, debt to equity, and sales. There is no overwhelming theoretical reason to prefer the size variable to any other (Cooke, 1992; Marston, 2003). In this study, the size variable is considered as total assets, because the size by total assets is common in research studies.

Table 4.7 shows summary results prior empirical studies the relationship between the extent of disclosure and companies size as follow:

Table 4.7 Previous Studies of Companies Size

Year	Author	Company Size					
		Total assets	**Total equity**	**Sales**	**Market capitalis-ation**	**Intangible Assets**	**Total Revenue**
(1961)	Cerf	√					
(1968a)	Singhvi	√					
(1971)	Singhvi & Desai	√					
(1973)	Choi	√					
(1975)	Buzby	√					
(1976)	Stanga			×			
(1978)	Courtis	√					
(1979)	Firth			√			
(1980)	Salamon & Dhaliwal	√			√		
(1982)	McNally et al.	√	×				
(1986)	Foster	√		√	√		
(1987)	Wallace	√		×			
(1987)	Chow & Wong-Boren	√					

(1988)	Saudagaran	×		×			
(1989a)	Cooke	√		√			
(1990)	Tan, Kidam & Cheong,	√			√		
(1991)	Cooke	√		√			
(1992)	Cooke	√		√			
(1993)	Lang & Lundholm	√					
(1993)	Malone et al.	×					
(1994)	Abu-Nassar & Rutherford	√		√			
(1994)	Wallace et al.	√		√			
(1994)	Ahmed & Nicholls	×		×			
(1994)	Hossain et al.				√		
(1995)	Raffournier	×		√			
(1995)	Wallace & Naser	√		×	×		
(1995)	Hossain et al.	√					
(1996)	Al-Modahki	√		√			
(1996)	Soh	√					
(1996b)	Zarzeski	×		×			
(1997)	Inchausti	√					
(1997)	Patton & Zelenka	√					
(1998)	Craig & Diga	×		×			
(1999)	Craven & Marston	√					
(1999)	Haniffa	√					
(1999)	Ahmed & Courtis	√		√			
(2000)	Depoers	√					
(2001)	Riahi-Belkaoui	√					
(2002)	Haniffa & Cooke	√					
(2003)	Leuz	√					
(2004)	Khanna, Palepu & Srinivasan			√	√		
(2004)	Bushman et al				√		
(2005)	Mangena & Pike	√					
(2005)	Durtschi & Easton	√		√	√		
(2005)	Alsaeed	√					
(2006b)	Cheng, Collins, & Huang		√				
(2006)	Tinalkar	√					
(2006b)	Barako, Hancock, & Izan	√					
(2006)	McFie	√					
(2007)	Barako	√					
(2007)	Bhuiyan & Biswas			√			
(2007)	Mathew, Elsie, & Joseph	√			√		
(2007)	Holder-Webb et al.	√					
(2007)	Aljifri & Hussainey	×					
(2008)	Aly & Simon	√		√			
(2008)	Iskander	√					
(2008b)	Hossain	√					
(2009)	Foong Soon et al.			√			
(2009)	Doaa, Jon, & Khaled	×					
(2010)	Pahuja & Bhatia				√		
(2010)	Cho et al.	√					
(2011)	Kang & Gray					×	
(2011)	Mia & Al- Mamun						√
(2012)	Ismail & Ibrahim	√					

Key: √ Significant, × Not Significant

Company size appears to be an important factor, being selected as a predictor of T&D such that larger companies are predicted to be more likely to be transparent and disclose ratios than smaller companies. This is consistent with agency theory and related empirical studies (see Table 4.7). Reviewing T&D literature, this study expects to find that company size is positive associated with transparency and disclosure levels. The sixth, EQ6 is "Do companies with greater total assets disclose information to a greater extent than those with fewer total assets?" To investigate this question, the study set the hypothesis as follows:

H_6: Companies with greater total assets provide more transparency and disclosure in their annual reports than those with fewer total assets.

In this study the sixth hypotheses is "Companies with greater total assets provide more T&D in their annual reports than those with fewer total assets". At the second and third level of T&D by three categories and twelve subcategories, this study set sub-hypotheses related to the sixth hypothesis as follows:

Table 4.8 The Sub-hypotheses Related to Sixth Hypothesis

No.	**Sub-hypothesis**
$H_{6.1}$	Ownership structure and investor rights
$H_{6.1.1}$	Transparency of ownership
$H_{6.1.2}$	Concentration of ownership
$H_{6.1.3}$	Voting and shareholder meeting procedures
$H_{6.2}$	Financial transparency and information disclosure
$H_{6.2.1}$	Business focus
$H_{6.2.2}$	Accounting policy review
$H_{6.2.3}$	Accounting policy details
$H_{6.2.4}$	Related party structure and transactions
$H_{6.2.5}$	Information on auditors
$H_{6.3}$	Board and management structure and process
$H_{6.3.1}$	Board structure and composition
$H_{6.3.2}$	Role of board of directors
$H_{6.3.3}$	Director training and composition
$H_{6.3.4}$	Compensation and evaluation of executive

4.5.4 Age of the Company

The extent of a company's disclosure may be influenced by its age (Owusu-Ansah, 1998). The age of a company may be relevant, as older companies may have built up differential experience in corporate reporting over time (Camfferman & Cooke, 2002). When an organisation has been listed for a long time, it might have more established information disclosure and better knowhow compared to newly listed organisations.

On the other hand, newly listed organisations might also choose to disclose more information disclosure to enhance CG.

Owusu-Ansah (1998) pointed out three factors that may contribute to this relationship. First, younger companies may suffer competitive disadvantage if they disclose certain items such as information on research expenditure, capital expenditure, and product development. The competitive disadvantage would arise when the information disclosed by the newly established companies is used to their detriment by the other competitors. On the other hand, older companies may naturally be motivated to disclose such information as its presentation may be less likely to damage their competitive position. The second potential contributory factor is the cost and the ease of gathering, processing, and disseminating the required information. These costs are likely to be more onerous for younger companies than for their older counterparts. The third and final factor is the situation that younger companies may lack a ‘track record’ to rely on for public disclosure and therefore may have less information to disclose or fewer rich disclosures. Camfferman and Cooke (2002) identified a number of new variables, such as the age of a company to be investigated by future studies. The rationale for selecting this variable lies in the possibility that old companies might have improved their financial reporting practices over time.

Barton and Waymire (2004) find that younger companies have higher reporting quality. Alsaeed (2005) suggests that there is no association between the age of the company and disclosure. Choi (1993) argues that companies that have been listed recently may want to raise additional capital at the lowest cost in the future compared to matured companies which have less reliance on external funds, and as such, newly listed companies will disclose more information for that purpose. Kakani et al. (2001) show that newer companies, as a result, take to the market in spite of disadvantages such as their lack of capital.

Table 4.9 shows summary results prior empirical studies and the relationship between the extent of disclosure and age of the company as follows:

Table 4.9 Previous Studies by Age of the Company

Year	Author	Age of the company
(1998)	Owusu-Ansah	√
(2004)	Barton & Waymire	×
(2006)	Alsaeed	×
(2006)	McFie	×
(2007)	Bhuiyan and Biswas	×
(2008b)	Hossain	√
(2010)	Cho et al.	√

Key: √ Significant, × Not Significant

From literature review in this area, this study expects to find that company age is positively associated with transparency and disclosure levels. The seventh, EQ7 about the corporate characteristics asks whether older financial companies in Libya provide more T&D in their annual reports than younger companies. To investigate this question, the study sets the hypothesis as follows:

H_7: Older financial companies provide more transparency and disclosure in their annual reports than younger companies.

In this study the seventh hypothesis is "Do older financial companies provide more T&D in their annual reports than younger companies?" At the first level of overall T&D, at the second and third level of T&D by three categories and twelve subcategories this study set sub-hypotheses related to the seventh hypothesis as follows:

Table 4.10 The Sub-hypotheses Related to Seventh Hypothesis

No.	**Sub-hypothesis**
$H_{7.1}$	Ownership structure and investor rights
$H_{7.1.1}$	Transparency of ownership
$H_{7.1.2}$	Concentration of ownership
$H_{7.1.3}$	Voting and shareholder meeting procedures
$H_{7.2}$	Financial transparency and information disclosure
$H_{7.2.1}$	Business focus
$H_{7.2.2}$	Accounting policy review
$H_{7.2.3}$	Accounting policy details
$H_{7.2.4}$	Related party structure and transactions
$H_{7.2.5}$	Information on auditors
$H_{7.3}$	Board and management structure and process
$H_{7.3.1}$	Board structure and composition
$H_{7.3.2}$	Role of board of directors
$H_{7.3.3}$	Director training and composition
$H_{7.3.4}$	Compensation and evaluation of executive

4.5.5 Type of Industry

The industry restriction recognises the fact that an information set can vary according to the nature of the industry. Cooke (1989c) states that there might be a dominant company in a sector of the economy with a high level of disclosure. Inchausti (1997) argues that companies in the same industry type will disclose similar information.

Stanga (1976) agrees that many disclosure deficiencies appear to exist in the published annual reports of large industrial companies. These deficiencies are unfortunate when one considers that the cost of disclosing many of the information items in the model would be minimal. Cooke (1989c) established that companies categorised as ‘trading’ disclosed less voluntary information than other industry types. McKinnon and Dalimunthe (1993) agree that strong support was found for industry membership as factors motivating the voluntary disclosure of segment information. If size is an important explanatory variable then industry type and listing status may be important interacting variables (Cooke, 1992).

Bazley, Brown and Izan (1985, p. 48) include industry as an explanatory variable on the grounds that:

> “Industry membership, perhaps partly at least by virtue of its surrogate properties, has been found . . . to be correlated with accounting method choice”.

On the other hand for example Tan and Tower (1993)find that no significant relation exists between half-yearly report disclosure and industry type.

However, this study speculates that mandatory and voluntary T&D practices of companies are not likely to be the same across different financial companies. There are several reasons for this speculation. Companies in certain industries may have difficulties in reporting adequately due to the nature of work involved, some industries are more vulnerable to financial crises, industry-specific laws or regulation, and the oversight and control of its industry. It’s possible that this may affect the T&D and reporting practices of the companies in this industry.

Table 4.11 shows summary results previous studies the relationship between the extent of disclosure and industry type as follows:

Table 4.11 Previous Studies by Industry Type

Year	Author	Industry type
(1976)	Stanga	√
(1978a)	Belkaoui & Kahl	√
(1982)	McNally et al.	×
(1987)	Wallace	×
(1989a)	Cooke	√
(1989)	Cooke & Wallace	√
(1991)	Cooke	√
(1992)	Cooke	√
(1993)	Tan and Tower	×
(1994)	Abu-Nassar & Rutherford	×
(1994)	Wallace et al.	×
(1995)	Meek et al.	√
(1995)	Raffournier	×
(1995)	Wallace & Naser	√
(1996)	Al-Modahki	√
(1996)	Soh	√
(1998)	Owusu-Ansah	×
(1999)	Haniffa	√
(1999)	Mahmood	√
(1999)	Ahmed & Courtis	√
(1999)	Craven & Marston	×
(2002)	Naser et al.	×
(2003)	Marston	JW √ | EW ×
(2006b)	Barako, Hancock, & Izan	×
(2006)	McFie	×
(2007)	Aljifri & Hussainey	×
(2009)	Doaa, Jon & Khaled	√
(2011)	Kang & Gray	√
(2012)	Ismail & Ibrahim	×

Key: √ Significant, × Not Significant, J W=Japanese website, and EW English website

From above this study expects to find that industry type is positively associated with transparency and disclosure levels. The eighth, EQ8 was "Does the Banking sector provide more T&D in their annual reports than the Insurance sector?" Although the evidence to date is inconclusive, it therefore seems appropriate to test whether T&D varies between industries. To investigate this question, the study set the hypothesis as follows:

H_8Banking sector provides more transparency and disclosure in their annual reports than insurance sector.

In this study the eighth hypothesis is "Banking sector provides more T&D in their annual reports than insurance sector". At the second and third level of T&D according to three categories and twelve subcategories, this study set sub-hypotheses related to the eighth hypothesis as follows:

Table 4.12 The Sub-hypotheses Related to Eighth Hypothesis

No.	**Sub-hypothesis**
$H_{8.1}$	Ownership structure and investor rights
$H_{8.1.1}$	Transparency of ownership
$H_{8.1.2}$	Concentration of ownership
$H_{8.1.3}$	Voting and shareholder meeting procedures
$H_{8.2}$	Financial transparency and information disclosure
$H_{8.2.1}$	Business focus
$H_{8.2.2}$	Accounting policy review
$H_{8.2.3}$	Accounting policy details
$H_{8.2.4}$	Related party structure and transactions
$H_{8.2.5}$	Information on auditors
$H_{8.3}$	Board and management structure and process
$H_{8.3.1}$	Board structure and composition
$H_{8.3.2}$	Role of board of directors
$H_{8.3.3}$	Director training and composition
$H_{8.3.4}$	Compensation and evaluation of executive

4.5.6 Audit Peer review

The homogeneity of auditors' working rules and international standards are promoted by means of audit peer reviews which also tend to guarantee the transparency of financial information (Piot, 2001). The literature on agency has developed to encompass a number of different solutions to the problem existing in the principal/agent relation; which attempt to reduce the inefficiencies prevalent as a result of factors relating to information asymmetry, or agency costs, and which results from the failure of the principal to perfectly monitor the actions and motivations of the agent (Payne, 1995). Harris and Raviv (1979) and Holmstrom (1979) originally put forward a solution where they stated that regardless of its perfection a costless monitor that provides a positively correlated information concerning an agent's action or to some extent aimed at the overall state of nature can always be employed by the principal as a tool of cutting down on the agency expenses which tend to stem out of the asymmetry of information. However, in situations where the monitor fails to provide essential information, engaging its use could potentially expose the agent to risks and lead to a situation of reduced decisions affecting welfare. Furthermore, the two writers asserted that where the monitor happens to be costly the benefits derivable from its use must be seen to exceed its cost in order to ascertain the improvement in the overall societal welfare. The two factors of quality and credibility do have a similar impact in the process of agency conflict minimisation: The variables tend to ensure the reliability and credibility of numbers involved in accounting and as a result improve the social role of financial reporting in the CG process (Piot, 2001). Fogarty (1996) reports that audit peer review became necessary partly because of the weak culture of the profession and its unstable knowledge base. According to Payne (1995) audit peer review should be perceived as the profession's reaction to the agency potential relationship that exists between the buyer of audit services and that of the last user of the services provided by the auditor. A manager's decision could be controlled by use of mandated audit peer review through the removal from the market the services of the low quality auditor. Essentially, even if it is more costly to the management, regulators tend to try to protect the end user of the audited financial statement.

According to document considered by the OECD Steering Group on CG:

> "The peer reviews will be designed to encourage transparency, consistency and learning. The peer-reviews can also address specific cross-cutting issues that will identify key market and policy developments that may influence the quality of CG" (OECD, 2009).

To the best of my knowledge, no previous study has examined the effect of audit peer review on the level of T&D. This study, to reduce information of asymmetry between managers (agents) and shareholders (principals) will investigate whether audit peer review has an effect on T&D in companies' annual reports.

However, this study expects to find that audit peer review is statistically significant increase on level of transparency and disclosure. The ninth, EQ9 about the corporate characteristics asks "Are companies that have audit peer review more likely to provide T&D information than companies that do not have audit peer review?" To investigate this question, the study set the hypothesis as follows:

H_9- Companies that have audit peer review are more likely to provide greater transparency and disclosure information in their annual reports than companies that do not have audit peer review.

In this study the ninth hypothesis is "Companies that have audit peer review are more likely to provide T&D information in their annual reports than companies that do not have audit peer review". At the second and third level of T&D according to three categories and twelve subcategories this study set sub-hypotheses related the ninth hypothesis as follows:

Table 4.13 The Sub-hypotheses Related to Ninth Hypothesis

No.	Sub-hypothesis
$H_{9.1}$	Ownership structure and investor rights
$H_{9.1.1}$	Transparency of ownership
$H_{9.1.2}$	Concentration of ownership
$H_{9.1.3}$	Voting and shareholder meeting procedures
$H_{9.2}$	Financial transparency and information disclosure
$H_{9.2.1}$	Business focus
$H_{9.2.2}$	Accounting policy review
$H_{9.2.3}$	Accounting policy details
$H_{9.2.4}$	Related party structure and transactions
$H_{9.2.5}$	Information on auditors
$H_{9.3}$	Board and management structure and process
$H_{9.3.1}$	Board structure and composition
$H_{9.3.2}$	Role of board of directors
$H_{9.3.3}$	Director training and composition
$H_{9.3.4}$	Compensation and evaluation of executive

4.6 Transparency and Disclosure Practices and Financial Performance

Filatotchev and Boyd (2009) report that most empirical literature on CG has been rooted in agency theory and is concerned with linking different aspects of CG with company performance in order to prevent principal–agent conflicts and maximise value for shareholders. Klapper and Love (2004) suggest that good governance practices are more important in countries with weak anti director rights and inefficient enforcement. This finding has strong policy implications and suggests that recommending that companies adopt good governance practices is even more important in countries with weak legal systems. Berglof and Claessens (2004) argue that enforcement is more than laws-on-the-books and voluntary codes and regulations; it is the key to effective CG, at least in transition and developing countries. Thus, good CG practices are related to fair and effective enforcement of the legal structure to provide investors' dependability. Nganga et al. (2003) suggests that the key issues in evaluating a CG system are effective boards, legal protection of investor rights, trustworthy accounting and disclosure standards, and preferably an active market for corporate control.

Companies that wish to be listed on the LSM must meet a number of CG T&D practices set out by both the LSM and the Libyan Securities Commission. Prior to granting the listing, the LSM requires companies to lodge a full set of CG practices and complete the application form. T&D practices as one of the CG practices must include information about the companies such as details of company objectives; details of major share ownership and voting rights; board members, key executives and their remuneration; related party transactions; foreseeable material risk factors; material issues regarding employees and other stakeholders; details of governance structures and policies, preparation of information; details of audit and disclosure according to high standards of accounting; disclosure and audit by external auditors with a duty of due professional care; accountable to shareholders; channels for disseminating information allowing for fair, timely and cost-efficient access to information by the user; and details of CG framework, complemented by an effective approach that addresses and promotes the provision of analysis.

Apart from these specific listing requirements, the LSM also requires companies to prepare annual audited accounts in accordance with the ISA and Act No 116 for the year 1973, the accounting standards and pronouncement of the IAS and financial reporting prepared of International Financial Report Standard (IFRS).

Shabbir and Padget (2005) used 1,229 CG provisions from the 1998 UK Combined Code to develop a non-compliance CG index for a sample of 122 FTSE 350 companies during the period 2000 to 2003 to investigate the CG – performance relationship. Consistent with the US evidence, they report that their non-compliance CG index is inversely related to ROE, ROA, and total shareholder return. This implies that more compliant UK listed companies enjoy higher ROE, ROA, and total shareholder return over the sample period.

Aksu and Kosedag (2006) argue that there is a relationship between T&D scores and company-level and country-level financial performance. Rogers (2008)finds that all the dimensions of financial transparency, disclosure and trust had positive relationships with most of the financial performance dimensions in commercial banks in Uganda. Jiamsagul (2007) shows that T&D accounting policy review and details are significantly and positively related to ROA. Healy and Palepu (2001) found that disclosure is associated with stock price performance. Patton and Zelenka (1997) found that the number of employees, ROE performance, asset size and financial risk (leverage) are significantly correlated with the extent of disclosure. Miyajima (2005) shows that developed information disclosure adds to the cumulative efforts of recent CG, and found that information disclosure was significantly associated with better financial performance (ROA).

Chen et al. (2007), using S&P T&D to examine the effect of CG on equity liquidity, find that companies with poor T&D have larger economic costs of equity and liquidity. Klapper and Love (2004), using Credit Lyonnais analysts on seven categories and 57 binary questions (Y-N), found that 15% is disclosure and transparency, with a positive association between CG score and ROA. Cheng et al. (2003) argue that strong S&P T&D reduces the company's cost of equity measured by market beta.

Duztas (2008) argues that CG is either the sole or most important concept affecting company performance. Huang (2010) shows that independent directors have a significantly positive impact on financial performance measured by ROA. Reddy et al.(2010), show that the presence of a remuneration committee has had a positive influence on company performance measured by ROA, Tobin's Q, and market-to-book ratio. Mishra and Suar (2010) find that the correlation between corporate social responsibility and company performance indicated that a more favourable aggregate corporate social responsibility towards all the six stakeholders – employees, investors, suppliers, community, customers, and environment – resulted in a higher ROA.

On the other hand, Al Farooque et al. (2007) find that a non-linear relationship exists between board shareholding and financial performance. Rogers (2008) argues that credit risk as a measure of disclosure has a negative relationship with financial performance. Alsaeed (2005) shows that none of the financial performance-related variables (profit margin, return on equity, liquidity) actually lent itself to being an explanation of the disclosure level variation. Wallace et al. (1994) find that the association between the index of comprehensive disclosure and liquidity was significantly negative. Fisher (2007) suggests that there is a limitation on the conclusions drawn on the causal relationship between CG and financial performance. Drobetz et al. (2004) prove that expected stock returns are negatively correlated with company-level CG (general governance commitment, minority rights, transparency, board matters, and auditing), if dividend yields are used as proxies for the cost of capital.

Jo and Kim (2007) find that disclosure frequency around the announcement of a seasoned equity offering is positively related to the company's post-issue performance. Cheung et al. (2010), by using the transparency index in mandatory and voluntary disclosure to examine 100 major Chinese listed companies during 2004-2007, constructed a comprehensive scorecard, based on the CG Principles (OECD 2004); in order to assess the transparency, they find that there is a positive and significant relation between company transparency and market valuation. On the other hand Cheung et al. (2008) developed a CG index to measure the overall quality of CG and disclosure practices of the 100 largest Chinese listed companies in 2004, but find no statistically significant relation between individual sub-index (T&D index) and market valuation. Coulton (2001) find no evidence of transparency being associated with the mix of cash and stock-based compensation.

From the above it can be concluded that T&D practices is a good measurement to examine the relationship between CG and company financial performance.

4.6.1 The Relationship between Transparency and Disclosure Practices and Financial Performance

This study is a contribution to the growing volume of research that examines the relationship between T&D and company financial performance as measured by ROCE, ROE, and ROA.

The choice of ROCE, ROE, and ROA as indicators of performance has illustrated how CG structures can be seen to influence the capital structure of a company which in itself could have a significant impact upon the effectiveness of a said governance structure to influence company performance.

Furthermore, the theory on disclosure suggests that a commitment to improved public T&D decreases information asymmetry between insiders and outsider investors and among differentially informed investors (Diamond & Verrecchia, 1991; Kim & Verrecchia, 1991).

According to Chugh et al. (2010, p. 2):

> In the first place, litigation costs may be reduced, since greater transparency of governance processes and financial information, and protection of minority shareholder rights, may result in fewer conflicts. Secondly, agency costs may be minimized, as independent boards can effectively monitor and supervise management. In addition,

> appropriate incentives may be put in place to enhance managerial performance. Thirdly, greater shareholder oriented CG may be regarded as a positive signal by investors and analysts. Fourthly, greater transparency may elevate credit ratings, resulting in a lower cost of debt.

It can be said, agency costs, and thus disclosure, will be higher for companies with proportionately more debt, because of the greater than before potential for wealth transfers from debt holders to managers and shareholders. The previous research on this relation has been mixed, e.g. Bayoud, Kavanagh, & Slaughter (2012b) found a significant and positive relationship between social and environmental disclosure and ROA, ROE, and revenues. Zhongfu, Jianhui, & Pinglin (2011) find that the environment information disclosure has a positive effect on the Tobin Q. Chi (2009) found that Tobin Q is positively associated with the quality of corporate disclosure practices. Aman & Nguyen find significantly relationship between information disclosure and ROA & Tobin Q. Bradbury (1992) found that the relationship between disclosure and leverage is positive and significant in New Zealand companies. Hossain et al. (1995), found that leverage was marginally significant related to the level of financial information voluntarily disclosed by companies listed on the New Zealand Stock Exchange. Ferguson et al. (2002), find that the effect of leverage on voluntary disclosure is noteworthy. On the other hand, Javid and Iqbal (2011) found that T&D has no significant effect on ROA, ROE, and Tobin Q. Haat, Rahman, & Mahenthiran (2008) found that Tobin Q is not associated with the level of disclosure and timely reporting. Dragomir (2009) found no association between environmental disclosure and six companies performance; ROA, ROCE, REPS, Tobin Q, Leverage., and Share Returns. Sengupta (1998) finds a negative relationship between leverage and analyst disclosure quality ratings in US companies. Chow and Wong-Boren (1987) find no relationship between leverage and disclosure in Mexican companies. However, as discussed above, previous studies have reported mixed results (see Appendix 3).

Therefore, Bayoud et al. (2011) find there is a significant relationship between corporate social responsibility disclosure and financial performance as measured by ROA, ROE and revenue. In addition, the level of corporate social responsibility disclosure in annual reports can have an influence on the level of financial performance as a result of stakeholder pressure in Libyan companies.

However, based on agency theory (Jensen & Meckling, 1976) and previous empirical studies, there is positive relationship between T&D and companies performance, this study expects to find a positive relationship between fourteen variables of T&D practices and company financial performance. To the extent that higher T&D proxy for better actual CG practices, higher CG practices should translate into improved financial performance.

To investigate EQ10, the study set the hypothesis as follows:

H_{10}: There is a relationship between transparency and disclosure Practices, and financial performance.

This study set sub-hypotheses to test the relationship between fourteen variables of T&D practices, and financial performance, as measured by ROCE, ROE, and ROA as follows:

4.6.1.1 T&D of Financial and Operation Results

Theory and evidence has been presented that suggests that companies tend to voluntarily increase the extent of their voluntary financial disclosure when they attempt to attract greater public and investor interest. Hence, allowing companies of small interest to investors and the public less burdensome reporting requirements appears to be a policy, which is not necessarily contrary to the public interest. The basic agency problem resulting from the separation of management and financing is that the managers will have incentives to take actions to increase their own utility, but not to maximize the returns on capital invested by the financiers (Sloan, 2001). This problem may manifest itself in numerous ways, including direct wealth transfers from the financiers to the managers, sub-optimal allocation of capital and managerial perquisite consumption. The financial accounting system provides an important source of information to governance mechanisms that helps alleviate the agency problem. Koh, Laplante, & Tong (2006) describe three essential purposes of CG: safeguarding financial reporting; ensuring accountability; and increasing value. Safeguarding financial reporting ensures the quality of financial disclosure, thereby reducing the asymmetry of information between companies and market investors.

To investigate EQ10, the study set the sub-hypotheses 10.1 as follows:

$H_{10.1}$- There is a relationship between disclosure of financial and operation results, and financial performance, as measured by ROCE, ROE and ROA. The sub-hypotheses related to hypothesis 10.1 as follows:

Table 4.14 The Sub-hypotheses Related to $H_{10.1}$

No.	Sub-hypothesis
$H_{10.1.1}$	Disclosure of financial and operation results, and ROCE
$H_{10.1.2}$	Disclosure of financial and operation results, and ROE
$H_{10.1.3}$	Disclosure of financial and operation results, and ROA

4.6.1.2 T&D of Company Objectives

The literature of agency problems and corporate disclosure can provide an important insight into the relation between socially responsible disclosure and long-term financial performance. In their seminal work on agency problems, Jensen and Meckling (1976) suggest that outside shareholder monitoring helps reduce the agency costs associated with the separation of ownership and control.

Bonn and Fisher (2005) report that an integrated approach towards CG and business ethics should help organisations to implement high standards of ethical behaviour throughout their organisation. Such a proactive approach provides evidence of the board's commitment to good CG and may help to enhance the organisation's reputation and competitiveness. Cadbury's definition suggests that CG is an overarching concept with implications for business ethics, an organisation's approach to corporate social responsibility, and to ensuring that regulatory responsibilities are fulfilled (Bonn & Fisher, 2005). Gelb and Strawer (2001) argue that a company discloses because it is socially responsible to do so. Therefore, 21st century corporate scandals such as Andersen, WorldCom, and Enron have shown that the financial transparency and shareholder-driven model of the United States can also have liabilities in terms of governance and business ethics (Millar, et al., 2005).

Jo and Kim (2008) find that companies with extensive disclosure are less likely to face information problems, and are more likely to lead to active shareholder monitoring, and therefore, engage in fewer unethical activities such as aggressive earnings manipulation, and have better long-term, post-issue performance. According to Margolis and Walsh (2003), corporate social performance has been treated as an independent variable, predicting financial performance, in 109 of the 127 studies. In these studies, almost half of the results (54) pointed to a positive relationship between corporate social performance and financial performance. Based on disclosure rankings provided by the annual Association for Investment Management and Research Reports, they suggest that there is a positive relation between disclosure level and corporate social responsibility and conclude that increased disclosure is a form of socially responsible behaviour.

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.2}$- There is a relationship between disclosure of company objectives and financial performance, as measured by ROCE, ROE and ROA;

The sub-hypotheses related to hypothesis 10.2 as follows:

Table 4.15 The Sub-hypotheses Related to $H_{10.2}$

No.	**Sub-hypothesis**
$H_{10.2.1}$	Disclosure of company objectives, and ROCE
$H_{10.2.2}$	Disclosure of company objectives, and ROE
$H_{10.2.3}$	Disclosure of company objectives, and ROA

4.6.1.3 T&D of Major Share Ownership and Voting Rights

There is considerable theoretical and empirical controversy regarding each of the approaches, with one set of researchers arguing that CG has an impact on company performance, and an opposite camp denying this relationship (Saravia & Chen, 2008).

Jackson and Moerke (2005) report that measures to encourage more disclosure and foster transparency were introduced, as well as the adoption of better shareholder rights such as removal of voting rights restrictions and availability of derivative suits. Furthermore, this emerging literature in argue that companies should have a transparent ownership structure, so that the stakes of directors, managers, and beneficial owners can be readily identified (Bushman, Piotroski, et al., 2004; Himmelberg, Hubbard, & Palia, 1999; Mallette & Fowler, 1992; Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1996).

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.3}$- There is a relationship between disclosure of major share ownership and voting rights, and financial performance, as measured by ROCE, ROE and ROA;

The sub-hypotheses related to hypothesis 10.3 are as follows:

Table 4.16 The Sub-hypotheses Related to $H_{10.3}$

No.	Sub-hypothesis
$H_{10.3.1}$	Disclosure of major share ownership and voting rights, and ROCE
$H_{10.3.2}$	Disclosure of major share ownership and voting rights, and ROE
$H_{10.3.3}$	Disclosure of major share ownership and voting rights, and ROA

4.6.1.4 T&D of Board Members and Key Executives and Their Remuneration

The new conceptual framework is based on agency theory and suggests a negative relationship between the value of a company and CEO duality as the board cannot control the CEO who is also the leader or Chairman of the board (Rashid, 2008). The importance of how compensation arrangements are perceived means that, in the executive compensation area, the transparency of disclosure matters. Financial economists often focus on the role of disclosure in getting information incorporated into market pricing. It is widely believed that information can become reflected in stock prices as long as it is known and fully understood by a limited number of market professionals. In the executive compensation context, however, the ability of plan designers to choose arrangements that favour managers depends on how these arrangements are perceived by a much wider group of outsiders. As a result, the transparency and salience of disclosure can have a significant effect on CEO compensation (Bebchuk & Fried, 2003). Pissaris et al. (2010) suggest that agency theory endorses CEO compensation as an effective mechanism for aligning the goals of principals and agents.

The recommendations of the Cadbury Committee (1992) report on the financial aspects of CG were a broad review of CG best practice with a bias (underlined by its recommendations) towards the control function of corporate boards. Its five main recommendations were that: the role of CEO and Chairman should be separated; board monitoring committees should be established to deal with specific areas such as setting director remuneration; board monitoring committees should consist primarily of non-executive directors; non-executive directors should be independent; and non-executive directors should have sufficient representation to carry weight at board meetings.

However, Core et al. (1999) find that companies with weaker governance structures have greater agency problems; that CEOs at companies with greater agency problems receive greater compensation and perform worse. Armstrong et al. (2010) find that CEO pay is higher in companies with weaker CG.

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.4}$- There is a relationship between the disclosure of board members, key executives and their remuneration, and financial performance, as measured by ROCE, ROE and ROA; The sub-hypothesis related to hypothesis 10.4 as follows:

Table 4.17 The Sub-hypotheses Related to $H_{10.4}$

No.	**Sub-hypothesis**
$H_{10.4.1}$	Disclosure of board members, key executives and their remuneration, and ROCE
$H_{10.4.2}$	Disclosure of board members, key executives and their remuneration, and ROE
$H_{10.4.3}$	Disclosure of board members, key executives and their remuneration, and ROA

4.6.1.5 T&D of Related Party Transactions

Healy and Palepu (1995) hypothesise that investors' perceptions of a company are important to corporate managers expecting to issue public debt or equity or to acquire another company in a stock transaction. Consider a company whose managers have superior information to outside investors regarding the company's future prospects. Myers and Majluf (1984) point out that if this information asymmetry cannot be resolved, such companies will view making public equity or debt offers to be costly for existing shareholders. Consequently, managers who anticipate making capital market transactions have incentives to provide voluntary disclosure to reduce the information asymmetry problem, thereby reducing the company's cost of external financing. Indeed, Williamson (1988) has shown that corporate finance and CG issues can be analysed employing transaction cost economics. However, Hart (1995) suggests this necessitates the need for CG. That is, CG issues arise wherever contracts are incomplete and agency problems exist. Iu and Batten (2001) find that the five largest shareholders, combined, own 55% of each company in Asia crisis economies. The largest is Indonesia, 67%, and the lowest is Korea, 38%. Thus, with low ownership dispersion, the agency problem arises between majority and minority shareholders. Furthermore, external disclosure of material information, such as related-party transactions, external audit results, and insider transactions, is a hallmark of a well-governed company (Cheung, Rau, & Stouraitis, 2006; Fan & Wong, 2005).

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.5}$- There is a relationship between disclosure of related party transactions, and financial performance, as measured by ROCE, ROE and ROA;

The sub-hypotheses related to hypothesis 10.5 are as follows:

Table 4.18 The Sub-hypotheses Related to $H_{10.5}$

No.	**Sub-hypothesis**
$H_{10.5.1}$	Disclosure of related party transactions, and ROCE
$H_{10.5.2}$	Disclosure of related party transactions, and ROE
$H_{10.5.3}$	Disclosure of related party transactions, and ROA

4.6.1.6 T&D of Material Foreseeable Risk Factors

Barry and Brown (1985) and Merton (1987) reach a similar conclusion by modelling the premium that investors demand for bearing information risk when there is an information asymmetry between managers and outside investors. Managers can reduce their cost of capital by reducing information risk through increased voluntary disclosure. A corner solution is not possible because of costs associated with credible voluntary disclosure.

Healy and Palepu (2001) argue that companies with high levels of disclosure, and hence low information risk, are likely to have a lower cost of capital than companies with low disclosure levels and high information risk. The evidence of Core et al. (2006) and Gompers et al. (2003) indicates the implications of good CG in terms of lower risk and higher company performance. These results confirm the previous study. Verhezen and Morse (2010) report that increased T&D are crucial for effective risk management as part of CG. Solomon, Solomon, Norton, & Joseph (2000) find that investors agree that increased corporate risk disclosure would help their portfolio investment decision-making. Furthermore, investors need to have good quality information, such as the annual report, to help assess the asset quality and risk of the company(Meek, et al., 1995; Singhvi & Desai, 1971) Further, the quality of disclosure also reflects the agency conflicts and information asymmetry within the company (Healy & Palepu, 2001; Meek, et al., 1995).

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.6}$- There is a relationship between disclosure of material foreseeable risk factors, and financial performance, as measured by ROCE, ROE and ROA;

The sub-hypotheses related to hypothesis 10.6 are as follows:

Table 4.19 The Sub-hypotheses Related to $H_{10.6}$

No.	Sub-hypothesis
$H_{10.6.1}$	Disclosure of material foreseeable risk factors, and ROCE
$H_{10.6.2}$	Disclosure of material foreseeable risk factors, and ROE
$H_{10.6.3}$	Disclosure of material foreseeable risk factors, and ROA

4.6.1.7 T&D of Material Issues Regarding Employees

Agency theory suggests that highly leveraged companies disclose more information voluntarily in order to satisfy the needs of their creditors (Premuroso & Bhattacharya, 2008). Youndt et al. (1996) suggest that the company strategy–human resources fit is important for enhancing financial performance. Agency theory believes that employees are held accountable in their responsibilities and tasks as employees' must constitute a good structure of governance rather than simply providing the need of shareholders, which perhaps is challenging the structure of governance. Aksu and Kosedag (2006) envision good CG T&D practices as mechanisms of checks and balances that have evolved to mitigate these agency problems. In addition, good CG T&D mechanisms are set in place to protect the rights of shareholders, creditors and other outsiders from extraction of private benefits by insiders based on their superior information. This is expected to minimise the informational asymmetry, increase investor awareness and trust and, in turn, should reduce the uncertainty of the returns to capital suppliers and lead to lower cost of capital and hence higher company value. Furthermore, voluntary disclosure reduces company opacity and improves the in formativeness of stock price by increasing the amount of company-specific information (Haggard, Martin, & Pereira, 2008).

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.7}$- There is relationship between disclosure of material issues regarding employees and other stakeholders, and financial performance, as measured by ROCE, ROE and ROA;

The sub-hypotheses related to hypothesis 10.7 are as follows:

Table 4.20 The Sub-hypotheses Related to $H_{10.7}$

No.	Sub-hypothesis
$H_{10.7.1}$	Disclosure of material issues regarding employees and other stakeholders, and ROCE
$H_{10.7.2}$	Disclosure of material issues regarding employees and other stakeholders, and ROE
$H_{10.7.3}$	Disclosure of material issues regarding employees and other stakeholders, and ROA

4.6.1.8 T&D of Governance Structures and Policies

Core et al. (1999) report that companies with weaker CG structures have greater agency problems; that CEO at companies with greater agency problems receive greater compensation; and that companies with greater agency problems perform worse. By governance strictures, agency theory means the mechanisms that police that explicit and implicit contract between principals and agents. These mechanisms include the structure of law governing corporate behaviour and its attendant legal apparatus, enforcement mechanisms such as the market for corporate control and managerial labour market, and monitoring mechanisms such as the board of directors (Fama, 1980). Consequently, a system of CG controls is introduced, which discourages managers from pursuing objectives that fail to maximise shareholder wealth. Fama and Jensen (1983) suggest that without governance controls, managers' interests are more likely to deviate from the interests of the shareholders. Core et al. (1999) find that ownership and board structure has a negative relationship with subsequent company stock return and operating performance. However, the key report, Cadbury, recommended that publicly quoted companies should adopt the specified internal governance structures contained within a Code of Best Practice (Weir, Laing, & McKnight, 2002).

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.8}$- There a is relationship between disclosure of governance structures and policies, and financial performance, as measured by ROCE, ROE and ROA;

The sub-hypotheses related to hypothesis 10.8 are as follows:

Table 4.21 The Sub-hypotheses Related to $H_{10.8}$

No.	**Sub-hypothesis**
$H_{10.8.1}$	Disclosure of governance structures and policies, and ROCE
$H_{10.8.2}$	Disclosure of governance structures and policies, and ROE
$H_{10.8.3}$	Disclosure of governance structures and policies, and ROA

4.6.1.9 T&D of Preparation of Information and Disclosed

Ding et al. (2007) provide empirical evidence of links between financial reporting standards and the economic, financial and governance institutions in a country. Aksu and Kosedag (2006) find that T&D scores and their relationship with agency problems proxies will improve due to the required compliance with International Financial Reporting Standards and the Capital Markets Board's CG Principles.

La Porta et al. (1998, p. 1140) elaborate on the role of accounting in CG:

> Accounting plays a potentially crucial role in CG. For investors to know anything about the companies they invest in basic accounting standards are needed to render company disclosures interpretable. Even more important, contracts between managers and investors typically rely on the verifiability in court of some measures firms' income or assets.

According to Vishwanath and Kaufmann (1999, p. 11):

> There is a strong case for strict accounting norms. Disclosure alone is not enough to implement transparency. Information must be reliable, based on sound principles and standards that enabling investors and lenders to make consistent assessments of companies' activities and risk profiles. Accounting standards facilitate the interpretation, reliability, and comparability of information across enterprises and make it easier for investors to identify worthy companies and evaluate managers. Conversely, lapses in accounting norms can provide opportunities for misrepresentation as means to divert assets. A prevalent weakness of many accounting systems is the ease with which they can be manipulated to mask the discrepancy between the accounting values of assets and their real value. Discrepancies typically owe to asset attributes such as risk or profitability, which are uncertain or can be misrepresented.

Guedhami and Pittman (2006) report that accounting transparency can help alleviate the agency conflict between minority investors and controlling shareholders, which is evident in the extent of ownership concentration, since the expropriation of corporate resources hinges on these private benefits remaining hidden. However, Nair and Frank (1980) undertook a more detailed examination of the relationship between accounting and its environment. Their results indicate that accounting measures may be influenced by a separate set of environmental factors than accounting disclosure practices.

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.9}$- There is a relationship between disclosure of the preparation of information and disclosure, and financial performance as measured by ROCE, ROE and ROA;

The sub-hypotheses related to hypothesis 10.9 are as follows:

Table 4.22 The Sub-hypotheses Related to $H_{10.9}$

No.	**Sub-hypothesis**
$H_{10.9.1}$	Disclosure of preparation of information and disclosed, and ROCE
$H_{10.9.2}$	Disclosure of preparation of information and disclosed, and ROE
$H_{10.9.3}$	Disclosure of preparation of information and disclosed, and ROA

4.6.1.10 T&D of External Audit and Monitoring

From an agency perspective, auditors can be considered part of the CG mosaic because they monitor the quality of the financial reporting process (Beasley & Salterio, 2001). Hung (2000) reports that as accounting becomes important in CG, there is a corresponding greater need for credible auditing in CG as an enforcement mechanism in the verification of accounting data. The argument for internal audit report disclosure to external stakeholders focuses on the need to improve governance transparency and reduce information asymmetry costs (Archambeault, DeZoort, & Holt, 2008). Bushman et al. (2004) define governance transparency as the availability and extent of governance-related disclosures. The external audit statements must contribute to an improved internal control environment in the company. Francis et al. (2003) show that higher quality accounting standards and enforcement of such standards through higher quality auditing are more likely to exist in CG in countries with strong investor protection. Han, Kang and Yoo (2011) show that when the company hires a Big 4 auditor, auditor size is positively related with T&D around the world and that the association is stronger in code law regimes than in common law regimes. Basiruddin (2011) find that higher quality auditors are associated with effective monitoring, which in turn helps to improve the quality of financial reporting.

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.10}$- There is a relationship between disclosure of external audit and monitoring, and financial performance, as measured by ROCE, ROE and ROA;

The sub-hypothesis related to hypothesis 10.10 as follows:

Table 4.23 The Sub-hypotheses Related to $H_{10.10}$

No.	**Sub-hypothesis**
$H_{10.10.1}$	Disclosure of external audit and monitoring, and ROCE
$H_{10.10.2}$	Disclosure of external audit and monitoring, and ROE
$H_{10.10.3}$	Disclosure of external audit and monitoring, and ROA

4.6.1.11 T&D of External Audit and Audit Committee Role

Kalbers and Fogarty (1998) find that audit committee effectiveness is more attributable to internal issues than to external issues, such as agency variables. Koh et al (2006) argue that audit committee increases T&D to align managerial activities with the interest of shareholders, thus increasing company performance. DeFond and

Jiambalvo (1991) find that companies with accounting errors are less likely to have audit committees. Wild (1994) finds that the market reacted more favourably to earnings reports after an audit committee had been established. Al-Shammari and Al-Sultan (2010) find that only the existence of an audit committee is positively significantly related to the extent of voluntary disclosure on Kuwait companies. Anderson et al. (2004) find that companies with entirely independent audit committees have lower debt financing costs. On the other hand, Kajola (2008) finds no significant relationship between ROE and audit committee. Klein (2002) documents a negative relation between audit committee independence and earnings management. Klein (1998) shows that neither the presence of an audit committee nor its structure had an effect on a range of accounting and market performance measures. Nimer et al. (2012) indicated that there is no significant relationship between audit committees and both Tobin's Q and ROA. Agrawal and Chadha (2004) find no relation between either audit committee independence or the extent that auditors provide non-audit services with the probability a company restates its earnings.

Watts and Zimmerman (1983) argue that high quality external auditing will undermine the opportunistic behaviour cost (agency cost) introduced by management. However, there was widespread support for better disclosure of the relationship between the company and the external auditor, including the specific contract, fees and other services (non-audit) provided by the audit company (Jesover & Kirkpatrick, 2005). La Porta et al. (2000, p. 4) view CG as a set of mechanisms including accounting and auditing that protect outside investors from expropriation by insiders. Desoky (2012) found that there is a significant positive association between the T&D and audit company.

According to Healy and Palepu's (2003, p. 15) report:

> Whether the auditors at Andersen had conflicted incentives or whether they lacked the expertise to evaluate financial complexities adequately, they failed to exercise sound business judgment in reviewing transactions that were clearly designed for financial reporting rather than business purposes. When the credit risks at the special purpose entities became clear, requiring Enron to take a write-down, the auditors apparently succumbed to pressure from Enron's management and permitted the company to defer recognizing the charges. Internal controls at Andersen, designed to protect against conflicted incentives of local partners, failed. For example, Andersen's Houston office, which performed the Enron audit, was permitted to overrule critical reviews of Enron's accounting decisions by Andersen's Practice Partner in Chicago."

Previous studies of external audit-related CG reports (e.g., Bassett, Koh, & Tutticci, 2007) find that the Big Four auditors are associated with a higher level of voluntary disclosure on employee stock option and a greater level of compliance with mandatory disclosure requirements. Koh et al. (2006) find external audit-related CG constrains earnings management more than non-audit-related CG.

Brown and Caylor (2004) provide additional evidence on the association between audit-related governance factors and financial company performance by showing that the companies formal policy on auditor rotation is relates to ROE positively; consulting fees paid to auditors are less than audit fees paid to auditors, thus are negatively related to ROE; solely independent audit committees are negatively related to ROE; auditors ratified at the most recent annual meeting are unrelated to ROE; a company that has a formal policy on auditor rotation is positively related to ROE. On other hand, Barako et al. (2006a) reported that the external audit company is not of statistical significance to effect the level of voluntary disclosure. Ashbaugh, Lafond and Mayhew (2003) and Larcker and Richardson (2004) dispute their evidence of a relation between earnings management and auditor independence (based on audit versus non-audit fees). Frankel, Johnson and Nelson (2002) show a negative relation between auditor independence (based on audit versus non-audit fees) and earnings management. Kinney Jr, Palmrose and Scholz (2004) find no relation between earnings restatements and fees paid for financial information systems design and implementation or internal audit services.

Therefore, the audit committee has oversight responsibility over CG external audit activities, internal audit function, internal control structure, and the financial reporting process.

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.11}$- There is relationship between disclosure of external audit and audit committee role, and financial performance, as measured by ROCE, ROE and ROA;

The sub-hypotheses related to hypothesis 10.11 are as follows:

Table 4.24 The Sub-hypotheses Related to $H_{10.11}$

No.	**Sub-hypothesis**
$H_{10.11.1}$	Disclosure of external audit and audit committee role, and ROCE
$H_{10.11.2}$	Disclosure of external audit and audit committee role, and ROE
$H_{10.11.3}$	Disclosure of external audit and audit committee role, and ROA

4.6.1.12 T&D of External Auditors Duty and Accountable to Shareholders

Piot (2001) argues that principals hire external auditors who, as agents under contract, are expected to be independent of the agents who manage their company. The role of the external auditor is to reduce agency costs by cutting information asymmetry in financial reporting. Sloan (2001) and Francis et al. (2003) report that audit is an important element of efficient equity markets, because audits can enhance the credibility of financial information, directly support better CG practices through transparent financial reporting. Siew Hong and Wong (1993) show that the quality of the external auditor affects the credibility and in formativeness of financial reports. Dye (1993) report that large audit companies are more independent of management. On the other hand, Wallace and Naser (1995) found a negative significant relationship between the level of disclosure and type of audit in Hong Kong companies.

Camfferman and Cooke (2002) find a positive and significant relationship between disclosure in annual reports of UK companies and type of audit. On the other hand, Wallace et al. (1994) find an association between the content of annual reports and the audit size in Spanish public companies.

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.12}$- There is a relationship between disclosure of external auditors accountable to shareholders where the external auditor owes a duty of due professional care, and financial performance, as measured by ROCE, ROE and ROA;

The sub-hypotheses related to hypothesis 10.12 are as follows:

Table 4.25 The Sub-hypotheses Related to $H_{10.12}$

No.	**Sub-hypothesis**
$H_{10.12.1}$	Disclosure of external auditors accountable to shareholders where the external auditor owes a duty of due professional care, and ROCE
$H_{10.12.2}$	Disclosure of external auditors accountable to shareholders where the external auditor owes a duty of due professional care, and ROE
$H_{10.12.3}$	Disclosure of external auditors accountable to shareholders where the external auditor owes a duty of due professional care, and ROA

4.6.1.13 T&D of Channels for Disseminating Information

Owusu-Ansah (2000) find that timeliness of financial reporting that is part of the annual report is a significant characteristic of accounting information, because stale information is of little use to market participants in their investment decision-making processes. Spence (1973) states that if information asymmetry exists between a company's managers and investors, the company can provide information to the investor in order to eliminate the asymmetry. In other words, if information asymmetry exists, there is no way for the investor to understand the real situation of the company's operations. Jaggi and Tsui (1999) argue that timely disclosure of financial information through audited financial statements plays an important role in reducing the asymmetric dissemination of information. Jo and Kim (2007) gave evidence that greater disclosure frequency reduces information asymmetry. On the other hand Haat, Rahman and Mahenthiran (2008) find that disclosure and timeliness are not significant contributing factors in the relationship between CG and market performance. Furthermore, companies that use multiple channels to communicate with investors, such as through analyst briefings or websites, are ensuring that investors receive more frequent and timely information (Ashbaugh, Johnstone, & Warfield, 1999; Farragher, Kleiman, & Bazaz, 1994; Lang & Lundholm, 1993, 1996).

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.13}$- There is a relationship between disclosure of channels for disseminating information allowing for fair, timely and cost efficient access to information by users, and financial performance, as measured by ROCE, ROE and ROA.

The sub-hypotheses related to hypothesis 10.13 are as follows:

Table 4.26 The Sub-hypotheses Related to $H_{10.13}$

No.	**Sub-hypothesis**
$H_{10.13.1}$	Disclosure of channels for disseminating information allowing for fair, timely, and cost efficient access to Information by users, and ROCE
$H_{10.13.2}$	Disclosure of channels for disseminating information allowing for fair, timely, and cost efficient access to Information by users, and ROE
$H_{10.13.3}$	Disclosure of channels for disseminating information allowing for fair, timely, and cost efficient access to Information by users, and ROA

4.6.1.14 T&D of Corporate Governance Framework

Solomon, et al. (2000) found that since companies privately disclose information to analysts and institutional investors that can affect share prices, it is possible that the information in financial reports is not sufficiently timely to have a strong effect on institutional investors' day-to-day investment decisions. Cheng (2011) reports that the strengthening of information T&D for investors has the most direct impact; particularly in the stock markets, investors have to rely on timely and reliable information to make decisions. Aerts, Cormier, & Magnan (2007) found significant relationships between financial analysts' activities and company T&D.

To investigate EQ10, the study set the sub-hypothesis as follows:

$H_{10.14}$- There is a relationship between disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis, and financial performance, as measured by ROCE, ROE and ROA.

The sub-hypotheses related to hypothesis 10.14 are as follows:

Table 4.27 The Sub-hypotheses Related to $H_{10.14}$

No.	Sub-hypothesis
$H_{10.14.1}$	Disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis, and ROCE
$H_{10.14.2}$	Disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis, and ROE
$H_{10.14.3}$	Disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis, and ROA

4.6.2 The Impact of Transparency and Disclosure Practices on Financial Performance

According to Klapper and Love (2004, p. 706), CG may help a company to improve performance; however, it is possible that higher performance companies may have more incentive to adopt better CG.

Bhat (2008) found that disclosure positively moderates the fair value gains and losses–returns association, whereas the effect of CG is more subtle, and is evidenced indirectly through the medium of disclosure. Bauer et al. (2008) investigate the relationship between CG and company performance in Japan. The CG is measured by six different categories: financial disclosure and internal control, remuneration, board accountability, shareholders rights, market for control, and corporate behaviour. They find that only two out of six categories, financial disclosure and internal control and remuneration practices, are the most relevant for stock price performance. Ting (2008) found that information disclosure does not have a direct influence on company performance as measured by ROE, earnings per share, market-to-book ratio, ROA. Jerab (2011) shows that internal CG mechanisms: disclosure and transparency, internal control and audit, ownership structure, management remuneration, and board of directors have an effect on corporate performance as measured by ROA and ROE. Sami et al. (2011) find that overall quality of CG has a significantly positive association with company performance as measured by ROA, ROA and Tobin's Q. Chi (2009) finds initiatives that good corporate disclosure practices play a significant role in market measures of financial performance.

This study investigates the impact of T&D on company financial performance in Libyan financial companies. The study introduces a composite measure of the association between T&D practices and Libyan financial companies' performance, because agency theory suggests that companies with better CG practices perform better. This study expects a different set of T&D practices to affect the financial performance of Libyan financial companies. If there is a relationship between T&D practices and financial performance, the study should use regression analysis to find out the above variables of T&D practices which may help the company to improve its financial performance. The EQ11 asks "Which item of T&D practices (independent variable) has the most impact on financial performance (dependent variable)?"

EQ11."Which independent variable (T&D practices) has the most impact on the dependent variable (financial performance)?"

To investigate the question (EQ11) which variable of CG regarding T&D practices has the most impact to company financial performance. The study set the hypothesis as follows:

H_{11}: There is a variable of transparency and disclosure practices that has the most impact on company financial performance, as measured by ROCE, ROE and ROA.

This study set sub-hypotheses to test which variable from 14 T&D practices has the most impact on company financial performance as measured by ROCE, as follows:

Table 4.28 The Sub-hypotheses Related to H_{11}

No.	**Sub-hypothesis**
$H_{11.1}$	Disclosure of financial and operation results has the most impact on company financial performance
$H_{11.2}$	Disclosure of company objectives has the most impact on company financial performance
$H_{11.3}$	Disclosure of major share ownership and voting rights has the most impact on company financial performance
$H_{11.4}$	Disclosure of board members, key executives and their remuneration has the most impact on company financial performance
$H_{11.5}$	Disclosure of related party transactions has the most impact on company financial performance
$H_{11.6}$	Disclosure of material foreseeable risk factors has the most impact on company financial performance
$H_{11.7}$	Disclosure of material issues regarding employees and other stakeholders has the most impact on company financial performance
$H_{11.8}$	Disclosure of governance structures and policies has the most impact on company financial performance
$H_{11.9}$	Disclosure of preparation of information, audit and disclosure according to high standards of accounting, disclosure and audit has the most impact on company financial performance
$H_{11.10}$	Disclosure of external audit and monitoring has the most impact on company financial performance
$H_{11.11}$	Disclosure of external audit and audit committee role has the most impact on company financial performance
$H_{11.12}$	Disclosure of auditors accountable to shareholders where the external auditor owes a duty of due professional care has the most impact on company financial performance
$H_{11.13}$	Disclosure of channels for disseminating information allowing for fair, timely, and cost efficient access to Information by users has the most impact on company financial performance
$H_{11.14}$	Disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis has the most impact on company financial performance

4.7 Summary and Conclusion

This chapter described categories of development of hypotheses to be tested in this study. The hypotheses can be classified into three areas: firstly, the extent of the level of T&D in Libyan financial companies. This chapter looks at some of the work done in the areas of CG testing the extent of T&D. Thus, this study set hypotheses H_1 “There is a different level of S&P T&D in Libyan financial company’s annual report, through fiscal years from 2005 to 2008”, H_2 “Libyan financial companies provide a low level of transparency and disclosure in their annual reports compared to companies in other countries”, and H_3 “There are significant variations in Libyan financial companies’ transparency and disclosure in their annual reports”.

Secondly, the extent of the level of T&D associated with six corporate characteristics – listing status, ownership structure, size of the company, company age, type of industry and audit peer review – are measured in this study. With regard to environmental factors affecting disclosure (internal factors); there has been progress in the extent of literature that looks at the level of T&D associated with special corporate characteristics. This study is to be tested based on six main hypotheses: H_4 “Companies listed in the Libyan Stock Market provide more T&D in their annual reports than companies not listed”, H_5 “Public financial companies provide more transparency and disclosure in their annual reports than private “individual” companies”, H_6 “Companies with greater total assets provide more transparency and disclosure in their annual reports than those with fewer total assets”, H_7 “Older financial companies provide more transparency and disclosure in their annual reports than younger companies”, H_8 “The Banking sector provides more T&D in their annual reports than the insurance sector”, and H_9 “Companies that have audit peer review are more likely to provide greater transparency and disclosure information in their annual reports than companies that do not have audit peer review”.

Thirdly, the study examines the relationship between T&D practices and financial performance as measured by ROCE, ROE and ROA. This chapter looks at some of the work done in the areas of CG specific T&D and company performance. Thus, this study sets hypotheses H_{10} “There is a relationship between T&D practices, and financial performance”, and H_{11} “There is a variable of T&D practices that has most impact on company financial performance, as measured by ROCE, ROE, and ROA”.

In the next chapter, the research design will be set out. Specifically, it will describe the research methodology used, how the sample and data were collected, wording and layout of methodology, type and format, and validity and reliability.

Chapter 5 Research Methodology

5.1 Introduction

In the previous chapter, the research hypotheses for this study were developed based on the literature review (see Chapter 4) and the environment in Libya. The main aim in this chapter is to explain the research methodology design to test the hypotheses and sub-hypotheses developed for this research. This chapter also outlines the research philosophy adopted for this research study. The data was collected by two methods: S&P T&D index, and a questionnaire. Thus, the methods and procedures are divided into two parts: a) S&P T&D index; b) the questionnaire. The secondary data was collected from literature review using the S&P T&D. The company characteristics were collected from the annual reports and questionnaire (part two). While data of company financial performance was collected from annual reports.

The rest of the chapter is organised as follows: section 5.2 provides a reminder of the study aim and objectives; section 5.3 outlines the philosophy underpinning the methodology used in this study and the choice of method to measure level of T&D in Libyan financial companies; section 5.4 reviews the research population and period of time for data collection; section 5.5 presents the S&P T&D index design, content and measures, data collection, validity and reliability, administration and analysis; section 5.6 presents measurements of the company characteristics; section 5.7 presents the questionnaire design, content and measures, data collection, validity and reliability, administration and data analysis; section 5.8 provides company financial performance; section 5.9 describes the ethics and confidentiality; and section 6.10 gives the summary and conclusion of this chapter.

5.2 Research Aims and Objectives

As mentioned in the first chapter, the main aim of this research is to investigate the levels of T&D in Libyan financial companies, identify the effect of company characteristics on T&D, and explore their relationship with company financial performance (ROCE, ROE and ROA). This general aim has been divided into six objectives, which are:

1- To assess the level of transparency and disclosure in Libyan financial companies during the years 2005 to 2008 by three levels: overall transparency and disclosure, three categories, and twelve subcategories in their annual reports.

2- To compare the level of transparency and disclosure in Libyan financial companies with those in other countries (developed and developing).

3- To assess whether there are variations between companies in transparency and disclosure practices in their annual reports.

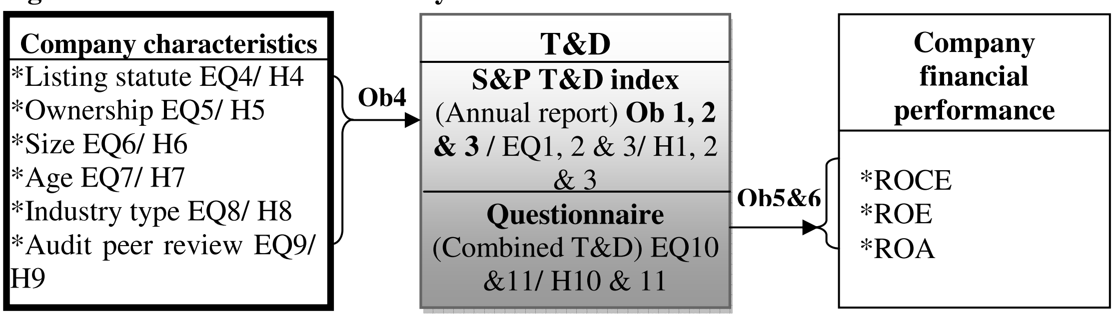
4- To assess the extent to which transparency and disclosure is associated with listed status, ownership, size and age, type of industry and audit peer review in Libyan financial companies during the years 2005 to 2008 on three levels: overall transparency and disclosure, according to three categories, and according to twelve subcategories, in their annual reports.

5- To determine the relationship between transparency and disclosure practices, and company financial performance (ROCE, ROE and ROA).

6- To find which variable of transparency and disclosure practices has the most impact on company financial performance (ROCE, ROE and ROA).

To meet the above objectives of the study the framework of the study has been adopted as given in Figure 5.1. Figure 5.1 depicts that the framework is divided into three parts. The main part transparency and disclosure is divided into two sections. The first section is S&P T&D to meet first, second, and third objectives in this study. The second part is company characteristics with the first section in the first part S&P T&D to achieve objective four in this study. The second section in the first part is combined T&D with the third part financial performance to meet objectives five and six in this study.

Figure 5.1 Framework of this Study



Although there are many variables which have been found in the literature of CG, only the following variables are included in this framework. Firstly, six variables of company characteristics possible effect on T&D: listing statute, ownership structure, company size, age of company, industry type, and audit peer review. Secondly three variables of financial performance might have a relationship with fourteen variables of overall T&D: ROCE, ROE, and ROA.

Therefore, S&P T&D index design will be discussed in section 5.5.Variables of company characteristics will be discussed in section 5.6. Questionnaire design will be discussed in section 5.7. Company financial performance variables will be discussed in section 5.8.

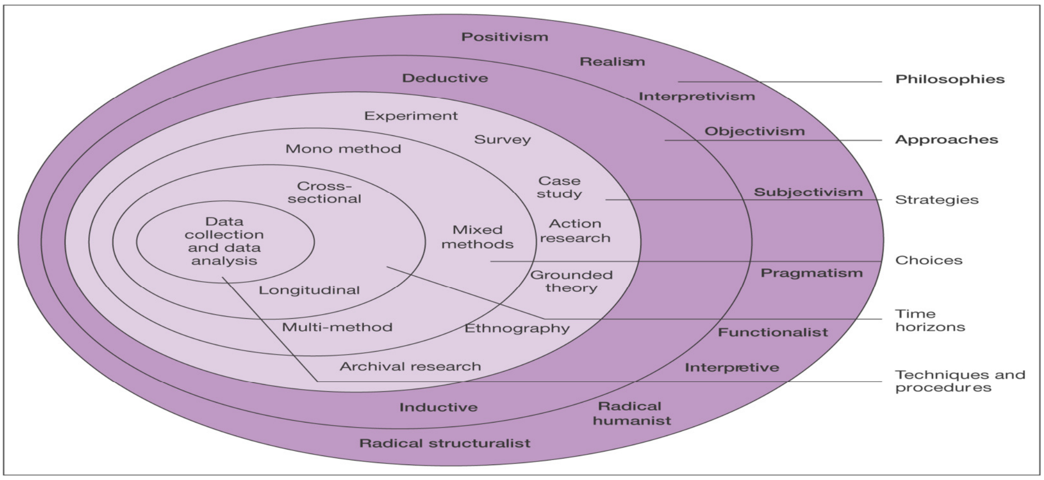
5.3 Philosophy of Research

Research methodology is determined by the epistemological and ontological position of the researcher, called the research philosophy. The views of the researcher about the nature of reality that can be applied to the phenomenon (ontology) have different suppositions that play a very important role in the researcher's knowledge about the phenomenon (epistemology). Eventually, obtaining the knowledge has significant effects on the research, its methodology, and the methods applied for data collection (Creswell & Clark, 2007; Ryan, Scapens, & Theobald, 2002).

Easterby-Smith, Thorpe and Lowe (2002) and Collis and Hussey (2003) point out that the most important philosophies or paradigms that the research design can be derived from are positivism and phenomenology. The positivistic paradigm involves the quantitative, objective, scientific, experimentalist and traditionalist approach, while phenomenology refers to the qualitative, subjectivist, humanistic, interpretive and social constructionist approach.

Different research methodologies and approaches are depicted in Figure 5.2. The research methodologies framework has shown the philosophies of research, approaches, strategies, choices, time horizons, and techniques and procedures. In answering the questions, the research uses part of the research methodology framework encapsulated in the "Research Onion" which is shown in Figure 5.2 below.

Figure 5.2 The Research 'Onion'



Source: Saunders et al. (2007, p. 102)

Saunders et al.'s (2007, p. 102) onion model was used as the methodological model/design for this study. Subsequently, it was considered by the researcher that the positivistic philosophy and deductive approach would be suitable for this study (for details see Section 5.3.2). Therefore, the researcher in this study adopted the positivism research philosophy, and S&P T&D Index, and a questionnaire was designed to collect data from the participants.

5.3.1 Positivism

According to Easterby-Smith et al. (2002, p. 57) the positivistic (quantitative) paradigm, unlike the interpretive paradigm, is based on the key idea that "the social world exists externally, and its properties should be measured through objective methods", instead of measuring them by deducing subjectively "through sensation, reflection or intuition". In studying the social phenomena within the positivistic paradigm, the reality is seen as objective and external. Therefore those who accept this approach are more concerned with finding the causes of social phenomena than with the subjective state of individuals. They also perceive legislation as a pivotal explanatory element of social phenomena, able to predict their occurrence and, thus, making it possible to control these. This research design is a positivistic paradigm because it involves the quantitative.

This study adopts the survey method of research. A number of factors informed the decision to adopt this method. In the first place the method makes possible the maintenance of consistency with the research philosophy that has been adopted, as well as the ability to attain the research objectives in the form of generalisation, and identification of the associations that exist between different research variables. It also enables a multivariate analysis to be conducted (Bryman & Bell, 2007; Collis & Hussey, 2009; Oppenheim, 2001; Saunders, Lewis, & Thornhill, 2009). In the second instance, the survey research method affords the opportunity to the researcher to analyse a relatively large amount of data. The third reason is to do with the widely shared belief that the method has been employed as the prime data collection instrument, especially in CG in general and T&D issues in particular (e.g., Agrawal & Knoeber, 2012; Aksu & Kosedag, 2006; Balic & Bradley, 2010; Ben Othman, 2012; Chen, et al., 2007; Chi, 2009; Godfred & Zangina, 2009; Hemrit & Arab, 2011; Khanna, et al., 2004; Murgu, 2009; Patel, et al., 2002; Samaha, Dahawy, Hussainey, & Stapleton, 2012; Subramanian & Reddy, 2010; Verriest, et al., 2012; Younas, Siddiqi, ur Rehman, & Mehmood, 2011). Finally, this method is necessary as a result of the limited time that is available to the researcher. In like manner, an index and questionnaire were thus considered to be the most appropriate methods in the process of data collection for the study. Notwithstanding its suitability to the present study, the positivistic paradigm is usually criticised for a number of flaws. These include:

a.) They are not very effective in understanding processes or the significance that people attach to actions.

b.) They are not very helpful in generating theories.

5.3.2 Research Design

Research design is an important choice and has a major role to play on the whole research. Easterby-Smith, Thorpe & Lowe (2002) Collis and Hussey (2003) and Creswell (2003) explain that a researcher must determine the research design at an early stage of the research, as it has a central role to play on research activities and has significant effects on the whole research process.

From the research onion as shown in section 5.3, the following sections related to research onion are the issues that are relevant to this research: a) positivism b) deductive (see Figure 5.2).

Saunders et al. (2009) explain that the design of research is determined by the extent to which the researcher is clear about theory at the beginning of the research, to use either the deductive or inductive approach. The deductive approach involves developing a theory and hypothesis by designing a research strategy to test the hypothesis. On the other hand, with the inductive approach, the researcher would not use any existing theory, but collect data and develop theory as a result of his/her data analysis. In addition each of these research approaches is linked to the different research philosophies or paradigms, where the deductive approach is related more to positivism and the inductive approach is interpretive or the phenomenological paradigm. Therefore, according to Saunders et al. (2009, p. 160) “research design focuses upon turning a research question and objectives into a research project. It considers research strategies, choices and time horizons”.

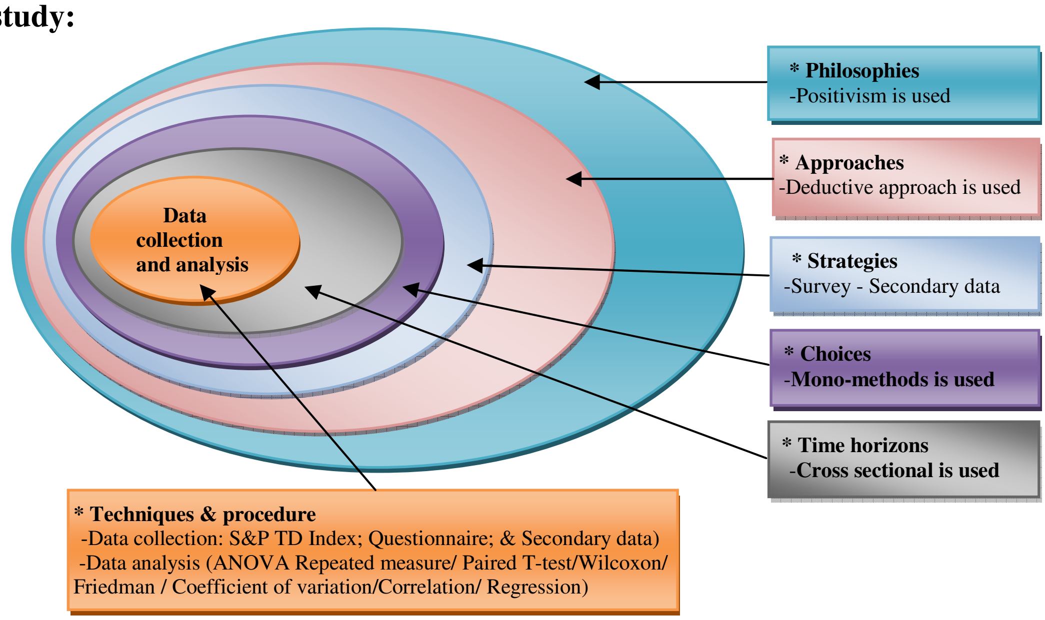
According to(Marston & Shrives, 1991, p. 199) “there are four distinct levels of measurement. The nominal or classificatory scale, the ordinal or ranking scale, the interval scale and the ratio scale”. This study employs S&P T&D scores to find level of T&D by ranking scale in Libyan financial companies. S&P T&D scores are quantitative in nature rather than qualitative or evaluative (Lee, 2007). S&P T&D scores measure whether a particular governance mechanism and financial statement items are disclosed; they are not assessing the quality of the T&D itself. The S&P scores form, for that reason, a quantitative evaluation of the T&D practices of the corporation. They are not a qualitative pointer of the rate of that information (Khanna, et al., 2004).

Marston & Shrives (1991) argue that a validity problem arises because usually no specific index is preferred by researchers. Majority of the researchers tend to employ the use of indices to achieve their personal goals. Abdullah (2007) report that, using the index provides some evidence that ‘good’ CG is associated with better company performance. There could be some caveats to these studies. There is some ambiguity about what the index is proxy for CG or probability of takeover. Another problem is potential survivorship bias. In addition, the construction of the index might be influenced by known company performance introducing bias into the results. For example, some companies elect for inclusion in the database so that a ‘self-selection’ bias is possible. In addition, time specificity might also be a problem. Also, using the annual reports as data source does not reveal all the information required for rating CG

(Javid & Iqbal, 2011). For the above reasons this study employed a questionnaire consistent with the literature review and the requirements of the Libya environment to determine the relationship between T&D and financial performance.

This study is an explanatory research, deductive in nature, in which closed ended questions are used.

Figure 5.3 Show the research methodology that has been followed to conduct the study:



5.4 Research Population

The banks and insurances sector play an important role in developing the stock market. Demirgiic-Kunt and Levine (1996) show that across countries the level of stock market development is highly correlated with the development of banks, nonbank financial corporations, and insurance companies and private pension funds. This study investigates T&D practices in Libyan financial companies.

This study has chosen financial companies for specific reasons. First, the importance of financial companies is considered because of their initial sales of shares in the stock market. Second, financial companies tend to be more vulnerable to financial crises. Third, when the reform of the financial sector is carried out it ultimately affects or leads to reform in other sectors. Fourth, the differences between the sectors could lead to misleading results and thus the financial sector was chosen to make the comparison between the two types of financial industry (banking and insurance). Fifth, one of the objectives of the study is to assess the extent to which T&D is determined by listing in LSM. Until the period of data collection, of the companies listed in the Libyan Stock Market, eight out of ten were finance companies listed in LSM (80%), one cement company, and one LSM Company. Sixth, the historical Libyan culture of CG is poor, especially in non-financial companies, which may have misleading results. Seventh, Libya is currently in transition from the public sector to the private sector, and most state-owned enterprises, except the financial sector, oil and gas sector and strategic industries are going through a re-evaluation for the purpose of privatization, and hence the difficulty in obtaining annual reports from companies on this topic.

The sample includes all listed financial companies in Libya (banks and insurance) whose main activity had not commenced by the beginning of 2008. This is based on the list of Libyan companies provided by the department of Libyan companies at the Ministry of Economy and using the established company as a criterion 30companies(21 banks and 9 insurance).Only 27 companies were found to meet this criterion, and excluded three companies two insurance and one bank because they were not active until 2009.

The reason for selecting these companies is as follows:

- The data collection period was from November 2009 to January 2010, using data available from the annual report of 2008.
- This research used annual reports from 2005 to 2008, because although in June 2006 the Libyan Stock Market was established it actually started working in 2007. This research used the 2005 annual reports a year before the establishment of LSM.

5.5 Standard and Poor's Transparency and Disclosure Design

The instrument of research used in measuring the level of information reported in a certain vehicle of disclosure by a certain entity based on specific items of information is referred to as disclosure index (Hassan & Marston, 2010). This section reviews the first method measuring T&D practices in annual report by using the S&P index. The S&P T&D index considering the research objectives (1, 2, 3 and 4), empirical questions and test hypotheses (from 1 to 9) and framework in this study (see Section 5.2 above). Appendix 5 shows the review studies using S&P T&D index. The study's method was developed from S&P's earlier labour in the region of a CG score (Patel, et al., 2002). In the S&P methodology greater T&D are connected, covering greater amounts of information from a checklist of items defined by S&P as being useful to decision makers (Choi & Meek, 2008).

According to Patel et al. (2002):

> The agency problem in CG can be mitigated in practice in several ways: by a timely and adequate disclosure of financial information by a vigilant board of directors and possibly by a transparent ownership clarifying the conflict of interests in allowing majority shareholders or large creditors to manage the company. S&P T&D has introduced a methodology to assess the level of T&D along these three dimensions.

The S&P index has been adopted in this study. The S&P T&D index covers a set of huge public corporations selected by S&P. In this study data were collected by using S&P T&D index; the S&P T&D covered both developed and developing countries. Although there are two major indices using in developed and developing countries (S&P and Credit Lyonnais Securities Asia), it is considered by the researcher that S&P index is more suitable for the present study. The fundamental difference between the two indices is that whereas the Credit Lyonnais Securities Asia index comprises 57 parameters of T&Ds, the S&P index consists of 98 T&D parameters. Hence, the S&P index provides an adequate basis on which the level of T&Ds within a given economy can be determined. In addition the advantage with S&P index is that it covers not just financial transparency and information disclosures, but also the disclosures related to ownership rights and board practices. Furthermore, Direct comparison with previous works is possible by way of employing the use of existing index (Marston & Shrives, 1991).

The literature review showed that the S&P T&D index had not been used in the past, and it is believed that the current research project will be the first one in Libya that has used the S&P T&D index.

5.5.1 Design, Wording and Layout

The S&P T&D study was designed to help investors to better understand differences in the level of reporting across markets, sectors and capitalisation (Tsamenyi, Enninful-Adu, & Onumah, 2007). The organisation S&P introduced their T&D index in 2002. S&P developed their study of T&D as the branch of a proposal to afford CG information and analytical services to stock market participants.

S&P has introduced a method to measure the extent of T&D along these three dimensions: overall T&D; three categories; and twelve subcategories.

The method, as described briefly in Table 5.1, is to explore the company's annual reports for the T&D attributes. The T&D study classified into three broad categories in Table 5.1 as follows:

Table 5.1 S&P Items

Statement	questions
Standard & Poor (three categories and divided into twelve subcategories)	98 / 98
Ownership structure and investor rights (included three subcategories)	28 / 98
Financial transparency and information disclosure (included five subcategories)	35 / 98
Board and management structure and process (included four subcategories)	35 / 98

5.5.2 Type and Format

S&P T&D closed-ended questions are used and answers were written in binary Y/N form. The type of question is associated with the paradigm adopted in the research, with closed-ended questions in a positivistic research approach (see Appendix 1).

The study involved measurement/assessment of 98 disclosure attributes that are divided into three categories. Firstly, ownership structure and investor rights (28 attributes), namely three subcategories: transparency of ownership (11 questions); concentration of ownership (8 questions); and voting and shareholder meeting procedures (9 questions). Secondly, financial transparency and information disclosure (35 attributes) comprise five subcategories: business focus (15 questions); accounting policy review (9 questions); accounting policy details (3 questions); related party structure and transactions (4 questions); and information on auditors (4 questions). Thirdly, board and management structure and process (35 attributes) comprise four subcategories: board structure and composition (8 questions); role of the board (12 questions); director training and compensation (6 questions); and executive compensation and evaluation (9 questions). These three categories represent domains of disclosure that S&P routinely assesses as part of their own CG scoring process (Patel & Dallas, 2002). A T&D score is developed for all corporations from an objective and binary assessment of the number of traits in the annual report (Patel &

Dallas, 2002). Jiamsagul (2007) reports that S&P T&D is one of the most popular indexes which investors use for evaluating a company's CG. Its un-weighted score is more appropriate than the weighted score as it is less subjective and easier for a user's to interpret. The un-weighted score assumes that each question is equally important. This can obviate the necessity of making judgment as the relative importance of each question. Therefore, previous studies shows that the equal weighting system is superior to the different weighing systems (Einhorn & Hogarth, 1975).

5.5.3 Contents and Measures

The T&D index can be useful as a financial performance yardstick in a country such as Libya. The measure for equity and fixed income investors, analysts, brokers, and regulators to determine the disclosure practices of public companies. Companies in Libya with more transparent disclosure practices enable shareholders, creditors and other interested parties to more effectively monitor the actions of management and the operating and financial performance of the company.

These rankings tend to provide an objective quantitative assessment of corporate disclosure practices. However the rankings are expected to help investors better understand differences in the level of reporting across markets, sectors and capitalization. For instance in Libya the T&D index could be useful by way of providing additional data point for the enhancement of investor scrutiny and assessment and comparison of investment risks across markets.

There is a growing body of evidence that supports the view that high standards of T&D can have a material impact on the cost of capital. Several researchers and practitioners agree that there is a link between CG and a company’s financial performance. For a country like Libya T&D index can provide a meaningful monitoring tool for local regulators and multilateral institutions. The results yield interesting conclusions both at the individual company level and also in looking at patterns of disclosure among countries on a global basis.

Moreover disclosure index cannot control for the quality of accounting practices or fraudulent accounting data. Marston and Shrives (1991, p. 195) pointed out that calculating an index score for a particular company can give a measure of the extent of disclosure but that this will not necessarily reveal the quality of disclosure.

S&P analyses the three parts and their twelve sub sub-categories to assess the T&D standards of individual corporations are as follows:

Table 5.2 S&P's Transparency and Disclosure

Variables	Measurement	Qs
Total T&D	Sum of T&D in ownership structure and investor rights, financial transparency & information disclosure, and T&D in board and management structure and process (S&P T&D questions relating to information of ownership structure and rights, financial information, and board and management).	98
Ownership structure and investors rights	Sum of transparency of ownership, concentration of ownership, and voting and shareholder meeting procedures (S&P T&D questions focusing on transparency of ownership structure, concentration, and shareholder meetings).	28/ 98
Transparency of ownership	S&P T&D questions relating to share classes, shareholder types, and voting rights.	11/ 28
Concentration of ownership	S&P T&D questions focusing on top or large shareholders and cross-ownership.	8/ 28
Voting & shareholder meeting procedures	S&P T&D questions focusing on issues regarding meetings of shareholders and so on.	9/ 28
Financial transparency and information disclosure	Sum of (financial) business focus, accounting policy review, accounting policy details, related-party structure and transaction, and information on auditors (S&P T&D questions about business focus, accounting policy review and details, related party transactions, and auditors).	35/ 98
Business focus	S&P T&D questions dealing with strategy, market analysis, efficiency indicators, and forward-looking information.	15/ 35
Accounting policy review	S&P T&D questions relating to frequency of financial reports, discussion of accounting policies and procedures, and so on.	9/ 35
Accounting policy details	S&P T&D questions focusing on issues regarding assets valuation, depreciation, and consolidation policies.	3/ 35
Related party structure & transactions	S&P T&D questions dealing with the related party structure and transactions.	4/ 35
Information on auditors	S&P T&D questions regarding name of audit company, duplication of audit reports, as well as audit and non- audit fees paid.	4/ 35
Board and management structure and process	Sum of board structure and composition, role of the board, director training and compensation, and the executive compensation and evaluation (S&P T&D questions relating to board structure, board role, board training and compensation, and executive compensation and evaluation).	35/ 98
Board structure and composition	S&P T&D questions dealing with the identity, tenure and other backgrounds of directors.	8/ 35
Role of the board	S&P T&D questions regarding the decision rights of the board the make-up of committees, and so on.	12/ 35
Director training & compensations	S&P T&D questions regarding the training, ownership interests and compensation of directors.	6/ 35
Compensation & evaluation of executive	S&P T&D questions about background, ownership interests and compensation of non-director senior managers.	9/ 35

Source: Patel & Dallas (2002, pp. 19-21)

5.5.4 Data Collecting

This study use time-series data and quantitative information from listed financial companies in Libya. Data were collected from the company annual reports of companies in two industries (bank and insurances), across the study period January 2005 to December 2008. These data were subjected to a period of one year before starting the Libyan Stock Market, and three years with the emergence of them. This study used the annual reports of 27 companies, available in this period for financial years 2005 to 2008.

5.5.5 Validity and Reliability

Once the technique for collecting data is selected; it should always be examined critically to assess to what extent it will probably be reliable and valid. The researcher has to ensure that the measure that he/she has decided to use is sensibly appropriate. In terms of the validity of the survey, two major issues originate: measurement validity and reliability. Measurement validity refers to whether the 'thing' that is purported to be measured actually is being measured, whereas measurement reliability refers to how well the construct of interest is measured. Concern here is with stable measures and the accuracy of measurement.

According to Bryman and Cramer (2001, p. 66) the question of validity draws attention to how far a measure really measures the concept that it purports to measure. Researchers use this term to describe how well an instrument that is developed can measure the particular concept it is supposed to measure. In other words, validity is concerned with whether the researchers are measuring the right concept or not (Cooper & Emory, 1995).

Four types of instrument validity are frequently cited. The first type is construct validity. It is the most difficult type of validity to understand, assess and report. It shows how well the test instrument scale links up with a set of theoretical assumptions about an abstract construct. It is usually assessed by tracking the performance of the instrument scale over years in different settings and populations (Litwin, 1995; Oppenheim, 2001). The second type is content validity, which is considered as being the most important type of validity. It measures the extent to which the measurement scale reflects what is assumed to be measured (Shannon & Davenport, 2001). The third type of validity is face validity whereby the respondents assess the measurement instrument. If the respondents see a measurement instrument as being valid, it can be argued that it has face validity (Shannon & Davenport, 2001). Similarly, face validity can be assessed by passing the questionnaire to untrained persons in order to get feedback relating to whether the items appear satisfactory to them (Litwin, 1995). The fourth type of validity is concurrent validity. It refers to the extent to which a measurement scale relates to other measures or 'gold standard'. It is assessed in terms of the extent to which results obtained from this scale are consistent with the results of other scales that are designed to measure the same thing or object (Litwin, 1995; Oppenheim, 2001; Shannon & Davenport, 2001). A related type of validity is predictive validity, which refers to the ability of an instrument scale to predict future performance, events, behaviour and attitude (Litwin, 1995; Shannon & Davenport, 2001).

Reliability is a term, which refers to the consistency and dependability of a research instrument (Kosaiyakanont, 2011). According to Kidder and Judd (1986, p. 29), reliability means that if the study was repeated by a different researcher the same results would be achieved. Basically, reliability concerns the degree to which a measuring procedure produces the same conclusions on frequent tests while validity interests the decisive relationship between notion and index. One interpretation of the reliability standard is the domestic consistency of an examination. In this sense, reliability refers to the degree of accuracy of a measuring device or volume, to ensure it is free from error, and thus will yield consistent results (Peterson, 1994). The other type of indication of reliability is consistency, which is concerned with whether or not the items that make up the scale measuring a concept are consistent; in other words, whether or not the respondent's score on any one item tends to be related to the scores on the other items (Bryman & Bell, 2007).

The most popular test of internal consistency or homogeneity among the items is Cronbach's coefficient alpha (Bryman & Bell, 2007; Saunders, et al., 2007; Sekaran, 2003). Cronbach's alpha is a measure of squared correlation between observed scores and true scores. Put another way, reliability is measured in terms of the ratio of true score variance to observed score variance. The theory behind it is that the observed score is equal to the true score plus the measurement error. Cronbach's alpha estimates reliability by determining the internal consistency of a test or the average correlation of items (variables) within the test. A high score indicates that there is similarity (or homogeneity) among the items. The Cronbach's coefficient alpha can range from 0 (if no variance is consistent) to 1 (if all variance is consistent). The recommended minimum acceptable level of reliability for Cronbach's alpha is 0.60. According to Hair, Anderson, Tatham and Black's (1998) criterion, the reliability should be greater than 0.50. Nunnally's (1978) report that criterion alpha coefficients of 0.5–0.6 are acceptable for exploratory research. According to George and Mallery (2003) research conducted on research methodology. They provide a set of rules of thumb for Cronbach's coefficient alpha and have categorised these under the following:

- the Cronbach's alpha coefficient >.9 Excellent
- the Cronbach's alpha coefficient >.8 Good
- the Cronbach's alpha coefficient >.7 Acceptable
- the Cronbach's alpha coefficient >.6 Questionable
- the Cronbach's alpha coefficient >.5 Poor
- the Cronbach's alpha coefficient <.5 Unacceptable

Therefore, this study employed Cronbach's coefficient alpha to assess reliability for S&P T&D Index and questionnaires. Furthermore, validity and reliability for S&P T&D Index are discussed in the following sections, and validity and reliability for questionnaires discussed in subsection 5.7.6.

5.5.5.1 Validity of S&P T&D Index

In accordance to the disclosure index, the validity of the scores concerning the disclosure refers to whether the research instruments measures the actual level of disclosure (Kosaiyakanont, 2011). S&P T&D index is the most well-known financial services company in the world; 1,700 companies within 40 countries have used the S&P index and it has the biggest index of 98 items. Chen et al. (2007) argue that S&P T&D rankings can supply a good portrayal of disclosure practices of companies, by higher T&D rankings that will have better disclosure practices, accompanied by better CG practice and lesser asymmetric information risk. S&P T&D has undertaken to assess the T&D practices of hundreds of companies throughout the world (Frost, et al., 2005). The S&P T&D index was developed from the analysis of the latest annual reports, and evaluates the rank of T&D of companies in emerging markets such as

Asia, Latin America, Central and Eastern Europe, and Africa, as well as developed markets such as the US, Western Europe, and developed Asia (Patel & Dallas, 2002). These works cover a total period of four years. The study examined in a methodical way in which the item of T&D in an annual report was acknowledged only if the item was expressed in a clear and easily understood way which was easy to judge. The outcome of the examination process was a computer spread sheet which tabulated all the result. These results were checked before final scores were arrived at. Although the data might have been subjected to collector's decision, all T&D data were collected from annual reports to justify the index. However, in order to ensure the consistency of data, each section of the annual report for all companies was read and double-checked by the researcher.

5.5.5.2 Reliability of S&P T&D Index

This study assesses the internal consistency of S&P T&D measurement scheme with Cronbach's coefficient alpha. Cronbach's coefficient alpha assesses the degree to which correlation among S&P T&D items is attenuated due to random error. In the software used the result indicates that Cronbach's coefficient alpha, for the data from four years annual reports 2005, 2006, 2007 and 2008 were between good and excellent (.90, .87, .91 and .91) respectively, demonstrating high level of reliability. Thus, coefficients alpha suggest that random measurement error could not reduce the power of the empirical test.

5.5.6 Administration

The researcher collected the name and address of each bank and insurance company from the Department of Control of Banks in the Libyan Central Bank, and the Superintendents of Insurance Companies in the Ministry of Economy and Trade, respectively, and obtained from them a copy of their annual reports for the years 2005, 2006, 2007 and 2008, by hard copy or electronically or from their website. It should furthermore be noted that the annual reports were in Arabic language, and included some annual reports in both languages, Arabic and English.

5.5.7 Statistical Analysis

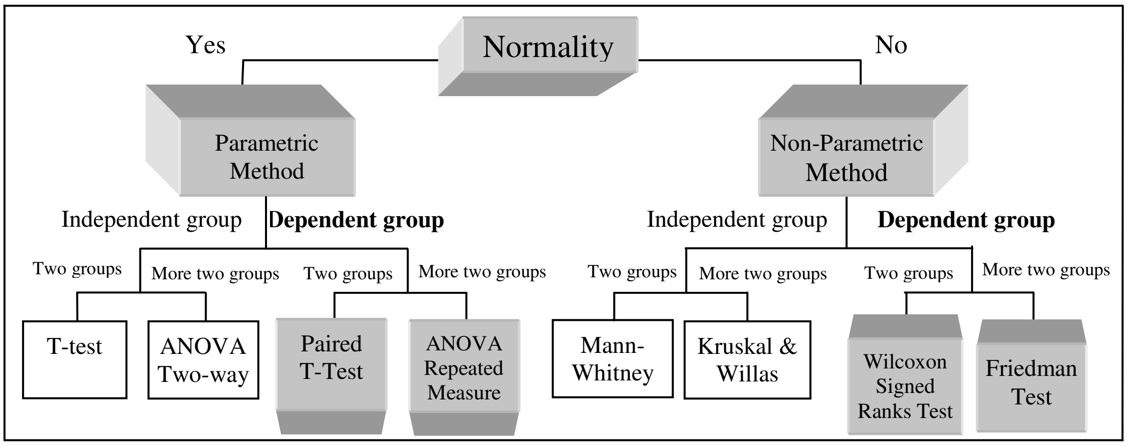
This section attempts to provide a descriptive analysis the items on T&D provided by the sampled companies. The study is to explore of the T&D policy of Libyan financial companies to explain the different levels of T&D over four years, from 2005 to 2008. The Statistical Package for the Social Sciences version 15 (SPSS) program for statistical analysis was used to analyse the study data. The data was subjected to several tests including inferential statistical analysis in particular, means and standard deviations of attributes of T&D.

The following statistical techniques were used in analysing the data and achieving research objectives 1, 2 and 3: One-way ANOVA[4], Paired T-Test[5], Friedman Test Statistics[6], and Wilcoxon Signed Rank[7]were used to find the mean and standard deviation of T&D.

$$\text{T\&DI} = \frac{\text{Total Score of the Individual Company}}{\text{Maximum Possible Score Obtainable by Company}} \times 100$$

A T&D index will then be computed by using the following formula for each measure (see Appendix 6).Figure 5.4 shows the analysis of S&P T&D data as follows:

Figure 5.4 Test of Normality Diagram of Statistic Test Selection



When the test of normality was Sig. ≥.05 the data is normality, when the test of normality was Sig. < .05 the data is non-normality. When, the data normality used ANOVA repeated measure for compared more than pair (four years, from 2005 to 2008).

[4]One-way ANOVA, that is, whether the different conditions have resulted in significantly different scores. Single ANOVA is the parametric method, the test used to know whether the condition 1 is significantly different from condition…, etc.

[5]The paired t-test is used when comparing the means of two sets of observations from the same individuals or from pairs of individuals.

[6]The Friedman test is the nonparametric equivalent of a one-sample repeated measures design or a two-way analysis of variance with one observation per cell.

[7]The Wilcoxon test is a non-parametric test that compares two paired groups. It calculates the difference between each set of pairs, and analyses that list of differences.

5.6 Company Characteristics Variables

This study, using S&P T&D and six company characteristics variables involved considering the fourth research objective, empirical questions and test hypotheses (from 4 to 9) and framework in this study (see Section 5.2 above). The company characteristics data was collected from companies annual reports. To the best of my knowledge, no previous study has examined the effect of corporate characteristics on the level of T&D in Libyan companies (see Appendix 4).

According to Cooke and Wallace (1990), there are three factors affecting disclosure: international, external, and internal environmental factors. Internal factors include two parts, personal characteristics, and corporate characteristics (see Chapter 3). The study measured corporate characteristics.

Marston and Shrives (1991) reviewed that first study used the disclosure index by Cerf in 1961. They noted that corporate size, listing status, leverage, profitability, and size of Audit Company were the most common corporate characteristics examined with regard to disclosure level. Appendix 4 showed previous studies use corporate characteristics.

This study considers six potential explanatory variables grouped for convenience into two categories: structural-related variables (company size, ownership structure, and company age) and market-related variables (listing status, industry type, and audit peer review). The following shows the company characteristics measure in the study:

5.6.1 Listing in the Libya Stock Market

The measure of listing company in LSM is considered in this study. There is reason to suspect that the extent of disclosure is associated with listing status. When a company wishes to have its stock traded, it must first file a listing application. This application calls for the inclusion of an extensive amount of information pertaining to the company's affairs. Also, the contents of the original listing application must be periodically updated. Cooke's (1989a) disclosure is very variable where there is a significant association between the extent of disclosure and listing status. An effective listing company in LSM was used in testing the hypothesis. To test for listing status, companies were categorised into LLSM and NLLSM. Table 5.3 shows listing status variables as follows:

Table 5.3 Listing Status Variables

Years	2005	2006	2007	2008
Companies LLSM	LSM not established yet	3	5	8
Companies NLLSM		20	20	19

5.6.2 Company Ownership

Effective company' ownership of the companies was used in testing hypotheses. To test for ownership, companies were categorised into two groups, public and private sector. Table 5.4 shows listing status variables as follows:

Table 5.4 Company Ownership Variables

Years	2005	2006	2007	2008
Public companies	14	14	14	14
Private companies	9	9	11	13

5.6.3 Company Size

The measure of size considered in this study is total assets in 2005, 2006, 2007 and 2008. The reason for using total assets is that the variable is applicable to all financial companies' annual reports, and total assets is based on historical cost, which is in line with International Accounting Standards. The size 'total assets' of the company is used in this study. To test for size, companies were categorised into three groups, small, middle, and large. In this study the three sizes of total assets were categorised as follows: small size companies have total assets of 100 million D.L or less; middle size companies have total assets of more than 100 million D.L to 500 million D.L; and large size companies have total assets more than 500 million D.L. Table 5.5 shows companies size variables as follows:

Table 5.5 Company Size Variables

Years	2005	2006	2007	2008
Small companies	10	9	9	10
Middle companies	5	5	7	8
Large companies	8	9	9	9

5.6.4 Company Age

The actual listing age of the companies was used in testing the hypotheses. However, Libya does not have a long history in the financial sector (see Chapter 2). It is important to consider these groups in the context of the Libyan environment rather than the general literature T&D. In the current study, the age of companies was categorised into three groups as follows: the younger companies were age 10 years or less; the medium companies were more than 10 to 25 years old; and older companies were more than 25 years old. The company age variable is measured on a yearly basis since the beginning of the company's activity to the financial year ending in 2005, 2006, 2007 and 2008. Table 5.6 shows companies age variables as follows:

Table 5.6 Company Age Variables

Years	2005	2006	2007	2008
Younger companies	9	8	9	10
Medium companies	5	6	7	8
Older companies	9	9	9	9

5.6.5 Industry Type

The classification of Libyan financial listed companies at the time the research was conducted comprised three groups: bank, insurance and financial services companies. However, in this study, financial services companies will not be considered, because all of them started after the beginning of 2008 and were very small limited companies. Two industry groups are to be tested under the industry membership hypothesis (bank and insurance), to discover factors that influence the corporate reporting culture of companies. Table 5.7 shows industry type variables as follows:

Table 5.7 Industry Type Variables

Years	2005	2006	2007	2008
Bank companies	18	18	19	20
Insurance companies	5	5	6	7

5.6.6 Audit Peer Review

The companies were categorized into two groups; a) companies that had gone through the audit peer review process and b) companies that had not gone through the audit peer review process. Table 5.8 shows audit peer review variables as follows:

Table 5.8 Audit Peer Review Variables

Years	2005	2006	2007	2008
Companies have	14	14	15	16
Companies not have	9	9	10	11

The next section will elaborate on the questionnaire design and format, questionnaire piloting, questionnaire contents and measures.

5.7 Questionnaire Design

This section reviews the second method measuring all T&D practices by using the questionnaire in all different types of company disclosure that may exist e.g., annual report, website, bulletins, periodicals, document and other methods. The designing of the questionnaire entirely depended on the T&D practices in Libya and on the related literature T&D. The design of a questionnaire involved considering the research objectives, empirical questions and test hypotheses (10 and 11) and framework in this study (see Section 5.2 above).

The results of the questionnaire were used to determine the relationship between T&D and companies' financial performance (ROCE, ROE and ROA) which were collected from the annual report (see Section 5.8 below).

The questionnaire in this study was designed with the aim of eliciting data to understand and evaluate the current T&D in Libyan companies. The questionnaire in this study included 91 questions in three parts: part one (four questions) about the respondent; part two, information about the company (six questions, e.g., relationship between the company and the Libyan Stock Market; type of industry; and company shareholding); and part three with 14 sections (81 questions, e.g., the company's public financial statements to enable appropriate monitoring to take place, and to provide the basis to value securities; disclosure of the company's commercial objectives; and information when the chairman and members of the board purchase or sell shares in the company; disclosure of the company's CG practices; adoption of a high quality accounting standard and internationally recognised standards that serve to improve transparency; inclusion of the company's independent audit committee of the board) (see Appendix 2).

The T&D study by questionnaire classified into fourteen broad sections in Table 5.9as follows:

Table 5.9 The Questionnaire Design

Section	Disclosure Variables	Qs
Part three	Questionnaire (fourteen sub-categories)	81 / 81
1	The financial and operating results of the company	9 / 81
2	Company objectives	5/ 81
3	Major share ownership and voting right	9/ 81
4	Board members, key executive and their remuneration	10 / 81
5	Related party transactions	5/ 81
6	Material foreseeable risk factors	6/ 81
7	Material issues regarding employees and other stakeholders	7/ 81
8	Governance structures and policies	7/ 81
9	Preparation of information audit and disclose according to high standards of accounting, disclosure and audit	3/ 81
10	External audit and monitoring	4 / 81
11	External audit and audit committee role	6 / 81
12	External auditors accountable to shareholders, and external auditors owe a duty of due professional care	3/ 81
13	Channels for dissemination of information allowing for fair, timely, and cost efficient access to information by user	2/ 81
14	Corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis	5/ 81

In this study, the questionnaire covered questions that were not asked in the index, but some of these questions were important in the Libyan context. The Libyan stock market adopted the OECD principles 2004, and the variables included in the principles were also included in the questionnaire.

- The S&P index includes four questions about T&D of the top 1, 3, 5, and 10 shareholders and three questions about shareholders owning more than 3%, 5% and 10%, while the questionnaire asked about disclosures of shareholders owning of minimum 5% total shares in accordance with the provisions of the Libyan Commercial Law.
- The S&P index includes questions about provision of efficiency indicators ROA and ROE, while the relations between 14 variables in the questionnaire with ROCE, ROE and ROA were investigated.
- The S&P index includes three questions on disclosures of balance sheets, income statement and cash flow, while one question in the questionnaire (using a tick box)

asked whether the company had annual reports as follows: Income statement; Balance sheet; Dividend data; Cash flow statement; Chairman's Report; CEO statement; Display segmental data; Shareholders' equity statement; Detection of significant accounting policies; Environmental policies disclosed; Employee information; Audit report; and Quarterly financial statement.

➢ The questionnaire asked for disclosure of company objectives including: structure and activities of enterprises; implementing commercial objectives; business ethics; policies and performance with respect to the environment; and policies relating to communities. It is evident that these items were not included in the index.

➢ The questionnaire asked for disclosure of whether the external auditor's review was limited to a quarterly review, this question was also not asked in the index.

➢ The questionnaire asked whether the chair of the board is an executive director, this information is not present in the index.

➢ The questionnaire asked whether the company had introduced provisions of disclosure including periodic disclosure, continuous and material development reporting; these provisions were not available in the index, therefore it was asked in the questionnaire.

➢ The questionnaire asked whether the company produces reports on time for all shareholders without prejudice to a party but this was not included in the index.

➢ The questionnaire asked whether the company gives full disclosure about conflicts of interests including: how the company deals with the conflicts of interests; whether it provides information for investors to judge risk including potential bias in the analysis, advice and available information, and when mandating certain approaches to the analysis and consulting; how the entity structures the incentives of its employees in order to eliminate potential conflicts of interest, while all these issues related to conflicts and interests were not addressed in the index.

➢ The questionnaire asked about discloses of material risks including: whether risk management policies exist; any risks that are specific to the industry and geographical areas in which the company operates; financial market risks; risk related to derivatives and off-balance sheet transactions; and risks related to environmental liabilities. No questions were asked about risk in the index.

➢ The questionnaire asked about discloses of the relationship between the management and stakeholders (employees, retention rates of employees, employee share ownership plans, creditors, suppliers, local communities, and human resources,) that may materially affect the performance of the company, while management and stakeholders were not identified in the index.

5.7.1 Design, Wording and Layout

Consequently, several drafts were written and pre-tested before designing the first version of the questionnaire, to increase measures of reliability and validity and confirm that the question wording is clear and understood by the participants. The recommendations, as discussed earlier, were also considered. For the purpose of this, the University of Huddersfield's logo was printed on the cover sheet of the questionnaire to encourage the participants, and showing the authenticity of the research that it is intended for academic purposes. Furthermore, anonymity and confidentiality of the participants was guaranteed by stating in the cover sheet that participants' identity will be kept confidential. In order to ensure their informed consent and enhance response rate, participants were informed about the purpose of the study and the questionnaire. Both were designed in very simple and clear language for the convenience of the participants respectively. Finally the questionnaire was pre-tested on the students in the Business Schools, academics professionals working in the area of CG at Tripoli University, and control section in the Control Department in the LSM; the department of Supervision of Banks in the Libyan Central Bank; the Control Authority Insurance Companies in the Libyan Ministry of Economy and Trade; the Libyan Union of Accountants and Auditors to reduce ambiguities and misunderstanding of the questions (see Subsection 3.7.3 and 5.7.6 below).

5.7.2 Type and Format

The type of questionnaire differs according to the method of its distribution; on-line questionnaire, post/mail questionnaire; telephone questionnaire, and individual distribution/self-administered questionnaire; each has its own advantages and disadvantages. Considering each type of questionnaire, and the nature of the research population, a self-administered questionnaire was chosen as it was considered as the most suitable to meet the objectives 5 and 6 of this research.

According to Oppenheim (1992), there are two types of questions to be used in constructing a questionnaire; open and closed questions. An open question is not followed by any kind of choice, and the answers have to be recorded fully, whereas closed question offer the respondents a choice of alternative replies to choose from. The choice of open or closed questions is related to the aim of the research. In exploratory research, researchers generally use open questions as they give as much information as possible (Van Der, Wilhelmus, & Neil, 2004). On the other hand, in analytical or explanatory research, closed questions are often used. In addition, the type of questions used is associated with the paradigm adopted in the research, with closed questions used in a positivistic research approach (Collis & Hussey, 2003).

According to Saunders et al. (2007) there are six types of closed questions:

1. List question: this offers the respondent a list of responses to choose from.
2. Category question: this is designed in a way where each respondent's answer fits only one category.
3. Ranking question: this asks the respondent to place things in rank order to find out their relative importance to the respondent.
4. Rating question: this is often used to collect opinions; they most frequently use Likert-style rating, usually on a four, five, six, or seven-point rating scale.
5. Quantity question: in which the respondent is asked to provide a number, giving the amount of characteristics on behaviour or attribute.
6. Grid question: this enables the respondent to record two or more similar questions at the same time.

To meet the research objectives, three types of closed questions were used. First, almost all question types used were rating questions in the form of Likert-scale (five-point), which is the most commonly used type, as it is quicker to answer, does not require much space, is easy to understand, and enables a variety of statistical techniques to be used (Easterby-Smith, et al., 2002; Oppenheim, 1992; Saunders, et al., 2007; Sekaran, 2003). Elmore and Beggs (1975) indicate that a five-point scale is just as good as any, and that an increase from five to seven or nine points on a rating scale does not improve the reliability of the ratings.

Thus, first a five-point Likert scale was used throughout the questionnaire to measure the main research variables in questions Section 1-2, 2, 3, 5, 6, 7, 8, 9, 10, 13, and 14. Participants were asked to tick one of five choices on a sliding scale of agreement. Questions by Likert-type scale are each awarded a score of '5' if they appear to have strongly agreed, '4' if they appear to have agreed, '3' if they appear neutral, '2' if they appear to disagree, '1' if they appear to strongly disagree.

Second, some questions used were Y-N questions, through the questionnaire to measure the main research variables in questions Section 4, 11, and 12, participants were asked to tick one of Y or N of agreement. Question with Yes or No answer are '1' if Yes and '0' if No.

Finally, questions by tick box were used in Section 1.1, participants were asked to tick box if they agree. Questions by tick box have a score of '1' if they appear to have disclosed the concerned issue and '0' otherwise (see Appendix 2).

5.7.3 Interpretation and Piloting

To confirm the interpretation and the translation of the questionnaire from English to Arabic language, at first 15 questionnaires were disseminated/ distributed to Libyan PhD students in the business school at the University of Huddersfield and other universities in the UK. Some minor modifications to satisfy the expected academics' comments were made before translation of the questionnaire. Second, both versions of the questionnaires were distributed to an Arabic language expert for corrections, reviewer accuracy language and translation (English and Arabic) and then compared to check the accuracy of language and translation. Then the final version of the questionnaire was given to the experts to review the questions of the questionnaires (see Subsection 5.7.6.1 below).

5.7.4 Contents and Measures

The final draft of the questionnaire (see Appendix 2) consists of three parts: Part 1 to obtain information regarding respondent; part 2 information about the companies (see section 5.7 above); and part 3 with 14 sections to obtain information regarding overall T&D. The measures of the questionnaire regarding the T&D are shown in Table 5.10 as follows:

Table 5.10 Contents and Measures: Questionnaire

Disclosure Variables	Measurement	Qs
The financial and operating results of the company (FORC)	Questions about financial statements to enable appropriate monitoring to take place and to provide the basis to value securities, quality internationally recognised standards, disclose information about contingent liabilities, off-balance sheet transactions, and a section devoted to CG principles and implementations	9/ 81
Company objectives (CO)	Questions about structure and activities of enterprises, commercial objectives, business ethics, corporate policies and performance, policies relating to society	5/ 81
Major share ownership and voting right (MSOVR)	Questions about the rights of investors related to the ownership structure of the enterprise, right vis-à-vis, ownership data, major shareholders, blocks of shares, special voting rights, shareholder agreements, shareholding relationships and cross guarantees, and significant change in ownership.	9/ 81
Board members, key executive and their remuneration(BMKER)	Questions about combining the functions the chair and CEO, and members of the board, membership of other board, share ownership, independent member, remuneration, how select, and executive director's remuneration.	10/ 81
Related party transactions(RPT)	Questions regarding material related party transactions to the market, either individually, executed at arm's-length, normal market terms, owners of minimum 5% total shares, and curriculum vitae at the chair and members of the board of directors and executive managers.	5/ 81
Material foreseeable risk factors (MFRF)	Questions related to risk management, risk industry, risk geographical areas financial market risks, risk to derivatives and off-balance sheet transactions, and risk environmental liabilities.	6/ 81
Material issues regarding employees and other stakeholders (MIRES)	Questions related to the management and employees, information about the relationship between the management and creditors and suppliers and local communities that may affect materially the company's performance and information about human resource development and training, employees communicating and share ownership plans.	7/ 81
Governance structures and policies (GSP)	Questions related to CG practices, proposal and perceptions, structure, ensure a transparency of company governance structure, division of authority between shareholders, management and board members, shareholders meeting votes, and information which are not consistent with the standards of CG.	7/ 81
Preparation of information audit and disclosed according to high standard of accounting, disclosure and audit(PIAD)	Questions related to the reliability of reporting, and quality of accounting standards to improve the transparency and comparability of financial reporting	3/ 81
External audit and monitoring (EAM)	Questions related to external audit and internal control environment and T&D, role of CG in monitoring an auditor's independence, and role and functions audit committee.	4/ 81
External audit and audit	Questions about external auditor certifying the financial	6/

committee role (EAACR)	statements prepared and presented and external auditor's review of the quarterly financial report.	81
External auditors accountable to shareholders (EAAS)	Questions related to audit committee and the external auditor's duty, external auditor and shareholders' meeting accountable, and peer review when audited by the external auditor.	3/ 81
Channels for dissemination information allow for fair, timely, and cost efficient access to information by user (CDI)	Questions related to periodic disclosure, continuous or current disclosure, and reports on time.	2/ 81
Corporate governance framework, complemented by effective approach that addresses and promotes the provision of analysis(CGF)	Questions related to conflict of interests, CG practices, and analysis.	5/ 81

5.7.5 Data Collecting

The main advantages of a self-completion questionnaire are that it may ensure a high response rate, give the benefits of a degree of personal contact, target very precisely the most appropriate sample and overcome a sample bias problem if any exists (Oppenheim, 1992; Collis and Hussey, 2003). According to Sekaran (2003) and Saunders et al. (2009), when using the self-administered questionnaire, there is the opportunity to introduce the research topic, to motivate the respondents to give their answer honestly, to clarify any ambiguous questions and to collect the responses.

In this study questionnaires were distributed personally to the participants, explaining the research aim and objectives, and the participants were then left to complete the questionnaire.

The study used 27 companies' questionnaires and 25 usable questionnaires were returned, giving a response rate of 93 %. A total of two questionnaires (7%) were not returned, with the main reasons given for non-completion being lack of time and work pressure. The SPSS 15 program for statistical analysis tests included inferential statistical analysis: Personal Correlation and Multiple Linear Regression (see Subsection 5.7.8 below).

5.7.6 Validity and Reliability of Questionnaires

5.7.6.1 Validity

The validity of a questionnaire refers to the success of the measurement scale or instrument in measuring what it is designed to measure and yield the type of information required. Therefore, the differences between individuals' scores can be considered as being true differences in the characteristic or variable under study (Kerlinger, 1986; Moser & Kalton, 1989; Oppenheim, 2001; Shannon & Davenport, 2001).

Questionnaires were distributed among academics and regularly returned with some modification. To confirm the validity of the questionnaire, the questionnaire addresses all the requirements of environmental T&D practices. First twenty accountants, economists and financial academics, professionals in the region of CG at Tripoli University, reviewed it. These techniques, procedures and requirements' on T&D practices confirmed that the questionnaire was reasonable, and covered the required T&D in Libyan companies and that the questions were suitable for the participants. The second was a review by the institutions, the regulatory and control section, and then the questionnaire was sent to each of the following for some comments along with an official letter: the Control Department in the LSM; the department of Supervision of banks in the Libyan Central Bank; the Control Authority insurance companies in the Libyan Ministry of Economy and Trade; the Libyan Union of Accountants and Auditors. Some minor modifications to satisfy the expert academics' and institutions' regulatory and control comments were made before the last draft questionnaire.

5.7.6.2 Reliability

This study to test the reliability was carried out with 21 questionnaires using a number of respondents in a company (Chairman of the Board, Member of the Board, CEO, Financial Manager, Head of Accounting Department, Chairman of the Audit Committee, and Member of the Audit Committee); 17 responses were received out of 21 and after two weeks the 17 questionnaires were distributed to compare the responses. After some discussion with non-respondents about some questions, the response was that, without the CEO, some questions were outside the scope of their responses. Although the CEO gave a complete and compatible response on both occasions because the CEO does not only have the best knowledge of the company and its CG, but also works full time in the company and has contact with all departments.

In this study, the Cronbach's alpha value for the variable environmental uncertainty (Section 1) was as low as 0.360, which is not acceptable. Using the option "scale if the item deleted" in the software used shows that if the eighth question (Section 1) is deleted, the variable coefficient alpha will be 0.556, which is still low but acceptable. Thus, this item was deleted since the coefficient alpha was improved. Table 5.11 provides the results obtained from the analysis of reliability test by Cronbach's alpha.

Table 5.11 Reliability Test Results by Cronbach's alpha

Variable	Question	No. of items	Alpha
Financial and operating results	1	8(1 excluded)	.57
Company objectives	2	5	.78
Major share ownership and voting right	3	9	.85
Board members, key executives and their remuneration	4	10	.85
Related party transactions	5	5	.84
Material foreseeable risk factors	6	6	.81
Material issues regarding employees and other stakeholders	7	7	.93
Governance structures and policies	8	7	.86
Preparation of information and disclosed	9	3	.87
External audit and monitoring	10	4	.86
External audit and audit committee	11	6	.56
External auditors accountable to shareholders	12	3	.72
Channels for dissemination information allow for fair, timely, and cost	13	2	.93
Corporate governance framework, and analysis	14	5	.68

5.7.7 Administration

The CEOs have the best knowledge in CG issues in the Libyan financial companies (see Subsection 5.7.6.2 above). Each CEO was given a sealed envelope including a covering letter, the questionnaire and supporting letters. Due to the small sample size, the intention of the researcher was to get maximum response rate (filled questionnaire) from the respondents. The CEOs were contacted personally and the purpose of the research was explained to them and appointments were sought to provide further details and to deliver the questionnaire. All this process resulted in encouraging the participants to complete the questionnaire, but, eventually, 25 questionnaires were returned out of 27.

5.7.8 Statistical Analysis

The data will be analysed using descriptive options of SPSS version 15.0. Pearson's correlation will be used to find out whether there is a relationship between the variables to be measured (i.e. T&D practices, and financial performance). The following statistical techniques were used in analysing the data and achieving the research objectives 5 and 6.

5.7.8.1 Correlation and Regression

Correlation analysis is used to indicate whether a relationship exists between two dependent variables, as well as the overall strength of the relationship. Despite this analysis being a very useful research tool, it does not determine which of the variables is independent and which is dependent. In contrast to correlation analysis, regression analysis is used to identify the impact of independent variables on the dependent variable. While in simple regression analysis a single independent variable is used to predict a single dependent variable, multiple regression analysis uses several independent variables to predict a single dependent variable. It also identifies how much of the variance in the dependent variable is explained by theorizing simultaneously the influence of several independent variables. It is regarded as the most widely applied data analysis technique for assessing the relationship between two or more variables (Hair, et al., 1998).

In this study the correlation indicates how closely the variables are related or unrelated. Due to the number of variables, first, the study used correlation analysis, then if there was a correlation between two variables regression analysis was used to find out which independent variable had most impact on the dependent variable, and if no correlation was found then the variable was excluded.

In addition, this study used Linear Regression (Forward Selection). The Linear Regression method chose the largest independent positive or negative correlation with the dependent variable. In this study, the positive correlation between two variables was identified first, and then only these variables were entered into the equation. In this study, Forward Selection was used to find which independent variable (T&D) had most impact on the dependent variable (Company finance performance).

5.7.8.2 Correlation Analysis

It is very interesting to measure the degree of correlation between the variables of interest via correlation coefficients. Incorporating a **simple correlation coefficient** (***r***), this study aim to measure the strength of relationship between any two variables. The strength of a linear relationship can be measured for quantitative variables by using the Pearson's Correlation Coefficient.

The relationship is very strong when ***r*** reaches −1 (lower limit) or +1 (upper limit). If the sign of ***r*** is negative, then it indicates a negative relationship; otherwise, the relationship is positive. The relationship is said to be very weak as long as *r* becomes very close to zero. Table 5.12 provides a summary of the types of relationship and their correlation coefficients as follows:

Table 5.12Correlation Types and Coefficients

Correlation Type	Correlation Coefficient (*r*)
Perfect Positive Correlation	$r = 1$
Positive	$0 < r < 1$
No Correlation	$r = 0$
Negative	$-1 < r < 0$
Perfect Negative Correlation	$r = -1$

Brace, Kemp, and Snelgar (2006):

> The value of Pearson's (*r*) indicates the strength of the correlation, and it is the measure of effect size. As a rule of thumb, *r* values of 0 to 0.2 are generally considered weak, 0.3 to 0.6 moderate, and 0.7 to 1 strong. The strength of the correlation alone is not necessarily an indication of whether it is an important correlation: the significant value should normally also be considered.

The study employed a correlation design by two variables which were measured using **Personal Correlation**. The first variable was T&D practices consisting of 14 items. The second variable was financial performance measured by three tools of financial analysis – ROCE, ROE, and ROA. CG may affect the future performance, but future performance does not affect CG (Jiamsagul, 2007).

5.7.8.3 Regression Analysis

Regression analysis was used to find the influence of the independent variable (T&D practices) on the dependent variables (financial performance). **Multiple linear regression** technique is concerned with determining a statistical model between a given variable (*dependent variable*) and a set of explanatory variable (*independent variables*). Table 5.13 summarises important issues related to statistical regression analysis quotations from Hair et al. (2003), as follows:

Table 5.13 Summary of Important Issues Related to Statistical Regression Analysis

Code	Statement	Simple regression	Multiple regression
F-ratio	The result of comparing the amount of explained variance to unexplained variance. A good model should have greater than one at least.	The larger the F-ratio, it more variance in the DV is explained by the IV.	The larger the F-ratio, it more variance in the DV is explained by the ***overall*** IVs.
R	The correlation between the dependent variable (DV) and Independent Variable (IV).	The R value represents the ***simple correlation*** between the DV and IVs.	The R a measure of the ***multiple correlations*** between the DV and the IVs.
R^2	Shows the amount of variation, and the goodness of fit of the model. The R^2 ranges from 0 to 1 and, the larger the R^2, the more the DV is associated with the IV/s that is being used to predict it.	The DV associated with ***one*** IV.	The DV associated with ***all*** of the IV considered together.
t	Statistics to identify which IVs have statically significant coefficient and to determine the relative influence of each of the IVs	If the t-statistic is ***significant (p= .05)*** for the IV, it could be concluded that the IV makes a significant contribution to the model in prediction the DV based on the level of significant.	
		If the t-statistic is ***not significant*** **(p> .05)** for the particular IV, that variable is not a good predictor of the DV.	
B	It is worth to distinguish between the ***unstandardized*** coefficients.	The value represents the measure of the strength of the relationship between an IV and the DV.	
Beta	It is worth to distinguish between the ***standardized*** regressions coefficients. A method of adjustment for different units of measure across variables. Thus, using beta values makes it easy to compare between the IVs to determine which has the most influence on the DV.	Beta coefficients range from -1 to +1. The larger the absolute value of the standardized beta coefficient is the more relative importance it has in predicting the DV. The positive value of a coefficient indicates a positive relationship between the DV and the IV, whereas a negative coefficient indicates the opposite.	

The study employed Regression between an independent variable (T&D), and dependent variables (financial performance). Since in this study, there are many independent variables in the equation (14 variables), **Forward Selection** was used to find which one of 14 independent variables (T&D) had most impact on dependent variables (company finance performance).

The effect of predictor variable, namely x1, x2 ..., x14, on dependent variable, say **y**, is that by assuming a linear relationship, the linear statistical model (or equation) evaluating the effect of the mentioned variables on y is:

$$y = a_0 + a_1x_1 + a_2x_2 + a_3x_3 + a_4x_4 + a_5x_5 + a_6x_6 + a_7x_7 + a_8x_8 + a_9x_9 + a_{10}x_{10} + a_{11}x_{11} + a_{12}x_{12} + a_{13}x_{13} + a_{14}x_{14} + e$$

Where a_0 is the mean value of **y** when the other variables are zero, while a_1, a_2, a_3 and a_{14} are called regression coefficients showing the effect of variables on **y**, and they will be estimated from our dataset using the least squares method. Actually, they show the expected change in **y** per one unit change in the variables of the equation. Also, from the equation, ***e*** is defined as an error or disturbance term. Sometimes, it is referred to as the effect of omitted variable or error on the dependent variable.

To test the above statements, an ***F* test** is conducted for multiple models to see whether the linear relationship between the dependent variable and the other variables is significant. The results of the ***F* test** are summarized in the table of analysis of variance (**ANOVA**).By using a 0.05 level of significance, we reject the null hypothesis when the *p*-value based on the ***F* test** is smaller than 0.05.

For regression analysis, some variables may or may not be important for making predictions about the dependent variable, and hence it is helpful to be capable of decreasing the model to retain only the variables that show significant information about the dependent variable. Since there are a large number of independent variables in the equation, the variable with the most impact will be chosen.

5.8 Financial Performance Variables

This study, using overall T&D and financial performance variables involves considering the research objectives (5 and 6), empirical questions and test hypotheses (10 and 11) and framework in this study (see Section 5.2 above).The financial performance data collected from companies annual reports.

This study aims to test the relationship between T&D practices and future financial performance. For four reasons, this study prefers to use future financial performance rather than contemporary financial performance as dependent variable. First, CG can affect performance (Hermalin & Weisbach, 1988; Weisbach, 1988). Second, CG requires more time before its effects on company performance are reflected. Third, many of the CG papers link CG variables to future company performance (see Table 3.2). Finally, Libyan companies take an average of 155 days to publish their annual reports (Dardor, 2009).

As a result, the study has information about four years (2005 to 2008), the year starting from 1st January to 31st December, using future financial performance as the dependent variables for the years 2007 and 2008.

Most of the past literature on financial institutions has used accounting measures as a proxy for performance. ROCE, ROE, and ROA are used for performance measurement and the data of the last two years are used in the company annual reports to have more consistent and reliable performance measures. For three reasons, this study uses three widely used accounting-based performance measures, ROCE, ROE, and ROA. First, market measures of financial performance cannot be used, because 70% of the sample in this study is NLLSM. Second, since a single measure such as ROCE may be inadequate, the study uses a second and third measure, ROE and ROA, to triangulate the important construct of company performance. Third, these three performance measures have been widely used in previous studies; specially ROE and ROA (see Appendix 3).

5.8.1 Return on Capital Employed

ROCE is the rate of return that a business is making on the total capital employed in the business. ROCE establishes the relationship between the profit and the capital employed. It indicates the percentage of ROCE in the business and it can be used to show the overall profitability and efficiency of the business.

$$\textbf{ROCE}= \frac{\textbf{EBIETE}2008}{(\textbf{CE}2008+\textbf{CE}2007)/2}$$

EBIETE = Earnings before interest expenses and tax expenses

CE= Capital employed

Capital employed = Total assets – current liabilities

5.8.2 Return on Equity

The amount of net income returned as a percentage of shareholders' equity.ROE measures a corporation's profitability by revealing how much profit a company generates with the money the shareholders have invested, and the net income that a company is able to earn from stockholders' investment. Many analysts consider ROE the single most important financial ratio applying to stockholders and the best measure of performance by a company's management. ROE is highly correlated with ROA (Antle & Smith, 1986). Using ROE as a performance measure has advantages. ROE is a concept that measures return to the company's equity investors. ROE gives information on how well a company uses its equity to generate income.

$$ROE = \frac{NI2008}{(SE2008+SE2007)/2}$$

NI = Net Income

SE = Shareholder's Equity

5.8.3 Return on Assets

ROA has been widely used in T&D research (see Table 3.2). ROA is based on earnings before interest and tax expenses divided by book value of total assets. ROA measures the company's performance in terms of its profitability prior to the effects of financing. By separating the financing effects from the operating effects, the ROA provides a cleaner measure of the true profitability of these assets. ROA is a concept that measures return to the company rather than just to equity investors. ROA gives information on how well a company uses its assets to generate income. In addition, agency costs such as perquisites, stealing of investment opportunity, or inefficient investments reflect on both balance sheet and income statement. Thus ROA which is calculated from the numbers on the balance sheet and the income statements is also suitable for the analysis (Yupana, 2001, p. 333).

$$ROA = \frac{NI2008}{(TA2008+TA2007)/2}$$

NI= Net Income

TA= Total Assets

5.9 Ethics and Confidentiality

The Ethical issues were considered and incorporated in this research study. Consent was taken from the Business School Ethics Committee; in addition, a letter was obtained from the research supervisor to collect data from Libya. The participants of the research were informed in advance about the purpose of this research project; moreover, it was explained to them that their names and identity would be kept confidential and anonymous. All data collected would be kept in a secure place under the control of the researcher.

In Libyan culture, often personal relations and contacts are considered important. For this study, the researcher made contact with his colleagues who had good relations with the CEO of the companies. The researcher had to visit the participants in other to get them to fill out the questionnaire.

5.10 Summary and Conclusion

This chapter described the philosophical debate of methodology and outlining the approach employed in this study. A positivistic, deductive approach was adopted in this study to achieve the aims and provide a basis for generalising its results. Moreover, this study has adopted a quantitative research method to find empirical results to test the hypotheses.

The chapter detailed the content analysis methods which will be utilised to present the level of transparency and disclosure practices of 27 Libyan financial companies from 2005 to 2008. This study used data constructor from S&P T&D when finding out significant difference of T&D in annual report during the four years, and data constructor from questionnaire when finding out overall T&D. The issues related to the validity and reliability of the variables measurement was also discussed. The study also described the variables employed in the study which explained company characteristics and financial performance.

This study is original from three points of view. First, it explores the level of T&D in Libyan financial companies, comparable the level of T&D with companies in other countries, and shows whether there is a variation in Libyan financial companies' T&D in their annual reports. Second, the level of T&D is associated with six corporate characteristics. Third, it examines the relationship between T&D practices and company financial performance.

Table 5.14 explains this study objective, how the data were collected, the empirical questions set, which hypotheses were used to examine the empirical questions, and the statically analyses used.

Table 5.14 Statistical Methods Used for Hypothesis Testing

<table>
<tr><th>Obj.</th><th>Data collection</th><th>EQ</th><th>Hypothesis</th><th>Main test used</th></tr>
<tr><td>1</td><td>S&P T&D score</td><td>EQ1</td><td>H_1: There is a significant difference increase in S&P T&D in Libyan financial company’s annual report, through fiscal years from 2005 to 2008.</td><td rowspan="9">*Parametric method ANOVA Repeated Measure (more than pair years) and Paired T-test (pair years). *Non-parametric method T-test “Friedman (more than pair years) and Wilcoxon (pair years)”</td></tr>
<tr><td>2</td><td>S&P T&D & Sec. data</td><td>EQ2</td><td>H_2: There is a low level of S&P T&D in Libyan financial company’s annual report, which is comparable with companies in other countries.</td></tr>
<tr><td>3</td><td>S&P T&D</td><td>EQ3</td><td>H_3: There are significant variations in Libyan financial companies’ transparency and disclosure in their annual reports.</td></tr>
<tr><td rowspan="6">4</td><td rowspan="6">S&P T&D</td><td>EQ4</td><td>H_4: Companies listed in the Libyan Stock Market provide more T&D in their annual reports than companies not listed.</td></tr>
<tr><td>EQ5</td><td>H_5: Public financial companies provide more T&D in their annual reports than private “individual” companies.</td></tr>
<tr><td>EQ6</td><td>H_6: Companies with greater total assets provide more T&D in their annual reports than those with fewer total assets.</td></tr>
<tr><td>EQ7</td><td>H_7: Older financial companies provide more T&D in their annual reports than younger companies.</td></tr>
<tr><td>EQ8</td><td>H_8: Banking sector provides more T&D in their annual reports than insurance sector.</td></tr>
<tr><td>EQ9</td><td>H_9: Companies that have audit peer review are more likely to provide T&D information in their annual reports than companies that do not have audit peer review.</td></tr>
<tr><td>5</td><td>Q &Sec.</td><td>EQ10</td><td>H_{10}: There is a relationship between T&D practices, and financial performance in Libyan financial companies.</td><td>Correlation test (Pearson’s correlation)</td></tr>
<tr><td>6</td><td>Q &Sec.</td><td>EQ11</td><td>$H_{11:}$ There is a variable of T&D practices that has the most impact on company financial performance.</td><td>Multiple regression analysis (forward selection method)</td></tr>
</table>

The next chapter gives the results of testing the study hypotheses and findings in this study for data collecting by S&P T&D score.

Chapter 6 S&P: Transparency and Disclosure

6.1 Introduction

The aim of this chapter is to record the results of the tests of the hypotheses concerning the relative extent of T&D in Libyan financial companies, and the level of T&D associations with the company characteristics. This chapter presents the details of empirical results from the SPSS 15 program. The descriptive statistics of the data are ANOVA One-way, Paired T-test, Friedman Test, and Wilcoxon Signed Rank Test.

The results presented in this chapter relate to the four objectives of the study as shown below:

1- To assess the level of transparency and disclosure in Libyan financial companies during the years 2005 to 2008 on three levels: overall transparency and disclosure, three categories, and twelve subcategories in their annual reports.

2- To compare the level of transparency and disclosure in Libyan financial companies with those in other countries (developed and developing).

3- To assess whether there are variations between companies in transparency and disclosure practices in their annual reports.

4- To assess the extent to which transparency and disclosure is determined by listing status, ownership, size, and age, type of industry and audit peer review in Libyan financial companies during the years 2005 to 2008 on three levels: overall transparency and disclosure, three categories, and twelve subcategories in their annual reports.

This chapter addresses the empirical research questions, from EQ1 to EQ9, which are:

EQ1- Have Libyan financial companies improved the level of transparency and disclosure in their annual reports since the emergence of the Libyan Stock Market?

EQ2- Do Libyan financial companies provide a low level of transparency and disclosure in their annual reports compared to companies in other countries?

EQ3-Do Libyan financial companies vary in their transparency and disclosure practices in their annual reports?

EQ4- Do companies listed in the Libyan Stock Market provide more transparency and disclosure in their annual reports than companies not listed?

EQ5- Do public Libyan financial companies provide more transparency and disclosure in their annual reports than private "individual" companies?

EQ6- Do companies with greater total assets transparency and disclosure disclose information to a greater extent than those with fewer total assets?

EQ7- Do older financial companies in Libya provide more transparency and disclosure in their annual reports than younger companies?

EQ8- Does the Banking sector provide more transparency and disclosure in their annual reports than the Insurance sector?

EQ9- Are companies that have audit peer review more likely to provide transparency and disclosure information than companies that do not have audit peer review?

This chapter is organised into seven sections as follows: Section 6.2, descriptive statistics; Section 6.3 analyses the collected data about the level of transparency and disclosure in LFC with the emerging LSM to achieve objective 1, answer EQ1 and test H_1.Section 6.4 compares the level of transparency and disclosure with companies in other countries to achieve objective 2, answer EQ2 and test H_2.Section 6.5 is followed by T&D variation to achieve objective 3, answer EQ3and test H_3. Section 6.6 includes the analysis of collected data about the level of transparency and disclosure in Libyan financial companies associated with company characteristics to achieve objective 4, answer EQ4 to EQ9and test H_4 to H_9. Section 6.7 presents the summary and conclusion of the results.

6.2 Descriptive Statistics

The sample consists of 27 companies. Exploratory analysis has been conducted to discover the initial features of the data of interest using frequency tables and graphs. Firstly, the statistical **Mean[8], Standard Deviation[9]** and **statistically significant increase** of four years and two years for all companies have been measured. Secondly,

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[8] The mean is the sum of the values divided by the number of values. The mean describes the central location of data.

[9] The standard deviation describes the spread. Low standard deviation indicates that data points tend to be very close to the mean whereas high standard deviation indicates that the data are spread out of over a large range of values.

the calculation for **Coefficient of Variation**[10] between companies. Thirdly, the statistical **Mean**, **Standard Deviation**, and **statistically significant increase** for overall Libyan financial companies, with six company characteristics (listed status, ownership, size, age, type of industry, and audit peer review), and statistically significant increase for each group by two years (Pair) and four years (More than pair). All these statistics are measured at three levels. First is overall T&D. Second are three categories: ownership structure and investor rights; financial transparency and information disclosure; and board and management structure and process. Third, are twelve subcategories: transparency of ownership; concentration of ownership; voting and shareholder meeting procedures; business focus; accounting policy review; accounting policy details; related party structure and transactions; information on auditors; board structure and composition; role of the board; director training and compensation; and executive compensation and evaluation.

6.2.1 Normality Test

The first tested whether the data distribution is normal or not (by applying Shapiro-Wilk), for all variables; overall S&P T&D, by three categories, and twelve subcategories. The result shows the normality is satisfied as *p*-value for the Shapiro-Wilk test is > .05 and non-normality is satisfied as *p*-value for the Shapiro-Wilk test is < .05.Normality test results are shown in Table 6.1.

Table 6.1 Normality Test Results

Variable	2005	2006	2007	2008
Total transparency & disclosure	**.358**	**.497**	**.959**	**.639**
Ownership structure & investor right	.010	.010	.010	.010
Transparency of ownership	.010	.010	.010	.010
Concentration of ownership	.010	.010	.010	.010
Voting & shareholder meeting procedures	.010	.010	.010	.010
Financial transparency & information disclosure	.150	.354	.154	.072
Business focus	.311	.562	.102	.059
Accounting policy review	.010	.025	.010	.010
Accounting policy details	.010	.010	.010	.010
Related party structure & transaction	.010	.010	.010	.010
Information on auditors	.010	.010	.010	.010
Board and management structure and process	.413	.933	.203	.438
Board structure and composition	.567	.029	.139	.010
Role of the board	.060	.227	.215	.178
Director training & compensations	.010	.010	.010	.010
Executive compensation & evaluation	.010	.010	.010	.010

[10] The coefficient of variation is a normalized measure of dispersion of a probability distribution. It is also known as unitized risk or the variation coefficient. The coefficient of variation is a dimensionless number.

In the same way the test of normality was used for other variables, companies LLSM and NLLSM; ownership structure “public and private”; company size “small, medium, and large”; age of the company “younger, medium, and older”; industry type “banks and insurance companies”, and audit peer review “companies have and don’t have audit peer review”. This study shows that in the statistical results in all tables that if data were normally distributed it is represented in italic & was underlined, and non-normal distributed data was presented normally. Figure 5.4 shows the statistical techniques using for both parametric and non-parametric methods in this study.

Therefore, the results indicate that data are mixed, normally (Sig. p-value > .05) and non-normally distributed (Sig. p-value < .05), hence, parametric and non-parametric tests are recommended.

6.2.2 Statistics Test

This study discussed aspects of T&D in chapter three. T&D for banks is particularly important given the economic significance of the banking and insurance sector in general and for growth and development in particular.

The following statistical techniques were used in analysing the data and achieving the study objectives. ANOVA repeated measure (One-way) and Paired T-test were used for the descriptive statistics of the normal distribution assumption (parametric). Non-parametric T-test (Friedman and Wilcoxon) were also calculated because of possible violations of the normal distribution assumption as indicated in the descriptive statistics (see Figure 5.4).

In this study of descriptive statistics, mainly means and significant value (p value), were used to analyse study objectives one, two and three, answer the EQs and test the hypotheses from one to nine.

6.3 Quality of S&P Transparency and Disclosure in Libyan Companies with the Emerging Libyan Stock Market

This section presents the main level of T&D results according to three stages: overall; three categories; and twelve subcategories. Specifically, subsection 6.3.1 will report the statistically significant increase results for overall T&D during the four years and pair years to test H_1. Subsection 6.3.2 will provide the statistically significant increase results for three categories of T&D during the four years and pair years to test sub-hypotheses $H_{1.1}$, $H_{1.2}$, and $H_{1.3}$. Subsection 6.3.3 will report the statistically significant increase results for twelve subcategories T&D during the four years and pair years to test sub-hypotheses $H_{1.1.1}$ to $H_{1.1.3}$, $H_{1.2.1}$ to $H_{1.2.5}$, and $H_{1.3.1}$ to $H_{1.3.4}$. Finally, a summary of the test hypotheses is presented.

S&P survey methodology was used for the descriptive statistics for overall T&D for the company (banks and insurance) annual reports. Table 6.2shows that T&D was very low in the years from 2005 to 2008, but it improved during this period by 13 points. This study does show a few changes in T&D levels by 37% in 2008 and 33% in 2007, 28% in 2006, and 24% in the year 2005.

The level of T&D by three categories improved during the four years but there were uneven improvements between the categories; the level of T&D ownership structure and investor rights had a small increase of 7 points (see Table 6.2. Pa. B); the scores of financial transparency and information disclosure are the highest among the three categories, showing extra improvement of 22 points during the four years (see Table 6.2. Pa. C); and the level of T&D board and management structures and process show only a marginal improvement of 8 points (see Table 6.2. Pa. D).

This study shows that for the level of T&D with twelve subcategories there is a slight change in the first among three subcategories, whereas there is only a small increase by 4, 5, and 3 points for the three subcategories: transparency of ownership, concentration of ownership, and voting and shareholder meeting procedures, respectively (see Table 6.2 Pa. B1, 2, and 3); while the average voting and shareholder meeting scores show a minor increase of 3 points during the four years, the lowest level T&D in overall twelve subcategories.

The second table (6.2 Pa. C) shows that the best level of T&D in Libyan financial companies was 65% in 2008 in financial transparency and information disclosure, and it improved by 22 points for the duration of four years. The top score in financial T&D subcategory ‘accounting policy details’ was 96% in 2008, which increased by 30 points for the period of four years (see Table 6.2 Pa. C3). Also the three subcategories business focus, accounting policy review, and information on auditors showed an improvement of 20, 23, and 13 points respectively (see Table 6.2 Pa. C1, 2, and 5). The ‘related party structure and transaction’ revealed fewer scores in the category, for example, 21% in 2008, that shows an increase by 17 points at some point in four years (see Table 6.2 Pa. C4) but it is evident that this increase is still very low.

The third had no noteworthy increase in the level of T&D for the four subcategories. Board structure and composition were the best subcategories, despite showing weakness by 58% in 2008 and improvement only by 15 points during the four years (see Table 6.2 Pa. D1). The role of the board, director training and compensations, and executive compensation and evaluation were very low at rates of 32%, 12% and 14% in 2008, and they increased 15, 7 and 5 points respectively (see Table 6.2 Pa. D2, 3, and 4). Mean and Standard deviations results are shown in Table6.2.

Table 6.2 Overall Transparency and Disclosure

Panel	Variable	2005		2006		2007		2008	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD
A	**Total transparency & disclosure**	**.242**	**.094**	**.287**	**.079**	**.339**	**.086**	**.374**	**.098**
B	***Ownership structure & investor right***	***.047***	***.001***	***.065***	***.044***	***.095***	***.085***	***.116***	***.105***
B1	Transparency of ownership	.094	.088	.122	.084	.134	.081	.138	.086
B2	Concentration of ownership	.010	.052	.038	.102	.108	.248	.152	.276
B3	Voting & shareholder meeting procedures	.001	.038	.001	.001	.024	.057	.043	.119
C	***Financial transparency & information disclosure***	***.434***	***.160***	***.505***	***.149***	***.593***	***.151***	***.649***	***.145***
C1	Business focus	.507	.207	.556	.162	.652	.210	.707	.211
C2	Accounting policy review	.440	.278	.516	.287	.632	.228	.686	.221
C3	Accounting policy details	.666	.402	.840	.360	.956	.208	.956	.208
C4	Related party structure & transaction	.043	.096	.076	.139	.119	.166	.206	.257
C5	Information on auditors	.358	.290	.467	.253	.565	.240	.489	.232
D	***Board and management structure and process***	***.192***	***.114***	***.231***	***.092***	***.267***	***.091***	***.298***	***.099***
D1	Board structure and composition	.434	.206	.521	.171	.462	.178	.576	.158
D2	Role of the board	.170	.143	.228	.110	.279	.119	.322	.136
D3	Director training & compensations	.057	.129	.086	.149	.115	.162	.115	.162
D4	Executive compensation & evaluation	.096	.077	.125	.077	.024	.066	.135	.088

23 Co. in 2005 and 2006, 25 Co. in 2007, and 27 Co. in 2008

For more details descriptive statistics for the entire sample of all companies are presented in Appendix 7-A.

The next subsections of this study show the descriptive statistics for overall T&D in subsection 6.3.1; in subsection 6.3.2 three categories, and in subsection 6.3.3 twelve subcategories are elaborated.

6.3.1 Descriptive Statistics Overall S&P T&D

Table 6.3shows that, overall increase in T&D was strong with a statistically significant increases (F= 30.9, p = .000) during the four years. Also, a statistically significant increases (t =3.56, p =.002), (t = 6.31, p = .000), (t =*6.12*, p =.000), (t = 5.33, p = .000), (t = 6.01, p = .000), and (t = 3.97, p =.001) for the two years 05-06, 05-07, 05-08, 06-07, 06-08, and 07-08 respectively.

Table 6.3 Descriptive Statistics Overall S&P T&D

S&P TD	**Four years**		**2005-2006**		**2005-2007**		**2005-2008**		**2006-2007**		**2006-2008**		**2007-2008**	
	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TD	*30.9*	*.000****	*3.56*	*.002***	*6.31*	*.000 ****	*6.12*	*.000 ****	*5.33*	*.000****	*6.01*	*.000****	*3.97*	*.001****

Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F&t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at 0.05, **Significant at 0.01, and ***Significant at 0.001).

However, overall T&D had strong statistically significant increase during four and two years.

6.3.2 Descriptive Statistics Three Categories of S&P T&D

Table 6.4 shows that, the three categories – ownership structure and investor right, financial transparency and information disclosure, and board and management structure and process – had statistically significant increase (X^2= 26.5, p = .000), (F= 25, p = .000), and (F = 22.5, p = .000), respectively for four years. In addition, there is a statistically significant increase between two years for all three categories, but ownership structure and investor rights had no statistically significant increase for the years 07-08 (Z = 1.62, p = .104). However, financial transparency and information disclosure were the strongest showing statistically significant increase in three categories for the two years 05-06, 05-07, 05-08, 06-07, 06-08, and 07-08.

Table 6.4 Descriptive Statistics S&P T&D by Three Categories

S&P TD	**Four years**		**2005-2006**		**2005-2007**		**2005-2008**		**2006-2007**		**2006-2008**		**2007-2008**	
	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
OSIR	26.5	.000 ***	2.26	.024*	2.84	.004**	3.08	.002**	2.22	.026*	2.68	.007 **	1.62	.104
FTID	*25.0*	*.000****	*3.12*	*.005***	*5.06*	*.000****	*5.69*	*.000****	*4.60*	*.000****	*5.49*	*.000****	*3.39*	*.002***
BMSP	*22.5*	*.000****	*2.70*	*.013***	*5.19*	*.000****	*6.21*	*.000****	*3.24*	*.004***	*4.57*	*.000****	*3.27*	*.003***

Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at 0.05, **Significant at 0.01, and ***Significant at 0.001).

However, three categories had an increase in statistically significant increase during four and two years except the first categories in pair years (2007-2008).

6.3.3 Descriptive Statistics Twelve Subcategories of S&P T&D

There were statistically significant increase for 11 out of 12 subcategories during the four years, but there were no statistically significant increases (X^2 = 5.40, p = .145) for voting and shareholder meeting procedures.

There were statistically significant increases for accounting policy review, and the role of the board between overall pair years 05-06, 05-07, 05-08, 06-07, 06-08, but most of the subcategories varied between a statistically significant increases and no statistically significant increase over two years. The level of accounting policy details had no statistically significant increase for the years 07-08 because the level of T&D was 96% for those years. The director training and compensation showed a statistically significant increases just for one pair years 05-07 (Z = 2.0, p = .046) (see Table 6.5).

Table 6.5 Descriptive Statistics S&P T&D by twelve Subcategories

S&P TD	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TO	15	.002**	1.89	.059	2.27	.023*	2.42	.015**	1.34	.180	1.63	.102	1.00	.317
CO	16.4	.001***	1.34	.180	2.06	.039	2.41	.016**	2.12	.034**	2.45	.014**	1.06	.285
VSMP	5.40	**.145**	-	-	-	-	-	-	-	-	-	-	-	-
BF	*13.6*	*.000****	*1.72*	*.098*	*3.85*	*.001***	*4.32*	*.000****	*3.40*	*.003***	*4.20*	*.000****	*2.20*	*.038**
APR	27.6	.000***	2.04	.041*	2.96	.003**	3.30	.001***	2.38	.017**	3.07	.002**	2.59	.009**
APD	20.2	.000 ***	1.54	.124	2.81	.005**	2.81	.005**	1.63	.102	1.63	.102	.000	1.00
RPST	17.4	.001***	1.13	.257	1.93	.053	2.58	.010**	2.00	.046*	2.65	.008**	2.27	.023*
IA	14.2	.003**	1.75	.079	1.97	.048*	2.40	.016**	1.00	.317	1.84	.066	1.84	.066
BSC	17.9	.000***	.844	.399	2.07	.038*	3.00	.003**	2.23	.026*	2.90	.004**	1.90	.057
RBD	*20.3*	*.000****	*3.13*	*.005***	*4.96*	*.000 ****	*2.61*	*.016***	*2.61*	*.016***	*3.89*	*.001****	*2.61*	*.015***
DTC	9.42	.024*	1.41	.157	2.00	.046*	1.41	.157	1.41	.157	1.53	.124	.000	1.00
ECE	48.1	.000***	1.66	.096	3.09	.002**	1.93	.054	4.58	.000***	1.00	.317	4.70	.000***

Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, this study shows a strong statistically significant increase in T&D levels for the four years, and for most pair years, while the statistically significant increase for the years 05-06 was nearly strong (*p*= .002). The levels of T&D by three categories showed a strong statistically significant increase for four years, while financial transparency and information disclosure was almost strong with a statistically significant increase for pair years. The level of T&D with eleven subcategories showed a statistically significant increase (8 out of 11 with strong statistically significant increase), but the subcategories for voting and shareholder meeting procedures did not yield statistically significant increase results for four years.

Therefore, H_1 is accepted in the study, which showed a statistically significant increase level of S&P transparency & disclosure in Libyan financial company's annual reports through the fiscal years from 2005 to 2008. Table 6.6 shows the test of hypothesis as follows:

Table 6.6 Test of Hypothesis Level of S&P T&D

H	Hypothesis	Result						
		Four years	2005-2006	2005-2007	2005-2008	2006-2007	2006-2008	2007-2008
H_1	**There is a statistically significant increase in S&P: transparency and disclosure in Libyan financial company's annual reports, through fiscal years from 2005 to 2008**	**A**	**A**	**A**	**A**	**A**	**A**	**A**
$H_{1.1}$	Ownership structure and investor rights	A	A	A	A	A	A	R
$H_{1.1.1}$	Transparency of ownership	A	R	A	A	R	R	R
$H_{1.1.2}$	Concentration of ownership	A	R	R	A	A	A	R
$H_{1.1.3}$	Voting and shareholder meeting procedures	R	R	R	R	R	R	R
$H_{1.2}$	Financial transparency and information disclosure	A	A	A	A	A	A	A
$H_{1.2.1}$	Business focus	A	R	A	A	A	A	A
$H_{1.2.2}$	Accounting policy review	A	A	A	A	A	A	A
$H_{1.2.3}$	Accounting policy details	A	R	A	A	R	R	R
$H_{1.2.4}$	Related party structure and transactions	A	R	R	A	A	A	A
$H_{1.2.5}$	Information on auditors	A	R	A	A	R	R	R
$H_{1.3}$	Board and management structure and process	A	A	A	A	A	A	A
$H_{1.3.1}$	Board structure and composition	A	R	A	A	A	R	R
$H_{1.3.2}$	The role of board of directors	A	A	A	A	A	A	A
$H_{1.3.3}$	Director training and composition	A	R	A	R	R	R	R
$H_{1.3.4}$	Compensation and evaluation of executive	A	R	A	R	A	R	A

A= Accepted and R= Rejected

6.4 Comparison of the Level of Transparency and Disclosure by S&P Scores with Companies in Other Countries

This section presents the mean scores of T&D results accomplished by LFC and quoted companies by two stages: overall, and three categories to test H_2.

The mean scores accomplished by LFC and quoted companies are shown in Table 6.7 for comparison of the overall S&P T&D and three categories' mean scores for listed companies in other countries.

Table 6.7 Distribution of T&D Rankings Based on Annual Reports

Countries	Number of companies	Total S&P%	OSVR %	FTID %	BMSP %
Libya	27	37	12	65	30
[1]France	45	65	60	70	64
[1]Germany	32	50	38	74	35
[1]Italy	26	50	38	64	45
[1]Netherland	25	59	53	65	57
[1]Spain	17	50	39	63	44
[1]Sweden	18	61	52	72	56
[1]Switzerland	17	51	36	70	44

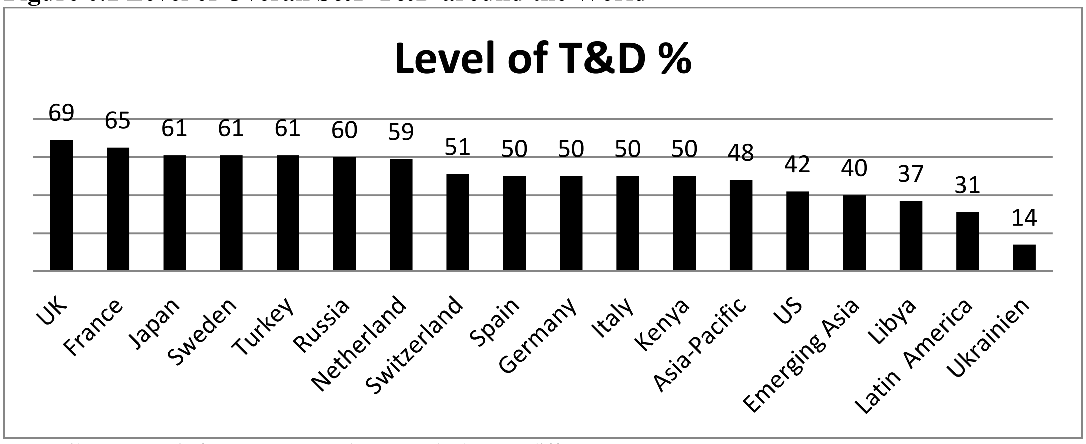
[1]UK	127	69	54	78	71
[1]US	500	42	25	66	31
[1]Japan	150	61	70	76	37
[1]Asia-Pacific	99	48	41	60	42
[1]Latin America	89	31	28	58	18
[1]Emerging Asia	253	40	39	54	27
[2]Ukrainian	30	14	20	13	9
[3]Kenya	47	50	56	70	26
[4]Turkish	50	61	64	73	46
[5]Russia	76	60	63	63	50

[1]The composite scores in deciles for S&P Europe 350 and other regions (Patel et al., 2003).[2]Source: S&P T&D by Ukrainian Bank (2010b). [3]Source: McFie (2006), [4]Source S&P Turkish T&D survey 2008(2008). [5]Source: S&P T&D by Russian Companies 2010 (2010a).

In this study the level of T&D for overall and three categories used comparison with S&P scores quoted for companies in other countries around the world based on annual reports as has been explained. Figure 6.1 shows the overall T&D percentage score for Libyan companies and other companies around the world. Figure 6.2 shows comparison for the first category, ownership structure and investor rights. Figure 6.3 provides comparison for the second category, financial transparency and information disclosure. Figure 6.4 presents comparison for the third category, board and management structure and process.

Figure 6.1 shows the S&P T&D around the world. T&D in Libyan financial companies is very low compared to other developed and developing countries except for Latin America and Ukraine.

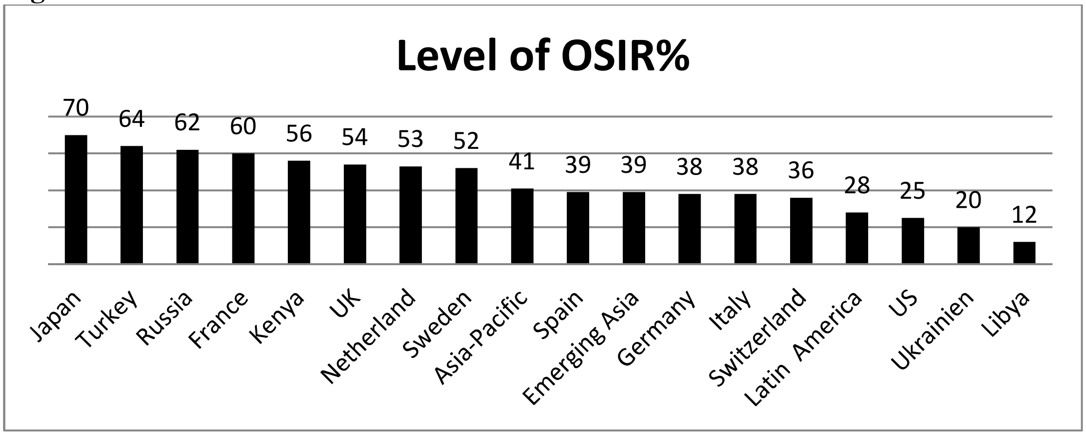
Figure 6.1 Level of Overall S&P T&D around the World



Note: Libya's score is for year 2008, and S&P study data are different years.

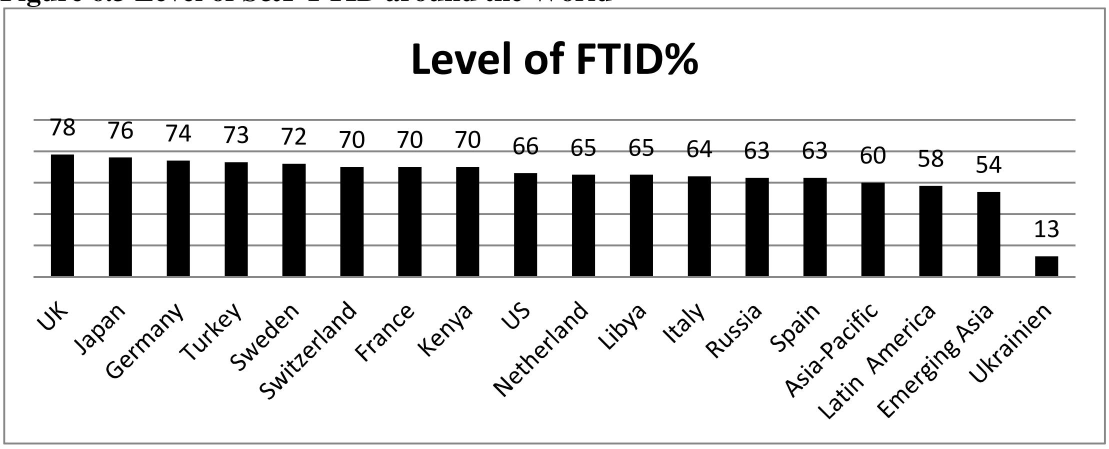
Figure 6.2 shows that, in the "ownership structure and investor rights" category, Libyan financial companies' level score is lower than for those companies in all other countries. Although the Libyan Commercial Act (1953) mandates many of the disclosure items in this category, e.g., share classes, voting rights, shareholders owning more than present, and shareholder meetings, those companies are not bound to disclose those items. In fact, they often used some of the items of the 1953 Commercial Act. Where the 1953 Act does not contain some tasks, such as the percentage of cross-ownership, publication of CG charter and code of best practice, the level of T&D OSIR registered an improvement during the years 2005-2008, 7%, but was still very weak.

Figure 6.2 Level of S&P OSVR around the World



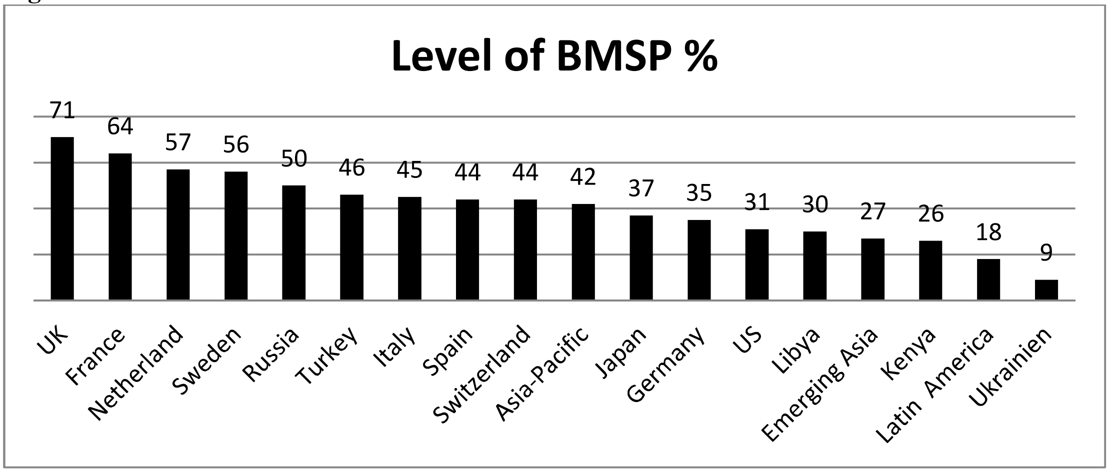
The level scores of T&D FTID in LFC were higher than for Italy, Spain, Asia-Pacific, Latin America, Emerging Asia, Ukraine and Russia. The level of T&D FTID was above average at 65%, and improved during the years from 2005 to 2008, 22% (see Figure 6.3).

Figure 6.3 Level of S&P FTID around the World



In the third category, the level of T&D Board and management structure and process on Libyan financial companies was higher than those in Latin America, Emerging Asia, Ukraine and Kenya. Some of the disclosures items in this category of the S&P T&D are not included in the Libyan Commercial Act, e.g., finance committee, director training, and performance-related pay for directors and managers. The level of T&D BMSP improved during the years from 2005 to 2008, 10%, but was still weak (see Figure 6.4).

Figure 6.4 Level of S&P BMSP around the World



Overall, Libyan financial companies have relatively lower overall T&D compared to other developed and developing countries except for Latin America and Ukraine. Therefore, Libya shows weak T&D rankings, particularly with regard to ownership structure and investor rights which show the lowest disclosure rankings.

However, hypothesis H_2 is Partial accepted in the study and there is a low level of S&P T&D in Libyan financial company's annual reports, compared with other countries. Table 6.8 shows test of hypothesis as follows:

Table 6.8 Test of Hypothesis Compared to the Level of S&P T&D in Other Countries

H	**Hypothesis**	**Result**
H_2	**There is a low level of S&P T&D in Libyan financial company's annual reports, which is comparable with companies in other countries**	Partial Accepted
$H_{2.1}$	Ownership structure and investor rights	Fully Accepted
$H_{2.2}$	Financial transparency and information disclosure	Limited Accepted
$H_{2.3}$	Board and management structure and process	Partly Accepted

6.5 Transparency and Disclosure Variations

This section will present the Coefficient of Variation between levels of T&D in Libyan financial companies. Table 6.8 presents the distribution of overall T&D, three categories, and twelve subcategories by Libyan financial companies. The number of companies disclosing information in their annual report for overall T&D on more than

50% of the attributes is 0% in 2005; the attributes are four companies, approximately 15% of our sample, in 2008.

Table 6.9 shows that for the three categories, the first category, ownership structure and investors right, the disclosing information on more than 50% of the attributes is 0, there is no improvement during the four years, but for the subcategories the concentration of ownership and voting and shareholder meeting procedure improvement was approximately 7% and 4% respectively during the four years.

The second category is financial transparency and information disclosure. The number of companies disclosing information in their annual report for this category on more than 50% of the attributes is five companies, approximately 22%, in 2005, but the attributes are twenty-three companies, approximately 85%, and the attributes are 8 companies, approximately 30% their level and more than 75% of our sample, in 2008. Furthermore, the 3 out of 5 subcategories: business focus; accounting policy review; and accounting policy details have disclosing information, approximately more than 50% of the attributes, for 13, 8, and 13 companies approximately 57%, 35% and 57% in 2005, then for 23, 24, and 25 companies approximately 85%, 89% and 93% in 2008. Also, by those subcategories, disclosing information on more than 75% of the attributes are 12, 12 and 25 companies approximately 44%, 44% and 93% respectively. Additionally, the subcategory related party structure and transactions disclosing information on more than 50% of the attributes is 0% in 2005, then the attributes for two companies approximately is 7% of our sample in 2008. The last subcategory information on auditors disclosing information on more than 50% of the attributes is four companies, approximately 17%, in 2005, while the attributes are twelve companies, approximately 44% of our sample, in 2008.

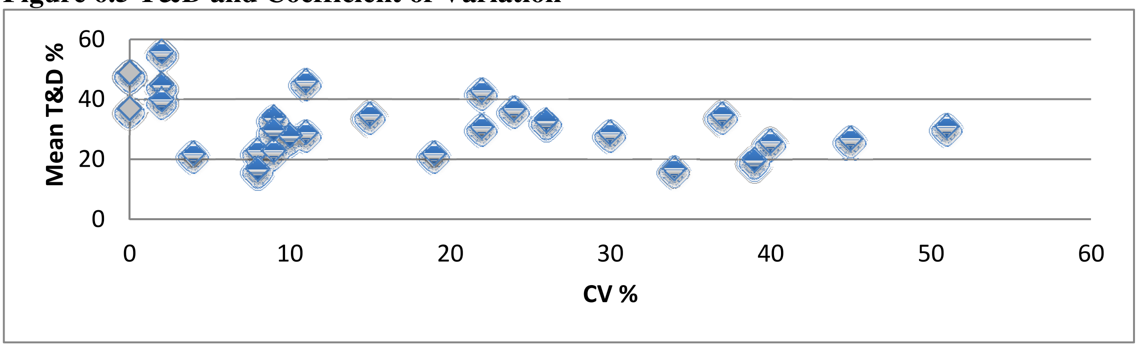
The third category is board and management structure and process. The number of companies disclosing information on more than 50% of the attributes is 0% during the four years. The four subcategories: board structure and composition companies disclosing information on more than 50% of the attributes are one company approximately 4%, 0, 0, and 0 in 2005 respectively. Then companies disclosing information on more than 50% of the attributes are 15 companies approximately 56%, 2 companies approximately 7%, 0, and 0 in 2008 respectively.

Table 6.9 Companies Disclosing Information

		2005 (23 Co.)				2006 (23 Co.)				2007 (25 Co.)				2008 (27 Co.)			
Pa.	Level of T&D	Less 26%	26 to 50	51 to 75%	75 to 100%	Less 26%	26 to 50%	51 to 75%	75 to 100%	Less 26%	26 to 50%	51 to 75%	75 to 100%	Less 26%	26 to 50%	51 to 75%	76 to 100%
A	**T&D**	**15**	**8**	**0**	**0**	**8**	**15**	**0**	**0**	**6**	**18**	**1**	**0**	**3**	**20**	**4**	**0**
B	*OWSIR*	*23*	*0*	*0*	*0*	*23*	*0*	*0*	*0*	*23*	*2*	*0*	*0*	*23*	*4*	*0*	*0*
B1	TO	23	0	0	0	23	0	0	0	25	0	0	0	26	1	0	0
B2	CO	23	0	0	0	22	1	0	0	23	3	0	1	24	1	0	2
B3	VSMP	23	0	0	0	23	0	0	0	25	0	0	0	26	0	1	0
C	*FTID*	*1*	*17*	*5*	*0*	*0*	*11*	*11*	*1*	*0*	*8*	*12*	*5*	*0*	*4*	*15*	*8*
C1	BF	2	8	10	3	0	9	10	4	0	6	10	9	0	4	11	12
C2	APR	7	8	3	5	4	7	6	6	1	5	11	8	1	2	12	12
C3	APD	3	7	0	13	3	1	0	19	1	1	0	23	1	1	0	25
C4	PRST	23	0	0	0	22	1	0	0	22	2	1	0	20	5	1	1
C5	IA	9	10	4	0	5	12	6	0	4	13	8	0	2	13	10	2
D	*BMSP*	*16*	*7*	*0*	*0*	*13*	*10*	*0*	*0*	*7*	*18*	*0*	*0*	*6*	*21*	*0*	*0*
D1	BSC	5	12	5	1	4	10	9	0	3	10	12	0	2	9	15	1
D2	RB	19	4	0	0	18	5	0	0	12	13	0	0	11	14	2	0
D3	DTC	19	4	0	0	17	6	0	0	16	9	0	0	16	11	0	0
D4	ECE	22	1	0	0	21	2	0	0	25	0	0	0	22	5	0	0

Although the level of T&D in the Libyan companies is weak, there is some improvement during this period. Figure 6:5 shows that there is disparity in the level of T&D as well as an uneven increase in the level of T&D during this period in the Coefficient of Variation (CV). According to the findings of this study, an average 56% of companies have low CV – this means that during the four years, the companies had a stable index – while an average 31% of companies have high CV – this means that for these companies the index is not stable during the four years. As the majority of companies have different CVs, the companies do not seem to be identical. However, the rate of CV for eight companies has very low T&D, and their CV was identified as 10%, thus the level of T&D has weak improvement. However, one company's rate of CV is more than 50; hence there is fast improvement in the level of T&D compared to other companies. The figure 6.5 shows the level of T&D in their annual reports in LFC, and improvement of CV.

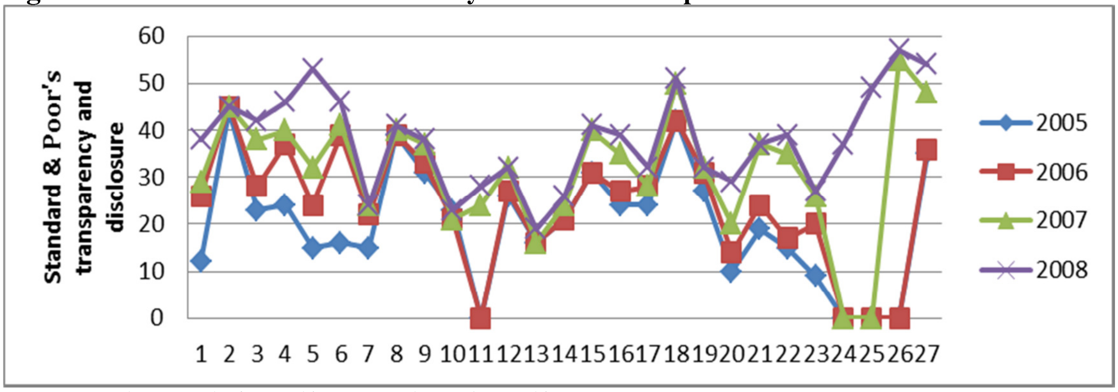
Figure 6.5 T&D and Coefficient of Variation



Two companies have not CV (coefficient of variation), because the first annual report in 2008.

The study notes for each company (Banks & Insurances), the mean score for T&D was from the lowest 9 %, 14%, 16%, and 19% to the highest 44%, 45%, 55%, and 57%, for the years of 2005, 2006, 2007, and 2008 respectively. Figure 6.6 shows that there is a wider variation between companies and the level of T&D practices in Libya financial companies during these four years.

Figure 6.6 T&D Variations between Libyan Financial Companies



Company number 11 and 26 started in 2007, and 24, 25 started in 2008

However, hypothesis H_3 is accepted in the study and there are significant variations in Libyan financial companies' T&D in their annual reports.

6.6 Quality of S&P Transparency and Disclosure Associated with Company Characteristics

This section presents the main level of T&D results for six company characteristics by three stages: overall; three categories; and twelve subcategories. Specifically, subsection 6.6.1 will report the results of the first company characteristic, listed and not listed in the Libyan Stock Market, to test H_4. Subsection 6.6.2 will provide the results of the second characteristic, company's ownership, to test H_5. Subsection 6.6.3 will show the results of the third characteristic, company's size, to test H_6. Subsection 6.6.4 will present the results of the fourth characteristic, company's age, to test H_7. Subsection 6.6.5 will report the results of the fifth characteristic, industry type, to test H_8. Subsection 6.6.6 will provide the results of the sixth characteristic, companies' audit peer review, to test H_9. In addition, a summary of the test hypothesis is presented at the end of each subsection.

The six company-specific characteristics examined are as follows:

6.6.1 Quality of S&P Transparency and Disclosure for Companies Listed and Not Listed in Libya Stock Market

This subsection presents the main level of T&D results for the companies listed and not listed in the Libyan Stock Market by three stages: overall; three categories; and twelve subcategories. Specifically, subsection 6.6.1.1 will provide the statistically significant increase results for overall T&D during three years and pair years to test H_4. Subsection 6.6.1.2 will present the statistically significant increase results for three categories of T&D during three years and pair years to test sub-hypotheses $H_{4.1}$, $H_{4.2}$ and $H_{4.3}$. Subsection 6.6.1.3 will provide the statistically significant increase results for twelve subcategories of T&D during three years and pair years to test sub-hypotheses $H_{4.1.1}$ to $H_{4.1.3}$, $H_{4.2.1}$ to $H_{4.2.5}$, and $H_{4.3.1}$ to $H_{4.3.4}$. Finally, a summary of tested hypotheses is presented.

In this subsection, the study analysed the data collected regarding the level of T&D between two groups LLSM and NLLSM in their annual reports and the statistically significant increase during three years and paired years.

The level of overall T&D in LLSM was higher than in NLLSM, 42% and 35% in 2008. Table 6.9 shows a small improvement in overall T&D level of 10 and 8 points during the three years for companies LLSM and NLLSM, respectively; there was a small increase difference between the two groups.

Moreover, the study shows T&D by three categories: the first, showing a marginal improvement in the level of T&D ownership structure and investor right was very low for the two groups of companies, LLSM and NLLSM. However, the level of scores in companies LLSM was better than that for NLLSM – 5, 4, 7 points during the three years (see Table 6.10. Pa. B); the second, financial transparency and information disclosure had the best scores for both groups, 71% and 62%, showing an upgrade of 15 and 14 points during three years for LLSM and NLLSM, respectively (see Table 6.10 Pa. C); in the third category, the level of board and management structure and process was low, at 33% and 28%, showing only a small improvement for both groups by 5 and 7 points for LLSM and NLLSM, respectively; whereas the level in companies LLSM was better than for NLLSM, the companies in NLLSM were more enhanced than those in LLSM (see Table 6.10. Pa. D).

Furthermore, Table 6.10 (Pa. B1, 2, and 3) shows that, for the first category, the analysis for three subcategories shows the level scores per two groups remaining very weak, with little advance in this category. The average for transparency of ownership, concentration of ownership, and voting and shareholder meeting procedures shows a small improvement for assemblages 5, 20 and 9 for companies LLSM, and 2, 7 and 0 for companies NLLSM during three years. Moreover, the study shows no change for three years in voting and shareholder meeting procedures for companies NLLSM.

In the second category, for the next five subcategories there was a different level of "business focus" between two groups, 73% and 69% in 2008, and an explicit improvement of 16 and 14 points for companies LLSM and NLLSM, respectively (see Table 6.10.Pa.C1). The levels of accounting policy review expansion for companies LLSM and NLLSM are 12 and 11 points respectively (see Table 6.10.Pa.C2). This study shows that the specifics of the best level for five subcategories was accounting policy details, where almost all the companies LLSM had 100% in 2007 and 2008 and improvement of 12 points for the period of three years, and the level was high in the companies NLLSM, 93% in 2008 and improvement of 11 points for the three-year period (see Table 6.10.Pa.C3). Thus, the level of related party structure and transaction is the lowest level of the category for two groups, and there is a different explicit level between the two groups, 41% and 10% in 2008 per 25 and 7 points for companies LLSM and NLLSM respectively (see Table 6.10.Pa.C4). The level of final subcategory in financial transparency and information disclosure is information auditors with a good 10 points for companies LLSM and NLLSM during the three years; however, the level in these subcategories was a small step up for companies LLSM and NLLSM (see Table 6.10.Pa.C5).

In the third category, analysis of T&D shows that the best level in this subcategory for both groups was board structure and composition, 63% and 55% in 2008 and an improvement by 10 and 12 points, and there was a small difference level between the two groups LLSM and NLLSM, respectively (see Table 6.10.Pa.D1). Whilst the range of subcategories is very low, the level of the role of the board was 32% in 2008 and shows an improvement of 6 and 11 points for companies LLSM and NLLSM, respectively, with no difference level between the two groups (see Table 6.10.Pa.D2) ; the level of director training compensation was 16% and 9% in 2008 with an improvement of 0 and 5 points for companies LLSM and NLLSM, respectively, with a small difference level between the two groups (see Table 6.10.Pa.D3); the level of executive compensation and evaluation was 16% and 12% in 2008 and unstable for three years for companies LLSM and NLLSM, respectively (see Table 6.10.Pa.D4). Mean and Standard deviations results are shown in Table 6.10.

Table 6.10 Transparency and Disclosure for Companies LLSM and NLLSM

Panel	Variable	Chare.	2006 Mean	2006 SD	2007 Mean	2007 SD	2008 Mean	2008 SD
A	**Total transparency & disclosure**	**Listed**	**.324**	**.083**	**.359**	**.064**	**.419**	**.112**
		Not listed	**.266**	**.071**	**.328**	**.096**	**.348**	**.089**
B	***Ownership structure & investor right***	***Listed***	***.084***	***.026***	***.111***	***.064***	***.174***	***.112***
		Not listed	*.056*	*.049*	*.086*	*.096*	*.084*	*.089*
B1	Transparency of ownership	Listed	.136	.084	.180	.033	.193	.032
		Not listed	.090	.090	.109	.092	.109	.092
B2	Concentration of ownership	Listed	.031	.088	.093	.186	.234	.316
		Not listed	.041	.112	.116	.281	.108	.253
B3	Voting & shareholder meeting procedures	Listed	.013	.039	.041	.082	.097	.191
		Not listed	.014	.039	.014	.039	.014	.039
C	***Financial transparency & information disclosure***	***Listed***	***.560***	***.149***	***.628***	***.136***	***.707***	***.143***
		Not listed	***.476***	***.146***	***.575***	***.159***	***619***	***.142***
C1	Business focus	Listed	.566	.178	.650	.210	.733	.244
		Not listed	.551	.160	.653	.218	.693	.199
C2	Accounting policy review	Listed	.638	.220	.694	.175	.736	.196
		Not listed	.451	.304	.600	.251	.659	.235
C3	Accounting policy details	Listed	.875	.353	1.00	.000	1.00	.000
		Not listed	.822	.375	.933	.258	.933	.258
C4	Related party structure & transaction	Listed	.156	.186	.218	.208	.406	.325
		Not listed	.033	.087	.066	.114	.100	1.26
C5	Information on auditors	Listed	.531	.247	.531	.247	.625	.189
		Not listed	.433	.258	.466	.228	.533	.265
D	***Board and management structure and process***	***Listed***	***.278***	***.098***	***.289***	***.086***	***.328***	***.094***
		Not listed	***.205***	***.081***	***.255***	***.090***	***.281***	***.104***
D1	Board structure and composition	Listed	.515	.169	.562	.178	.625	.099
		Not listed	.433	.182	.500	.170	.550	.181
D2	Role of the board	Listed	.260	.113	.260	.121	.322	.136
		Not listed	.211	.108	.288	.121	.322	.140
D3	Director training & compensations	Listed	.166	.178	.166	.178	.166	.178
		Not listed	.044	.117	.088	.152	.088	.152
D4	Executive compensation & evaluation	Listed	.166	.118	.069	.101	.166	.118
		Not listed	.103	.028	.140	.089	.118	.065

23 Co. Not listed in 2005, 3 listed and 20 Not listed in 2006, 5 listed and 20 Not listed in 2007, and 8 listed and 19 Not listed in 2008

For more details descriptive statistics for the entire sample of all companies are presented in Appendix 7-B.

The next subsections of this study show descriptive statistics for overall T&D in subsection 6.6.1.1; in subsection 6.6.1.2 three categories, and in subsection 6.6.1.3 twelve subcategories are elaborated.

6.6.1.1 Descriptive Statistics Overall S&P T&D (Companies LLSM and NLLSM)

Table 6.11shows that, overall, S&P T&D in companies LLSM and NLLSM had a strong statistically significant increase (F = 10.72, p = .000) (F = 16.89, p = .000) respectively between the three years (from 06 to 08). The T&D in companies LLSM showed a statistically significant increased, (t = 2.96, p = .021), (t = 2.96, p = .021), and (t = 2.43, p =.045) for two years 06-07, 06-08, and 07-08 respectively. In addition, the T&D in companies NLLSM had a strong statistically significant increased (t = 4.59, p = .000), (t = 5.42, p = .000), and (t = 4.44, p =.000) for the two years 06-07, 06-08, and 07-08 respectively.

Table 6.11 Descriptive Statistics Overall S&P T&D on Companies Listed in LSM and not Listed

S&P TD	Co.	**Three years**		**2006-2007**		**2006-2008**		**2007-2008**	
		Stat	*P*	Stat	*p*	Stat	*p*	Stat	*p*
TD	***L***	*10.72*	*.000****	*2.96*	*.021**	*2.96*	*.021**	*2.43*	*.045**
	N	*16.89*	*.000****	*4.59*	*.000****	*5.42*	*.000****	*4.44*	*.000****

L=Company listed in LSM, N=Company unlisted in LSM, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, overall T&D in companies LLSM and NLLSM have statistically significant increase during three years and pair years.

6.6.1.2 Descriptive statistics Three Categories of S&P T&D

Overall, companies LLSM and NLLSM showed a strong statistically significant increase, for three categories, ownership structure and investor right ($\times^2$= 21, p = .000), ($\times^2$= 36.9, p = .000); financial transparency and information disclosure (F= 10.7, p = .000) (F = 16.8, p = .000); and board and management structure and process (F= 8.51, p = .000) (F= 14.8, p = .000) respectively. Almost all the companies listed and not listed for financial transparency and information disclosure, and companies not listed for board and management structure and process, was significantly different increase between two years (pair). In addition, the category, ownership structure and investor rights, for companies LLSM had a statistically significant increase between the years 06 and 08, while the companies NLLSM had no statistically significant increase between three pairs (see Table 6.12).

Table 6.12 Descriptive Statistics S&P T&D by Three Categories

S&P TD	Co.	Three years Stat	Three years *p*	2006-2007 Stat	2006-2007 *p*	2006-2008 Stat	2006-2008 *p*	2007-2008 Stat	2007-2008 *p*
OSIR	**L**	21.0	.000***	1.34	.180	2.03	.042*	1.82	.063
	N	36.9	.000***	1.84	.066	1.84	.066	1.00	.317
FT ID	***L***	*10.7*	*.000****	*2.96*	*.021**	*2.70*	*.030**	*1.79*	*.116*
	N	*16.8*	*.000****	*3.68*	*.002***	*4.82*	*.000****	*3.24*	*.005***
BMSP	***L***	*8.51*	*.001****	*.893*	*.402*	*2.82*	*.026**	*2.58*	*.036**
	N	*14.8*	*.000****	*3.32*	*.005***	*3.73*	*.002***	*2.19*	*.044**

L= Company listed in LSM, N= Company unlisted in LSM, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** & **Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, three categories had strong statistically significant increase during the four years with both groups. The first category only had statistically significant increase with companies LLSM in pair years 06-07.

6.6.1.3 Descriptive Statistics for Twelve Subcategories of S&P T&D (Companies LLSM and NLLSM)

With twelve subcategories, for companies' NLLSM, more items (9 out of 12) were significantly different increase than companies' LLSM (7 out of 12) between the three years. The role of the board of companies' NLLSM showed statistically significant increase between all pair years. Companies LLSM and NLLSM showed no statistically significant increase for the subcategories voting and shareholder meeting procedures, information on auditors, and director training and compensation for four years (see Table 6.13).

Table 6.13 Descriptive Statistics S&P T&D by Twelve Subcategories

S&P TD	Co.	Tree years Stat	Tree years *P*	2006-2007 Stat	2006-2007 *p*	2006-2008 Stat	2006-2008 *p*	2007-2008 Stat	2007-2008 *p*
TO	**L**	6.33	**.096**	-	-	-	-	-	-
	N	9.42	.024*	1.34	.180	1.34	.180	.000	1.00
CO	**L**	9.20	.027*	1.41	.157	1.89	.059	1.34	.180
	N	8.53	.036*	1.63	.102	1.63	.102	1.00	.317
VSMP	**L**	5.40	**.145**	-	-	-	-	-	-
	N	.000	**1.00**	-	-	-	-	-	-
BF	**L**	*4.24*	*.017***	*1.78*	*.118*	*2.14*	*.069*	*1.23*	*.257*
	N	*11.7*	*.001****	*2.82*	*.013***	*3.70*	*.002***	*2.02*	*.060*
APR	**L**	15.8	.001***	1.34	.180	1.89	.059	1.73	.083
	N	15.7	.001***	2.06	.039*	2.52	.012*	2.07	.038*
APD	**L**	12.0	.017**	1.00	.317	1.00	.317	.000	1.00
	N	51.8	.000***	1.34	.180	1.34	.180	.000	1.00
RPST	**L**	8.75	.033*	1.41	.157	1.84	.066	1.85	.063
	N	9.42	.024*	1.41	.157	2.00	.046*	1.41	.157
IA	**L**	7.00	**.072**	-	-	-	-	-	-
	N	7.80	**.052**	-	-	-	-	-	-
BSC	**L**	*2.66*	***.075***	-	-	-	-	-	-
	N	*5.58*	*.003***	*2.08*	*.056*	*3.10*	*.008***	*1.68*	*.111*

RBD	**L**	*5.06*	*.009***	*.000*	*1.00*	*1.42*	*.197*	*1.52*	*.170*
	N	*16.7*	*.000****	*2.95*	*.010***	*3.83*	*.002***	*2.40*	*.029**
DTC	**L**	6.00	**.112**	-	-	-	-	-	-
	N	6.00	**.112**	-	-	-	-	-	-
ECE	**L**	15.2	.002**	2.64	.008**	.000	1.00	2.64	.008**
	N	34.5	.000***	3.74	.000**	1.00	.317	3.90	.000***

L= Company listed in LSM, N= Company unlisted in LSM, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, the level of T&D had statistically significant increase for both groups during the four years.

The level of T&D in companies LLSM was higher than for those not listed, and had increased statistically significant at the level of 0.05% during three years. From the above, hypothesis H_4 is accepted. Table 6.14 presents a summary of the test of sub-hypothesis H_4 as follows:

Table 6.14 Test of Hypothesis Level of S&P T&D

H	**Hypothesis**	**Result**			
		Three years	**2006-2007**	**2006-2008**	**2007-2008**
H_4	**Companies listed in the Libyan Stock Market provide more T&D in their annual reports than companies not listed.**	**A**	**A**	**A**	**A**
$H_{4.1}$	Ownership structure and investor rights	A	A	A	A
$H_{4.1.1}$	Transparency of ownership	R	R	R	R
$H_{4.1.2}$	Concentration of ownership	A	R	R	R
$H_{4.1.3}$	Voting and shareholder meeting procedures	R	R	R	R
$H_{4.2}$	Financial transparency and information disclosure	A	A	A	A
$H_{4.2.1}$	Business focus	A	R	R	R
$H_{4.2.2}$	Accounting policy review	A	R	R	R
$H_{4.2.3}$	Accounting policy details	A	R	R	R
$H_{4.2.4}$	Related party structure and transactions	A	R	R	R
$H_{4.2.5}$	Information on auditors	R	R	R	R
$H_{4.3}$	Board and management structure and process	A	R	A	A
$H_{4.3.1}$	Board structure and composition	R	R	R	R
$H_{4.3.2}$	The role of board of directors	R	R	R	R
$H_{4.3.3}$	Director training and composition	R	R	R	R
$H_{4.3.4}$	Compensation and evaluation of executive	A	A	R	A

A=Accepted (Has been significant increase and high level), R=Rejected (Not has been significant increase), and R=Rejected (Significant increase, but not high mean).

6.6.2 Quality of S&P Transparency and Disclosure for Company's Ownership

This subsection presents the main level of T&D results for the public and private sector in their annual reports and whether there is a statistically significant increase during the four years and paired years, by three stages: overall; three categories; and twelve subcategories. Specifically, subsection 6.6.2.1 will report the statistically significant increase results for overall T&D during the four years and pair years to test H_5. Subsection 6.6.2.2 will provide the statistically significant increase results for three categories of T&D during the four years and pair years to test sub-hypotheses $H_{5.1}$, $H_{5.2}$ and $H_{5.3}$. Subsection 6.6.2.3 will present the statistically significant increase results for twelve subcategories of T&D during the four years and pair years to test sub-hypotheses $H_{5.1.1}$ to $H_{5.1.3}$, $H_{5.2.1}$ to $H_{5.2.5}$ and $H_{5.3.1}$ to $H_{5.3.4}$. Finally, a summary of the test hypotheses will be presented.

The level of overall T&D in public sector companies was higher than in private sector companies, 38% and 37% in 2008, and an improvement of 15 and 10 points for four years respectively.

Furthermore, the study shows that with a marginal improvement in the first category, ownership structure and investor rights, the level of T&D was very low, 13% and 10% in 2008 and improvement of 8 and 6 points for the two groups, public and private, respectively. In the second category, the level of T&D financial transparency and information disclosure in the public sector gave more information than the private sector during the years from 05 to 08 –69% and 62% – and improvement of 25 and 17 points for the public and private sector respectively. In the third category, the level of T&D board and management structure and process in the public sector was 30%, giving more information than the private sector, which was only 29% in 2008, and improvement was 12 and 8 points for four years, respectively. However, for three categories the public sector level of T&D was better than the private sector in 2008 (see Table 6.15 Pa. A).

Table 6.15 (Pa. B1, 2, and 3) illustrates that the level of T&D by three subcategories was very low for two sectors, with only a small improvement for four years, but the public sector showed a higher level of T&D for two subcategories (concentration of ownership, and voting and shareholder meeting procedures) than the private sector; however, the private sector showed a higher level of T&D transparency of ownership than the public sector.

The second, referring to the fifth subcategory showed a marked improvement especially in the level of T&D accounting policy details, an improvement by 38 points in the public sector during the four years. However, in the public sector T&D was better than in the private sector for three subcategories in 2008 (business focus, accounting policy review, and related party structure and transaction), but the private sector showed a better T&D than the public sector for two subcategories (accounting policy details, and information on auditors) (see Table 6.15 Pa. C1, 2, 3, 4, and 5).

Thirdly, for four subcategories there was an improvement in the level of T&D, but it was still low. In those subcategories the T&D of the private sector was better than that of the public sector for three subcategories (board structure and composition, director training and compensations, and executive compensation and evaluation), but in the public sector T&D was better than that of the private sector for the role of the board (see Table 6.15 Pa. D1, 2, 3, and 4). Mean and Standard deviations results are shown in Table 6.15.

Table 6.15 Transparency and Disclosure for Company's Ownership

Panel	Variable	Chare.	2005		2006		2007		2008	
			Mean	SD	Mean	SD	Mean	SD	Mean	SD
A	**Total transparency & disclosure**	**Public**	**.230**	**.078**	**.281**	**.074**	**.335**	**.081**	**.382**	**.098**
		Private	**.265**	**.120**	**.299**	**.091**	**.348**	**.098**	**.374**	**.102**
B	***Ownership structure & investor right***	***Public***	***.048***	***.036***	***.066***	***.052***	***.094***	***.101***	***.125***	***.127***
		Private	***.044***	***.041***	***.066***	***.029***	***.098***	***.053***	***.102***	***.052***
B1	Transparency of ownership	Public	.103	.093	.116	.090	.116	.090	.123	.098
		Private	.080	.084	.131	.080	.161	.060	.161	.060
B2	Concentration of ownership	Public	.000	.000	.044	.116	.125	.290	.196	.324
		Private	.027	.083	.027	.083	.083	.176	.083	.176
B3	Voting & shareholder meeting procedures	Public	.023	.047	.023	.047	.039	.070	.063	.149
		Private	.000	.000	.000	.000	.011	.033	.012	.037
C	***Financial transparency & information disclosure***	***Public***	***.424***	***.160***	***.510***	***.139***	***.602***	***.144***	***.669***	***.140***
		Private	***.450***	***.170***	***.498***	***.173***	***.581***	***.169***	***.619***	***.157***
C1	Business focus	Public	.542	.190	.590	.127	.709	.166	.766	.173
		Private	.451	.232	.503	.203	.563	.249	.614	.242
C2	Accounting policy review	Public	.428	.291	.523	.315	.627	.248	.766	.173
		Private	.469	.270	.506	.255	.642	.206	.614	.242
C3	Accounting policy details	Public	.547	.425	.857	.363	.928	.267	.928	.267
		Private	.851	.294	.814	.376	.939	.200	.948	.184
C4	Related party structure & transaction	Public	.071	.117	.071	.117	.107	.161	.232	.285
		Private	.000	.000	.083	.176	.138	.181	.166	.216
C5	Information on auditors	Public	.232	.249	.357	.254	.392	.234	.517	.285
		Private	.555	.243	.638	.131	.638	.131	.638	.131
D	***Board and management structure and process***	***Public***	***.179***	***.083***	***.222***	***.093***	***.259***	***.089***	***.302***	***.104***
		Private	***.212***	***.155***	***.244***	***.095***	***.279***	***.097***	***.292***	***.096***
D1	Board structure and composition	Public	.154	.117	.208	.102	.267	.114	315	.139
		Private	.194	.181	.259	.121	.296	.132	.333	.138
D2	Role of the board	Public	.428	.144	.473	.178	.526	.191	.616	.158
		Private	.444	.287	.444	.188	.513	.145	.513	.145
D3	Director training & compensations	Public	.023	.089	.071	.141	095	.156	.095	.156
		Private	.111	.166	.111	.166	.148	.175	.148	.175
D4	Executive compensation & evaluation	Public	.095	.059	.119	.081	.023	.064	.134	.099
		Private	.098	.103	.135	.074	.024	.074	.135	.074

14 Co. public and 9 private in 2005 and 2006, 14 public and 11 private in 2007 , 14 public and 13private in 2008

For more details descriptive statistics for the entire sample of all companies are presented in Appendix 7-C.

The next subsections of this study shows descriptive statistics for overall T&D in subsection 6.6.2.1, while in subsection 6.6.2.2 three categories, and in subsection 6.6.2.3 twelve subcategories are elaborated.

6.6.2.1 **Descriptive Statistics Overall S&P T&D (Company's Ownership**)

Table 6.16 shows that S&P T&D in companies in the public and private sector had strong statistically significant increase (F = 19.5, p = .000) (F = 12.5, p = .000), respectively, among the four years. In addition, T&D in companies in the public sector were significantly different (t =2.80, p =.015), (t = 4.79, p = .000), (t =*4.98*, p =.000), (t = 3.74, p = .002), (t = 4.78, p = .000), and (t = 3.30, p =.006); while in companies in the private sector they were significantly different (t = 2.38, p = .048), (t =*4.47*, p =.003), (t = 4.51, p = .003), (t = 4.05, p = .004), (t = 3.89, p =.005), and (t = 2.85, p =.017) for the years 05-06, 05-07, 05-08, 06-07, 06-08, and 07-08 respectively.

Table 6.16 Descriptive Statistics Overall S&P T&D (Ownership Structure)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*P*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TD	***Pu***	*19.5*	*.000****	*2.80*	*.015**	*4.79*	*.000****	*4.98*	*.000****	*3.74*	*.002***	*4.78*	*.000****	*3.30*	*.006***
	Pr	*12.5*	*.003***	*2.38*	*.048**	*4.47*	*.003***	*4.51*	*.003***	*4.05*	*.004***	*3.89*	*.005***	*2.85*	*.017**

Pu= Public sector, Pr= Private sector, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, overall T&D in both groups had statistically significant increase during four and all pair years.

6.6.2.2 Descriptive statistics Three Categories of S&P T&D (Company's Ownership)

Table 6.17 shows that, overall, companies in the public and private sector were significantly different for three categories, ownership structure and investor right ($\times^2$= 26.1, p = .000), ($\times^2$= 23.8, p = .000), financial transparency and information disclosure (F= 13.8, p = .000) (F= 15.8, p = .000), board and management structure and process (F = 17.2, p = .000) (F = 5.51, p = .028), respectively, for the four years. Company's public sector financial transparency and information disclosure, and board and management structure and process were significantly different between all two years (pair).

Table 6.17 Descriptive Statistics S&P T&D by Three Categories (Ownership structure)

S&P		**Four years**		**2005-2006**		**2005-2007**		**2005-2008**		**2006-2007**		**2006-2008**		**2007-2008**	
TD	Co.	Stat	*p*	Stat	*p*	Stat	*P*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
OSIR	**Pu**	26.1	.000***	1.60	.102	1.84	.066	2.02	.043*	1.60	.109	2.03	.042*	1.46	.144
	Pr	23.8	.000***	1.63	.102	2.26	.024**	2.41	.016**	1.63	.102	1.84	.066	1.00	.317
FTID	Pu	*13.8*	*.000****	*2.37*	*.034**	*3.61*	*.003***	*4.25*	*.001****	*3.17*	*.007***	*4.31*	*.001****	*2.65*	*.020**
	Pr	15.8	.000***	3.33	.010**	5.06	.001***	4.92	.001**	3.83	.005**	3.36	.010*	2.08	.064
BMSP	Pu	*17.2*	*.000****	*2.21*	*.045**	*5.09*	*.000****	*6.13*	*.000****	*2.43*	*.030**	*3.78*	*.002***	*3.00*	*.010***
	Pr	*5.51*	*.028**	*1.47*	*.179*	*2.33*	*.048**	*2.67*	*.028**	*2.05*	*.074*	*2.67*	*.028**	*2.39*	*.038**

Pu= Public sector, Pr= Private sector, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, first and second categories had strong statistically significant increases for both groups and third category for the public sector during the four years. In addition, second and third categories had statistically significant increase for both groups in all pair years.

6.6.2.3 Descriptive Statistics Twelve Subcategories of S&P T&D (Company's Ownership)

Table 6.18 illustrates that by twelve subcategories the company's public sector had more items (9 out of 12), showing a statistically significant increase than the private sector for the years (from 05 to 08). In addition, companies in both the public and private sector had no statistically significant increase for subcategories' voting and shareholder meeting procedures, and director training and compensation for four years. The role of the board, and executive compensation and evaluation for both sectors was significantly different during the four years. The role of the board for companies' in the private sector was significantly different (five pairs out of six). The private sector company's related party structure and transactions showed a statistically significant increase for four years, but no statistically significant increase existed for all pairs (two years).

However, two subcategories, voting and shareholder meeting procedures and director training and compensation had no statistically significant increase with both groups during the four years. Subcategory transparency of ownership had no statistically significant increase with the public sector during the four years, while accounting policy details was uneven, and information on auditors had no statistically significant increase with the private sector during the four years.

Table 6.18 Descriptive Statistics S&P T&D by Twelve Subcategories (Ownership Structure)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TO	**Pu**	4.00	**.261**	-	-	-	-	-	-	-	-	-	-	-	-
	Pr	11.8	.008**	1.63	.102	2.07	.038*	2.07	.038*	1.34	.180	1.34	.180	.000	1.00
CO	**Pu**	10.8	.013*	1.34	.180	1.60	.109	2.04	.041*	1.63	.102	2.06	.039*	1.06	.285
	Pr	6.00	**.112**	-	-	-	-	-	-	-	-	-	-	-	-
VSMP	**Pu**	3.00	**.392**	-	-	-	-	-	-	-	-	-	-	-	-
	Pr	3.00	**.392**	-	-	-	-	-	-	-	-	-	-	-	-
BF	**Pu**	*8.45*	*.000****	*1.05*	*.309*	*2.89*	*.012**	*3.22*	*.007**	*3.10*	*.008**	*3.86*	*.002***	*1.47*	*.165*
	Pr	*5.46*	*.005***	*2.13*	*.065*	*3.01*	*.017**	*3.19*	*.013**	*1.51*	*.169*	*1.89*	*.095*	*1.69*	*.121*
APR	**Pu**	14.2	.003**	1.62	.104	2.21	.027*	2.49	.013*	1.60	.109	2.38	.017*	2.12	.034*
	Pr	14.2	.003**	1.34	.180	2.03	.042*	2.20	.027*	1.84	.066	2.02	.043*	1.63	.102
APD	**Pu**	18.5	.000***	2.33	.020*	2.46	.014**	2.46	.014**	1.00	.317	1.00	.317	.000	1.00
	Pr	4.80	**.187**	-	-	-	-	-	-	-	-	-	-	-	-
RPST	**Pu**	11.5	.010*	.000	1.00	.816	.414	1.93	.054	1.41	.157	2.26	.024*	2.07	.038*
	Pr	9.20	.027*	1.34	.180	1.89	.059	1.85	.063	1.41	.157	1.34	.180	1.00	.317
IA	**Pu**	10.2	.016*	1.41	.157	1.66	.096	2.15	.031*	1.00	.317	1.84	.066	1.84	.066
	Pr	6.00	**.112**	-	-	-	-	-	-	-	-	-	-	-	-
BSC	**Pu**	*9.17*	*.000****	*1.16*	*.266*	*2.34*	*.035**	*5.50*	*.000****	*2.12*	*.054*	*3.47*	*.004***	*2.11*	*.055*
	Pr	*1.12*	***.334***	-	-	-	-	-	-	-	-	-	-	-	-
RBD	**Pu**	*11.6*	*.000****	*2.09*	*.057*	*3.97*	*.002***	*5.68*	*.000****	*2.11*	*.055*	*2.93*	*.012**	*1.84*	*.088*
	Pr	*8.65*	*.000****	*2.40*	*.043**	*2.81*	*.023**	*3.78*	*.005***	*1.51*	*.169*	*2.87*	*.021**	*2.39*	*.038**
DTC	**Pu**	7.20	**.066**	-	-	-	-	-	-	-	-	-	-	-	-
	Pr	3.00	**.392**	-	-	-	-	-	-	-	-	-	-	-	-
ECE	**Pu**	27.0	.000***	.816	.414	2.13	.033*	1.28	.197	3.46	.001**	1.00	.317	3.35	.001***
	Pr	21.6	.000***	1.73	.083	2.44	.014*	1.73	.083	3.00	.003**	.000	1.00	3.31	.001***

Pu= Public sector, Pr= Private sector, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

The extent of T&D was generally greater for companies in the public sector as opposed to companies in the private sector, with the statistically significant increase in T&D relative to the necessary information subset. Furthermore, the study shows that for both sectors, T&D for overall and three categories, there were statistically significant increases between four years for almost all subcategories, specifically company's public sector.

The level of T&D in the public sector was more than in the private, and had increased statistically significant at the level of 0.05% during the four years. From the above, the hypothesis H_5 is accepted. The table 6.19 presents a summary of the test of sub-hypothesis H_5 as follows:

Table 6.19 Test of Hypothesis Level of S&P T&D (Company's Ownership)

H	Hypothesis	Result						
		Four years	2005-2006	2005-2007	2005-2008	2006-2007	2006-2008	2007-2008
H_5	**Public financial companies provide more T&D in their annual reports than private "individual" companies.**	**A**	**A**	**A**	**A**	**A**	**A**	**A**
$H_{5.1}$	Ownership structure and investor rights	A	R	R	A	R	A	R
$H_{5.1.1}$	Transparency of ownership	R̲	R̲	R̲	R̲	R̲	R̲	R̲
$H_{5.1.2}$	Concentration of ownership	A	R	R	A	R	A	R
$H_{5.1.3}$	Voting and shareholder meeting procedures	R	R	R	R	R	R	R
$H_{5.2}$	Financial transparency and information disclosure	A	A	A	A	A	A	A
$H_{5.2.1}$	Business focus	A	R	A	A	A	A	R
$H_{5.2.2}$	Accounting policy review	A	R	A	A	R	A	A
$H_{5.2.3}$	Accounting policy details	R̲	R̲	R̲	R̲	R̲	R̲	R̲
$H_{5.2.4}$	Related party structure and transactions	A	R	R	R	R	A	A
$H_{5.2.5}$	Information on auditors	R̲	R̲	R̲	R̲	R̲	R̲	R̲
$H_{5.3}$	Board and management structure and process	A	A	A	A	A	A	A
$H_{5.3.1}$	Board structure and composition	R̲	R̲	R̲	R̲	R̲	R̲	R̲
$H_{5.3.2}$	The role of board of directors	A	R	A	A	R	A	R
$H_{5.3.3}$	Director training and composition	R̲	R̲	R̲	R̲	R̲	R̲	R̲
$H_{5.3.4}$	Compensation and evaluation of executive	R̲	R̲	R̲	R̲	R̲	R̲	R̲

A=Accepted (Has been significant increase and high mean), R=Rejected (Not has been significant increase), and R̲=Rejected (Significant increase, but not high mean).

6.6.3 Quality of S&P Transparency and Disclosure by Company Size

This subsection presents the main level of T&D results for small, middle and large companies in their annual reports and whether there is statistically significant increase during the four years and pair years, by three stages: overall; three categories; and twelve subcategories. Specifically, subsection 6.6.3.1 will provide the statistically significant increase results for overall T&D during the four years and pair years to test H_6. Subsection 6.6.3.2 will report the statistically significant increase results for three categories of T&D during the four years and pair years to test sub-hypotheses $H_{6.1}$, $H_{6.2}$, and $H_{6.3}$. Subsection 6.6.3.3 will present the statistically significant increase results for twelve subcategories of T&D during the four years and pair years to test sub-hypotheses $H_{6.1.1}$ to $H_{6.1.3}$, $H_{6.2.1}$ to $H_{6.2.5}$, and $H_{6.3.1}$ to $H_{6.3.4}$. Finally, a summary of the test hypotheses will be presented.

The study shows that overall improvement of the T&D level was at 10, 17, and 17 points during the four years for small, middle and large companies respectively; however, difference level T&D was small between the groups, with middle and large companies showing more improvement in their T&D than small companies during the four years (see Table 6.20 Pa. A).

Furthermore, the study shows a negligible improvement in the first category, ownership structure and investor right, where the level of T&D is very low at 12%, 12% and 10% in 2008 for the three groups small, middle and large companies, respectively (see Table 6.20 Pa. B). In the second category the level of financial transparency and information disclosure was greater in large companies giving more information than small and middle companies, where T&D improvement level was at 15, 28, and 30 points for the small, middle and large companies respectively (see Table 6.20 Pa. C). In the third category the level of T&D board and management structure was low during the four years, showing an improvement of 4, 14 and 10 points for the small, middle and large companies respectively (see Table 6.20 Pa. D).

Table (6.20 Pa. B1, 2, and 3) presents first that the level of T&D by the three subcategories was very low for the three groups, showing a small improvement for four years. The small companies were at the best level of T&D for transparency of ownership, the middle companies were at the best level of T&D for concentration of ownership, and the large companies were at the best level of T&D for voting and shareholder meeting procedures in 2008. With the second, by the five subcategories, the level of T&D accounting policy details was very high for three groups showing 100% for large companies in 2008, and improvement of 42 points during the four years. The level of T&D was high by three subcategories for three groups (business focus, accounting policy review, and information on auditors), but the related party structure and transaction was low for three groups at 19%, 25% and 19% for small, middle and large companies, respectively. However, the large companies were at the best level of T&D for three subcategories (business focus 80%, accounting policy details 100%, and information on auditors 63%), the small companies were at the best level of T&D for two subcategories (accounting policy review, 67%, and information on auditors, 63%) and the middle companies were at the best level of T&D for related party structure transaction at 25% (see Table 6.20 Pa. C1, 2, 3, 4, and 5).

In the third, the level of T&D for four subcategories was medium in the board structure and composition, but very low in three subcategories. Small companies had the best level of T&D in three subcategories (role of the board, 35%, director training and compensations, 17%, and executive compensation and evaluation, 9%), and the middle companies had the best level of T&D in board structure and composition, 66%

(see Table 6.20 Pa. D1, 2, 3, and 4). Mean and Standard deviations results are shown in Table 6.20.

Table 6.20 Transparency and Disclosure for Company Size

Panel	Variable	Chare.	2005		2006		2007		2008	
			Mean	SD	Mean	SD	Mean	SD	Mean	SD
A	**Total transparency & disclosure**	**Small**	**.282**	**.109**	**.310**	**.083**	**.358**	**.095**	**.376**	**.103**
		Middle	**.202**	**.054**	**.275**	**.077**	**.330**	**.066**	**.374**	**.079**
		Large	**.204**	**.070**	**.244**	**.066**	**.303**	**.096**	**.367**	**.137**
B	***Ownership structure & investor***	***Small***	***.051***	***.040***	***.077***	***.044***	***.116***	***.093***	***.116***	***.083***
		Middle	***.045***	***.033***	***.066***	***.043***	***.076***	***.066***	***.122***	***.112***
		Large	***.035***	***.041***	***.035***	***.041***	***.071***	***.101***	***.107***	***.170***
B1	Transparency of ownership	Small	.090	.000	.128	.081	.151	.070	.151	.070
		Middle	.103	.097	.129	.088	.129	.088	.129	.088
		Large	.090	.105	.090	.105	.090	.105	.113	.136
B2	Concentration of ownership	Small	.020	.072	.052	.124	.145	.310	.135	.279
		Middle	.000	.000	.035	.094	.071	.189	.232	.341
		Large	.000	.000	.000	.000	.062	.125	.062	.125
B3	Voting & shareholder meeting procedures	Small	.018	.043	.018	.043	.018	.043	.027	.050
		Middle	.015	.042	.015	.042	.015	.042	.015	.042
		Large	.000	.000	.000	.000	.055	.111	.138	.277
C	***Financial transparency & information disclosure***	***Small***	***.485***	***.165***	***.521***	***.161***	***.592***	***.161***	***.635***	***.145***
		Middle	***.371***	***.110***	***.485***	***.148***	***.608***	***.156***	***.649***	***.169***
		Large	***.392***	***.205***	***.492***	***.151***	***.571***	***.149***	***.692***	***.130***
C1	Business focus	Small	.505	.228	.544	.196	.600	.239	.638	.228
		Middle	.523	.208	.561	.138	.742	.146	.771	.162
		Large	.483	.191	.583	.113	650	.206	.800	.210
C2	Accounting policy review	Small	.518	.277	.546	.261	.648	.216	.713	.167
		Middle	.333	.256	.507	.356	.603	.278	.650	.310
		Large	.416	.319	.444	.300	.642	.227	.666	.240
C3	Accounting policy details	Small	.888	.259	.861	.332	.952	.178	.958	.166
		Middle	.333	.333	.714	.488	.857	.378	.857	.378
		Large	.583	.500	1.00	.000	1.00	.000	1.00	.000
C4	Related party structure & transaction	Small	.020	.072	.083	.162	.125	.168	.187	.216
		Middle	.071	.122	.071	.122	.142	.196	.250	.353
		Large	.062	.125	.062	.125	.062	.125	.187	.239
C5	Information on auditors	Small	.500	.072	.562	.162	.604	.168	.625	.216
		Middle	.214	.122	.392	.122	.392	.196	.428	.353
		Large	.187	.125	.312	.125	.312	.125	.625	.239
D	***Board and management structure and process***	***Small***	***.226***	***.138***	***.252***	***.088***	***.288***	***.087***	***.311***	***.097***
		Middle	***.159***	***.067***	***.232***	***.089***	***.257***	***.075***	***.302***	***.073***
		Large	***.150***	***.088***	***.164***	***.102***	***.221***	***.130***	***.250***	***.151***
D1	Board structure and composition	Small	.479	.254	.468	.177	.531	.151	.552	.145
		Middle	.410	.118	.464	.156	.500	.161	.660	.094
		Large	.343	.157	.437	.260	.531	.277	.500	.250
D2	Role of the board	Small	.208	.160	.270	.107	.305	.114	.347	.127
		Middle	.119	.116	.214	.081	.261	.089	.285	.106
		Large	.145	.125	.125	.107	.229	.184	.312	.219
D3	Director training & compensations	Small	.111	.164	.111	.164	.166	.174	.166	.174
		Middle	.000	.000	.095	.162	.095	.162	.095	.162
		Large	.000	.000	.000	.000	.000	.000	.000	.000
D4	Executive compensation & evaluation	Small	.101	.088	.129	.064	.018	.064	.148	.086
		Middle	.095	.076	.142	.105	.047	.087	.142	.105
		Large	.083	.055	.083	.055	.083	.055	.083	.055

10 Co. small, 5 middle and 8 large in 2005, 9 Co. small, 5 middle and 9 large in 2006, 9 Co. small, 7 middle and 9 large in 2007 and 10 small, 8 middle and 9 large in 2008

For more details descriptive statistics for the entire sample of all companies are presented in Appendix 7-D.

The next subsections of this study show descriptive statistics for overall T&D in subsection 6.6.3.1; while in subsection 6.6.3.2 three categories and in subsection 6.6.3.3 twelve subcategories are elaborated.

6.6.3.1 Descriptive Statistics Overall S&P T&D (Company Size)

Table 6.21 shows that S&P T&D on companies size (small and middle), had a statistically significant increase (F = 17.6, p = .000), and (F = 12.9, p = .000), respectively, during the four years. Also, overall T&D on small companies had a statistically significant increase (t =2.63, p =.025), (t = 4.66, p = .001), (t =4.93, p =.001), (t = 3.91, p = .002), (t = 4.21, p = .001), and (t = 3.71, p =.003) between for pair years (see Table 6.20). However, large companies had not statistically significant during the four years (F = 4.12, p = .115).

Table 6.21 Descriptive Statistics Overall S&P T&D (Company Size)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TD	***S***	*17.6*	*.000****	2.63	.025*	4.66	.001***	4.93	.001***	3.91	.002**	4.21	.001***	3.71	.003**
	M	*12.9*	*.000****	2.17	.073	3.83	.009**	4.19	.006**	2.52	.045*	4.17	.006**	3.95	.008**
	L	*4.12*	***.115***	---	---	---	---	---	---	---	---	---	---	---	---

S= Small Companies, M = Middle Companies, L= Large Companies, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, overall T&D of small companies had a strong statistically significant increase during the four years and a strong statistically significant increased for all pair years. While, large companies had no statistically significant increase during the four years.

6.6.3.2 Descriptive statistics Three Categories of S&P T&D (Company Size)

For small companies overall, three categories had a statistically significant increase during the four years, ownership structure and investor rights ($\times^2$= 17.4, p = .001), financial transparency and information disclosure (F = 18.2, p = .000), and board and management structure and process (F= 11.4, p = .000). For small companies, financial transparency and information disclosure had a statistically significant increase by each pair. The ownership structure and investor rights for middle and large companies had no statistically significant increase for the four years. The financial transparency and information disclosure, and board and management structure and process for large companies had no statistically significant increase for the four years (see Table 6.22).

Table 6.22 Descriptive Statistics S&P T&D by Three Categories (Company Size)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
OS IR	**S**	17.4	.001***	1.84	.066	2.41	.016**	1.00	.391	2.03	.042*	1.84	.066	.000	1.00
	M	7.37	**.061**	---	---	---	---	---	---	---	---	---	---	---	---
	L	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
FT ID	**S**	*18.2*	*.000****	*2.91*	*.014 **	*4.48*	*.001****	*5.36*	*.000****	*3.80*	*.003***	*4.12*	*.002 **	*2.70*	*.018**
	M	*9.14*	*.008***	*1.72*	*.135*	*3.17*	*.019***	*3.47*	*.013***	*2.84*	*.029**	*3.36*	*.015 **	*2.97*	*.025**
	L	*3.61*	***.058***	---	---	---	---	---	---	---	---	---	---	---	---
BM SP	**S**	*7.47*	*.001****	*1.42*	*.183*	*2.86*	*.015**	*3.48*	*.005*	*2.61*	*.024**	*2.62*	*.023**	*1.68*	*.117*
	M	*11.4*	*.000****	*2.31*	*.060*	*3.94*	*.008***	*5.00*	*.002***	*1.11*	*.308*	*2.71*	*.035**	*3.66*	*.010***
	L	*4.85*	***.061***	---	---	---	---	---	---	---	---	---	---	---	---

S= Small Companies, M = Middle Companies, L= Large Companies, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, three categories had an increase in statistically significant increase only for small companies during the four years; while large companies had no statistically significant increase in the three categories.

6.6.3.3 Descriptive Statistics Twelve Subcategories of S&P T&D (Company Size)

With the twelve subcategories, small companies had more items (7 out of 12) showing a statistically significant increase than the middle and large companies for the four years. Most of the twelve subcategories for pair years had no statistically significant increase. The executive compensation and evaluation had a statistically significant increase for the three groups for the four years (see Table 6.23).

Table 6.23 Descriptive Statistics S&P T&D by Twelve Subcategories (Company Size)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TO	**S**	11.8	.008**	1.63	.102	2.07	.038 *	2.07	.038	1.34	.180	1.34	.180	.000	1.00
	M	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
	L	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
CO	**S**	8.53	.036*	1.00	.317	1.63	.102	1.63	.102	1.63	.102	1.63	.102	1.00	.317
	M	7.00	**.072**	---	---	---	---	---	---	---	---	---	---	---	---
	L	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
VS MP	**S**	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
	M	0.00	**1.00**	---	---	---	---	---	---	---	---	---	---	---	---
	L	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
BF	**S**	*6.09*	*.002***	*2.02*	*.067*	*3.13*	*.009***	*3.18*	*.009***	*1.82*	*.096*	*2.08*	*.61*	*1.63*	*.102*
	M	*5.91*	*.005***	*.450*	*.668*	*2.11*	*.079*	*2.66*	*.037**	*3.63*	*.011*	*4.46*	*.004*	*1.13*	*.257*
	L	*2.55*	***.121***	---	---	---	---	---	---	---	---	---	---	---	---
AP R	**S**	15.9	.001***	1.34	.180	2.03	.042*	2.38	.017**	1.84	.066	2.20	.027*	1.89	.059
	M	7.22	**.065**	---	---	---	---	---	---	---	---	---	---	---	---
	L	5.66	**.129**	---	---	---	---	---	---	---	---	---	---	---	---
AP D	**S**	4.80	**.187**	---	---	---	---	---	---	---	---	---	---	---	---
	M	12.7	.005**	2.00	.046*	2.12	.034*	2.12	.034*	1.00	.317	1.00	.317	.000	1.00
	L	6.00	**.112**	---	---	---	---	---	---	---	---	---	---	---	---
RPS T	**S**	12.3	.006**	1.34	.180	1.89	.059	2.27	.023*	1.41	.157	1.89	.059	1.73	.083
	M	4.20	**.241**	---	---	---	---	---	---	---	---	---	---	---	---
	L	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---

IA	**S**	7.00	**.072**	---	---	---	---	---	---	---	---	---	---	---	---
	M	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
	L	6.33	**.096**	---	---	---	---	---	---	---	---	---	---	---	---
BSC	**S**	*1.67*	***.192***	---	---	---	---	---	---	---	---	---	---	---	---
	M	*9.41*	*.001****	*1.44*	*.200*	*1.98*	*.094*	*5.29*	*.002*	*1.00*	*.356*	*3.26*	*.017***	*2.46*	*.049**
	L	*2.73*	***.151***	---	---	---	---	---	---	---	---	---	---	---	---
RBD	**S**	*11.3*	*.000****	*2.69*	*.021**	*3.38*	*.006*	*4.43*	*.001****	*1.82*	*.096*	*2.93*	*.014***	*2.48*	*.028**
	M	*7.26*	*.002 ***	*2.48*	*.047 **	*4.07*	*.007*	*4.09*	*.006***	*1.08*	*.321*	*1.44*	*.200*	*1.54*	*.172*
	L	*3.44*	***.104***	---	---	---	---	---	---	---	---	---	---	---	---
DTC	**S**	6.00	**.112**	---	---	---	---	---	---	---	---	---	---	---	---
	M	6.00	**.112**	---	---	---	---	---	---	---	---	---	---	---	---
	L	0.00	**1.00**	---	---	---	---	---	---	---	---	---	---	---	---
ECE	**S**	29.2	.000***	1.73	.083	3.00	.003**	1.89	.059	3.46	.001***	3.46	.001***	3.63	.000***
	M	11.0	.011**	.816	.414	.828	.408	816	.414	2.44	.014**	.000	1.00	2.44	.014**
	L	9.00	.029*	.000	1.00	1.73	.083	000	1.00	1.73	.083	.000	1.00	1.73	.083

S= Small Companies, M = Middle Companies, L= Large Companies, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, three categories had increased statistically significant only with small companies during the four years; while subcategories had increased statistically significant for 7, 5, and 1 out of 12 for small, middle and large companies, respectively. Furthermore, large companies had statistically significant increase only with subcategory Compensation and evaluation of executive during the four years.

The T&D in large companies had no statistically significant increase; therefore, in this study hypothesis H_6 is rejected. The results for the sub-hypotheses are summarised in Table 6.24 as follows:

Table 6.24 Test of Hypothesis Level of S&P T&D (Company Size)

H	**Hypothesis**	**Result**						
		Four years	**2005-2006**	**2005-2007**	**2005-2008**	**2006-2007**	**2006-2008**	**2007-2008**
H6	**Companies with greater total assets provide more T&D in their annual reports than those with fewer total assets.**	**R**	**R**	**R**	**R**	**R**	**R**	**R**
$H_{6.1}$	Ownership structure and investor rights	R	R	R	R	R	R	R
$H_{6.1.1}$	Transparency of ownership	R	R	R	R	R	R	R
$H_{6.1.2}$	Concentration of ownership	R	R	R	R	R	R	R
$H_{6.1.3}$	Voting and shareholder meeting procedures	R	R	R	R	R	R	R
$H_{6.2}$	Financial transparency and information disclosure	R	R	R	R	R	R	R
$H_{6.2.1}$	Business focus	R	R	R	R	R	R	R
$H_{6.2.2}$	Accounting policy review	R	R	R	R	R	R	R
$H_{6.2.3}$	Accounting policy details	R	R	R	R	R	R	R
$H_{6.2.4}$	Related party structure and transactions	R	R	R	R	R	R	R
$H_{6.2.5}$	Information on auditors	R	R	R	R	R	R	R
$H_{6.3}$	Board and management structure and process	R	R	R	R	R	R	R
$H_{6.3.1}$	Board structure and composition	R	R	R	R	R	R	R
$H_{6.3.2}$	The role of board of directors	R	R	R	R	R	R	R
$H_{6.3.3}$	Director training and composition	R	R	R	R	R	R	R
$H_{6.3.4}$	Compensation and evaluation of executive	R	R	R	R	R	R	R

A=Accepted (Has been significant increase and high level), R=Rejected (Not has been significant increase).

6.6.4 Quality of S&P Transparency and Disclosure for Company Age

This subsection presents the main level of T&D results for younger, medium and older companies in their annual reports and whether there is statistically significant increase during the four years and paired years, by three stages: overall; three categories; and twelve subcategories. Specifically, subsection 6.6.4.1 will report the statistically significant increase results for overall T&D during the four years and pair years to test H_7. Subsection 6.6.4.2 will provide the statistically significant increase results for three categories of T&D during the four years and pair years to test sub-hypotheses $H_{7.1}$, $H_{7.2}$ and $H_{7.3}$. Subsection 6.6.4.3 will present the statistically significant increase results for twelve subcategories of T&D during the four years and pair years to test sub-hypotheses $H_{7.1.1}$ to $H_{7.1.3}$, $H_{7.2.1}$ to $H_{7.2.5}$, and $H_{7.3.1}$ to $H_{7.3.4}$. Finally a summary of the test hypotheses will be presented.

The study shows that overall improvement of T&D level was at 9, 13 and 17 points during the four years for younger, medium, and older companies, respectively; however, the older companies were at the best level of T&D improvement during the four years, while the younger companies were still at the best level of overall T&D with 38% in 2008 (see Table 6.25 Pa. A).

In Table 6.25 (Pa. B, C, and D), the results obtained from the preliminary analysis of the first categories ownership structure and investor rights, the level of T&D was very low during the four years, while the older companies were at the best level of T&D with 13% in 2008. In the second category of financial transparency and information disclosure, the level of T&D was above average and close together for the three groups. In the third category of board and management structure and process for the three groups the level of T&D was low, but the medium companies had the best level of T&D with 32% in 2008.

Therefore, on the level of T&D for twelve subcategories measured by age of the company, the study shows that the first, the level of T&D by the three subcategories was very low for three groups with a small improvement during the four years. The older companies were at the best level of T&D for two subcategories (concentration of ownership, 21%, and voting and shareholder meeting procedures, 7%) in 2008, and the medium companies were at the best level of T&D transparency of ownership with 15% in 2008 (see Table 6.25 Pa. B1, 2, and 3).

Table 6.25 Transparency and Disclosure for Company Age

Panel	Variable	Chare.	2005		2006		2007		2008	
			Mean	SD	Mean	SD	Mean	SD	Mean	SD
A	**Total transparency & disclosure**	***Younger***	**.287**	**.117**	**.317**	**.086**	**.363**	**.090**	**.380**	**.086**
		Medium	**.248**	**.098**	**.272**	**.084**	**.348**	**.091**	**.375**	**.111**
		Older	**.204**	**.059**	**.274**	**.072**	**.315**	**.082**	**.368**	**.108**
B	***Ownership structure & investor and rights***	***Younger***	***.056***	***.034***	***.071***	***.020***	***.096***	***.060***	***.102***	***.059***
		Medium	***.041***	***.047***	***.071***	***.067***	***.113***	***.124***	***.107***	***.110***
		Older	***.043***	***.034***	***.059***	***.043***	***.083***	***.079***	***.134***	***.134***
B1	Transparency of ownership	*Younger*	.090	.084	.125	.083	.136	.084	.136	.084
		Medium	.090	.099	.121	.093	.151	.074	.151	.074
		Older	.101	.095	.121	.090	.121	.090	.131	.102
B2	Concentration of ownership	*Younger*	.031	.088	.031	.088	.093	.186	.093	.186
		Medium	.000	.000	.062	.153	.166	.408	.145	.357
		Older	.000	.000	.027	.083	.083	.176	.208	.306
B3	Voting & shareholder meeting procedures	*Younger*	.013	.039	.013	.039	.013	. 039	.027	.051
		Medium	.018	.045	.018	.045	.018	.045	.018	.045
		Older	.012	.037	.012	.037	.037	.078	.074	.184
C	***Financial transparency & information disclosure***	***Younger***	***.485***	***.164***	***.532***	***.166***	***.607***	***.162***	***.657***	***.111***
		Medium	***.447***	***.176***	***.476***	***.156***	***.604***	***.153***	***.642***	***.182***
		Older	***.381***	***.147***	***.501***	***.144***	***.574***	***.156***	***.647***	***.163***
C1	Business focus	*Younger*	.525	.203	.558	.188	.641	.236	.683	.184
		Medium	.500	.241	.533	.188	.633	.272	.677	.311
		Older	.496	.213	.570	.137	.674	.161	.748	.172
C2	Accounting policy review	*Younger*	.541	.268	.541	.268	.652	.217	.763	.110
		Medium	.425	.340	.481	.327	.648	.191	.648	.036
		Older	.370	.248	.518	.309	.604	.278	.642	.303
C3	Accounting policy details	*Younger*	.750	.345	.916	.235	.933	.210	.944	.192
		Medium	.833	.408	.666	.516	1.00	.000	1.00	.000
		Older	.481	.412	.888	.333	.888	.333	.888	.333
4	Related party structure & transaction	*Younger*	.000	.000	.062	.176	.093	.186	.125	.189
		Medium	.041	.102	.083	.129	.125	.136	.250	.223
		Older	.083	.125	.083	.125	.138	.181	.250	.330
C5	Information on auditors	*Younger*	.500	.231	.593	.129	.593	.129	.593	.129
		Medium	.416	.341	.500	.273	.583	.129	.625	.136
		Older	.194	.243	.333	.279	.333	.279	.500	.353
D	***Board and management structure and process***	***Younger***	***.217***	***.163***	***.246***	***.109***	***.285***	***.102***	***.303***	***.096***
		Medium	***.214***	***.078***	***.228***	***.059***	***.281***	***.061***	***.323***	***.087***
		Older	***.155***	***.079***	***.219***	***.103***	***.241***	***.101***	***.276***	***.114***
D1	Board structure and composition	*Younger*	.437	.291	.437	.200	.484	.155	.531	.173
		Medium	.500	.158	.479	.122	.583	.129	.625	.079
		Older	.388	.145	.472	.205	.513	.211	.583	.187
D2	Role of the board	*Younger*	.197	.183	.260	.143	.322	.121	.343	.129
		Medium	.194	.113	.236	.062	.291	.102	.361	.136
		Older	.129	.125	.194	.102	.231	.123	.277	.144
D3	Director training & compensations	*Younger*	.125	.172	.125	.172	.166	.178	.166	.178
		Medium	.055	.136	.055	.136	.111	.172	.111	.172
		Older	.000	.000	.074	.147	.074	.147	.074	.147
D4	Executive compensation & evaluation	*Younger*	.111	.102	.138	.078	.044	.093	.138	.078
		Medium	.092	.045	.111	.000	.111	.000	.148	.090
		Older	.086	.074	.123	.103	.037	.078	.123	.103

9 Co. young, 5 medium, and 9 older in 2005, 8 young, 6 medium, and 9 older in 2006, 9 young, 7 medium, and 9 older in 2007and 10 young, 8 medium, and 9 older in 2008.

For more details descriptive statistics for the entire sample of all companies are presented in Appendix 7-E.

The second, the level of T&D by the five subcategories, was very high in accounting policy details for three groups, and the medium companies were the best group with 100% in 2008. The business focus, accounting policy review was higher than average and at the best level of T&D for older and younger companies, 75% and 76% in 2008, respectively. The level of T&D information on auditors was medium, and the best Level of T&D was in the medium companies with 63% in 2008. The level of T&D related party structure transaction was very low, and the best group was the medium and older companies with 25% in 2008 (see Table 6.25 Pa. C1, 2, 3, 4, and 5).

The third, the level of T&D for four subcategories was medium in the board structure and composition, role of the board was low, and the best group was the medium companies showing 63 and 36% respectively. In addition, the level of T&D for two subcategories was very low (director training and compensations, and executive compensation and evaluation), while the best groups were the younger, 17%, and the older companies, 10%, respectively (see Table 6.25 Pa. D1, 2, 3 and 4).Mean and Standard deviations results are shown in Table 6.25.

The next subsections of this study show descriptive statistics for overall T&D in subsection 6.5.4.1; while in subsection 6.5.4.2, three categories, and in subsection 6.5.4.3, twelve subcategories are elaborated.

6.6.4.1 Descriptive Statistics Overall S&P T&D (Company Age)

Table 6.26 presents the S&P T&D on the age of the companies (younger, medium, and older), which had statistically significant increase ($F = 13.9$, $p = .000$), ($F = 10.1$, $p = .018$) and ($F = 11.7$, $p = .002$), respectively for the four years; also overall T&D for older companies had statistically significant increase ($t = 2.65$, $p = .029$),($t = 3.73$, $p = .006$), ($t = 3.75$, $p = .006$), ($t = 3.20$, $p = .012$), ($t = 3.50$, $p = .008$), and ($t = 2.36$, $p = .046$) between the pair years.

Table 6.26 Descriptive Statistics Overall S&P T&D (Company Age)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TD	***Y***	*13.9*	*.000****	2.07	.084	3.93	.008**	4.70	.003**	3.46	.011**	4.10	.005**	3.33	.009**
	M	*10.1*	*.018***	2.09	.091	3.50	.017**	3.52	.017**	2.83	.036*	2.91	.033*	2.79	.038*
	O	*11.7*	*.002***	2.65	.029*	3.73	.006**	3.75	.006**	3.20	.012**	3.50	.008**	2.36	.046*

Y=Younger companies, M= Medium companies, and O= Older companies, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, overall T&D had statistically significant increase for three groups during the four years. While only older companies had statistically significant increases for all pair years.

6.6.4.2 Descriptive Statistics Three Categories of S&P T&D (Company Age)

Ownership structure and investor rights of younger companies had a statistically significant increase, (F = 4.73, p = .013), but there was not a statistically significant increase for medium and older companies.

Table 6.27 Descriptive Statistics S&P T&D by Three Categories (Company Age)

S&P TD	Co.	**Four years**		**2005-2006**		**2005-2007**		**2005-2008**		**2006-2007**		**2006-2008**		**2007-2008**	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
OSIR	**Y**	*4.73*	*.013***	*1.44*	*.200*	*2.48*	*.047**	*3.05*	*.022**	*1.48*	*.180*	*1.82*	*.112*	*1.00*	*.343*
	M	*2.42*	***.176***	---	---	---	---	---	---	---	---	---	---	---	---
	O	*3.78*	***.072***	---	---	---	---	---	---	---	---	---	---	---	---
FTID	**Y**	*15.1*	*.000****	*2.87*	*.024***	*3.99*	*.005***	*5.79*	*.000****	*3.11*	*.017***	*3.71*	*.008***	*2.34*	*.043**
	M	*6.74*	*.004***	*2.23*	*.076*	*2.62*	*.047**	*2.65*	*.045**	*2.52*	*.053*	*2.56*	*.050**	*2.39*	*.062*
	O	*8.51*	*.000****	*2.27*	*.052*	*2.91*	*.019***	*3.31*	*.010 ****	*2.48*	*.038**	*3.17*	*.013***	*1.87*	*.098*
BMSP	**Y**	*5.74*	*.005***	*1.18*	*.275*	*2.42*	*.046**	*2.80*	*.026**	*2.43*	*.045**	*2.73*	*.029**	*1.62*	*.138*
	M	*5.42*	*.010***	*.696*	*.518*	*2.36*	*.065*	*3.20*	*.024**	*2.01*	*.100*	*2.22*	*.077*	*1.62*	*.165*
	O	*11.3*	*.000****	*2.48*	*.038**	*3.92*	*.004***	*4.42*	*.002***	*1.21*	*.259*	*3.20*	*.012***	*2.47*	*.038**

Y=Younger companies, M= Medium companies, and O= Older companies, Stat= Statistic, ***p***= Significant value,(Italic &Underlined = Normal distribution), (**-** Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** & **Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

Financial transparency and information disclosure for three groups (younger, medium, and older) had a statistically significant increase (F = 15.12, p = .000), (F = 6.74, p = .004), and (F = 8.51, p = .000); also board and management structure and process showed a statistically significant increase (F= 5.74, p = .005), (F = 5.42, p = .010), and (F = 11.3, p = .000) for the four years respectively. In additional younger companies with financial transparency and information disclosure revealed a statistically significant increase with all pair years (see Table 6.27).

Three categories had increased statistically significant only with younger companies during the four years. The second category had increased statistically significant only with younger companies during all pair years.

6.6.4.3 Descriptive Statistics Twelve Subcategories of S&P T&D (Company Age)

It can be seen from the data in table 6.28 for the twelve subcategories, older companies with more items had more statistically significant increase than the younger and medium companies during the four years and pair years. The role of the board, and executive compensation and evaluation showed statistically significant increase for all groups, but transparency of ownership, voting and shareholder meeting procedures, information on auditors, and director training and compensation had no statistically significant increase for all groups.

Table 6.28 Descriptive Statistics S&P T&D by Twelve Subcategories (Company Age)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TO	Y	7.20	**.066**	---	---	---	---	---	---	---	---	---	---	---	---
	M	4.71	**.194**	---	---	---	---	---	---	---	---	---	---	---	---
	O	4.00	**.261**	---	---	---	---	---	---	---	---	---	---	---	---
CO	Y	6.00	**.112**	---	---	---	---	---	---	---	---	---	---	---	---
	M	3.	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
	O	9.20	.027*	.000	1.00	1.41	.157	1.41	.157	1.41	.157	1.41	.157	.000	1.00
VS MP	Y	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
	M	.000	**1.00**	---	---	---	---	---	---	---	---	---	---	---	---
	O	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
BF	Y	*5.12*	*.008***	*1.87*	*.104*	*2.41*	*.047*	*3.05*	*.018**	*1.72*	*.129*	*2.25*	*.059*	*1.35*	*.209*
	M	*3.84*	***.093***	---	---	---	---	---	---	---	---	---	---	---	---
	O	*4.85*	*.009***	*1.06*	*.319*	*2.15*	*.063*	*2.52*	*.036**	*2.25*	*.054*	*3.07*	*.015**	*1.25*	*.247*
AP R	Y	*5.31*	*.033**	---	---	*1.52*	*.170*	*2.82*	*.025**	*1.52*	*.170*	*2.82*	*.025**	*2.53*	*.032**
	M	*3.46*	***.114***	---	---	---	---	---	---	---	---	---	---	---	---
	O	*5.61*	*.022**	*1.88*	*.096*	*2.73*	*.026**	*2.71*	*.026**	*1.49*	*.174*	*1.97*	*.084*	*2.00*	*.081*
AP D	Y	7.20	**.066**	---	---	---	---	---	---	---	---	---	---	---	---
	M	4.71	**.194**	---	---	---	---	---	---	---	---	---	---	---	---
	O	15.0	.002**	2.12	.034*	2.12	.034*	2.12	.034*	.000	1.00	.000	1.00	.000	1.00
RP ST	Y	6.00	**.112**	---	---	---	---	---	---	---	---	---	---	---	---
	M	8.77	.032 *	1.00	.317	1.41	.157	1.89	.059	1.00	.317	1.63	.102	1.73	.083
	O	4.20	**.241**	---	---	---	---	---	---	---	---	---	---	---	---
IA	Y	6.00	**.112**	---	---	---	---	---	---	---	---	---	---	---	---
	M	4.60	**.204**	---	---	---	---	---	---	---	---	---	---	---	---
	O	6.38	**.094**	---	---	---	---	---	---	---	---	---	---	---	---
BS C	Y	*1.07*	***.381***	---	---	---	---	---	---	---	---	---	---	---	---
	M	*2.65*	***.138***	---	---	---	---	---	---	---	---	---	---	---	---
	O	*6.37*	*.002***	*1.78*	*.111*	*2.68*	*.028**	*4.60*	*.002**	*1.41*	*.195*	*2.10*	*.069*	*1.34*	*.214*
RB D	Y	*11.0*	*.000****	*2.04*	*.080 **	*3.96*	*.005***	*4.24*	*.004***	*2.39*	*.048**	*3.05*	*.018**	*1.50*	*.168*
	M	*4.82*	*.015**	*1.46*	*.203*	*1.94*	*.110*	*2.92*	*.033**	*1.19*	*.286*	*2.08*	*.091*	*2.71*	*.042**
	O	*5.59*	*.005***	*1.79*	*.111*	*2.63*	*.030**	*4.43*	*.002***	*1.07*	*.312*	*1.89*	*.094*	*1.25*	*.247*
DT C	Y	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
	M	3.00	**.392**	---	---	---	---	---	---	---	---	---	---	---	---
	O	6.00	**.112**	---	---	---	---	---	---	---	---	---	---	---	---
EC E	Y	19.8	.000***	1.41	.157	2.44	.014*	1.41	.157	2.82	.005**	.000	1.00	3.16	.002**
	M	15.0	.002**	1.00	.317	2.23	.025*	1.34	.180	2.44	.014*	1.00	.317	2.33	.020*
	O	13.6	.003**	.816	.414	1.08	.279	.816	.414	2.64	.008	.000	1.00	2.64	.008**

Y=Younger companies, M= Medium companies, and O= Older companies, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, two subcategories, role of the board, and executive compensation and evaluation had increased statistically significant for three groups during the four years. In addition, 4, 4, and 7 out of 12 subcategories had increased statistically significant for younger, medium and older companies respectively.

As can be seen from the above, table the level of T&D revealed an increase in statistically significant in three groups. The hypothesis H_7 is rejected because the younger companies disclose more T&D than medium and older companies. The answers for the sub-hypotheses are summarised in table 6.29 as follows:

Table 6.29 Test of Hypothesis Level of S&P T&D (Company Age)

H	Hypothesis	Result						
		Four years	2005-2006	2005-2007	2005-2008	2006-2007	2006-2008	2007-2008
H_7	**Older financial companies provide more T&D in their annual reports than younger companies.**	R̲	R̲	R̲	R̲	R̲	R̲	R̲
$H_{7.1}$	Ownership structure and investor rights	R	R	R	R	R	R	R
$H_{7.1.1}$	Transparency of ownership	R	R	R	R	R	R	R
$H_{7.1.2}$	Concentration of ownership	R̲	R̲	R̲	R̲	R̲	R̲	R̲
$H_{7.1.3}$	Voting and shareholder meeting procedures	R	R	R	R	R	R	R
$H_{7.2}$	Financial transparency and information disclosure	R̲	R̲	R̲	R̲	R̲	R̲	R̲
$H_{7.2.1}$	Business focus	A	R	R	A	R	A	R
$H_{7.2.2}$	Accounting policy review	A	R	A	A	R	R	R
$H_{7.2.3}$	Accounting policy details	A	A	A	A	R	R	R
$H_{7.2.4}$	Related party structure and transactions	R	R	R	R	R	R	R
$H_{7.2.5}$	Information on auditors	R	R	R	R	R	R	R
$H_{7.3}$	Board and management structure and process	R̲	R̲	R̲	R̲	R̲	R̲	R̲
$H_{7.3.1}$	Board structure and composition	A	R	A	A	R	R	R
$H_{7.3.2}$	The role of board of directors	R̲	R	R̲	R̲	R	R	R
$H_{7.3.3}$	Director training and composition	R	R	R	R	R	R	R
$H_{7.3.4}$	Compensation and evaluation of executive	R̲	R	R	R	R	R	R̲

A=Accepted (Has been significant increase and high level), R=Rejected (Not has been significant increase), and R̲=Rejected (Significant increase, but not high mean).

6.6.5 Quality of S&P Transparency and Disclosure for Industry Type

This subsection presents the main level of T&D results for industry type (Bank and Insurance) companies in their annual report and whether there is statistically significant increase during the four years and paired years, by three stages: overall; three categories; and twelve subcategories. Specifically, subsection 6.6.5.1 will report the statistically significant increase results for overall T&D during the four years and pair years to test H_8. Subsection 6.6.5.2 will present the statistically significant increase results for three categories of T&D during the four years and pair years to test sub-hypotheses $H_{8.1}$, $H_{8.2}$ and $H_{8.3}$. Subsection 6.6.5.3 will provide the statistically significant increase results for twelve subcategories of T&D during the four years and pair years to test sub-hypotheses $H_{8.1.1}$ to $H_{8.1.3}$, $H_{8.2.1}$ to $H_{8.2.5}$, and $H_{8.3.1}$ to $H_{8.3.4}$. Finally, a summary of test hypotheses will be presented.

The study shows no further improvement in the overall level of T&D during the four years for bank and insurance companies; however, the bank sector was better

T&D than the insurance sector at 41% and 34% in 2008, and upgrading 17 and 10 points during the four years respectively (see Table 6.30 Pa. A).

Furthermore, the study shows a marginal improvement in ownership structure and investor right, where the level of T&D is very low for the two groups, bank sector and insurance sector; however, the level of T&D scores in the bank is better than the level of the insurance sector, and upgrading 8 and 6 points during the four years respectively (see Table 6.30 Pa. B). Moreover, for T&D by three categories, financial transparency and information disclosure were the best scores for both groups, 66% and 64% in 2008, and upgrading 24 and 18 points during the four years for banks and insurance, respectively (see Table 6.30 Pa. C). Therefore, board and management structure and process is low with 31% and 28% in 2008 and a small improvement for both groups at 12 and 9 points, and the level of T&D in the bank sector is better than the insurance sector. (See Table 6.30 Pa. D)

However, Table 6.30 (Pa. B1, 2, and 3) presents that the first, analysis for three subcategories, shows that the level of T&D scores per the two groups remains very weak and no change is obvious in this category. The average for transparency of ownership, concentration of ownership, and voting and shareholder meeting procedures shows a small improvement for assemblages at 4, 15 and 3 for the bank sector, and 5, 12 and 1 for the insurance sector during four years. Moreover, the study shows a very small change over four years in voting and shareholder meeting procedures for two sectors. Mean and Standard deviations results are shown in Table 6.30.

The second, specifics of the best level for five subcategories, are the accounting policy details; almost all the companies for the two groups have a high level of T&D during the four years (See table 6.30 Pa. C3). Therefore the level of T&D for the three subcategories was above average (business focus, accounting policy review, and information on auditors) for the two groups, but the level of T&D related party structure and transaction was very low. However, the bank sector was better in the level of T&D than the insurance sector for four subcategories (accounting policy review, accounting policy details, related party structure and transaction, and information on auditors), but the insurance sector had a better level of T&D business focus than the bank sector (see Table 6.30 Pa. C1, 2, 4, 5). The third, analysis of T&D

shows that the best level T&D in the subcategory for the bank and insurance sector was board structure and composition, 61% and 53% in 2008, and improvement of 15 and 13 points, respectively (see Table 6.30 Pa. D1). While almost all ranges of subcategories are very low, the level of T&D role of the board bank and insurance sector was 32% and 33% in 2008 and an improvement of 17 and 14 points, respectively (see Table 6.30 Pa. D2); the level of T&D director training compensation was very low at 14% and with 7% in 2008 and improvement of 7 and 4 points (see Table 6.30.Pa. D3). Also the level of T&D of executive compensation and evaluation was very low at 15% and 11% in 2008, respectively, with a small improvement, for the four years (see Table 6.30 Pa. D4).

Table 6.30 Transparency and Disclosure for Industry Type

Panel	Variable	Chare.	2005		2006		2007		2008	
			Mean	SD	Mean	SD	Mean	SD	Mean	SD
A	**Total transparency & disclosure**	**Banks**	**.241**	**.075**	**.290**	**.069**	**.345**	**.069**	**.409**	**.092**
		Insurances	**.244**	**.122**	**.283**	**.097**	**.331**	**.110**	**.342**	**.099**
B	***Ownership structure & investor right***	***Banks***	***.052***	***.034***	***.074***	***.049***	***.100***	***.097***	***.129***	***.107***
		Insurances	***.039***	***.041***	***.055***	***.036***	***.067***	***.062***	***.099***	***.105***
B1	Transparency of ownership	Banks	.110	.088	.129	.085	.142	.077	.149	.084
		Insurances	.070	.088	.111	.088	.121	.090	.121	.090
B2	Concentration of ownership	Banks	.000	.000	.044	.116	.289	.289	.151	.260
		Insurances	.027	.083	.027	.083	.055	.166	.152	.317
B3	Voting & shareholder meeting procedures	Banks	.015	.040	.015	.040	.031	.067	.055	.149
		Insurances	.012	.037	.012	.037	.012	.037	.024	.049
C	***Financial transparency & information disclosure***	***Banks***	***.418***	***.151***	***.485***	***.136***	***.579***	***.141***	***.655***	***.138***
		Insurances	***.460***	***.181***	***.536***	***.172***	***.615***	***.172***	***.641***	***.164***
C1	Business focus	Banks	.481	.222	.533	.167	.619	.233	.695	.232
		Insurances	.548	.187	.592	.157	.703	.170	.725	.186
C2	Accounting policy review	Banks	.428	.257	.500	.245	.619	.172	.698	.140
		Insurances	.469	.322	.543	.357	.654	.306	.666	.319
C3	Accounting policy details	Banks	.642	.380	.809	.386	.955	.172	.958	.166
		Insurances	.703	.454	.888	.333	.888	.333	.888	.333
C4	Related party structure & transaction	Banks	.035	.090	.053	.106	.107	.161	.232	.285
		Insurances	.055	.110	.111.	.181	.138	.181	.166	.216
C5	Information on auditors	Banks	.375	.306	.464.	.274	.500	.240	.571	.228
		Insurances	.333	.279	.472	.232	.472	.232	.555	.273
D	***Board and management structure and process***	***Banks***	***.191***	***.075***	***.242***	***.068***	***.273***	***.049***	***.312***	***.071***
		Insurances	***.193***	***.164***	***.212***	***.123***	***.257***	***.137***	***.276***	***.134***
D1	Board structure and composition	Banks	.455	.143	.491	.166	.544	.135	.607	.108
		Insurances	.402	.284	.416	.197	.486	.220	.527	.214
D2	Role of the board	Banks	.154	.107	.220	.070	.261	.079	.315	.109
		Insurances	.194	.190	.240	.158	.305	.166	.333	.176
D3	Director training & compensations	Banks	.071	.141	.119	.165	.142	.171	.142	.171
		Insurances	.037	.111	.037	.111	.074	.147	.074	.147
D4	Executive compensation & evaluation	Banks	.087	.047	.134	.064	.023	.064	.150	.082
		Insurances	.111	.111	.111	.096	.024	.074	.111	.096

18 Co. bank and 5 insurance in 2005 and 2006, 19 bank and 6 insurance in 2007, and 20 bank and 7 insurance in 2008

For more details descriptive statistics for the entire sample of all companies are presented in Appendix 7-F.

The next subsections of this study show descriptive statistics for overall T&D in subsection 6.3.1; while in subsection 6.3.2 three categories and in subsection 6.3.3 twelve subcategories are elaborated.

6.6.5.1 Descriptive Statistics Overall S&P T&D (Industry Type)

It can be seen from the data in Table 6.31that overall S&P T&D on industry type (Banks and Insurance companies) were significantly different (F = 18.5, p = .000 and F = 12, p = .003, respectively) during the four years; also the overall T&D on banks companies had a statistically significant increase (t =2.74, p =.018), (t = 5.36, p = .000), (t =4.79, p =.000), (t = 4.20, p = .001), (t = 4.54, p = .001), and (t = 3.13, p =.007) between the pair years.

Table 6.31 Descriptive Statistics Overall S&P T&D (Industry Type)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TD	***B***	*18.5*	*.000****	*2.74*	*.018***	*5.36*	*.000****	*4.79*	*.000****	*4.20*	*.001****	*4.54*	*.001****	*3.13*	*.007***
	I	*12*	*.003***	*2.20*	*.059*	*3.34*	*.010***	*3.76*	*.006***	*3.11*	*.014***	*4.43*	*.002***	*2.93*	*.017***

B= Banks, I= Insurances, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (**-** Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** & **Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

However, for overall T&D, the banking sector had increased statistically significant during four and all pair years; while the insurance sector had increased statistically significant during the four years and pair years except pair years 05-06.

6.6.5.2 Descriptive statistics Three Categories of S&P T&D (Industry Type)

Overall, three categories for two groups showed a statistically significant increase in ownership structure and investor right ($\times^2$= 18.2, p = .000), and ($\times^2$= 8.79, p = .032); financial transparency and information disclosure (F = 15.9, p = .000), and (F = 8.95, p = .009); board and management structure and process (F = 14.9, p = .000), and (F = 7.44, p = .008) respectively, for banks and insurances for the four years. Also, overall two pairs had a statistically significant increase for financial transparency and information disclosure, and board and management structure and process (see Table 6.32); however, the bank sector was very statistically significant with three categories.

Table 6.32 Descriptive Statistics S&P T&D by Three Categories (Industry Type)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
OSIR	**B**	18.2	.000***	1.84	.066	2.38	.017**	2.55	.011**	2.06	.039*	2.26	.024*	1.06	.285
	I	8.79	.032*	1.41	.157	1.63	.102	1.82	.068	1.00	.317	1.60	.109	1.34	.180
FTID	**B**	*15.9*	*.000****	*2.06*	*.059*	*4.05*	*.001***	*4.47*	*.001****	*3.93*	*.002***	*4.68*	*.000****	*2.90*	*.012***
	I	*8.95*	*.009***	*2.53*	*.035**	*2.87*	*.021**	*3.49*	*.008***	*2.36*	*.046**	*2.99*	*.017***	*2.53*	*.032**
BMSP	**B**	*14.9*	*.000****	*2.62*	*.021**	*4.48*	*.001***	*5.46*	*.000****	*2.15*	*.050**	*3.19*	*.007***	*2.62*	*.020**
	I	*7.44*	*.008***	*.970*	*.360*	*2.62*	*.030**	*3.14*	*.014**	*2.40*	*.043**	*3.59*	*.007***	*2.71*	*.024**

B= Banks, I= Insurances, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

Yet, the banking and insurance sectors for three categories had statistically significant increases during the four years. The insurance sector had no statistically significant increase with first category during all pair years; while banking and insurance sectors for the second and third categories had statistically significant increase during all pair years.

6.6.5.3 Descriptive Statistics Twelve Subcategories of S&P T&D (Industry Type)

As can be seen from Table 6.32, with twelve subcategories the banks sector had more items showing a statistically significant increase than the insurance sector by four years 9 out of 12 and 4 out of 12 respectively. The subcategories' business focus, role of the board, and executive compensation and evaluation were significantly different according to two groups, but the subcategories' voting and shareholder meeting procedures, and director training and compensation showed no statistically significant increase by two groups. Insurance sector's information on auditors, and bank sector's board structure and composition were significantly different for the four years, but without any statistically significant increase for all two years.

Table 6.33 Descriptive Statistics S&P T&D by Twelve Subcategories (Industry Type)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TO	**B**	8.07	.044*	1.34	.180	1.63	.102	1.85	.063	1.00	.317	1.34	.180	1.00	.317
	I	7.20	**.066**	-	-	-	-	-	-	-	-	-	-	-	-
CO	**B**	12.2	.007**	1.34	.180	1.84	.066	2.06	.039*	1.89	.059	2.12	.034*	.447	.655
	I	4.71	**.194**	-	-	-	-	-	-	-	-	-	-	-	-
VS MP	**B**	3.00	**.392**	-	-	-	-	-	-	-	-	-	-	-	-
	I	3.00	**.392**	-	-	-	-	-	-	-	-	-	-	-	-
BF	**B**	7.05	.001**	1.16	.264	2.56	.024*	3.07	.009**	2.48	.028*	3.31	.006**	1.76	.100
	I	7.53	.013**	1.78	.111	3.05	.016**	3.41	.009**	2.23	.056	2.44	.040*	1.62	.138
APR	**B**	22.4	.000***	1.84	.066	2.38	.017**	2.82	.005**	1.82	.068	2.52	.012**	2.42	.015**
	I	6.52	**.089**	-	-	-	-	-	-	-	-	-	-	-	-
APD	**B**	15.2	.002**	1.00	.317	2.53	.011*	2.53	.011*	1.63	.102	1.63	.102	.000	1.00
	I	6.00	**.112**	-	-	-	-	-	-	-	-	-	-	-	-
RPST	**B**	13.6	.003**	.577	.564	1.41	.157	2.30	.021*	1.73	.083	2.45	.014**	2.07	.038*
	I	4.60	**.204**	-	-	-	-	-	-	-	-	-	-	-	-
IA	**B**	6.64	**.084**	-	-	-	-	-	-	-	-	-	-	-	-
	I	9.00	.029*	1.63	.102	1.63	.102	1.84	.066	.000	1.00	1.00	.317	1.00	.317
BSC	**B**	5.18	.004**	.939	.365	1.93	.075	3.63	.003*	1.71	.111	2.50	.026*	1.52	.150
	I	2.74	**.065**	-	-	-	-	-	-	-	-	-	-	-	-
RBD	**B**	11.0	.000***	2.47	.028*	3.47	.004**	5.68	.000***	1.61	.131	2.73	.017**	2.07	.057
	I	9.31	.000***	1.89	.095	3.57	.007**	3.78	.005**	2.13	.065	2.85	.021*	1.96	.031*
DTC	**B**	3	**.066**	-	-	-	-	-	-	-	-	-	-	-	-
	I	3.00	**.392**	-	-	-	-	-	-	-	-	-	-	-	-
ECE	**B**	32.1	.000***	1.89	.059	2.13	.033*	2.06	.039*	3.74	.000***	1.00	.317	3.77	.000***
	I	17.0	.001***	.000	1.00	2.33	.020*	.000	1.00	2.64	.008**	.000	1.00	2.82	.005**

B= Banks, I= Insurances, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

Therefore, the study shows that there was a statistically significant increase during the four years for the banking and insurances sector. In this study, hypothesis H_8 is accepted because the level of T&D in the banking sector is higher than insurance. The results of the sub-hypotheses are summarised in Table 6.34as follows:

Table 6.34 Test of Hypothesis Level of S&P T&D (Industry Type)

H	Hypothesis	Result						
		Four years	2005-2006	2005-2007	2005-2008	2006-2007	2006-2008	2007-2008
H_8	**Banking sector provides more T&D in their annual reports than insurance sector.**	**A**	**A**	**A**	**A**	**A**	**A**	**A**
$H_{8.1}$	Ownership structure and investor rights	A	R	A	A	A	A	R
$H_{8.1.1}$	Transparency of ownership	A	R	R	R	R	R	R
$H_{8.1.2}$	Concentration of ownership	<u>R</u>	R	R	<u>R</u>	R	<u>R</u>	R
$H_{8.1.3}$	Voting and shareholder meeting procedures	R	R	R	R	R	R	R
$H_{8.2}$	Financial transparency and information disclosure	A	R	A	A	A	A	A
$H_{8.2.1}$	Business focus	<u>R</u>	R	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	R
$H_{8.2.2}$	Accounting policy review	R	R	R	R	R	R	R
$H_{8.2.3}$	Accounting policy details	A	R	A	A	R	R	R
$H_{8.2.4}$	Related party structure and transactions	A	R	R	A	R	A	A
$H_{8.2.5}$	Information on auditors	R	R	R	R	R	R	R
$H_{8.3}$	Board and management structure and process	A	A	A	A	A	A	A
$H_{8.3.1}$	Board structure and composition	A	R	R	A	R	A	R
$H_{8.3.2}$	The role of board of directors	<u>R</u>	R	<u>R</u>	<u>R</u>	R	<u>R</u>	<u>R</u>
$H_{8.3.3}$	Director training and composition	R	R	R	R	R	R	R
$H_{8.3.4}$	Compensation and evaluation of executive	A	R	A	R	A	R	A

A=Accepted (Has been significant increase and high level), R=Rejected (Not has been statistically significant increase), and <u>R</u>=Rejected (Statistically significant increase, but not high mean).

6.6.6 Quality of S&P Transparency and Disclosure for Companies that Have Audit Peer Review and those that Do not Have Audit Peer Review

This subsection presents the main level of T&D results for Companies that have audit peer review and those that do not have audit peer review in companies' annual reports, and whether there is a statistically significant increase during the four years and paired two years, by three stages: overall; three categories; and twelve subcategories. Specifically, subsection 6.6.6.1 will provide the statistically significant increase results for overall T&D during the four years and pair years to test H_9. Subsection 6.6.6.2 will report the statistically significant increase results for three categories of T&D during the four years and pair years to test sub-hypotheses $H_{9.1}$, $H_{9.2}$ and $H_{9.3}$. Subsection 6.6.6.3 will present the statistically significant increase results for twelve subcategories of T&D during the four years and pair years to test sub-hypotheses $H_{9.1.1}$ to $H_{9.1.3}$, $H_{9.2.1}$ to $H_{9.2.5}$, and $H_{9.3.1}$ to $H_{9.3.4}$. Finally a summary of test hypotheses will be presented.

The study shows no further improvement in overall T&D level 14 and 13 points during three years for companies that have audit peer review and those that do not have audit peer review, respectively; however, there was a small difference between the groups (see Table 6.35 Pa. A).

Furthermore, the study shows that the level of T&D by three categories was, for the first, a minor improvement in ownership structure and investor right; the level of T&D is very low for companies that have audit peer review and those that do not have audit peer review, 10% and 11%, respectively (see Table 6.35. Pa. B). The second, T&D financial transparency and information disclosure had the best scores for both groups, 65% and 64%, and upgrading 18 and 22 points during the four years for companies that have audit peer review and those that do not, respectively (see Table 6.35 Pa. C). The third, board and management structure and process is low, 31% and 28% in 2008, with improvement for both groups of 12 and 8 points; the level in companies that have audit peer review was better than for companies that do not have audit peer review, and the companies with audit peer review have more enhanced T&D than companies without (see Table 6.35. Pa. D).Mean and Standard deviations results are shown in Table 6.35.

Table 6.35 Transparency and Disclosure for Companies that Have Audit Peer Review and those that Do not Have Audit Peer Review

Panel	Variable	Chare.	2005		2006		2007		2008	
			Mean	SD	Mean	SD	Mean	SD	Mean	SD
A	**Total transparency & disclosure**	***Peer review***	**.252**	**.072**	**.302**	**.059**	**.346**	**.069**	**.386**	**.090**
		Not Peer review	**.227**	**.123**	**.266**	**.101**	**.328**	**.109**	**.357**	**.105**
B	***Ownership structure & investor right***	***Peer review***	***.005***	***.031***	***.079***	***.044***	***.120***	***.090***	***.134***	***.102***
		Not Peer review	***.031***	***.041***	***.047***	***.039***	***.059***	***.066***	***.091***	***.110***
B1	Transparency of ownership	*Peer review*	.123	.084	.142	.077	.155	.066	.162	.072
		Not Peer review	.050	.080	.090	.090	.101	.095	.101	.095
B2	Concentration of ownership	*Peer review*	.000	.000	.044	.116	.142	.289	.151	.260
		Not Peer review	.027	.083	.027	.083	.055	.166	.152	.317
B3	Voting & shareholder meeting procedures	*Peer review*	.015	.010	.015	.040	.031	.067	.055	.149
		Not Peer review	.012	.037	.012	.037	.012	.037	.024	.049
C	***Financial transparency & information disclosure***	***Peer review***	***.446***	***.155***	***.514***	***.139***	***.581***	***.142***	***.653***	***.137***
		Not Peer review	***.415***	***.175***	***.492***	***.172***	***.612***	***.170***	***.644***	***.166***
C1	Business focus	*Peer review*	.481	.222	.542	.175	.609	.227	.681	.222
		Not Peer review	.548	.187	.577	.149	.718	.172	.748	.199
C2	Accounting policy review	*Peer review*	.492	.253	.563	.219	.634	.187	.714	.149
		Not Peer review	.370	.314	.444	.372	.629	.294	.642	.308
C3	Accounting policy details	*Peer review*	.714	.342	.881	.309	.955	.172	.958	.166
		Not Peer review	.592	.493	.777	.441	.888	.333	.888	.333
C4	Related party structure & transaction	*Peer review*	.053	.106	.071	.117	.125	.010	.232	.010
		Not Peer review	.027	.083	.176	.176	.111	.181	.166	.216
C5	Information on auditors	*Peer review*	.410	.287	.464	.274	.500	.240	.571	.228
		Not Peer review	.278	.291	.472	.232	.472	.232	.556	.273
D	***Board and management structure and process***	***Peer review***	***.190***	***.076***	***.241***	***.071***	***.271***	***.048***	***.308***	***.071***
		Not Peer review	***.197***	***.163***	***.215***	***1.49***	***.260***	***.138***	***.283***	***.135***
D1	Board structure and composition	*Peer review*	.455	.143	.491	.166	.544	.135	.607	.108
		Not Peer review	.402	.284	.416	.197	.486	.220	.527	.214
D2	Role of the board	*Peer review*	.148	.109	.214	.078	.256	.069	.303	.095
		Not Peer review	.203	.186	.250	.150	.314	.170	.351	.185
D3	Director training & compensations	*Peer review*	.071	.141	.119	.165	.142	.171	.142	.171
		Not Peer review	.037	.111	.037	.111	.074	.147	.074	.147
D4	Executive compensation & evaluation	*Peer review*	.087	.047	.134	.064	.023	.064	.150	.082
		Not Peer review	.111	.096	.111	.096	.024	.074	.111	.096

14 Co. have get audit peer review, and 9 have not in 2005 and 2006, 15 have get audit peer review, and 10 have not in 2007, and 16 have get audit peer review, and 11 have not in 2008

For more details descriptive statistics for the entire sample of all companies are presented in Appendix 7-G.

However, from above Table 6.35 (Pa. B1, 2, and 3) shows that the first, analysis for three subcategories shows the level scores per two groups remain very weak and slight in those subcategories. The average for transparency of ownership, concentration of ownership, and voting and shareholder meeting procedures are unimportant for assemblages 12, 5, and 0 for companies that have audit peer review, and 5, 3 and 1 for companies that do not during the four years.

The second, for five subcategories, the level of T&D accounting policy details, most for the two groups in 2006, 2007 and 2008 was high (see Table 6.35. Pa. C3). Also for two subcategories, the level of T&D was above medium (business focus, and accounting policy review), but for two subcategories (related party structure and transaction, and information on auditors) the level was very low. However, the companies with audit peer review had better level of T&D than those without for four subcategories (business focus, accounting policy review, accounting policy review, and related party structure and transaction), but the companies without audit peer review had a better level of T&D information on auditors than those with audit peer review.

The third, the level of T&D for four subcategories was medium for board structure and composition for the two groups, and the best group was companies that have audit peer review. The level of T&D for role of the board was low, and the best level of T&D was in companies without audit peer review. In addition, the level of T&D for two subcategories was very low (director training and compensations, and executive compensation and evaluation), and the best group was companies without audit peer review.

The next subsections of this study show descriptive statistics for overall T&D in subsection 6.6.6.1; while in subsection 6.6.6.2 three categories and in subsection 6.6.6.3 twelve subcategories are elaborated.

6.6.6.1 Descriptive Statistics Overall S&P T&D (Audit Peer Review)

Table 6.36 shows that, S&P overall T&D, on companies with audit peer review and companies without audit peer review, were statistically significant increase (F = 16.7, p = .000), and (F = 13.1, p = .002), respectively between the four years; also, all T&D on companies that have audit peer review was a statistically significant increase (t =2.74, p =.018),(t = 5.17, p = .000), (t =4.45, p =.001), (t = 4.80, p = .000), (t = 4.33, p = .001), and (t = 2.95, p =.011) between the pair years.

Table 6.36 Descriptive Statistics Overall S&P T&D (Audit Peer Review)

S&P TD	Co.	**Four years**		**2005-2006**		**2005-2007**		**2005-2008**		**2006-2007**		**2006-2008**		**2007-2008**	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TD	***P***	*16.7*	*.000****	*2.74*	*.018***	*5.17*	*.000****	*4.45*	*.001 ***	*4.80*	*.000****	*4.33*	*.001***	*2.95*	*.011***
	N	*13.1*	*.002***	*2.20*	*.059*	*3.58*	*.007***	*4.04*	*.004 ***	*3.02*	*.017***	*4.06*	*.004***	*3.30*	*.009**

P= Companies have audit peer review, N= Companies have not audit peer review, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** & **Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

Overall T&D, for the two groups had increased statistically significant during the four years; while companies with audit peer review had increased statistically significant during all pair years.

6.6.6.2 Descriptive Statistics Three Categories of S&P T&D (Audit Peer Review)

Over all three categories for the two kinds of companies there was a statistically significant increase for ownership structure and investor right, ($\times^2$= 18.2, p = .000), and ($\times^2$ = 8.79, p = .032); financial transparency and information disclosure (F= 13.3, p = .000), and (F = 11.4, p = .004); board and management structure & process (F = 14.6, p = .000) (F = 7.50, p = .009) respectively for the four years. In addition, over all for pair years, there was a statistically significant increase for financial transparency and information disclosure for companies without audit peer review, and board and management structure and process for companies with audit peer review (see Table 6.37).

Table 6.37 Descriptive Statistics S&P T&D by Three Categories (Audit Peer Review)

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
OSI	**P**	18.2	.000***	1.84	.066	2.38	.017**	2.55	.011 **	2.06	.039*	2.26	.024*	1.06	.285
R	**N**	8.79	.032*	1.41	.157	1.63	.102	1.82	.068	1.00	.317	1.60	.109	1.34	.180
FTI	***P***	*13.3*	*.000****	*2.06*	*.059*	*3.71*	*.033**	*4.06*	*.001 ***	*4.20*	*.001***	*4.34*	*.001***	*2.73*	*.016***
D	***N***	11.4	.004**	*2.53*	*.035**	*3.41*	*.009***	*3.88*	*.005 ***	*2.91*	*.020***	*3.21*	*.012***	*2.71*	*.024**
BM	***P***	*14.6*	*.000****	*2.62*	*.021**	*4.48*	*.001***	*5.43*	*.000****	*2.15*	*.050**	*3.19*	*.007***	*2.44*	*.028**
SP	***N***	*7.50*	*.009***	*.970*	*.360*	*2.62*	*.030**	*3.13*	*.014 ***	*2.40*	*.043**	*3.39*	*.009***	*3.28*	*.010***

P= Companies have audit peer review, N= Companies have not audit peer review, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** & **Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

Both groups with three categories had statistically significant increase during the four years. Companies with no audit peer review had a statistically significant increase with the second category during all pair years; while companies with audit peer review had a statistically significant increase with the third category during all pair years.

6.6.6.3 Descriptive Statistics Twelve Subcategories of S&P T&D (Audit Peer Review)

For the twelve subcategories, companies with audit peer review had more items of statistically significant increase than companies without audit peer review for the four years, and pair years.

Table 6.38 Descriptive Statistics Twelve Subcategories of S&P T&D

S&P TD	Co.	Four years		2005-2006		2005-2007		2005-2008		2006-2007		2006-2008		2007-2008	
		Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*	Stat	*p*
TO	**P**	8.07	.044*	1.34	.180	1.63	.102	1.85	.063	1.00	.317	1.34	.180	1.00	.317
	N	7.20	**.066**	-	-	-	-	-	-	-	-	-	-	-	-
CO	**P**	12.2	.007**	1.34	.180	1.84	.066	2.06	.039*	1.89	.059	2.12	.034*	.447	.655
	N	4.71	**.194**	-	-	-	-	-	-	-	-	-	-	-	-
VSMP	**P**	3.00	**.392**	-	-	-	-	-	-	-	-	-	-	-	-
	N	3.00	**.392**	-	-	-	-	-	-	-	-	-	-	-	-
BF	**P**	*5.89*	*.002***	*1.37*	*.192*	*2.38*	*.033**	*2.89*	*.013 ***	*1.90*	*.079*	*2.86*	*.013***	*1.66*	*.119*
	N	*10.3*	*.005***	*1.31*	*.225*	*3.41*	*.009***	*3.67*	*.006 ***	*3.12*	*.014***	*3.06*	*.016***	*1.76*	*.111*
APR	**P**	20.2	.000***	1.84	.066	2.22	.026*	2.68	.007 **	1.60	.007**	2.37	.018*	2.42	.015**
	N	9.18	.027*	1.06	.285	1.99	.046*	2.00	.045 *	1.84	.066	2.04	.041*	1.00	.317
APD	**P**	13.0	.004**	1.00	.317	2.44	.014**	2.44	.014 **	1.34	.180	1.34	.180	.000	1.00
	N	7.0	**.066**	-	-	-	-	-	-	-	-	-	-	-	-
RPST	**P**	11.3	.010**	.557	.564	1.41	.157	2.12	.034 *	1.73	.083	2.26	.024*	1.85	.063
	N	6.42	**.093**	-	-	-	-	-	-	-	-	-	-	-	-
IA	**P**	5.25	**.154**	-	-	-	-	-	-	-	-	-	-	-	-
	N	11.8	.008**	1.89	.059	1.89	.059	2.06	.039 *	.000	1.00	1.00	.317	1.00	.317
BSC	***P***	*5.18*	*.004***	*.939*	*.365*	*1.93*	*.075*	*3.63*	*.003 ***	*1.71*	*.111*	*2.50*	*.026**	*1.52*	*.150*
	N	*2.74*	***.065***	-	-	-	-	-	-	-	-	-	-	-	-
RBD	**P**	18.0	.000***	1.63	.102	2.26	.024*	2.23	.026 *	1.84	.066	2.06	.039*	2.00	.046*
	N	15.3	.002**	1.63	.102	2.26	.024*	2.23	.026 *	1.84	.066	2.06	.039*	2.00	.046*
DTC	**P**	7.20	**.066**	-	-	-	-	-	-	-	-	-	-	-	-
	N	3.00	**.392**	-	-	-	-	-	-	-	-	-	-	-	-
ECE	**P**	32.1	.000***	1.89	.059	2.13	.033*	2.06	.039*	3.74	.000***	1.00	.317	3.77	.000***
	N	17.0	.001**	.000	1.00	2.33	.020*	.000	1.00	2.64	.008**	.000	1.00	2.82	.005**

P= Companies have audit peer review, N= Companies have not audit peer review, Stat= Statistic, ***p***= Significant value, (Italic &Underlined = Normal distribution), (- Not Significant), (Statistics = ***F*** & ***t*** statistic if data are normally distributed, whereas **Chi-Square** &**Z** statistic if data are not normally distributed for comparing 4 years and pair years respectively). (*Significant at **0.05**, **Significant at **0.01**, and ***Significant at **0.001**).

The study shows that there were statistically significant increases between years for both groups. Therefore, this study showed that the companies that have audit peer review had greater T&D in their annual reports than those that did not (see Table 6.38).

In this study, the hypothesis H_9 is accepted because the level of T&D in the companies that had audit peer review was more than the other groups and had increased statistically significant at the level of 0.05 % during four years. Table 6.39 summarise the test of the sub-hypotheses.

Table 6.39 Test of Hypothesis Level of S&P T&D (Audit Peer Review)

H	Hypothesis	Result						
		Four years	2005-2006	2005-2007	2005-2008	2006-2007	2006-2008	2007-2008
H_9	**Companies that have audit peer review are more likely to provide T&D information in their annual reports than companies that do not have audit peer review.**	**A**	**A**	**A**	**A**	**A**	**A**	**A**
$H_{9.1}$	Ownership structure and investor rights	A	R	A	A	A	A	R
$H_{9.1.1}$	Transparency of ownership	A	R	R	R	R	R	R
$H_{9.1.2}$	Concentration of ownership	$\underline{R}$	R	R	R	R	R	R
$H_{9.1.3}$	Voting and shareholder meeting procedures	R	R	R	R	R	R	R
$H_{9.2}$	Financial transparency and information disclosure	A	R	A	A	A	A	A
$H_{9.2.1}$	Business focus	$\underline{R}$	R	$\underline{R}$	$\underline{R}$	R	$\underline{R}$	R
$H_{9.2.2}$	Accounting policy review	A	R	A	A	A	A	A
$H_{9.2.3}$	Accounting policy details	A	R	A	A	R	R	R
$H_{9.2.4}$	Related party structure and transactions	A	R	R	A	R	A	R
$H_{9.2.5}$	Information on auditors	R	R	R	R	R	R	R
$H_{9.3}$	Board and management structure and process	A	A	A	A	A	A	R
$H_{9.3.1}$	Board structure and composition	A	R	R	A	R	A	R
$H_{9.3.2}$	The role of board of directors	$\underline{R}$	R	$\underline{R}$	$\underline{R}$	R	$\underline{R}$	R
$H_{9.3.3}$	Director training and composition	$\underline{R}$	R	R	R	R	R	R
$H_{9.3.4}$	Compensation and evaluation of executive	A	R	A	A	A	R	A

A=Accepted (Has been statistically significant increase and high level), R=Rejected (Not has been statistically significant increase), and $\underline{R}$=Rejected (Statistically significant increase, but not high mean).

6.7 Summary and Conclusion

This chapter has focused on presenting the empirical results regarding the level of T&D in Libyan financial companies. In addition, it presented the comparable level of T&D with companies in other developing and developed countries, and level of T&D was variations between companies. Further, the effects of six companies' characteristics on T&D were discussed. Specifically, the chapter attempted to achieve the aim and four main objectives of the research.

Nine hypotheses and sub-hypotheses were mainly set and tested by using one-way between-groups analyses of variance (ANOVA) "more than two group" and Paired T-Test "two group" (parametric method), and Friedman Test "more than two group" and Wilcoxon Signed Ranks Test "two group" (non-parametric method). Moreover, in this study, at the end of each subsection a summary of the hypotheses and sub-hypotheses results was provided.

The findings of the S&P T&D revealed the meaning of "the level of the extent of T&D in Libyan financial companies" and the "the level of T&D associated with company characteristics". However, the level of T&D is very low indicating there is information asymmetry between users of information inside and outside, with no possibility of comparison between companies, due to the statistically significant increase in the level of T&D over the four years. As the mean of average of T&D during the four years was different, where the best mean level of T&D was 37% in 2008, and the lowest level was 24% in 2005. There is a statistically significant increase for overall T&D, with three categories, and eleven subcategories for four years. Only the variable voting and shareholder meeting procedures is not a statistically significant increase. There is a statistically significant increase for overall T&D, with three categories, and most subcategories for two years “pair years” (05-06, 05-07, 05-08, 06-07, 06-08, and 07-08). Therefore, there is a statistically significant increase level of S&P T&D in Libyan financial company’s annual reports, with the emerging Libyan Stock Market, to get the comparable information, and reduce information asymmetry, through the fiscal years from 2005 to 2008. Therefore, in this study H_1 is accepted.

The T&D score was weak in Libyan financial companies. When the average of T&D was compared with that of other countries the study found that there was a low level of T&D in Libyan financial companies. However, the level of T&D was better than that of Latin America. Therefore, $H_2$is supported but partial in this study, $H_{2.1}$ is supported, $H_{2.2}$ is limited supported, and $H_{2.3}$issupported but partially. In addition, this study found that there are wider variations between companies in T&D practices. In addition, H_3 is accepted in this study.

The results obtained suggest that the extent of T&D in annual reports is a significantly different increase for almost all the company characteristics, and not statistically significant increase according to the large size of a company’s total assets. However, small and medium size companies were statistically significant increase, whereas the large companies did not have a statistically significant increase. Therefore, $H_{4,}$ H_5, H_8 and H_9 are accepted in this study, while H_6 and H_7 are rejected. In addition, all sub-H_5 are rejected and sub-H_4, sub-H_5, sub-H_7, sub-H_8 and sub-H_9 vary between accepted and rejected (see Table 7, 14, 19, 24, 29, 34, and 39). However, the eight chapters are devoted to discussing in depth and interpreting these results. Table 6.40 summarises the statistical analysis (four years) for the companies’ characteristics as follows:

Table 6.40 Statistically Analysis for Companies Characteristics

S&P	*Companies' characteristics*													
	Listing statue		*Ownership structure*		*Companies size*			*Company age*			*Industry type*		*Audit Peer review*	
	Listed	Unlisted	Public	Private	Small	Middle	Large	Younger	Medium	Older	Bank	Insurance	Do	Not do
T&D	√	√	√	√	√	√	×	√	√	√	√	√	√	√
OSIR	√	√	√	√	√	×	×	√	×	×	√	√	√	√
TO	×	√	×	√	√	×	×	×	×	×	√	√	√	×
CO	√	√	√	×	√	×	×	×	×	√	√	×	√	×
VSMP	×	×	×	×	×	×	×	×	×	×	×	×	×	×
FTID	√	√	√	√	√	√	×	√	√	√	√	√	√	√
BF	√	√	√	√	√	√	×	√	×	√	√	√	√	√
APR	√	√	√	√	√	×	×	√	×	√	√	×	√	√
APD	√	√	√	×	×	√	×	×	×	√	√	×	√	×
RPST	√	√	√	√	√	×	×	×	√	×	√	×	√	×
IA	×	×	√	×	×	×	×	×	×	×	×	√	×	√
BMSP	√	√	√	√	√	√	×	√	√	√	√	√	√	√
BSC	×	√	√	×	×	√	×	×	×	√	√	×	√	×
RBD	√	√	√	√	√	√	×	√	√	√	√	√	√	√
DTC	×	×	×	×	×	×	×	×	×	×	×	×	×	×
ECE	√	√	√	√	√	√	√	√	√	√	√	√	√	√

√ Statistically significant increased during the four years, × No statistically significant increase

This study uses multiple data collection methods, including questionnaire data across the study period November 2009 to January 2010. Quantitative data were analysed using the SPSS program. Data from the determination of the three accounting profit ratios, ROCE, ROE and ROA were used. The next chapter gives the results, tests the study hypotheses and the findings of this study for data collecting by questionnaire.

Chapter 7 The relationship between transparency and disclosure and financial performance

7.1 Introduction

This chapter seeks to achieve the fifth and sixth objectives of the research. The fifth objective of this study is to investigate the relationship between T&D practices and the accounting-based measure of financial performance. The T&D practices are measured by fourteen variables, and company financial performance is measured by three variables: ROCE; ROE; and ROA. The sixth objective is to find which independent variable of T&D practices has the most impact on the dependent variable and company financial performance (see Section 4.6).

This chapter addresses the tenth and eleventh empirical research questions, which are: "Is there a relationship between T&D practices and financial performance?" and "Which independent variable (T&D practices) has the most impact on the dependent variable (financial performance)?"

The main aim of this chapter is to record the results of the tests of hypotheses of the relative relationships between T&D practices and financial performance. This chapter presents the details of the empirical results from the SPSS 15 program. The descriptive statistics of the data are presented first, followed by the parametric test of correlation (Pearson's Correlation) to test H_{10}. A second regression model using forward selection will be used to test H_{11}.

The rest of the chapter is organised as follows. Section 7.2 gives the descriptive statistics. Examination of the data using Partial Correlation analysis and presenting the results will take place in section 7.3. Section 7.4 analyses data by using Regression analysis and presents the finding. The main summary and conclusion of the chapter are summarised in section 7.5.

7.2 Descriptive Statistics

The sample consists of 25 financial companies listed in Libya. The main variable is T&D practices used in examining the relationship between T&D practices and financial performance. It includes fourteen variables, as has been discussed in chapter four (see 4.6.1). This variable is an aggregation of 14 comprehensive sets of T&D practices provisions contained in literature, CG Principals 2004, and T&D practices requirements in Libya.

Financial performance in this study is measured by three variables, ROCE, ROE and ROA. Much of the prior literature used these measurements, some using one and some using more than one of these measurement (e.g., Bayoud, et al., 2012b; Cheung, et al., 2011; Dawkins & Fraas, 2011; Dinga, 2011; Ibrahim & Samad, 2011; Jerab, 2011; Jian, Tingting, & Shengchao, 2011; Mahmood & Abbas, 2011; Price, Roman, & Rountree, 2011; Sami, et al., 2011; Syriopoulos & Tsatsaronis, 2011; Valenti, Rebecca, & Clifton, 2011; Wu, et al., 2011; Xin & Xiao, 2011) (see Appendix 3).

7.2.1 Normality Test

The regression analysis is based on the assumption of residual normality, and as the result the test of normality using Shapiro-Wilk test will conducted for the residuals of each fitted regression model. The most common normality test Shapiro-Wilk will be used for the dependent variable. The experimented distribution of each variable of interest was found to be approximately normally distributed.

The assumption of normality for ROCE regression model is examined using Shapiro-Wilk test. In table 7.1 the result shows the normality is satisfied as *p*-value for the Shapiro-Wilk test is 0.311.

Table 7.1 Test of Normality for ROCE

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Standardized Residual	.145	25	.185	.948	25	.311

The assumption of normality for ROE regression model is examined using Shapiro test. In table7.2 result shows the normality is satisfied as *p*-value for the Shapiro-Wilk test is 0.408.

Table 7.2 Test of Normality for ROE

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	Statistic	df	Sig.
Standardized Residual	.126	25	.200	.956	25	.408

The assumption of normality for ROA regression model is examined using Shapiro test. In table 7.3 result shows the normality is satisfied as *p*-value for the Shapiro-Wilk test is 0.619.

Table 7.3 Test of Normality for ROA

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Standardized Residual	.111	25	.200	.969	25	.619

The results indicate that data are normally distributed (Sig. *p*-value> .05), thus, parametric tests is recommended.

7.2.2 Statistics Test

The following statistical techniques were applied to analyse the research data and to accomplish the objectives of this study. Firstly, Pearson's Correlation Coefficient (*r*) was used to determine the relationship between two dependent variables. The first variable was T&D practices consisting of fourteen items. The second variable was financial performance measured by three tools of financial analysis - ROCE, ROE and ROA. In this study of descriptive statistics, the value of Pearson's (*r*) and Significant Value (*p*-value) were used to investigate study objective five, answer EQ and test hypothesis ten.

The second statistical technique used was Multiple Linear Regression. This method is concerned with determining a statistical model between a given variable (dependent variable) and a set of explanatory variables (independent variables). In the study of descriptive statistics, Adjusted R^2, Beta (β) and Significant value (*p*-value) were used to examine study objective six and answer EQ and test hypothesis eleven (see subsection 5.7.8).

7.3 Correlation Analysis

This section presents the main Pearson’s Correlation Coefficient results. Specifically, subsections from 7.3.1 to 7.3.14 will report the correlation results among 14 variables of T&D and three company financial performances to test hypothesis H_{10}. In addition, a summary of the tests of the hypotheses is presented at the end of the section.

In the social and natural sciences, researchers seek to understand and describe the nature of causal relations between phenomena. The phenomena are operationalised into measureable relationships that are tested or observed. Thus, correlations serve as practical indications of possible relationships between variables.

This study finds that there were some significant correlations between the three financial performances and several of the T&D practices. However the correlation coefficients, were stronger than 0.8 between ROCE and ROE, but were moderately less than 0.4 between ROCE and ROA, and moderately less than 0.5 between ROE and ROA. The addition of these variables in the same equation will cause a serious multi-co linearity problem.

In this section, the study used Pearson's Correlation analysis to answer the EQ10, "*whether there is a relationship between T&D practices, and financial performance?*", and to test the H_{10}"*There is a relationship between T&D practices, and financial performance, as measured by ROCE, ROE and ROA*". The study set the Sub-hypotheses to testH_{10} as follows:

$H_{10.1}$- There is a relationship between disclosure of financial and operation results, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.2}$- There is a relationship between disclosure of company objectives, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.3}$- There is a relationship between disclosure of major share ownership and voting rights, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.4}$- There is a relationship between disclosure of board members, key executives and their remuneration, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.5}$- There is a relationship between disclosure of related party transactions, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.6}$- There is a relationship between disclosure of material foreseeable risk factors, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.7}$- There is a relationship between disclosure of material issues regarding employees and other stakeholders;

$H_{10.8}$- There is a relationship between disclosure of governance structures and policies, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.9}$- There a is relationship between disclosure of preparation of information and disclosure and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.10}$- There is a relationship between disclosure of annual external audit and monitoring, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.11}$- There is a relationship between disclosure of external audit and audit committee role, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.12}$- There is a relationship between disclosure of external auditors accountable to shareholders where the external auditor owes a duty of due professional care, and financial performance, as measured by ROCE, ROE and ROA;

$H_{10.13}$- There is a relationship between disclosure of channels for disseminating information allowing for fair, timely and cost efficient access to information by users, and financial performance, as measured by ROCE, ROE and ROA; and

$H_{10.14}$- There is a relationship between disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis, and financial performance, as measured by ROCE, ROE and ROA.

Each of these sub-hypotheses is measured by three accounting financial performances.

In this study, the first question in the questionnaire asked about the type of annual reports the company has. The study finds that all Libyan financial companies have the following reports: the Chief board's report; CEOs statement; Income statement; Balance sheet; Audit report (Published in annual report without any attachments for the purpose of disclosure). Most Libyan financial companies have the following reports: Shareholders' equity statement (96%); Detection of significant accounting policies (92%); Cash flow statement (84%); Display segmental data (80%); Dividend data (76%). Some of Libyan financial companies have the following reports: Employee's information (16%); Environmental policies disclosed (8%). However, through the annual reports for the years 2005, 2006, 2007 and 2008 used in this study to measure the level of T&D a lack of detailed information on most of these topic reports was observed. In addition, for some of companies the information above is available in the annual reports. In addition, a few of the companies in the Libyan financial sector have quarterly reports.

The results of the correlation analysis between 14 variables of T&D, and three companies' financial performance variables are reported in Table 7.4. The next subsections show the correlation analysis results between the 14 variables and three financial performances as follows:

7.3.1 T&D of Financial and Operation Results

The results obtained from the preliminary analysis of Pearson's Correlation are shown in Table 7.4; the variable disclosure of financial and operation results are positive and not significant with three financial variables ROCE (r= .252, p=.225), ROE (r= .325, p=.113), and ROA (r= .345, p=.092).

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficient of correlation between disclosure of financial and operation results and ROCE, ROE and ROA are not significant (p>.05). Hence, disclosure of financial and operation results do not seem to be strongly correlated with ROCE, ROE and ROA (at 0.05 alpha levels).

The value of Pearson's (r) indicates the strength of the correlation for the variable disclosure of financial and operation results with ROCE was weak correlation (approximately 0.2), and ROE and ROA were considered moderate correlation (approximately 0.3), but the p value were not significant. Therefore, $H_{10.1}$ is rejected in this study.

7.3.2 T&D of Company Objectives

In sum, the results in Table 7.4 show that the variable disclosure of company objectives is positive but no significance is related with the three financial variables ROCE (r= .144, p=.491), ROE (r= .191, p=.361) and ROA (r= .305, p=.138).

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficient of correlation between disclosure of company objectives and ROCE, ROE and ROA are not significant (p>.05). Hence, disclosure of a company objective does not seem to be strongly correlated with ROCE, ROE and ROA (at 0.05 alpha levels).

The value of Pearson's (r) indicates the strength of the correlation for the variable disclosure of company objectives with ROCE and ROE were weak correlation (approximately 0.1), and with ROA was considered moderate correlation (approximately 0.3), but the p value were not significant. Therefore, $H_{10.2}$ is rejected in this study.

7.3.3 T&D of Major Share Ownership and Voting Rights

Table 7.4 provides the results obtained from the preliminary analysis of Pearson's correlation; the variable disclosure of major share ownership and voting rights are positive and significantly related with ROCE at the 5% level ($r_=$ .455, $p_=$ .022), positive and significantly related with ROE at level of 5% ($r_=$ .587, $p_=$ .002), and positive and not significantly related with ROA ($r_=$ .215, $p_=$. 302).

From Table 7.4, column 1 and 2, it can be seen that the coefficient of correlation between disclosure of major share ownership and voting rights and ROCE and ROE are significant (p<.05). Hence, disclosure of major share ownership and voting rights does seem to be correlated with ROCE and ROE (at 0.05 alpha levels). Disclosure of major share ownership and voting rights and ROA is not a significant relationship. From Table 7.4, column 3, it is obvious that the coefficient of correlation between company objectives and ROA is not significant. Hence, disclosure of major share ownership and voting rights does not seem to be strongly correlated with ROA.

The correlation value for disclosure of major share ownership and voting rights, and ROCE and ROE were considered moderate correlation (approximately 0.5) and significant, and while was weak correlation and not significant with ROA. However, $H_{10.3}$ is partly accepted, hence $H_{10.3.1}$ and $H_{10.3.2}$ are accepted, and $H_{10.3.2}$ is rejected in this study.

7.3.4 T&D of Board Members, Key Executives and Their Remuneration

Table 7.4 compares the results obtained from the preliminary analysis of Pearson's correlation: the variable disclosure of board members, key executives and their remuneration are positive and significantly related with ROCE at a level of 5% ($r_=$ .417, $p_=$. 038), positive and not significantly related with ROE ($r_=$ .278, $p_=$. 178) and ROA ($r_=$ .226, $p_=$ .276).

From Table 7.4, column 1, it can be seen that the coefficient of correlation between disclosure of board members, key executives and their remuneration and ROCE is significant (p<.05). Hence, disclosure of board members, key executives and their remuneration does seem to be correlated with ROCE (at 0.05 alpha levels). In addition, in column 2 and 3, it is obvious that the coefficient of correlation between disclosures of board members, key executives and their remuneration, and ROE and

ROA are not significant. Hence, disclosure of board members, key executives and their remuneration does not seem to be strongly correlated with ROA.

The correlation value for disclosure of board members, key executives and their remuneration, and ROCE is moderately correlated (approximately 0.4) and significant, while disclosure of board members, key executives and their remuneration, does not have a significant relationship and weak correlation with ROE and ROA. However, $H_{10.4}$ is limited accepted, hence $H_{10.4.1}$ is accepted, whereas $H_{10.4.2}$ and $H_{10.4.3}$ are rejected in this study.

7.3.5 T&D of Related Party Transactions

The results obtained from the preliminary analysis of Pearson's Correlation are shown in Table 7.4: the variable disclosure of related party transactions is positive and not significant with the three financial variables ROCE ($r_=$ .051, $p_=$ .808), ROE ($r_=$ .305, $p_=$.138) and ROA ($r_=$ .357, $p_=$ .079).

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficient of correlation between disclosure of related party transactions and ROCE, ROE and ROA are not significant (p>.05). Hence, it is obvious that disclosure of a related party transaction does not seem to be a strongly correlated with ROCE, ROE and ROA (at 0.05 alpha levels).

The correlation value between disclosure of related party transactions and ROCE and ROA is of weak correlation and not significant, and although correlation value with ROE was moderate but not significant. However, $H_{10.5}$ is rejected in this study.

7.3.6 T&D of Material Foreseeable Risk Factors

Table 7.4 provides the results obtained from the preliminary analysis of Pearson's Correlation: the variable disclosure of material foreseeable risk factors are positive and significant at a level of 5% related with ROCE ($r_=$ .467, $p_=$ .019), ROE ($r_=$ .509, $p_=$ .009), and ROA ($r_=$ .399, $p_=$ .048).

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficient of correlation between disclosure of material foreseeable risk factors, and ROCE, ROE and ROA are significant (p<.05). Hence, disclosure of material foreseeable risk factors does seem to be significant correlated with ROCE, ROE and ROA (at 0.05 alpha levels).

The correlation value for disclosure of material foreseeable risk factors and ROCE, ROE and ROA is moderate correlation (between 0.4 to 0.5) and significant. Thus, $H_{10.6}$ is accepted in this study.

7.3.7 T&D of Material Issues Regarding Employees and Other Stakeholders

In summary, the results in table 7.4 show that the variable disclosure of material issues regarding employees and other stakeholders are positive and not significant with the three financial variables ROCE (r= .202, p= .332), ROE (r= .385, p= .058) and ROA (r= .390, p= .054).

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficient of correlation between disclosure of material issues regarding employees and other stakeholders and ROCE, ROE and ROA are not significant (p>.05). Hence, disclosure of material issues regarding employees and other stakeholders does not seem to be strongly correlated with ROCE, ROE and ROA (at 0.05 alpha levels).

The correlation value between disclosure of material issues regarding employees and other stakeholders, and ROCE is weak correlation and not significant, and although correlation value with ROE and ROE were moderate correlation (approximately 0.4) but not significant. Therefore, $H_{10.7}$ is rejected in this study.

7.3.8 T&D of Governance Structures and Policies

The results suggest from the preliminary analysis of Pearson's Correlation that the variable disclosure of governance structures and policies is positive and not significant with two financial variables ROCE (r= .392, p= .053) and ROE (r= .362, p= .076), and positive and significantly related with ROA at the 5% level (r= .427, p= .033).

From Table 7.4, column 1 and 2, it can be seen that the coefficient of correlation between disclosure of governance structures and policies and ROCE and ROE are not significant (p>.05). Hence, disclosure of governance structures and policies does not seem to be strongly correlated with ROCE and ROE (at 0.05 alpha levels). Column 3, it can be seen that the coefficient of correlation between disclosure of governance structures and policies and ROA is significant (p<.05). Hence, disclosure of governance structures and policies does not seem to be correlated with ROCE and ROE (at 0.05 alpha levels).

Although correlation value between variable of disclosure of governance structures and policies with ROCE, ROE and ROE were moderate correlation (approximately 0.4) and it was significant with ROA, but not significant with ROCE and ROE. However, $H_{10\cdot8}$ is limited accepted, hence $H_{10.8.1}$ and $H_{10.8.2}$ are rejected, whereas $H_{10.8.3}$ is accepted in this study.

7.3.9 T&D of Preparation of Information, Audit, and Disclosure According to High Standards of Accounting, Disclosure and Audit

Table 7.4 provides the results obtained from the preliminary analysis of Pearson's Correlation: the variable disclosure of preparation of information, audit and disclosure according to high standards of accounting, disclosure and audit are positive and not significant with the three financial variables ROCE (r= .308, p= .134), ROE (r= .325, p= .113) and ROA (r= .286, p= .166).

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficient of correlation between disclosure of preparation of information, audit and disclosure according to high standards of accounting, disclosure and audit and ROCE, ROE and ROA are not significant (p>.05). Then, it can be argued that disclosure of preparation of information, audit and disclosure according to high standards of accounting, disclosure and audit does not seem to be strongly correlated with ROCE, ROE and ROA (at 0.05 alpha level).

In this study, correlation value between variable of disclosure of preparation of information, audit and disclosure according to high standards of accounting, disclosure and audit, with ROCE, ROE and ROE were moderate correlation (approximately 0.4) but not significant. Therefore, $H_{10.9}$ is rejected.

7.3.10 T&D of External Audit and Monitoring

Table 7.4 compares the results obtained from the preliminary analysis of Pearson's Correlation: the variable disclosure of external audit and monitoring is positive and not significant with the three dependent variables ROCE (r= .298, p= .148), ROE (r= .340, p= .096) and ROA (r= .170, p= .417).

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficients of correlation between disclosure of external audit and monitoring and ROCE, ROE and ROA are not significant (p>.05). Hence, disclosure of external audit and monitoring does not seem to be strongly correlated with ROCE, ROE and ROA (at 0.05 alpha levels).

In this study, the correlation value between variable of disclosure of annual external audit and monitoring with ROCE and ROE were moderate correlation (approximately 0.4) and weak correlation with ROA (less than 0.2) and not significant. Thus, $H_{10.10}$ is rejected.

7.3.11 T&D of External Audit and Audit Committee

The results are present in Table 7.4 with the Pearson coefficients: the variable disclosure of external audit and audit committee is negative and not significant with the variable ROCE ($r_=$-.047, $p_=$ .823), and positive and not significant with the two financial variables ROE ($r_=$ .127, $p_=$ .544) and ROA ($r_=$ .018, $p_=$ .933).

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficient of correlation between disclosure of external audit and audit committee and ROCE, ROE and ROA are not significant (p>.05). Hence, disclosure of external audit and audit committee does not seem to be strongly correlated with ROCE, ROE and ROA (at 0.05 alpha levels).

In this study, the correlation value between variable of disclosure of external audit and audit committee with ROCE, ROE and ROA were weak correlation and not significant. Hence, $H_{10.11}$ is rejected.

7.3.12 T&D of External Auditors Accountable to Shareholders, and Owes a Duty of Due Professional Care

The results suggest that, from the preliminary analysis of Pearson's correlation as shown in Table 7.4, the variables disclosure of external auditors accountable to shareholders, and owes a duty of due professional care are negative and not significantly related with the variables ROCE ($r_=$ -.093, $p_=$ .658) and ROA ($r_=$.-037, p= .860), positive and not significantly related with the variable ROE ($r_=$ .140, $p_=$ .505.

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficient of correlation between disclosure of external auditors accountable to shareholders, and owes a duty of due professional care and ROCE, ROE and ROA are not significant (p>.05). Hence, disclosure of external auditors accountable to shareholders, and external auditor owes a duty of due professional care do not seem to be strongly correlated with ROCE, ROE and ROA (at 0.05 alpha level).

The correlation values for disclosure of external auditors accountable to shareholders, and owes a duty of due professional care, and ROCE, ROE and ROA were weak correlation and not significant. Hence, $H_{10.12}$ is rejected in this study.

7.3.13 T&D of Channels for Disseminating Information Allow for Fair, Timely, and Cost Efficient Access to Information by User

In summary, the results in Table 7.4 show that the variable disclosure of channels for disseminating information allowing for fair, timely, and cost-efficient access to information by users are positive and not significant related with the three financial variables ROCE ($r_=$ .334, $p_=$ .102), ROE ($r_=$ .349, $p_=$ .087), and ROA ($r_=$ .352, $p_=$ .085).

From Table 7.4, column 1, 2 and 3, it can be seen that the coefficients of correlation between disclosure of channels for disseminating information allow for fair, timely, and cost-efficient access to information by users and ROCE, ROE and ROA are not significant (p>.05). Then, disclosure of channels for disseminating information allowing for fair, timely and cost-efficient access to information by users does not seem to be strongly correlated with ROCE, ROE and ROA (at 0.05 alpha level).

In this study, the correlation value between variable of disclosure of channels for disseminating information allowing for fair, timely and cost-efficient access to information by users, and ROCE, ROE and ROA were moderate correlation (between 0.3 to 0.4), but not significant. Thus, $H_{10.13}$ is rejected in this study.

7.3.14 T&D of Corporate Governance Framework, Complemented by an Effective Approach That Addresses and Promotes the Provision of Analysis

Table 7.4 provides the results obtained from the preliminary analysis of Pearson's Correlation: the variable disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis is positive and significantly related with ROCE at a level of 5% ($r_=$ .519,

$p_=$.008), positive and not significantly related with ROE ($r_=$ .361, $p_=$ .077), and positive and significantly related with ROA at the 5% level ($r_=$ .445, $p_=$ .026).

From Table 7.4, column 1 and 3, it can be seen that the coefficient of correlation between disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis and ROCE and ROA are significant (p<.05). Hence, disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis does seem to be strongly correlated with ROCE and ROA (at 0.05 alpha level), while, not a significant relationship with ROE, (p>.05).
The value of Pearson's (r) indicates the strength of the correlation for the variable disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis with ROCE, ROE and ROA were moderate correlation (.5, .3 and .4) respectively, but p value were significant with ROCE and ROA, while not significant with ROE. Thus, $H_{10.14}$ is partly accepted, hence $H_{10.14.1}$ and $H_{10.14.3}$ are accepted, while$H_{10.14.2}$ is rejected in this study. Significant value (p) and value of Pearson's (r) results are shown in Table 7.4.

Table 7.4 The Correlation between T&D and Financial Performance

	ROCE r(p)	ROE r(p)	ROA r(p)	FORC r(p)	CO r(p)	MSOV Rr(p)	BMKE Rr(p)	RPT r(p)	MFRF r(p)	MIRES r(p)	GSP r(p)	PIAD r(p)	AEASr(p)	EAACRr(p)	EAAS r(p)	CDI r(p)	CGF r(p)
ROCE	1.00																
ROE	.845** (.000)	1.00															
ROA	.393 (.052)	.548** (.005)	1.00														
FORC	.252 (.225)	.325 (.113)	.345 (.092)	1.00													
CO	.144 (.491)	.191 (.361)	.305 (.138)	.570** (.003)	1.00												
MSOVR	.455* (.022)	.587** (.002)	.215 (.302)	.643** (.001)	.475* (.016)	1.00											
BMKER	.417* (.038)	.278 (.178)	.226 (.276)	.604** (.001)	.320 (.119)	.492* (.012)	1.00										
RPT	.051 (.808)	.305 (.138)	.357 (.079)	.602** (.001)	.626** (.001)	.617** (.001)	.388 (.055)	1.00									
MFRF	.467* (.019)	.509** (.009)	.399* (.048)	.709** (.000)	.734** (.000)	.665** (.000)	.365 (.073)	.505* (.010)	1.00								
MIRES	.202 (.332)	.385 (.058)	.390 (.054)	.709** (.000)	.794** (.000)	.694** (.000)	.391 (.054)	.766** (.000)	.692** (.000)	1.00							
GSP	.392 (.053)	.362 (.076)	.427* (.033)	.508** (.010)	.710** (.000)	.486* (.014)	.511** (.009)	.532** (.006)	.624** (.001)	.642** (.001)	1.00						
PIAD	.308 (.134)	.325 (.113)	.286 (.166)	.235 (.258)	.475* (.016)	.383 (.059)	.190 (.364)	.575** (.003)	.398* (.049)	.458* (.021)	.600** (.002)	1.00					
AEAS	.298 (.148)	.340 (.096)	.170 (.417)	.566** (.003)	.729** (.000)	.509** (.009)	.306 (.137)	.485* (.014)	.548** (.005)	.597** (.002)	.583** (.002)	.557** (.004)	1.00				
EAACR	-.047 (.823)	.127 (.544)	.018 (.933)	.640** (.001)	.679** (.000)	.414* (.039)	.236 (.256)	.591** (.002)	.515** (.008)	.613** (.001)	.451* (.024)	.290 (.159)	.756** (.000)	1.00			
EAAS	-.093 (.658)	.140 (.505)	-.037 (.860)	.100 (.633)	-.308 (.135)	-.106 (.615)	.022 (.918)	.092 (.663)	-.271 (.190)	-.152 (.467)	-.275 (.184)	.015 (.944)	.003 (.988)	.094 (.657)	1.00		
CDI	.334 (.102)	.349 (.087)	.352 (.085)	.546** (.005)	.701** (.000)	.490* (.013)	.536** (.006)	.586** (.002)	.638** (.001)	.631* (.001)	.578** (.002)	.531** (.006)	.622** (.001)	.424* (.035)	-.018 (.933)	1.00	
CGF	.519** (.008)	.361 (.077)	.445* (.026)	.522** (.007)	.489* (.014)	.499* (.011)	.537** (.006)	.253 (.222)	.684** (.000)	.414* (.040)	.491* (.013)	.300 (.146)	.468* (.018)	.247 (.234)	-.367 (.071)	.544** (.005)	1.00

Number of the company 25, **Correlation is significant at the 0.01 level (2-tailed), and *Correlation is significant at the 0.05 (2-tailed).*r*=Correlation Coefficient and *p*=significant.

Although table 7.4 shows that strong correlation (r= .845) and positive significant (p= .000) between ROE and ROCE, and correlation (r= .548) and positive significant (p= .005) between ROE and ROA. The results of this study are consistent with Antle and Smith (1986), ROA is an accounting-based financial performance measure that is highly correlated with other accounting performance measures such as ROE.

Hypothesis H_{10} is "There is a relationship between T&D practices, and financial performance, as measured by ROCE, ROE and ROA". However H_{10} had limited acceptance, hence only $H_{10.6}$ was fully accepted, $H_{10.3}$ and $H_{10.14}$ were partly accepted, and $H_{10.4}$ and $_{10.8}$were limited accepted. The other remaining sub-hypotheses were rejected. Table 7.5 shows the test of sub-hypotheses related to H_{10}.

Table 7.5 Test of the Sub-hypotheses

H	Sub-hypotheses	Result		
		ROCE	ROE	ROA
H_{10}	There is relationship between T&D practices, and financial performance, as measured by ROCE, ROE, and ROA	**$H_{10(..).1}$**	**$H_{10(..).2}$**	**$H_{10(..).3}$**
$H_{10.1.}$	Disclosure of financial and operation results	×	×	×
$H_{10.2.}$	Disclosure of company objectives	×	×	×
$H_{10.3.}$	Disclosure of major share ownership and voting rights	√	√	×
$H_{10.4.}$	Disclosure of board members, key executives and their remuneration	√	×	×
$H_{10.5.}$	Disclosure of related party transactions	×	×	×
$H_{10.6.}$	Disclosure of material foreseeable risk factors	√	√	√
$H_{10.7.}$	Disclosure of material issues regarding employees and other stakeholders	×	×	×
$H_{10.8.}$	Disclosure of governance structures and policies	×	×	√
$H_{10.9.}$	Disclosure of preparation of information, audit, and disclosure according to high standards of accounting, disclosure and audit	×	×	×
$H_{10.10}$	Disclosure of external audit and monitoring	×	×	×
$H_{10.11}$	Disclosure of external audit and audit committee role	×	×	×
$H_{10.12}$.	Disclosure of external auditors accountable to shareholders, and external auditor owes a duty of due professional care	×	×	×
$H_{10.13}$.	Disclosure of channels for disseminating information allow for fair, timely, and cost efficient access to Information by user	×	×	×
$H_{10.14}$.	Disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis	√	×	√

√ there is accepted, × there is rejected.

Table 7.4 shows that ROCE and ROE were positive significant with variables disclosure of major share ownership and voting rights, and disclosure of material foreseeable risk factors. While, ROCE and ROA were positive significant with disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis, but with ROE was not significant.

Table 7.4 presents the Pearson's Correlation results of the variables. This study of Pearson's Correlation results shows positive significance between some T&D variables and financial performance variables. To explore the impact of variables of T&D on financial performance, a regression model should be used. The next subsection concerns the regression analysis.

7.4 Regression Analysis

This section presents the main regression results. Specifically, subsection 7.4.2, 3, and 4 will report the regression results between T&D (independent variables), and three-company financial performance (dependent variables) to test hypothesis eleven.

This study examines the impact of T&D practices on financial performance as measured by three dependent variables: ROCE; ROE; and ROA.

7.4.1 The Impact of Variables of Transparency and Disclosure Practices on Variables of Financial Performance

The main independent variable used in examining the impact of T&D practices and financial performance included 14 variables, as has been discussed in chapter four (see Section 4.6.2). The main independent variable is an aggregation of 14 comprehensive sets of T&D practices provisions contained in literature, and T&D practices requirements in Libya.

The dependent variable in this study is company financial performance. Three measurements, namely ROCE, ROE, and ROA are used as measures of financial performance.

In this section the study used regression analysis to answer EQ11 "*Which independent variable (T&D practices) has the most impact on the dependent variable (financial performance)?*", and testing $H_{11:}$ "*There is a variable of T&D practices that has the most impact on company financial performance*".

Each of three sub-hypotheses is measured by 14 independent variables and three of accounting financial performance.

$H._{11.1}$- Disclosure of financial and operation results has the most impact on financial performance.

$H._{11.2}$- Disclosure of company objectives has the most impact on financial performance.

$H._{11.3}$- Disclosure of major share ownership and voting rights has the most impact on financial performance.

$H._{11.4}$- Disclosure of board members, key executives and their remuneration has the most impact on financial performance.

$H._{11.5}$- Disclosure of related party transactions has the most impact on financial performance.

$H._{11.6}$- Disclosure of material foreseeable risk factors has the most impact on financial performance.

$H._{11.7}$- Disclosure of material issues regarding employees and other stakeholders has the most impact on financial performance.

$H._{11.8}$- Disclosure of governance structures and policies has the most impact on financial performance.

$H._{11.9}$- Disclosure of preparation of information, audit, and disclosure according to high standards of accounting, disclosure and audit has the most impact on financial performance.

$H._{11.10}$- Disclosure of annual external audit and monitoring has the most impact on financial performance.

$H._{11.11}$- Disclosure of external audit and audit committee role has the most impact on financial performance.

$H._{11.12}$- Disclosure of external auditors accountable to shareholders, and external auditor owes a duty of due professional care has the most impact on financial performance.

$H._{11.13}$- Disclosure of channels for disseminating information allow for fair, timely, and cost efficient access to Information by user has the most impact on financial performance.

$H._{11.14}$- Disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis has the most impact on financial performance.

In this section the next three subsections compare the results obtained from the preliminary analysis of regression by **forward selection method** between independent variables and dependent variables.

From the results in section 7.3 the hypotheses $H_{11.1}$, $_{2}$, $_{5}$, $_{7}$, $_{9}$, $_{10}$, $_{11}$, $_{12}$, and $_{13}$ are rejected, because these independent variables do not have a relationship with dependent variables financial performance.

7.4.2 Regression between Independent Variables (T&D), and Dependent Variable (ROCE)

In section 7.3 the study finds that there was a relationship between four items for T&D practices (independent variables) and ROCE (dependent variable). In this section, the study used regression analysis to find which variable of T&D practices has the most impact to ROCE. From the results in section 7.3 the four independent variables have a positive relationship with the dependent variable ROCE as follows:

- Disclosure of major share ownership and voting right.
- Disclosure of board member, key executives and their remuneration.
- Disclosure of material foreseeable risk factors.
- Disclosure of corporate governance framework complemented by an effective approach that addresses and promotes the provision of analysis.

The study, after checking for the model fit, seeks to ascertain the relative importance of each independent variable in predicting the dependent variable. The unstandardized (B) coefficients are the coefficients of the estimated regression model.

Table 7.6 shows that the resulting model using forward selection procedure indicates that the disclosure of corporate governance framework was the best independent variable which had the most impact on the dependent variable ROCE.
The models explain 26.9 % of the variance (Adjusted $R^2{}_{=}$ .269). The p value significant level is 0.008 (p<.05). Hence, p value suggests that disclosure of corporate governance framework (predictor variable) is having a large impact on the ROCE (criterion variable). This means that an increase in disclosure of corporate governance framework is usually associated with an increase in ROCE and vice versa. Thus, if disclosure of corporate governance framework increases by 1 standard deviations ROCE will increase by .519.

The coefficient of disclosure of corporate governance framework is positively and significantly related with ROCE at the significant level of 5%. This shows that the greater the disclosure of corporate governance framework, the higher the value of ROCE.

The table 7.6 shows the best variable of T&D practices related with ROCE is the CGF.

Table 7.6 Regression between Corporate Governance Framework and ROCE

Model	Unstandardized Coefficient (B)[11]	Standardized Coefficient (Beta) β[12]	*t*	*P*-Value[13]
Constant	-6.164		-0.726	0.475
Disclosure of corporate governance framework	7.883	.519	2.911	0.008
R^2 x 100	26.9 %[14]			

If there is one independent variable, the value of *F* (*P*-value) = *t* (*P*-value)

7.4.3 Regression between Independent Variables (T&D), and Dependent Variable (ROE)

In section 7.3, the study finds that there was a relationship between two items for T&D practices (independent variables) and ROE (dependent variable). In this section, the study used regression analysis to find which of the variables among T&D practices has the most impact on return on equity. However, the two independent variables have a relationship with the dependent variable ROE as follows:

- Disclosure of major share ownership and voting right.
- Disclosure of material foreseeable risk factors.

The study after checking for the model fit, seeks to ascertain the relative importance of each independent variable in predicting the dependent variable. The unstandardized (B) coefficients are the coefficients of the estimated regression model.

By the forward selection method, the major share ownership and voting right was the best independent variable, which had an impact on the dependent variable ROE.

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[11] B for each predictor variable shows the predicted increase in the value of the criterion variable for a 1 unit increase in that predictor (while controlling for the other predictors).
[12] β is the predicted change in standard deviations of the criterion variable, for a change of 1 in standard deviations in the predictor (while controlling for the other predictors).
[13] *P* values give a rough indication of impact of each predictor variable.
[14] R^2makes clear how the power of model changes with the addition or removal of a predictor variable from the model.

Table 7.7 shows that the resulting model using forward selection procedure indicates that the disclosure of major share ownership and voting right was the best independent variable which had the most impact on the dependent variable ROE.

The models explains 34.4 % of the variance (Adjusted $R^2 = .344$). The *p* value significant level is 0.002 ($p<.005$). Hence, *p* value suggests that disclosure of major share ownership and voting right (predictor variable) is having a large impact on the ROE (criterion variable). This means that an increase in disclosure of major share ownership and voting right is usually associated with an increase in ROE and vice versa. Thus, if disclosures of major share ownership and voting right increases by 1 standard deviations ROCE will increase by .587.

The table 7.7 presents the best variable of T&D practices related with ROE is major share ownership and voting right.

Table 7.7 Regression between Major Share Ownership & Voting Right, and ROE

Model	Unstandardized Coefficient (B)	Standardized Coefficient (Beta) β	*t*	*P*-Value
Constant	-6.379		-1.238	0.228
Disclosure of major share ownership & voting right	5.197	.587	3.474	0.002
R^2 x 100	34.4 %			

If there is one independent variable, the value of *F* (*P*-value) = *t* (*P*-value)

7.4.4 Regression between Independent Variables (T&D), and Dependent Variable (ROA)

In section 7.3 the study finds that there is a relationship between three items for T&D practices (independent variables) and ROA (dependent variable). In this section the study used regression analysis to find which variable of T&D practices has the most impact on ROA. However, the three independent variables have a relationship with the dependent variable ROA as follows:

- Disclosure of Material foreseeable risk factors.
- Disclosure of Governance structures and policies.
- Disclosure of corporate governance framework complemented by an effective approach that addresses and promotes the provision of analysis.

The study after checking for the model fit, seeks to ascertain the relative importance of each independent variable in predicting the dependent variable. The unstandardized (B) coefficients are the coefficients of the estimated regression model.

By the forward selection method, the CGF was the best independent variable that had an impact on the dependent variable ROA.

Table 7.8 shows that the resulting model using forward selection procedure indicates that the disclosure of corporate governance framework was the best independent variable which had the most impact on the dependent variable ROA.

The models explains 19.8 % of the variance (Adjusted R^2= .198). The *p* value significant level is 0.02 (*p*<.05). Hence, *p* value suggests that disclosure of corporate governance framework (predictor variable) is having a large impact on the ROA (criterion variable). This means that an increase in disclosure of corporate governance framework is usually associated with an increase in ROA and vice versa. Thus, if disclosure of corporate governance framework increases by 1 standard deviations ROCE will increase by .445.

The table 7.8 provides the best variable of T&D practices related with ROA is disclosure of corporate governance framework.

Table 7.8 Regression between Corporate Governance Framework, and ROA

Model	Unstandardized Coefficient (B)	Standardized Coefficient (Beta) β	*t*	*P*-Value
Constant	-2.039		-1.112	0.273
Disclosure of corporate governance framework	1.380	.445	2.383	0.026
R^2 x 100	19.8 %			

If there is one independent variable, the value of *F* (*P*-value) = *t* (*P*-value)

Table 7.9 shows that the coefficients of disclosure of corporate governance framework are the best independent variables positively and significantly related with two dependent variables (ROCE, and ROA), which are positively and significantly related to ROCE, and ROA at a significant level of 0.05. Hence, companies with higher T&D practices on disclosure of corporate governance framework have higher company financial performance (ROCE, and ROA). While disclosure of major share ownership and voting rights is the best independent variable positively and significantly related with one dependent variable ROE. Hence, companies with higher

T&D practices on major share ownership and voting right have higher company financial performance (ROE). The hypothesis H_{11} is "there is variable of T&D practices have the most impact on company financial performance". However, H_{11} is partly accepted in this study.

Table 7.9 shows the best independent variable positively significantly related with dependent variables.

Table 7.9 Test of the Hypothesis H_{11}

H	Sub-hypothesis	Result		
		ROCE	ROE	ROA
H_{11}	There is variable of T&D practices have the most impact on company financial performance			
$H_{11\cdot3}$	Disclosure of major share ownership and voting rights		*	
$H_{11\cdot4}$	Disclosure of board members, key executives and their remuneration			
$H_{11\cdot6}$	Disclosure of material foreseeable risk factors			
$H_{11\cdot8}$	Disclosure of governance structures and policies			
$H_{11\cdot14}$	Disclosure of corporate governance framework, complemented by an effective approach that addresses and promotes the provision of analysis	*		*

***The best independent variable positively significantly related with dependent variables**

Summary and Conclusion

This chapter has focused on presenting and discussing the empirical results regarding the link between T&D practices and company financial performance. Specifically, the chapter attempted to achieve two main objectives. First, it attempted to examine the relationship between the 14 variables of T&D practices and three company financial performances, as measured by ROCE, ROE, and ROA. Second, it sought to investigate which independent variable of T&D practices has the most impact on company financial performance.

The main aim of the study is to investigate the levels of T&D in Libyan financial companies, and explore their relationship with company financial performance (ROCE, ROE and ROA). This general aim has been divided into six objectives, the fifth and sixth of which are:

-To determine the relationship between T&D practices, and company financial performance (ROCE, ROE and ROA).

The study showed that H_{10} has limited acceptance in this study. These five variables of T&D have a relationship with financial performance as follows:

1-The variable of material foreseeable risk factors has a significant correlation with three financial performance measures (ROCE, ROE, and ROA);

2-The variable of major share ownership and voting right has a significant correlation with two financial performance measures (ROCE, and ROE).

3 The variable of CGF has a significant correlation with two financial performance measures (ROCE, and ROA).

4-The variable of board members, key executives and their remuneration has a significant correlation with one financial performance measure (ROCE).

5-The variable of governance structures and policies has a significant correlation with one financial performance measure (ROA).

- To find which variable of T&D practices has the most impact on company financial performance (ROCE, ROE and ROA).

Therefore, the study showed that H_{11} is partly accepted in this study, concerning which variable of T&D practices was best related to company financial performance. The corporate governance framework complemented by an effective approach that addresses and promotes the provision of analysis was the best variable of T&D practices, with the most impact on financial performance ROCE, and ROA. The major share ownership and voting right was the best variable of T&D practices with the most impact on financial performance ROE.

The next chapter will provide a discussion of the research, specifically; it will provide an overview of this study and the main results.

Chapter 8 Discussion and Interpretation of Key Findings

8.1 Introduction

The main aims in this chapter are to summarises and discuss the empirical findings presented in chapters 6 and 7 respectively to research the questions and hypotheses relating to literature. One purpose of this study was to gain a better understanding of the level of T&D association with the emergence of the LSM. This study also makes a comparison between the situation in Libyan companies in the area of T&D and that in other companies located in other countries. In addition, to assessing whether there are variations between companies in T&D practices in their annual reports. The chapter will endeavour to establish whether company characteristics determine the extent of T&D. It will also determine the relationship between T&D practices and financial performance. The chapter also aims to discuss and interpret the results and to identify and argue the study's contribution to knowledge.

This chapter is organised as follows: the main research results and dissection related EQ 1, 2 and 3 are in section 8.2. The main research results and discussion connected EQ 4, 5, 6, 7, 8 and 9 are in section 8.3. The main research results and dissection linked EQ 10 are in section 8.4. The main research results and dissection related EQ 11 is in section 8.5. Section 8.6 presents the summary and conclusion.

8.2 Transparency and disclosure in Libyan Financial Companies

In this section, findings are explained according to the research questions at the beginning of this study. Under each question raised, an interpretation is given as stated below.

Since shareholder are unable to see inside companies directly, they rely on the annual report, website, bulletins, periodicals, document...etc. The present study posits that the level of T&D improved since the emergence of the LSM in their annual reports. There are six corporate characteristics effecting T&D, and three have relationships between fourteen variables of T&D and three variables of financial performance.

This section presents discussions about the empirical findings regarding T&D as follows: the subsection 8.2.1 presents and discusses the results for the first empirical analysis; the subsection 8.2.2 presents and also discusses the results for the second empirical research question; and the subsection 8.2.3 presents and discusses the results for the third empirical research question as follows:

8.2.1 The Extent of the Level of Transparency and Disclosure in Libyan Financial Companies in the Emerging LSM

This subsection discusses the result obtained as recorded in chapter six of this study. Here the work discusses the extent of T&D obtained in Libyan financial companies. According to CG principles' III (OECD, 2004, p. 20) "The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights". However, the lower T&D of diversified companies in emerging markets results in a higher level of asymmetric information that may allow managers or controlling shareholders to more easily take advantage of minority shareholders. Bushman and Smith (2001) suggest that a high level of T&D contributes to the establishment of confidence in capital markets and encourages a better flow of foreign direct investment into a country.

The first empirical research question is: Have Libyan financial companies improved the level of T&D in their annual reports since the emergence of the Libyan Stock Market?

The purpose of this study is to investigate the levels of T&D in Libyan financial companies during the years 2005 to 2008. The S&P T&D index is being developed to measure the levels of T&D at three levels: total T&D; three categories of T&D; twelve subcategories of T&D. Moreover, four statistical tests were performed to assess whether there is a statistically significant increase in T&D or not over four years and pair years.

For Libyan financial companies, there are statistically significant increases in the amount of T&D provided in annual reports during the four years. With regard to the 27 Libyan financial companies included in the T&D study, the major findings are:

At the first level, the results in this study show that for total T&D there was a strong statistically significant increase in T&D during the four years and all pair years. Furthermore, the study found that no annual report of financial companies listed in Libya achieved a high level of T&D (see Figure 6.5). The level of T&D in Libyan financial companies' annual reports was still low in 2008 (37%) and the information did not equate with comparable information, and has not reduced information asymmetry between inside and outside stakeholders (see Section 6.3). This study is consistent with Larbsh (2010) who find that creating a stock market has improved the practice of CG in Libya. Although, the results in this study find that despite the obvious weaknesses in the level of T&D in Libyan financial companies, the statistics show a clear strong statistically significant increase during the four years and most of the pair years.

At the second level, TOTAL S&P T&D is a sum of three categories of T&D, which present three different aspects of T&D. These are the ownership structure and investor rights; the financial transparency and information disclosure; the board and management structure and process. The study concludes that the quality of Libyan financial companies is the most moderate with the highest and lowest scores observed in the financial transparency and information disclosure and ownership structure and investor rights categories, respectively. The finding in this study shows that effectiveness of governance measures is very weak in Libyan financial companies when ownership structures are not transparent. This possibly shows that there was a strong statistically significant increase in financial transparency and information disclosure during the four years, and in each of the pair years from 2005 to 2008.

The results in this study show that the level of financial transparency and information disclosure, between 43% in 2005 and 65% in 2008, concedes with Ellabbar's (2007) study, which finds that accounting disclosure had a rate between 40% and 60% in Libyan companies. Therefore Saleh (2001) argues that UK and US accounting practices have been transferred to Libya through oil companies. Hence, the oil companies have influenced other business economies. Thus, foreign influence disclosure practice is encouraged in Libyan companies through the oil companies.

At the third level, TOTAL S&P T&D is a sum of twelve subcategories of T&D. There were statistically significant increases for eleven out of twelve subcategories.

For voting and shareholder meeting procedures there was no statistically significant increase during the four years, while there were statistically significant increases for most of the pair years. Thus Libyan financial companies show poor CG, because those companies with better CG quality reveal more information about T&D. Therefore, the results of this study find that Libyan financial companies conceal some information, which results in a higher degree of information asymmetry, in turn leading to slower growth in their companies and less efficient capital allocation. In addition, lower quality of T&D, will raise the cost of capital by affecting the market's allocation of capital.

Recent research in corporate disclosure addresses that, T&D are affected by the legal and political infrastructure (Ball, 2001; Khanna, et al., 2004). Magrus (2012) argues that CG in Libya is in its early stages of development and is characterised by a weak legal environment. Laws and regulations requiring T&D in the ownership structure and the board of director's structure maybe modified in order to achieve more T&D in Libyan financial companies. However, the Commercial Law 1953 is not easy to apply, since there is no clear definition of annual reports, forcing some companies to deploy sufficient numbers belonging to the balance sheet, income statement and cash flow statement as well as for the analysis of those numbers. The failure of many of these companies to publish any information that may reflect the reality of financial and non-financial activity, legislation may be involved in the failure of companies, because companies find themselves obliged to disclose, except for financial disclosure required by the External Auditor. This study is consistent with Larbsh (2010), report that the interviewees remarked that: there is compliance with the mandatory requirements, such as Balance Sheet, Income Statement, and External Auditor Report, there is low compliance in other requirements of disclosure such as: Ownership Structure, Key Executives and their Remuneration, Cash Flow Statement, Directors' Report. Dardor (2009) argues that there are nine qualitative characteristics of useful information; it shows statistically significant increase in the mean ranking of predictive value, disclosure, faithful representation, confirmatory value, free from material error, prudence, neutrality, and consistency. Bribesh (2006) argues that the level of voluntary disclosure in published corporate annual reports is low compared with mandatory disclosure in Libyan companies.

These results suggest that the T&D available in the annual reports of Libyan financial companies are not enough in terms of quality to build the confidence of lenders and underwriters, to attract foreign and local investors, and reduce the asymmetry information and agency problems. Moreover, Libyan financial companies are in need of improving their T&D quality categories on ownership structure and investor right, and board and management structure and process. In addition, the subcategories of T&D, name of external audit, disclosures on auditors' report, audit fees and non-audit fees, are in need of improving.

Therefore, Libyan financial companies should increase their overall T&D practices which lead to better CG, largely because the disclosure practices of a company can be viewed as an efficient mechanism for the protection of the rights of outsiders. Black et al. (2006b) and Botosan (1997) argue that better CG leads to higher standards of T&D.

The research hypothesis regarding the statistically significant increase in S&P transparency and disclosure in Libyan financial companies' annual reports, through fiscal years from 2005 to 2008 (H_1) would be accepted (see Table 6.6). Table 6.6 show that sub-hypotheses for the first hypothesis can be accepted. These three sub-hypotheses relate to the T&D from the disclosure index ownership structure and investor rights, financial transparency and information disclosure, and board and management structure and process.

This study found that the level of T&D in Libya financial companies showed statistically significant increases during the four years. As such it lead to better performance and increased foreign direct investment. The level of T&D increased by 13% from 2005 to 2008, which generated a corresponding increases in foreign direct investment by 220% within the same period (AIECGC, 2008). This suggests that T&D greatly increases the level of foreign direct investment.

Generally, these results for the first hypothesis are consistent with previous study by Larbsh (2010). This lends support to the stock market that has improved the practice of CG in Libya. Aksu & Kosedag (2006) report that high T&D increases the company's performance and the market's access to both domestic and foreign investment and hence leads to greater levels of growth. In addition Chiang & Chia (2005) found that T&D had a significant relationship with operating performance.

Lang & Lundholm (1993) find that analyst scores of disclosure are significant with company performance. Chen et al (2007) argue that companies with lowly T&D practices have more economic costs of equity liquidity. Chi (2009) ascertain that high level of T&D practices leading to good corporate performance.

8.2.2 The Level of Transparency and Disclosure of Libyan Financial Companies Compared with Other Counties

Chapter six contained the empirical research results of this study. Here a discussion is carried out on the extent of T&D between Libyan financial institutions with those in other economies.

The second empirical research question: Do Libyan financial companies provide a low level of T&D in their annual reports compared to companies in other countries?

The T&D literature shows that a company's commitment to disclosure reduces information asymmetries between investors, which, in turn, increase the liquidity of the equity markets (Leuz & Verrecchia, 2000, 2005; Verrecchia, 2001). Also previous empirical studies suggest that disclosure or information quality metrics are negatively associated with the company's cost of capital, measuring the latter as the discount factor implied by market prices and forecasts of future cash flows (Botosan, 1997; Botosan & Plumlee, 2002; Francis, et al., 2003; Hail, 2003). Leuz and Verrecchia (2005) show that higher information quality will lower the cost of capital by affecting the market's allocation of capital.

This study shows that total T&D in annual reports of Libyan financial companies is low compared to that of companies in other countries around the world (see Section 6.4). All companies have higher levels of T&D than Libyan financial companies except for Latin American and Ukrainian companies (see Figure 6.1). Of the three categories, the first, level of T&D of ownership structure and investor rights was the weakest level (12%) in this comparison (see Figure 6.2). The second, level of financial transparency and information disclosure was the same (65%) as the Netherlands and better than for Italy, Spain, Asia-Pacific, Latin America, Emerging Asia, Ukraine and Russia (see Figure 6.3). The third, level of board and management structure and processes was low (30%); however, the aggregate level was better than for Latin America, Emerging Asia and Ukraine (see Figure 6.4). Better T&D practices can help shareholders to gain better understanding of the companies' management practices, thus, helping to reduce the information asymmetry encountered by investors. On the other hand, companies with poor T&D face more serious asymmetry of information. The study shows that the low level of T&D compared with companies in other countries has a negative effect on attracting foreign investors.

This study is consistent with Creane et al. (2004) in saying that the Libyan environment needs to improve its financial regulation and supervision, as well as its legal system, which are related to business, especially with respect to CG practices. Larbsh (2010) argues that enforcement of the legal system will remain a major challenge to developing the framework of CG in Libya. In this respect, Aksu (2006) found that the levels of S&P T&D scores in 2004 were significantly higher than those in 2003 and enhanced by the promulgation of a set of local CG principles in the Istanbul Stock Exchange. Bushman et al. (2004) argue that the governance transparency factor is primarily related to a country's legal regime, whereas the financial transparency factor is primarily related to political economies.

However, this finding may not be surprising; companies in more developed markets tend to have better T&D information than companies in less developed markets such as the Libyan market. Therefore, all competent authorities should be seeking to increase the level of T&D in Libyan listed companies, where a high level of T&D comparable with companies in other countries is more important for emerging markets such as Libya, because the emerging market is in dire need of external capital and increased foreign investment for their economy. In addition, a high level of T&D leads to improved investment efficiency and increased growth by alleviating information asymmetry between management and other stakeholders.

The research hypothesis regarding the Libyan financial companies have a low level of transparency and disclosure in their annual reports compared to companies in other countries (H_2) would be partial accepted (see Table 6.8). This study specifically cited an insufficient T&D related ownership structure and investor right, and board and management structure and process for Libyan financial companies as two major governance disclosure shortcomings.

Overall the results for the second hypothesis are consistent with previous studies, Magrus (2012) Libyan companies do not meet the requirements of T&D information.

8.2.3 Transparency and Disclosure Variations

Chapter six contained the empirical research results of this study. Here a discussion is carried out on the variations between companies in T&D practices.

The third empirical research question is: Do Libyan financial companies vary in their transparency and disclosure practices in their annual reports?

The Libyan financial companies have weaker rules and wider variations between companies in T&D practices (see Chapter 2). This study is consistent with Mallin & Jelic (2000) in saying that transition economies often have weaker rules and wider variations between companies in CG practices. Klapper and Love (2004) find that company-level CG and performance is lower in countries with weak legal environments, suggesting that improving the legal system should remain a priority for policymakers. Gupta, Nair, & Gogula (2003) found variations in the CG reporting practices in Indian companies. Ho & Wong (2001) report that there were large variations in voluntary disclosure practices among companies in Hong Kong. Collett & Hrasky (2005) found that the degree of T&D were varied from company to company.

In this study, the research hypothesis found that there are significant variations in Libyan financial companies T&D in their annual reports, (H_3) can be accepted and was found to be a significant positive.

Overall, these results for the third hypothesis are consistent with previous studies (Collett & Hrasky, 2005; Mallin & Jelic, 2000). This lends support to the transition economies often have weaker rules and wider variations from company to company-in T&D practices.

From the above (in Section 8.2) this study suggest that might the reasons about various of the level of T&D between categories and between subcategories, and weakness of T&D, and wider variations between companies in T&D practices as follows:

➢ Weaknesses in the T&D practice and quality of information might be ascribed to the absence of accountability in Libyan companies. In the index of Transparency International, Libya ranked 168 out of 183 countries in 2011. Gray, Owen, & Adams (1996) agree that increasing the level of accountability leads to more transparency.

- S&P T&D index questions were answered by Yes/No: if the company discloses information about the T&D related to the question, it receives one point or zero if it does not disclose the information. Some questions especially in the first subcategory "Transparency of ownership" are not relevant; for example, most Libyan companies do not have preferred stock. In addition, according to the Libyan Commercial Act, it is not binding to disclose most of the second subcategory, namely the one, three, five and ten top shareholders – it is only binding to disclose any shareholders owning more than 5%. Thus, companies not disclosing information about the question get zero. For this reason, many Libyan financial companies get low points for total T&D, especially in the first category "Ownership structure and investor rights". The researcher believes that in the case of adoption of the LSM as the index for CG, or developing a visual index of S&P T&D, as some other countries such as Russia, Taiwan and Thailand have done, the results obtained by Libya could be more realistic.
- The reason may be the size, its composition and the selection of experienced directors, because a study conducted in UAE by Adawi & Rwegasira in (2011) investigated that the main factors were size, composition and the selection of experienced directors, which increased the effectiveness of a corporate board in voluntarily promoting good practice in disclosure. In the annual report of Libyan financial companies there was no information that showed the foundation that has been on its impact on selection CEO and key of directors.
- This implies that the low levels of T&D affect company value in terms of investment opportunity. This may be because the lower the information in T&D, the higher the asymmetry of information between management and shareholder, and the higher the cost of capital. When companies have a higher cost of capital, their values are lower.
- Weaknesses in the T&D practice and quality of information might be ascribed to the absence of a comprehensive framework for CG, financial, accounting and auditing standards, the weakness of the Union of the business environment in Libya, and the inappropriateness of the curricula to the needs of the economy.

Larbsh (2010) in saying that the Libyan disclosure framework is quite weak; the reasons for the weakness in disclosure are the absence of the legal requirements for disclosure and the absence of accounting standards. Street and Bryant's (2000) findings reveal that the overall level of disclosure is higher for companies with US listings, and higher disclosure is associated with an accounting policy. Patel et al. (2002) find that the level of T&D of Indian companies improved by 8% points during the years 1998-2000, highlighting the positive effect of the new regulatory requirements on CG code. Bailey et al. (2006) find that the increased volume and volatility reactions around earnings announcements are concentrated in those that have voluntarily aligned their reporting with International Accounting Standards and in the cross-listing companies with greater transparency and disclosure. Financial markets are more developed in countries with strong investor protection laws. The first reason is that outsider investors have greater legal protection against expropriation by insiders, which reduces investment risk and should lead to higher equity valuation. The second reason is a more credible basis for contracting as a result of higher quality accounting and auditing, and less information asymmetry between insiders and outside investors (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2002). Kelton and Yang (2008) suggest that new regulatory guidance in CG leads to improved T&D by internet financial reports.

According to Levitt (2000):

> If a country does not have a reputation for strong CG practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. If a country opts for lax accounting and reporting standards, capital will flow elsewhere. All enterprises in that country – regardless of how steadfast a particular company's practices may be suffer the consequences.

According to Wong et al. (2010) where there is no corporate disclosure, and where there are realities of absence of legal norms or social norms towards corporate disclosure, there is a likelihood of insider trading, unless it falls under trade secrets or rules which result in market disorder by premature disclosure as set out in the stock market listing requirements. Brennan and Solomon (2008) argue that the CG variables are predicated to influence T&D. The variables also vary from external governance mechanisms in the form of legal systems for the country-level studies to internal mechanisms of CG relating to the board of directors, board independence, board committees, the quality of auditors, share ownership by directors and managers and ownership concentration among large shareholders. Renders, Gaeremynck and Sercu (2010) show that soft laws lead to companies improving their CG.

➢ Weaknesses in the T&D practices and quality of information might be ascribed to weak laws. La Porta et al. (1997), argue that legal environment-as described by both legal rules and their enforcement-matters for the size and extent of a country's capital markets. Because a good legal environment protects the potential financiers against expropriation by entrepreneurs, it raises their willingness to surrender funds in exchange for securities, and hence expands the scope of capital markets.

The legal system in Libya shows weakness; in Libyan law there is mandatory reporting such as income statement, balance sheet and audit report, but there are many important reports, for example, environmental policies disclosed report and quarterly financial statement, that this study found Libyan financial companies do not have, which impacts negatively on the level of T&D (see Section 7.3). Therefore, quarterly reports are important for impact T&D especially when reviewed by an external auditor. According to Khanna et al. (2004), China and Malaysia recently introduced mandatory quarterly reporting in their overhaul of governance and disclosure requirements. However, Fresard and Salva (2007) found that the legal constraints will improve not only governance, but also reputational bonding brought by increasing the market transparency. Therefore, T&D requirements in Libya must be reviewed regularly. However, Mashat et al. (2005) found that the legislation is viewed as the key source of establishing such responsibilities rather than professional guidelines related to reporting and disclosure of social and environmental policies in Libya. Elmogla (2009) reports that the banks made some social disclosure without the legal pressure. Therefore, the Commercial Law should include an article about the formality of the annual report. However, the Libyan government should augment their mandatory T&D requirements via enacting new laws and regulations.

➢ The other reason for weaknesses in the T&D practices in Libya listing companies might be that, the culture and knowledge have an impact on environmental disclosure. According to Bayoud et al. (2012a) 23% of managers in Libyan companies think that the company's reputation cannot be affected by environmental disclosure in the annual reports, for a number of reasons. First, financial disclosure is more interesting for some stakeholders. Second, stakeholders are not aware of the importance of environmental disclosure for the company and community, and its impact on a company's reputation. Most stakeholders (81%) believe that the level of community disclosure does affect a company's reputation. Third, the culture of stakeholders is considered one of the most important factors that can influence a company's reputation. However, Libya being a developing country, stakeholders are not aware of the importance of environmental disclosure for companies and the community, which could be a possible explanation for lack of environmental disclosure within Libyan companies. Magrus (2012) argues that weak investment awareness among investors was one of the biggest obstacles to CG practices in Libya.

- The other reason for low levels of T&D practices might be, the weak role of audit committees in Libyan listing companies. In a sample of this study, companies did not disclose information about the role of audit committee, for example the relationship with external and internal auditors. Barako et.al (2006a) and Ho & Wong (2001)found that the audit committee was a significant factor associated with level of disclosure.
- The other reason of weak T&D might be due to the absence of big audit companies in Libya. Fan & Wong, (2005) argue that external auditors play a CG role in East Asia. Aksu, Onder, & Saatcioglu (2007), Craswell and Taylor (1992) and Inchausti (1997) found a significant positive relationship Between T&D practices and type of audit company.
- The other reason is that foreign investment may be weak. Foreign investment in Libya is weak (see Subsection 2.3.5). Sueyoshi et al. (2010) find that foreign investment develops the operational performance in Japanese companies until the ratio of shares held by foreign shareholders becomes 19.49%. The low level of foreign investment, which might lead to weakness, is experienced by directors in Libyan companies. Adawi and Rwegasira (2011) find that increased effectiveness of a corporate board in voluntarily promoting good practice in disclosure depend on its size, its composition and the selection of experienced directors in the UAE companies. Xiao et al. (2004) find that foreign ownership is a significant determining factor for disclosures. Barako et al. (2006a) establish that the levels of institutional and foreign ownership have a significant positive impact on voluntary disclosures. Doaa, Jon and Khaled (2009) find that foreign listing has been a determinant of the amount and presentation formatting of information disclosed on Egyptian companies' websites. Mangena and Tauringana (2007) report that disclosure, audit committee independence, institutional share ownership and proportion of non-executive directors

are all positively and significantly associated with foreign share ownership. Also, they demonstrate that market capitalization, liquidity ratios and ROE are significantly associated with foreign share ownership. Bokpin and Isshaq (2009) show that there is a statistically significant interaction between corporate disclosures and foreign share ownership on the Ghana Stock Exchange. Younas et al. (2011) suggest that disclosure on financial information transparency disclosures and ownership structure of the company are more significant disclosures of corporate policy, which bring the default risk/lower credit rating. Alfergani (2010) proposes that the Libyan policy environment is still a hindrance to attracting foreign direct investment. Ullmann (1985) suggests that disclosure is affected by political factors which grant shareholders power.

➢ In addition, the shares of Libyan companies are not traded in the international stock market, which is one determining factor of weak T&D. According to Zhou et al. (2011), companies have to be subject to more stringent local laws and market regulations in the foreign stock market, which will improve external CG. Subramanian and Reddy (2010) report that when a company gets cross-listed in a foreign market, it has to follow the disclosure norms of the host country depending upon the type of depository receipts. The stock markets in developed countries usually have more T&D requirements in those developed markets that are typically more demanding. Thus the companies listed in the foreign stock markets have more T&D than is mandatory in the domestic capital market. Cooke (1992) finds that multiple listed corporations disclose more information in their annual reports than corporations listed only on one stock market. Multiple listed corporations are much more in the public eye than other corporations are; pressures for adequate levels of disclosure are placed upon them by investors and their agents and other users. Shen and Cannella (2002) suggest that, listing on a more stringent stock market, the expected cost of capital will reduce which will result in corporate premiums and strong investor protection, and thus improve company performance. However, Broberg et al. (2010) found that international listing and foreign ownership have a positive effect on the content of information in voluntary disclosures.

Therefore, any CG system will be the result of the interplay of political, legal, economic, historical and cultural factors. To entrench CG principle and good practices, stringent legislation and regulation alone are not sufficient. It has to be a combination of a strong culture of ethics, honesty and good sense, based on the principles of trust, transparency, accountability and fairness.

Finally, the results of this study can be useful for the investment community to assist in gauging the level of T&D of listed Libyan companies.

8.3 Corporate Characteristics and the Level of Transparency and Disclosure

Previous studies have shown that there is also considerable within-country variation in T&D driven by company characteristics. Doidge et al. (2007), use three indices: S&P T&D, Institutional Shareholder Services governance scores, and Credit Lyonnais Securities Asia CG; they find that company characteristics such as asset size, investment opportunities, and ownership matter more for companies from developing countries that have access to global markets.

The purpose of this study has been to investigate the levels of T&D among the characteristics of CG. The S&P T&D index was developed to measure T&D quality. Six research questions (4, 5, 6, 7, 8 and 9) examine the association between company characteristics and T&D.

This study measured the association between six company characteristics and the level of quality of T&D. The six company characteristics are represented by listing status (listed or unlisted in LSM), ownership structure (public and private sector), company size (total assets), and age of the company (years), industry type (bank and insurance) and audit peer review (have and have not). In the subsection (6.6), the study examined whether there is a statistically significant increase between the level of T&D and the company characteristics, using statistical analysis. The investigation of the association between company characteristics and the level of T&D extends and confirms our understanding of those factors affecting variability in the level of T&D. The study found a statistically significant increase association between T&D levels and each of the above variables, except company size.

The six corporate characteristics were measured as follows:

8.3.1 The Level of Transparency and Disclosure of Libyan Financial Companies Listed and Unlisted In the Libya Stock Market

The result of the listed and unlisted Libyan companies as shown in chapter six of this study is discussed in this subsection as it relates to the relationship between listing status of the company against T&D. Turgut (2009) argues that listing status is one of the most important company characteristics of Turkish companies affecting their compliance with the EU disclosure requirements.

Cooke (1989a) who claims that companies listed in the stock market disclose more information than those not listed. Cooke (1993) found that Japanese companies' disclosure in the Commercial Code accounts for companies unlisted and domestically listed is very limited, being restricted in the main to mandatory items. Bremer (2012) found that listed companies in the Egyptian Stock Exchange provided better disclosure of key governance. Qu and Leung (2006) found that information relating to employees' issues and stakeholder interest are found to be more frequently disclosed by listed companies than those that were regarded as sensitive in their annual report. Zhou et al. (2011) suggest that cross-listing will develop internationalization of capital in financing and improve CG structure and corporate performance. Wojcik et al. (2004) show that companies cross-listed in the US have higher CG ratings disclosure, and board structure and function. Lang et al. (2003) show that companies cross-listed on the US stock market have a broader coverage of analysts and higher forecast accuracy. Hail and Leuz (2006) find that cross-listing can reduce the cost of capital.

The fourth EQ is stated as follows: Do companies listed in the Libyan Stock Market provide more T&D in their annual reports than companies not listed?

The S&P T&D index was developed to measure T&D level. The research question (EQ4) examines the association between listing status and T&D.

The research set out to examine whether the extent of T&D by Libyan financial companies in their annual reports, which are published domestically, is associated with whether or not they are listed in the stock market. It was found that both groups listed and unlisted in LSM showed a strong statistically significant increase in total T&D (see Subsection 6.5.1), but T&D in companies LLSM was higher than NLLSM, 42% and 35% in 2008 respectively, and both groups showed a statistically significant increase for all pair years.

At the level of T&D for the three categories: a strong statistically significant increase for ownership structure and investor rights of both groups and companies LLSM showed a statistically significant increase for one pair years; financial transparency and information disclosure, and board and management structure and process, showed a strong statistically significant increase in both groups, while companies LLSM showed a statistically significant increase for two categories (2 out of 3 pairs) and NLLSM (3 out of 3 pairs).

At the level of T&D for the twelve subcategories: companies LLSM and NLLSM had a significantly different increase by 7 out of 12 and 9 out of 12 subcategories, respectively, for four years, and showed statistically significant increase for some pair years.

Therefore, this study found that listed companies in the LSM provided better T&D of key CG related information, although on average, it was still found to be lagging behind international standards. The results of this study include statistically significant increase findings that are consistent with many former studies, such as Cerf (1961), Singhvi and Desai (1971), Firth (1979), Malone et al. (1993) and Hossain et al. (1994).

It is worth noting that those companies listed in the LSM are much more in the public eye than other companies are; thus, pressures for adequate levels of T&D are placed upon them by investors, their agents and other stockholders. The study finding also provides some implications for listed companies about the importance for CG of T&D. Improving T&D eventually leads to better CG and can reduce asymmetric information between management and shareholders, thus leading to higher company value.

The research hypothesis regarding the companies listed in the Libyan Stock Market provide more T&D in their annual reports than companies not listed, (H_4) is totally accepted (see Table 6.14). Table 6.14 show that sub-hypotheses for the fourth hypothesis can be accepted. These three sub-hypotheses relate to the T&D from the disclosure index ownership structure and investor rights, financial transparency and information disclosure, and board and management structure and processes.

Based on the results, the fourth hypothesis is consistent with previous studies (Bremer, 2012; Cerf, 1961; Cooke, 1989a; Firth, 1979; Hossain, et al., 1994; Malone, et al., 1993; Singhvi & Desai, 1971). This lends support to companies listed in the stock market disclose more information than those not listed.

8.3.2 The Level of Transparency and Disclosure in Libyan Financial Companies and Companies Ownership

The result of companies' ownership as shown in chapter six of this study is discussed in this subsection as it relates to the relationship between ownership of the company associated to T&D.

The fifth EQ is stated as follows: Do public financial companies provide more T&D in their annual reports than private "individual" companies?

The S&P T&D index was developed to measure T&D level. The research question (EQ5) investigates the association between ownership structure and T&D (see Subsection 6.5.2).

The research set out to investigate whether the extent of T&D by Libyan financial companies in their annual reports which are published domestically, is associated with ownership structure (public and private). This study found that both groups, public and private showed a statistically significant increase in total T&D (see Table 6.15), while the level of T&D for the public group was 38% in 2008, with 37% for the private group. Furthermore, both groups showed statistically significant increase for all pair years.

The level of T&D for all three categories found that: ownership structure and investor rights, financial transparency and information disclosure, and board and management structure and process were significantly different for both groups; public sector had a statistically significant increase for most two pair years.

At the level of T&D for the twelve subcategories: the public and private sectors showed a statistically significant increase for 9 out of 12 and 6 out of 12 subcategories respectively, over four years, and a statistically significant increase for some pair years.

From the annual report, this study found that public sector companies are subject to supervision from the Superintendents of the Finance and Administrative Control

Authority. The external auditor's report is subject to review under the supervision of the Superintendents of Finance. The supervision might bring about an improvement to the level of T&D. Additionally, there is a higher number of shareholders in the public sector than in the private sector; for example, the number of shareholders in Aljmhorya Bank is 7,123, whereas in Alsraia Bank it is 2,530. A previous study by Cerf (1961) argues that there is a positive association between disclosure scores and number of shareholders. Also Cooke (1989c) find that the number of shareholders is more likely to explain the variability in voluntary disclosure indexes. Ferguson et al. (2002) find that the company State-owned People's Republic of China has more significant disclosure than other companies listed in Stock Exchange of Hong Kong. Eng and Mak (2003) find that lower managerial ownership and significant government ownership was associated with increased disclosure.

Nevertheless, the research hypothesis regarding Public financial companies provide more T&D in their annual reports than private "individual" companies (H_5) can be accepted (see Table 6.19). Table 6.19 show that sub-hypotheses for the fifth hypothesis can be accepted. These three sub-hypotheses relate to the T&D from the disclosure index ownership structure and investor rights, financial transparency and information disclosure, and board and management structure and processes

In a nutshell, these results for the fifth hypothesis are consistent with previous study Ferguson et al (2002) company State-owned People's Republic has significantly more T&D than other companies.

8.3.3 The Level of Transparency and Disclosure in Libyan Financial Companies and Companies' Size

The result of the companies size as shown in chapter six of this study is discussed in this subsection as it relates to the relationship between the company sizes associated to T&D.

The sixth EQ is stated as follows: Do companies with greater total assets provide more T&D in their annual reports than those with fewer total assets?

The S&P T&D index was developed to measure T&D level. The research question (EQ6) examines the association between companies' size and T&D. This study finds that small companies are more likely to disclose more information to the users of their annual reports (see Subsection 6.6.3).

In this study, total assets measure corporate size. At the first level: two groups, small and middle size found statistically significant increase, whereas there was no statistically significant increase for large companies; small companies all pair years showed statistically significant increase, while for middle-size companies almost all pair years showed statistically significant increase, but for the pair years 05–06 no statistically significant increase was shown (see Table 6.20).

At the second level: the category ownership structure and investor rights only small companies' size showed a statistically significant increase, and a statistically significant increase for two pair years – 05–07 and 06–07; small and middle companies' size showed a statistically significant increase for two categories – financial transparency and information disclosure, and board and management structure and process – over four years, and for most of the pair years.

At the third level of twelve subcategories, the empirical evidence based on the four statistical analyses indicates that the small companies showed a statistically significant increase for seven subcategories, the middle companies for five subcategories, and the large companies for only one subcategory over the four years.

Agency theory predicts that larger companies will disclose more information in their accounts to alleviate the potential for wealth transfers from suppliers of outside capital to managers. However, it would be expected that "high level T&D" would have to be found to be associated with company size, which is not in keeping with agency theory and many other T&D researches (e.g., Cerf, 1961; Cooke, 1992; Haniffa, 1999; Hossain, 2008b; Ismail & Ibrahim, 2012; McFie, 2006; Singhvi, 1968a).

On the other hand, some studies found that there was no association between companies' size and T&D (e.g., Salamon & Dhaliwal, 1980; Saudagaran, 1988; Sepideh, Gin, & Ewere, 2007; Singhvi & Desai, 1971; Zarzeski, 1996b)measured company size by total assets and market values of equity shares, and present evidence suggests that the direct cost of complying with the US SECS 10-K filing requirements is relatively less for large companies than for small companies. Thus, this could imply a tendency for larger companies to disclose more than their smaller counterparts are able to.

Therefore, small companies tend to provide high levels of T&D information. The results of this study provide evidence that does not support the general belief of the association between larger companies and T&D level. In addition, there is evidence that small companies are likely to improve their T&D annual reports which they seek to have listed in the LSM.

In this study, the hypothesis regarding the companies with greater total assets provide more T&D in their annual reports than those with fewer total assets (H_6) would be rejected (see Table 6.24).

Generally, the results of this study are consistent with (e.g., Ahmed & Nicholls, 1994; Kang & Kim, 2011; Malone, et al., 1993; McNally, et al., 1982). Furthermore, Zubek & Lovegrove (2009) found that the size of company does not influence the practice of human resource disclosure in the Libyan oil industry.

8.3.4 The Level of Transparency and Disclosure in Libyan Financial Companies, and Age of Company

The result of the companies' age as shown in chapter six of this study is discussed in this subsection as it relates to the relationship between ages of the company associated to T&D.

The seventh EQ is stated as follows: Do older financial companies provide more T&D in their annual reports than younger companies?

The S&P T&D index is developed to measure T&D level. The research question (EQ7) examines the association between listing age and T&D. The study shows that statistical analyses found all groups to have a statistically significant increase; it seems that company age does not clearly explain the variation of T&D level among Libyan financial companies (see Subsection 6.6.4).

This study measured the age by number of years established. At the first level, found that: there was statistically significant increase in T&D for the three groups – younger, medium and older; for the older age all pair years showed statistically significant increase, and for the other two groups almost all pair years were significantly different, but for the pair years, 05–06 there was no statistically significant increase.

At the second level, this study showed that: for the category ownership structure and investor rights only the younger age showed a statistically significant increase during the four years, and for two pair years, 05–07 and 05–08; three groups showed a statistically significant increase for two categories – financial transparency and information disclosure, and board and management structure and process – for the four years, and most of the pair years.

At the third level of twelve subcategories, this study found that the younger age showed a statistically significant increase for four subcategories, the medium age for three subcategories, while the older age for seven subcategories out of twelve over the four years.

The results of different analyses that relate T&D among Libyan financial companies are presented. The results do not support prior studies which found that age does play an important role in determining the degree of T&D by the companies (e.g., Owusu-Ansah, (1998); Khalid, (2006) Hossain, (2008b). Bayoud et al. (2012b) demonstrate that total social and environmental disclosure has significantly correlated with company age in Libya. On the other hand, Barton and Waymire (2004), Alsaeed (2005) and McFie (2006) suggest that there is no significant association between age of the companies and T&D level. However, it is not possible within the limits of this study to reach a conclusion on whether newly established financial companies are more transparent and disclose more information or are more compliant than long-established financial institutions.

In this study the hypothesis regarding the older financial companies provide more T&D in their annual reports than younger companies (H_7) would be rejected (see Table 6.29).

In a nutshell, the results of this study are consistent with (e.g., Alsaeed, 2005; Barton & Waymire, 2004; Bhuiyan & Biswas, 2007; McFie, 2006) they found that age does not play an important role in determining the degree of T&D by the companies.

8.3.5 The Level of Transparency and Disclosure in Libyan Financial Companies, and Type of Industry

The result of the type of industry as shown in chapter six of this study is discussed in this subsection as it relates to the relationship between types of industry associated to T&D.

The eighth EQ is stated as follows: Does the banking sector provide more T&D in their annual reports than the insurance sector?

The S&P T&D index was developed to measure T&D level. The empirical research question (EQ8) examines the association between type of industry and T&D. In general, it appears that the Libyan bank sector discloses more information than the insurance sector (see Subsection 6.6.5).

The research set out to examine whether the extent of T&D by Libyan financial companies in their annual reports that are published domestically is associated with industry type. The finding in this study showed that: groups, bank and insurance sectors, showed a statistically significant increase in total T&D. However, the level of T&D of the bank sector gave more information than insurance sector – 41% and 34% in 2008 respectively; the bank sector showed statistically significant increase for all pair years, and the insurance sector showed statistically significant increase for most pair years.

For the level of T&D of all the three categories, this study found that: ownership structure and investor rights, financial transparency and information disclosure, and board and management structure and process showed a significantly different increase for both groups, and the bank sector had a significantly different increase for most of the pair years.

At the third level of twelve subcategories, this study found that the bank and insurance sector showed a statistically significant increase for 9 out of 12 and 4 out of 12 subcategories, respectively, for the four years, and a significantly different increase for some pair years.

To summarise the guidelines for the best T&D practice for each industry, which may help to reduce variation in T&D, the government drew up the Bank Act No.1/2005. For instance, the Central Bank of Libya set the control and supervision of banks, including disclosure rules data to be disseminated, and how to publish them.

The level of T&D in the banking sector was higher than for insurance, the level of transparency disclosure in the banking sector had a statistically significant increase at a level of 0.05 for overall T&D and three categories during the four years.

Unfortunately, the law of insurance company's No. 3 of 2005 did not address the rules of CG to increase the level of transparency disclosure in the insurance sector or adopt the recommendations of one of the international standard/ committees/ index, but only the provisions of Libyan Commercial Law in this regard.

However, Mashat et al. (2005) report that the legislation is viewed as the key source of establishing such responsibilities, more than professional guidelines related to disclosure and reporting in Libyan companies. Therefore, new and revised laws, updated rules and increased regulations have been the outcome of the push for CG to increase T&D in the Libyan banking sector. This study suggests that companies do not disclose more T&D than that which is minimally required by the regulations.

However, Bayoud et al. (2012b) demonstrate that total social and environmental disclosure significantly correlate with type of industry in Libya. In particular, the conclusion of this study concurs with the findings of, for example Stanga (1976), Cooke and Wallace (1989), Cooke (1992), Wallace and Naser (1995), Soh (1996) and Haniffa (1999).

Furthermore, the research hypothesis which regards the banking sector provides more T&D in their annual reports than the insurance sector (H_8) is accepted (see Table 6.34). Table 6.34 show that sub-hypotheses for the eighth hypothesis can be accepted. These three sub-hypotheses relate to the T&D from the disclosure index ownership structure and investor rights, financial transparency and information disclosure, and board and management structure and process.

Generally, these results for the eighth hypothesis are consistent with previous studies (Cooke, 1989c; Inchausti, 1997; Stanga, 1976). This supports that the type of industry has an effect on the level of disclosure.

8.3.6 The Level of Transparency and Disclosure of Libyan Financial Companies that Have Audit Peer Review and Those that do not

The result of the audit peer review as shown in chapter six of this study is discussed in this subsection as it relates to the relationship between audit peer reviews associated to T&D.

The ninth EQ is stated as follows: Are companies that have audit peer review more likely to provide T&D information than companies that do not have audit peer review?

The S&P T&D index was developed to measure T&D level. The empirical research question (EQ9) examines the association between companies' audit peer review and T&D. In general, it appears that the companies that have audit peer review disclose more information than those that do not, although the overall T&D in companies that have audit peer review had a stronger statistically significant increase at the level of 0.05 than those that did not (see Subsection 6.6.6).

The finding in this study showed that: both groups' were a statistically significant increase in total T&D, but the level of T&D of the companies that have audit peer review gave more information than companies that do not have– 39% and 36% in 2008, respectively; and companies that have audit peer review showed statistically significant increase for all pair years.

For the level of T&D of all three categories found that: companies that have audit peer review had a strong statistically significant increase at the level of 0.05 with three categories.

At the third level of twelve subcategories, this study found that the companies have audit peer review and do not have statistically significant increases for 10 out of 12 and 5 out of 12 subcategories, respectively, for the four.

Payne (1995) discovered that in markets which tend to rely excessively on costs, the information provided by the One-year audit peer review process was seen to have led to a drop in the problem of information asymmetry with regards to audit quality that increased the quality of audits provided in the market. The finding in this study are confirmed with document considered by the OECD (2009) "The peer reviews will be designed to encourage transparency".

However, it is clear to see from this study that the companies that have audit peer review had greater increased statistically significant T&D than the companies that do not have audit peer review.

The result in this study found that the audit peer review has an effect on the level of T&D in Libyan financial companies. The hypothesis in this case the Companies that have audit peer review are more likely to provide T&D information in their annual reports than companies that do not have audit peer review (H_9) would be accepted (see Table 6.39). Table 6.39 show that sub-hypotheses for the ninth hypothesis can be accepted. These three sub-hypotheses relate to the T&D from the disclosure index ownership structure and investor rights, financial transparency and information disclosure, and board and management structure and process.

8.4 The Relationship between Transparency and Disclosure Practices and Companies' Financial Performance

The result of the relationship between T&D practices and financial performance as shown in chapter seven of this study is discussed in this subsection indicating comparison between T&D practices and companies' financial performance. The T&D practices are comprised of 14 disclosure and transparency-based measures. The financial performance is constructed by three accounting-based measures (ROCE, ROE and ROA). This study aims to answer EQ10 and test the tenth hypothesis using correlation statistics (Pearson's parametric).

The tenth EQ is stated as follows: Is there a relationship between T&D practices, and financial performance? This question is further broken down into the following sub-questions:

EQ10.1- Is there a relationship between T&D practices, and ROCE?

EQ10.2- Is there a relationship between T&D practices, and ROE?

EQ10.3- Is there a relationship between T&D practices, and ROA?

Most countries generally agree on the need for directors to disclose their own relevant interests and to disclose financial performance in an annual report to shareholders. T&D practices followed by companies are important components and one of the main indicators of the quality of CG (Bokpin & Isshaq, 2009). The purpose of this study has been to investigate whether there is a relationship between T&D

practices and financial performance. The statistical test used to test the relationship between the two variables is Pearson's Parametric test of correlation analysis.

In general, this study shows that the statistics from the Pearson parametric correlation tests indicate that some T&D practices are significantly related on financial performance.

The first statistical Pearson parametric correlation tests found significant positive correlation between four T&D variables and ROCE: MSOVR ($r = .455$, $p = .022$); BMKER ($r = .417$, $p = .038$); MFRF ($r = .467$, $p = .019$); and CGF ($r = .519$, $p = .008$) at the significant level of 5%.

The second statistical Pearson parametric correlation tests showed that there was positive correlation between two T&D variables and ROE: MSOVR ($r = .587$, $p = .002$); and MFRF ($r = .509$, $p = .009$) at the significant level of 5%.

The third statistical Pearson parametric correlation tests showed there was positive correlation between three T&D variables and ROA at the significant level of 5%: MFRF ($r = .399$, $p = .048$); GSP ($r = .427$, $p = .033$); and CGF ($r = .445$, $p = .026$).

However, this study finds mixed results between T&D practices and three variables of financial performance (ROCE, ROE and ROA).

Prior studies find a positive and significant relation between disclosure and financial performance (e.g., Aksu & Kosedag, 2005; Bai, et al., 2004; Callahan & Smith, 2004; Chen, et al., 2004; Cheung, et al., 2010; Jiamsagul, 2007; Jiao, 2011; Judge, et al., 2003; Klapper & Love, 2004; Li & Tang, 2007; Rogers, 2008; Xu, et al., 2009). On the other hand, Lang and Lundholm (1993) find that the relationship between the profitability performance and extent of company disclosure is unclear. Also previous studies found a negative significant relationship between the extent of disclosure and financial performance (e.g., Camfferman & Cooke, 2002; Haat, et al., 2008; Huang, et al., 2011).

Therefore, the findings of the previous research on the relationship between T&D and company performance are mixed. The mixed findings of empirical evidence indicate that further evidence is needed on a number of issues. Differences in findings might arise from laws and regulations, CG regimes, markets, research methodology and design. According to Jerab (2011) whether better CG causes higher company performance still remains a valid research question for reasons such as ambiguity regarding the direction of causality. However, this study finds evidence of a relationship between some variables of T&D practices and ROCE, ROE and ROA, which is consistent with previous studies.

Several T&D variables (fourteen) have been hypothesized, and some found to have a positive significant or non significant relationship with three variables of company financial performance. Nevertheless, the research hypothesis regarding this found there is a relationship between T&D practices and financial performance, as measured by ROCE, ROE and ROA (H_{10}) can be limited accepted. Only $H_{10.6}$can be fully accepted, $H_{10.3}$ and $H_{10.14}$ partly accepted, and $H_{10.4}$ and H $_{10.8}$ limited accepted. While the other remaining sub-hypotheses would be rejected (see Table 7.5).

From the above (in Section 8.4) this study suggests that might the reasons about not significant relationships between the most of variables of T&D and company financial performance as follows:

- The reason might be that Libyan commercial law is weaker. According to Libyan commercial law, in Article 572, businesses are obliged to prepare their balance sheet and income statement. This study finds that 24% of Libyan financial companies have not included their annual report dividend data report (see Section 7.3).
- The reason might be the weakness of the CG, corporate environmental disclosure, and accounting policy in Libyan companies. Strong CG enables the enhanced oversight of managerial activities, and effective monitoring and penalising capabilities. In addition, accounting policy can affect both risk management and risk disclosure choices (Papa, 2010). Zhongfu, Jianhui and Pinglin (2011) show that environment information disclosure has a positive effect on the Tobin's Q of economic performance. Bayoud et al. (2012b) find that there is a significant and positive relationship between total environmental disclosure and financial performance specific with ROA, ROE and revenue. On the other hand, Dragomir (2009) shows that no association is found between environmental disclosure and contemporaneous company financial performance as measured by ROA, ROE, Share Returns, Tobin's Q, Leverage, and Earnings Per Share. However, Ahmad (2004) shows that in Libya corporate environmental disclosure has not been developed yet.
- The reason might be the low investor protection rights in Libya; for example, García-Meca and Sánchez-Ballesta (2010) find that in countries with high investor

protection rights only, board independence and voluntary disclosure have a positive association.

- The reason might be the very weak T&D in ownership structure and investor rights in Libyan financial companies. However, this study finds that by S&P T&D (see Table 6.1 Pa. B) the level of category T&D in ownership structure and investor rights was 12% in 2008, and subcategory concentration of ownership was 15% in 2008 (see Table 6.1 Pa. B2), the subcategory voting and shareholder meeting procedures was lowest of the 12 subcategories at 4% in 2008. The other reason is that block ownership may be higher. Htay et al. (2012) found that lower institutional and lower block ownership (5%) have higher social and environmental information disclosure.
- The reason might be that, this study finds that the annual report in Libyan financial companies is poor regarding employees' information. The questionnaire in this study (part 3 Section 1 Q1) asked about the company's annual report. The finding is that some companies do not have a special employees' report in their annual report, but the information is available in the general annual reports.
- The reason might be the weakness of the CG structures in Libyan financial companies. However, stringent CG structures can lead to higher levels and quality of T&D (Papa, 2010). Chang and Sun (2010) show that the information role of accounting earnings increases after the mandated disclosure of CG structures, which has strengthened the link between financial reporting and CG.
- The reason might be that, the Union of Accountants and Auditors in Libya must adopt the accounting and auditing standard relevant to the Libya environment. Hove (1986) contends that accountants in developing countries must be made aware of the fact that accounting practised in developed countries might not be relevant to their environment.
- The reason might be that, the level of T&D in information disclosure and financial transparency was the best category between three categories, but the level of T&D in subcategories of information on auditors was the lowest level between five subcategories in Libyan financial companies (see Table 6.1 Pa. C). One of the most important roles of the audit committee is helping the board to meet its statutory and fiduciary responsibilities by improving the relation between the board and the internal and external auditors. Also, audit committees should improve the credibility of

financial statements that benefit stakeholders and users of the information, and quality of the financial management of the company and hence its performance through improving the internal governance mechanism.

➢ This may be due to the lack of effective audit committees; this study found that most annual reports do not include the Auditing Committee reports. Article 22 from Law No. 21 states *"...the functions of the Audit Committee to report to the General Assembly of Shareholders, and shall be sent to the General People's Committee for the economy mirror images of the minutes of its meetings and reports, during the week of the date of signature"*. In addition, through the annual reports it is not clear that the audit committees had any role in commissioning, isolating or paying an external auditor, including non-audit services provided by the auditor to the company, or monitoring internal audit activities.

➢ The reason might be that, in this study the relationships between disclosure of annual external audit, external audit, and external auditors accountable to shareholders and financial performance are not significant in Libyan financial companies. In addition, El-Firjani (2010) shows that the external auditors in Libya had no significant influence on the adoption of International Accounting Standards.

The finding in this study (8.3.4.10, 11, and 12) differs from that which has been emphasised in the recent literature. The reason might be the absence of binding accounting and auditing standards applicable in Libya. In addition, data collected for the study of accounting and audit companies were from small and local companies.

Mitton (2002) suggests that the quality of audit is also one aspect of good CG; it is expected that companies which are audited by one of the Big Four audit companies will have better market performance as well as greater transparency than Non-Big Four audit companies. According to Shareia (2010) three of the Big Four international accounting companies (Price Waterhouse and Coopers, 2010; Ernst and Young, 2010; Deloitte, 2010; and KPMG, 2010) have established a presence in Libya since its economy has opened up, a development that will drive Libya's accounting and auditing profession further towards a Western model, typified by the US and UK influence already identified. On the other hand, Chan et al. (2011), found no significant difference in company performance measure by ROA among two difference types of auditor changes when looking at auditor changes between and among Big Four and non-Big Four audit companies.

➢ The reason might be that there is weakness of company performance. The delay period for Libyan companies to publish their annual reports is far too long. Dardor (2009) shows that Libyan companies take an average of 155 days to publish their annual reports. The maximum is 384 days and the minimum is 78 days. Begley & Fischer (1998), Chambers and Penman (1984), and Haw, In-Mu, Qi, Daqing, & Wu (2000) found that good news companies release their annual reports earlier than bad news companies, and loss companies release their annual reports the latest.

➢ Finally T&D might affect market based measures more than accounting based measures of financial performance.

However, the findings of this study are mixed and limited for supporting agency theory.

8.5 The Impact of Transparency and Disclosure Practices on Financial Performance

EQ11- Which of the independent variables (T&D practices) has the most impact on the dependent variable (financial performance)?

One of the purposes of this thesis is to explore the impact of T&D practices on company financial performance. In fact, and as has been reviewed in subsection 3.5 of chapter three, a considerable number of studies document a significant impact of CG structures on financial performance.

This study carries forward CG research as a measure by T&D practices that explores the impact of independent variables such as share ownership and voting right, material foreseeable risk factors, governance structures and policies, and CG framework; and various dependent variables such as financial performance.

This study uses a multiple linear regression technique that is concerned with determining a statistical model between a given *dependent variable* (financial performance) and a set of predictor *independent variables* (CG T&D practices); the simple model is based on the forward selection method.

This study answered the EQ11 and tested the eleven hypothesis using regression statistics (multiple linear). The study shows that the independent variable CGF had the most impact on the dependent variables ROCE and ROA (p=.008 and p=.026 respectively). Furthermore, major share ownership and voting right had the most impact on ROE (p=.002).

The reason might be that the Libyan economic transaction to a market economy and the fact that the LSM has been established less than four years. Another reason may be that the historical Libyan culture of CG is poor. The first publication of the article covered the practice of CG in the bank sector in 2005. Jerab (2011) finds that CG affects company performance highly in the medium- to long-term runs but in the short term company performance does not necessarily depend on CG.

Finally, the results of this study also support that T&D of the CGF is one of the most important indicators for evaluating company financial performance.

The research hypothesis regarding that there are variables of T&D practices have the most impact on company financial performance "ROCE, ROE and ROA" (H_{11}) can be partly accepted, therefore only sub-hypothesis $H_{11.14}$ can be partly accepted and $H_{11.3}$ limited accepted. While the other remaining sub-hypotheses would be rejected (see Table 7.9).

8.6 Summary and Conclusion

This chapter has focused on discussing the empirical results regarding, first, the extent of T&D in Libyan financial companies; second, the level of T&D associated with special companies' characteristics; third, the relationship between T&D practices and companies financial performance. This chapter has discussed the findings of this study (chapters 6 and 7) with respect to the research aims.

There has been little research relating CG attributes specifically for Libya. To the best of our knowledge, no prior empirical studies have examined the extent of T&D in Libyan companies, and there is a need for more evidence concerning T&D. This study used Libyan financial companies' data to determine: whether companies are more likely to offer high T&D, to have a level of T&D comparable with companies in other countries, and whether there are variations between companies in T&D practices in their annual reports; a level of T&D related to corporate characteristics; and a T&D practices association with financial performance.

The results show first that the level of T&D in companies' annual reports was low, especially ownership structure and investor rights, which was very low, compared to companies in other countries. In addition, this study found that the levels of T&D in Libyan financial companies increased. Therefore, the first main conclusion of this study is that T&D levels improved during the emerging of the Libyan Stock Market. The second main conclusion of this study is that the level of T&D is very low in Libyan financial companies.

Second, the results of the company characteristics had uneven statistically significant increase in T&D between all groups except the characteristics of company size: the large size of companies measured by total assets shows no statistically significant increase level of T&D during the four years. However, the companies LLSM had a higher level of T&D than companies NLLSM, the public sector had higher T&D than the private sector, small companies had more T&D than middle size companies, younger companies had more T&D than medium and older companies, the banking sector had more T&D than the insurance sector, and companies that have audit peer review had more T&D than companies without audit peer review. Further, in an effort to examine the effect of company characteristics on transparency and disclosure, the study revealed that listed status, ownership structure, type of industry, and audit peer review were found to be significantly increase associated with the level of transparency and disclosure. The other remaining company characteristics (size and age) were found not to be significantly associated with the level of T&D.

Third, the Pearson correlation analysis showed that there was a relationship between first financial performance (ROCE) and the following independent variables:

- Major share ownership and voting right,
- Board members, key executives and their remuneration,
- Material foreseeable risk factors, and
- Corporate governance framework.

Furthermore, there was a relationship between second financial performance (ROE) and the following independent variables:

- Major share ownership and voting right, and
- Material foreseeable risk factors.

In addition, there was a relationship between third financial performance (ROA) and the following independent variables:

- Material foreseeable risk factors,
- Governance structures and policies, and
- Corporate governance framework.

Therefore, the fourth main conclusion of this study is that some CG T&D has a relationship with financial performance (ROCE, ROE and ROA).

Fourth, the multiple linear regression technique (forward selection method) showed that the corporate governance framework (independent variable) had the most impact on ROEC and ROA (dependent variables), while major share ownership and voting right (independent variable) had the most impact on ROE (dependent variable).

The next chapter will provide the conclusions of the research. Specifically, it will provide an overview of this study, summary research methodology, aim and objective, policy implications, contribution, recommendation, limitations, and potential avenues for further studies and conclusion.

Chapter 9 Conclusion, Contributions, and Recommendations

9.1 Introduction

The study presented in chapter 2 looked at the case of the Libyan economy as it relates to regulations and compliance among the financial institutions. The literature review in this study was presented in chapter 3. The empirical study and the developed hypotheses were presented in chapter 4. The research methodology was discussed in chapter 5. The data on T&D as collected by S&P was examined using four statistical techniques in chapter 6. The data collected by questionnaire was examined using two statistical techniques, and a report of the results presented in chapter 7. In chapter 8 the key findings of the current study were discussed.

The results in chapter six showed that, there are statistically significant increase of T&D associated since emergence LSM, but it still low compared with companies in other countries, and the degree of T&D were varied from company to company.

The results of the different analyses that relate T&D and company characteristics as presented in chapter six are, overall, mixed. There are statistically significant increases of T&D associated with company characteristics: listed status, ownership structure, age, type of industry and audit peer review.

In addition, the empirical research focuses on the relationship between T&D and company performance as presented in chapter seven. This study examined the relationship between T&D practices as measured by 14 variables and financial performance. The measures of company performance used in the research are ROCE, ROE, and ROA. This study finds that there is a relationship between four T&D variables and ROCE; two T&D variables and ROE; and three T&D variables and ROA. In addition, this study also looked at the possibility that the independent variable "T&D practices" has the most impact on the dependent variable "financial performance". Finally, this study finds that the variable CGF had the most impact on ROCE and ROA, and the variable major share ownership and voting right had the most impact on ROE.

This chapter summarises and discusses the overall results of the study. The overview of this study is in section 9.2. Section 9.3 presents the aims and objectives.

The summary of research methodology is in section 9.4. The implications are in section 9.5. Section 9.6 is devoted to contributions. Recommendations are given in section 9.7, while the limitations are in section 9.8. The chapter concludes with possibilities for future research in section 9.9. Section 9.10 presents the summary and conclusion.

9.2 Overview of this Study

The principles of CG have been actively promoted in Libya. However, there is limited evidence to support the effects of CG on company financial performance. The main purpose of this study is to test first, whether T&D in Libyan financial annual reports improved since the emergence of the Libyan Stock Market. Second, to see whether there is a statistically significant increase in levels of T&D with different corporate characteristics among Libyan financial companies during the financial years 2005 to 2008. Third, whether there is a relationship between T&D practices and financial performance (ROCE, ROE and ROA). Fourth, to find out which variable of T&D practices impacts financial performance the most.

9.3 Aims and Objectives

The general research objective, as presented in section 1.2, is to investigate the levels of T&D in Libyan financial companies, identify the effect of company characteristics on T&D, and explore their relationship with company financial performance (ROCE, ROE and ROA). The general aim has been divided into six objectives, as follow:

1- To assess the level of transparency and disclosure in Libyan financial companies during the years 2005 to 2008 by three levels: overall transparency and disclosure, three categories, and twelve subcategories in their annual reports.

2- To compare the level of transparency and disclosure in Libyan financial companies with those in other countries (developed and developing).

3- To assess whether there are variations between companies in transparency and disclosure practices in their annual reports.

4- To assess the extent to which transparency and disclosure is associated with listed status, ownership, size, and age, type of industry and audit peer review in Libyan financial companies during the years 2005 to 2008 on three levels: overall transparency and disclosure, according to three categories, and according to twelve subcategories, in their annual reports.

5- To determine the relationship between transparency and disclosure practices, and company financial performance (ROCE, ROE and ROA).

6- To find which variable of transparency and disclosure practices has the most impact on company financial performance (ROCE, ROE and ROA).

9.4 Summary of Research Methodology

Using the research framework (see Figure 5.1), this study explores the level of T&D in the Libyan financial companies, the effect of six company characteristics on T&D, and the impact of T&D on financial performance. This study therefore made use of quantitative method and primary and secondary data. First, S&P T&D index based on annual report disclosure was developed to rate the level of companies T&D, using three levels: overall T&D; three categories and twelve subcategories. Then these were compared with secondary data collected from using the S&P T&D index which were the literature review. Second, the effect of six company characteristics on T&D as well by three levels. Third, a questionnaire was developed and used; a review of the relevant literature identified fourteen categories of T&D. The data for companies' financial performance were collected from annual reports (see Chapter 5).

This data was analysed for a sample of 27 Libyan financial companies (banking and insurance). The study covers the period of four financial years from 2005 to 2008. A set of eleven hypotheses and sub-hypotheses were tested using One-way ANOVA, Paired T-Test, Friedman Test statistics, Wilcoxon Signed Rank, Pearson's Correlation, and Multiple Regression analysis (see Table 5.14).

9.5 Implications

This research assesses the extent of T&D that exists in the Libyan financial companies during the four years under review, compared to companies in other countries, and shows whether there are variations between companies in T&D practices. Thus, here this study looks at the existing literature on the effect of corporate characteristics on the level of T&D, and how this impact on CG; as well as the impact of T&D on financial performance. Thus, the implications for this study as follows:

- The findings of this study should be of potential interest to policy makers, professionals, company's board of directors and the academia. The contributions of this work focus more on issues relating to CG practices in general and T&D in particular.
- This study reveals findings that allows the Supervision of Banks by the Libyan Central Bank, the Central Authority Insurance Companies and the Control Department by the Libyan Stock Market; all in order to know the level of T&D termed as "high or low" when reported in the annual financial statements of Libyan companies as well as for the purpose of developing the necessary solutions to increase the level of T&D.
- This study reveals findings that highlight the effect of company characteristic on the level of T&D.
- This study findings allow shareholders and potential investors to obtain information about which variable of T&D has the most impact on financial performance.
- The study has practical implications for corporations' needs to satisfy shareholders and other stakeholders. By measuring the impact of monitoring systems such as T&D the work allows shareholders and other stakeholders to evaluate the role of these monitoring systems in enhancing shareholders' perception of the quality of financial and non-financial information. The more stakeholders are able to obtain reliable information about corporate performance, the stronger the investor decision ability, and the more efficient the allocation of assets becomes. Hence their financial decisions can become more accurate and effective. It follows that the company has to ensure that agency problems between the manager and shareholder, as well as between stakeholders are minimized because the company's business reduces asymmetry of information between shareholders and managers; and the company's business reduces the agency cost and serve to keep management in check.
- This study reveals findings which facilitate an effective contribution of CG practices towards improvement of financial performance. Furthermore the organization of supervisory and regulatory training in Libya may be of immense help by regularly conducting training workshops and conferences about CG.
- This study reveals findings that will enable investors and stock market participants to improve their process of decision-making. Measuring the different aspects of CG in

general and T&D in particular allows investors to be mindful of management's capacity to manipulate conflict of interest for opportunistic purposes, as well as to evaluate the reliability of financial and non-financial information.

➢ The authorities in Libya can use this study as empirical support of the CG principles consistent with the economy. The authorities of the Libyan Stock Market can also employ the result of this study to evaluate the current disclosure requirements of CG practices. Principals of CG regulations and codes should be based on evidence from empirical studies such as evidence offered by this research.

➢ Finally, this study contributes to the CG research by providing comprehensive statistics on the issue of T&D in the Libyan financial compliance.

9.6 Contribution

This study has contributed to the literature of CG in general and to T&D in particular. The work will have very good implications for researchers and practitioners as well. As an overall impact, the findings reported under this study provide a number of important contributions towards understanding the extent of T&D among the Libyan financial companies; the extent of T&D association with company-specific characteristics; the relationship between CG practices as measured by fourteen independent variables of T&D; as well as company financial performances as measured by the three dependent variables (ROCE, ROE, and ROA).

❖ In this study more than eighty empirical studies regarding effect of company characteristics on T&D conducted between 1961 and 2012 were reviewed (see Appendix 4). This in turn contributes to the literature on T&D by updating and renewing the eighty-one company characteristics variables (see Section 3.8).

❖ In this study more than one hundred and eight empirical studies regarding relationship between CG and financial performance conducted between 1985 and 2012 were reviewed (see Appendix 3). This contributes to the literature of CG in general and to T&D particular; that is by updating and renewing forty-one financial performance variables (sees Section 3.2).

❖ Studies concerning CG in general and T&D in particular among developing countries have received little attention and still are very rare when compared with those that have been done in developed countries. Therefore, one of the major contributions of this research is studying T&D in one of the developing countries that is a transition economy such as Libya to contribute literature in this area.

❖ The study also provides a foundation for future research on the T&D, in order to meet national and international requirements for establishing a CG Code in Libya.

❖ The questionnaire used in this study was designed by literature review and fitted the Libyan requirement of T&D. This has contributed to the literature of T&D in that they can be used for future research in other developing countries, especially Arabic countries who share similar characteristics with Libya.

❖ The history of Libya shows that culture of CG is poor (see Section 2.4). Therefore, this study makes some important contributions to examining CG as measured by T&D in developing countries such as Libya.

❖ This work aims to give a clear picture of the level of T&D in financial companies with the beginning of the LSM and compares the results with companies in other countries by using S&P T&D index.

❖ This research conducted a comprehensive survey of the requirements of T&D in the Libyan environment, which includes the academia, financial regulators and supervisors, as well as in relation to CG. The academics, financial regulators and professionals working at Tripoli University, and control section in the Control Department in the LSM; the department of Supervision of Banks in the Libyan Central Bank; the Control Authority Insurance Companies in the Libyan Ministry of Economy and Trade; the Libyan Union of Accountants and Auditors. Thus, for the purpose of preparing the questionnaire, this work might be the first step towards the preparation of a code of CG in Libya.

❖ This study makes several new contributions as well as extensions to the existing CG literature. It offers for the first time direct evidence on the relationship between T&D practices and company financial performance in Libya.

❖ This study makes some important contributions to examining T&D in developing countries such as Libya. The unique contribution of this study is that it is the first study to use S&P T&D index in Libya.

❖ Previous research used T&D data collected directly from one year of company annual reports, while this study uses four years of company annual reports to examine the statistically significant increase between four years and pair years.

❖ The use of time-series data represents a significant contribution to the literature of T&D. The study conducts in-depth assessments of specific aspects of T&D practices over the study period. With S&P T&D, the levels of T&D practices of LFC can be quantified.

❖ The results of this study supports previous researches and show that the level of T&D is statistically significant which increases with the emergence of the stock market. The level of T&D is however different between countries. Transition economies often have weaker rules and wider variations between companies in T&D practices. Hence, the study has added new evidence to the literature.

❖ By investigating some of the companies' characteristics and financial performance that have been identified in the area of T&D, this study has increased the limited body of knowledge of T&D and provided both academics and practitioners with useful information about issues in T&D in general and within the Libyan context in particular.

❖ This study intends to provide an extension to existing as well as previous research literature especially regarding T&D as well as the effect of company characteristics on T&D in a developing economy. Previously, several variables of company characteristics have been found to have different effects on T&D. This study has found the different effects of company characteristics on T&D. Therefore this research work contributes to our understanding of how corporate characteristics affect the extent of the level of T&D in Libyan financial companies. Thus, the study has added new evidence to the T&D literature.

❖ Previous researchers examined the association of T&D with auditor size, auditor fees, the audit committee number and audit committee meeting, whilst this study investigates T&D's association with auditing by audit peer review. Therefore, the study to the T&D literature has added new evidence variable of corporate characteristics "audit peer review" affect the extent of the level of T&D.

❖ Although, this study showed several effect of company characteristics such as listing status, ownership structure, industry type, audit peer review on T&D, company size and age have been found to have no effect on T&D. This confirms that the effect of company characteristics might be varied depending on the research area.

❖ This study contributes to the transparency and disclosure literature by providing evidence, showing the impact of transparency and disclosure on company financial performance in a developing country.

❖ Previous research used one or more CG factors and focused only on the relationship of the overall CG variables or overall on one or more variables of CG and financial performance. Thus, the study is more comprehensive than many previous empirical studies. This study however, while also using one factor of CG "T&D" included "fourteen variables" to find the relationship between each of the fourteen T&D variables and three financial accounting performance measures.

❖ Previous studies have found a mixed relationship between T&D and financial performance, this study has found the relationship between five out of fourteen variables of T&D and three financial performances. However, the results of this study highly supports how past research CG practices impact of company performance particularly in the medium- to long-term periods, although in the short term company performance does not necessarily depend on CG.

❖ This thesis outlines which of the independent variables T&D practices most impact on the dependent variable company performance as measured by three financial performances (ROCE, ROE and ROA).

Moreover, the study could be useful for developing T&D in companies listing Libyan market.

9.7 Recommendation to Libyan Corporations and Government Authorities

Institutional transparency is closely related to the information that is disclosed to a company's stakeholders who are in turn affected by the structure of corporate ownership. Information disclosure, thus transparency, is affected by the institutional arrangements typical for a certain type of business system, among which is the effectiveness of legal institutions that set boundaries between mandatory and voluntary information disclosure. Francis et al. (2003) find that countries with stronger investor protection have national accounting standards that are more accrual based, greater financial transparency through public information disclosure and enforcement of such standards through higher quality auditing.

The Libyan legislative and executive authority should enhance T&D to consider the priority policy issues. They should develop a) institutional infrastructure gradually; b) relatively simple regulations without complexity; c) standards for CG, accounting, auditing, and financial reporting practices, while improving incentives for T&D that distinguishes among its desirable characteristics, timeliness, relevance, fairness, cost efficiency, access and quality.

Therefore, broader imperatives to improve T&D in CG should implement freedom of information legislation and invest in information infrastructure to improve the gathering, analysis and sharing of information through specialised institutions in this area.

Reese Jr and Weisbach (2002) report that companies in countries with weak investor protection and disclosure standards may choose to cross-list in countries with stronger standards and requirements, with the aim of attracting and protecting additional minority shareholders. On the other hand, Millar et al. (2005), report that the political, socio-cultural and economic effects of local market institutions can have positive or negative influences on the capabilities and competitive advantages of companies. For emerging economies such as Libya, it will be necessary to develop a business system that is relevant to their economic, political, legal and social environment, and then, in order to ensure its successful implementation, suitable education and training should be provided to best serve the economic development plans in Libya. Also, La Porta et al. (2002) document that company valuation is higher in countries in which the legal environment is conducive to the development of higher quality national accounting standards and enforcement through higher quality auditing.

As Rajan and Zingales (2001, p. 480) put it:

> From a policy perspective, it would appear that a country intent on economic development should fix its financial plumbing – specifically its accounting and disclosure system and its legal and bankruptcy codes … Once the plumbing is fixed, the appropriate institutions and markets will emerge.

Therefore, as Libya is a developing economy and has an emerging stock market where the CG is a fertile field of all stakeholders. On the basis of the empirical results in this study, the researcher provides recommendations to the regulators in Libya.

❖ The historical Libyan culture of CG is poor; more effort should be made to encourage an awareness of CG in the Libyan business environment through publications, conferences and seminars.

❖ The economic reform policy should be continued, since policy has a positive effect on company performance in Libyan listed companies.

❖ The establishment of an independent body with adequate resources should be established to prepare, supervise, monitor and evaluate implementation of corporate governance practice in Libya, obliged by law to implement the code.

❖ The legislation of the Libyan market should encourage the level of T&D, through the issuance of laws and regulations, which would help shareholders and other stakeholders in their decision making.

❖ The legislation of the Libyan market should encourage and attract more investment in Libya, because those investments will affect the increase in the level of T&D practices.

❖ The legislation of the Libyan market should encourage controls that reduce variations in the T&D in their annual reports.

❖ The legislation should encourage companies to Listing in LSM. At the date of conducting this study the number of listed companies did not exceed 10 companies.

❖ The Control Department in LSM should undertake more duties to increase the quality of T&D, through designed index or the development of some index for example S&P T&D, that takes into account the laws and regulations in force in Libya, such as in other developing countries in the world, to measure the level of T&D for both listed companies and those that seek to be listed.

❖ The legislation of the Libyan market should benefit from the choice of alternative accounting treatment of IFRSs which are suitable for the Libyan environment while keeping the comparability of financial reporting. Some studies found that even modified IFRSs had a positive impact on the economies of developing countries (e.g., Larson, 1993).

❖ Companies listing in Libyan market to improve the quality of corporate reporting should be guided by the recommendations set by professional accounting bodies and standard setters such as Global Reporting Initiative.

❖ Regulators in Libyan companies to improve corporate governance practices should be guided by the recommendations of Cadbury Committee and International Organisation of the Securities Commission such as Public Disclosure of Trading and Derivatives Activities of Banks and Securities Companies; Analyst Conflicts of Interest; Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence.

Furthermore, most codes of best practices emphasize improving CG practices in five main parts: shareholders rights; board structure; executive compensation; market for control; and audit and financial controls (Fombrun, 2006). To get the best CG practices in Libya should be taking into account some of important points about the code of corporate governance which are suitable for the Libyan environment. These recommendations lead us to a set of questions. Additionally these questions might be examined in the future by the academic and professional researchers, these questions as following:

- Which of the CG principles is consistent with the Libyan economy?
- Which regulatory system is most appropriate for fledgling markets such as Libya?
- What are the most cost-effective regulatory first steps with resources that are extremely rare?
- Which of the regulatory structures to their best ability tailor supervision and enforcement means to local capabilities and circumstances? Which of the relatively simple regulations is consistent with the Libyan economy?
- Which of the accounting standards, audit standards and financial report standards are consistent with the Libyan economy and are able to be employed as international standards in the future?
- How does the private sector effect provision of information, analysis, and accounting services?
- What is the best field of mandatory disclosure?
- Why is there a need for regulation of T&D in the Libyan environment? What types of T&D should be regulated and which should not in annual reports?
- How effective are T&D in facilitating credible communication between managers and outside stakeholders? What factors determine their effectiveness?

- Which mandated T&D should be recognized directly in the financial statements and which should be included as supplemental T&D?
- How does T&D affect analysts' coverage of companies' annual reports?
- What factors affect management's T&D choices?
- What is the relation between CG and management incentives?
- What role do boards and audit committees play in the T&D process in annual reports and other channels?
- How effective are auditors in enhancing the credibility of annual reports? What factors influence auditors' effectiveness?
- How effective is the role of T&D practices in improving financial performance in Libyan companies?
- How do T&D practices affect resource allocation in the economy of Libya?

Libya is a macroeconomic country which might influence the overall T&D practices of the national political and economic system.

Libya should not consider the Western economy as a model to be emulated. Rather, it should endeavour to legislate, act and approve laws and regulations that comply with its own environment and culture and reflect its idiosyncratic identity.

9.8 Limitations

This study has a number of limitations. The population, which included a sample size of 27 observations, is one such limitation and is composed of banks and listed insurance companies in Libya and thus may not be representative of the population of Libyan companies. The number of companies listed in Libya began operation followed by 30 companies, 21 banks and 9 insurance companies in January 2010. The number of companies LLSM is very small; only ten companies in all: five banks and three insurance companies, one cement company, and one LSM Company, up to 1 January 2010. Furthermore, the LSM is only a few years old, not exceeding four years when the data was collected for this study. In addition, the results of this study might have been different if the sample had included another industry, such as oil and gas sector.

A total of three companies did not provide information on the value and number of shares in their annual reports, but there was information about total value of shares, without elaborating, thus missing the information on the inability to account earnings per share to measure the relationship between the dependent variable and independent variables in this study. In addition, Tobin's Q is a very widely used measure of corporate performance. It is defined as the ratio of market value of the company to replacement value of the assets. Unfortunately, due to the absence of the necessary information for this analysis, this topic was excluded from the study.

The data was collected during the period 1 November 2009 to 31 January 2010. Owing to the delay in the annual reports, the researcher was unable to include the year 2009 within the years studied. Furthermore, the arithmetic average for the years 2007 and 2008 was used when calculating financial ratios, owing to the lack of 2009 financial reporting.

Many previous studies' arguments are related to CG and audit committees; for example, audit committee meetings. The Libyan Commercial Act includes an item stating that the company must have an audit committee. Through the annual reports available for this study, it was noted that all companies had audit committees, but the information available did not exceed general information about the chair and members in terms of name, qualifications and numbers. With reference to the law, the number would be either three or five or seven according to the size of the company and the law selecting the conditions to be provided and their functions. This points out the review of the article in the General Assembly meeting as information on this topic is not available in annual reports. In addition, some researchers examined the relationship between CG and audit size. Furthermore, in the Libyan Commercial Act it is stated that the company must have an external audit. However, from the reports available to the researcher, it was found that all companies incorporated external auditors' reports – not from within the international audit companies, but from all local and small-sized offices. These researcher variables were among the study variables that this topic did not address. In addition, previous studies have measured the relationship between T&D and number of board meetings; therefore, there is no information in the annual reports about the number of board meetings.

There are conceptual problems when T&D is measured by using a T&D score. The quality of T&D is equated to the quantity of disclosure on the basis that more is better.

9.9 Future Research

The finding of this study points to several future research opportunities. Future research may be extended to other types of companies beyond companies listed in Libya, and to different time periods. Therefore, it may include other different types of industry T&D such as company websites or annual reports that employ other CG variables.

This study should be extended to other industries to provide regulators with a clear picture of how Libyan companies react to the LSM T&D requirements and how these requirements reduce asymmetry information, help investors with investment decision making, encourage foreign investment in Libya, and support companies to complete the registration procedure in the Libyan Stock Market.

Future research to address the importance of T&D among stakeholder groups must use data collected from interviews with actors' supervision, control and regulation, managers, auditors and investors. Furthermore, this will help stakeholders understand which T&D must be reviewed.

Previous studies employed more than forty variables of financial performance related corporate governance (see Table 3.1). It would be interesting to examine the relationship between T&D practices and financial performances, such as accounting measures earnings per share and stock return, market measure Tobin's Q.

Researchers used more than eighty variables effect of transparency and disclosure (see Table 3.2). This study tested the differences in T&D and six corporate characteristics, while future research might use, for example, profitability, type of auditors, auditors' size, audit committee meetings, shares owned by the top 10 shareholders, and ownership structure by number of shareholders.

There are three environmental factors affecting disclosure: international factors including 1) economic and international trade relations, 2) political relations, 3) international, 4) and 5) accounting bodies; external factors including 1) economy, 2) capital market, 3) political and legal system, 4) accounting profession, 5) trans-national corporations, and 6) culture; and internal factors including 1) personal characteristics and 2) corporate characteristics. This study considered internal factors, especially corporate characteristics. Future research may examine the relationship between T&D and other international factors and external factors that have an effect on environmental T&D. Those variables might help us to understand the degree of their impact and which of them has the greatest influence on T&D.

Future research might use the S&P T&D score after developing it for the Libyan environment. Future research may also use other scores, for example the CG index. However, when the researcher uses S&P T&D, it is not possible to discern between mandatory disclosure and voluntary disclosure. For future research, the solution for this issue would be to do a reconstruction of S&P items to discriminate between mandatory disclosure and voluntary disclosure. Mandatory items of information are those items that should be disclosed legally in annual reports by the respective Acts and Ordinances governing the Libyan companies. Voluntary disclosure is measured by the amount and detail of non-mandatory requirements by Acts and Ordinances governing the Libyan companies. In addition, future research should aim to clarify the picture about mandatory and voluntary T&D, separately.

Future research could address the relationship between T&D and specific elements of company financial performance (e.g. competitive strategy, corporate culture or business ethics). It might be that T&D has a significant impact with specific elements of company performance rather than performance itself.

This study is only confined to public and private when measured effect of ownership structure on transparency and disclosure. Future research might use other ownership structure such as foreign investors or institutions like banks, non-bank financial institutions, non-financial institutions, and family.

Libya is a developing economy shaped by Islamic religion and Arabic traditions. Effect of culture and education on environmental transparency and disclosure in Libya might be a fertile field of future research.

The Big 4 International Accounting companies have established a presence in Libya since 2010. Future research could address the effect of International Accounting companies on the level of T&D in Libyan listing companies' their annual reports.

In 2010 Libyan government established new law such as Commercial Law Act No. 23, Income Tax Law Ac No. 7, and Foreign Investment Law Act No. 9. Future research could address the effect of new regulation on T&D in Libyan listing companies.

Finally, it is recommended that future research should use, instead of single period analyses, panel data analyses in empirical T&D research to measure the influence of changes in T&D on company financial performance measures by both accounting and the market.

9.10 Summary and Conclusion

This final chapter presents the overview, summary and conclusion of the three empirical investigations that have been examined in this study. The first investigation looked at the level of T&D and practices with the emergence of the Libyan Stock Market during four years, compared with companies in other countries(developed and developing), and assessing variations between companies in T&D practices in their annual reports. Whilst the second examined the effect of six company characteristics to T&D. While the third to determine the relationship between fourteen variables of T&D on financial performance and find which variable of T&D has the most impact on three variables of financial performance as measured. The three empirical investigations within one of the developing countries that is a transition economy, namely Libya. Overall, this study has made a contribution in the area of CG in general and T&D in particular. This study has achieved its aims and has made policy recommendations.

Moreover, this chapter presented several contributions to knowledge that this study has made: these include updating and renewing the literature of T&D; used S&P T&D index in new emerging countries; several explanations and interpretations were made regarding the association of the level of T&D practices; found a new variable (audit peer review) had effect to level of T&D; showing a relationship between fourteen variables of T&D on three variables of financial performance; and adding additional results to the literature of T&D.

Finally, implications of this study, recommendation to Libyan corporations and government authorities, some limitations of the investigations were discussed in several areas and as well as suggestions for future research.

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Appendix 1 S&P T&D Data Collected

	Standard & Poor's transparency and disclosure		
No:	**Ownership Structure and Investor Right (28 Point)**	Yes	No
*	**Transparency of Ownership**		
1	Provide a description of share classes?		
2	Provide a review of shareholders by type?		
3	Provide the number of issued and authorized ordinary shares?		
4	Provide the number of authorized but non-issued ordinary shares?		
5	Provide the par value of issued and authorized ordinary shares?		
6	Provide the par value of authorized but non-issued ordinary shares?		
7	Provide the number of issued and authorized of preferred, nonvoting, and other classes?		
8	Provide the number of authorized but non-issued shares of preferred, nonvoting, and other classes?		
9	Provide the par value of issued and authorized of preferred, nonvoting, and other classes?		
10	Provide the par value of authorized but non-issued shares of preferred, nonvoting, and other classes?		
11	Does the company disclose the voting rights for each class of shares?		
	Total Transparency of Ownership		
*	**Concentration of Ownership**		
12	Top 1 shareholder(s) disclosed?		
13	Top 3 shareholders disclosed?		
14	Top 5 shareholders disclosed?		
15	Top 10 shareholders disclosed?		
16	Shareholders owning more than 10% are disclosed?		
17	Shareholders owning more than 5% are disclosed?		
18	Shareholders owning more than 3% are disclosed?		
19	Does the company disclose percentage of cross-ownership?		
	Total Concentration of Ownership		
*	**Voting and Shareholder Meeting Procedures**		
20	Is there a calendar of important shareholder dates?		
21	Review of shareholder meetings (could be minutes)?		
22	Describe procedure for proposals at shareholder meetings?		
23	How shareholders convene an extraordinary general meeting?		
24	How shareholders nominate directors to board?		
25	Describe the process of putting inquiry to board?		
26	Does the annual report refer to or publish Corporate Governance Charter?		
27	Does the annual report refer to or publish Code of Best Practice?		
28	Are the Articles of Association or Charter Articles of Incorporation published?		
	Total Voting and Shareholder Meeting Procedures		
	Total Ownership Structure and Investor Rights	**Yes**	**No**
	Financial Transparency and Information Disclosure (35 Points)		
*	**Business Focus**		
1	Is there a discussion of corporate strategy?		
2	Report details of the kind of business it is in?		

3	Does the company give an overview of trends in its industry?		
No.			
4	Report details of the products or services produced/provided?		
5	Provide a segment analysis, broken down by business line?		
6	Does the company disclose its market share for any or all of its businesses?		
7	Does the company report basic earnings forecast of any kind?		
8	Does the company report basic earnings forecast of any kind in detail?		
9	Disclose output in physical terms?		
10	Does the company give an output forecast of any kind?		
11	Does the company give characteristics of assets employed?		
12	Does the company provide efficiency indicators (ROA, ROE, etc.)?		
13	Does the company provide any industry-specific ratios?		
14	Does the company disclose its plans for investment in the coming years?		
15	Does the company disclose details of its investment plans in the coming years?		
	Total Business Focus		
*	**Accounting Policy Review**		
16	Provide financial information on a quarterly basis?		
17	Does the company discuss its accounting policy?		
18	Does the company disclose accounting standards it uses for its accounts?		
19	Does the company provide accounts according to the local accounting standards?		
20	Does the company provide accounts in alternate internationally recognized accounting methods?		
21	Does the company provide each of the balance sheets by internationally recognized methods?		
22	Does the company provide each of the income statements by internationally recognized methods?		
23	Does the company provide each of the cash-flow statements by internationally recognized methods?		
24	Does the company provide a reconciliation of its domestic accounts to internationally recognized methods?		
	Total Accounting Policy Review		
*	**Accounting Policy Details**		
25	Does the company disclose methods of asset valuation?		
26	Does the company disclose information on method of fixed assets depreciation?		
27	Does the company produce consolidated financial statements?		
	Total Accounting Policy Details		
*	**Related Party Structure and Transactions**		
28	Provide a list of affiliates in which it holds a minority stake?		
29	Does the company disclose the ownership structure of affiliates?		
30	Is there a list/register of related party transactions?		
31	Is there a list/register of group transactions?		
	Total Related Party Structure and Transactions	**Yes**	**No**
*	**Information on Auditors**		
32	Does the company disclose the name of its auditing firm?		
33	Does the company reproduce the auditors' report?		
34	Disclose how much it pays in audit fees to the auditor?		
35	Disclose any non-audit fees paid to auditor?		
	Total Information on Auditors		
	Total Financial Transparency and Information Disclosure		
	Board and Management Structure and Process(35 Points)		

*	**Board Structure and Composition**		
1	Is there a chairman listed?		
No.			
2	Detail about the chairman (other than name/title)?		
3	Is there a list of board members (names)?		
4	Are there details about directors (other than name/title)?		
5	Details about current employment/position of directors provided?		
6	Are details about previous employment/positions provided?		
7	Disclose when each of the directors joined the board?		
8	Classifies directors as an executive or an outside director?		
	Total Board Structure and Composition		
*	**Role of the Board**		
9	Details about role of the board of directors at the company?		
10	Is there disclosed a list of matters reserved for the board?		
11	Is there a list of board committees?		
12	Review last board meeting (could be minutes)?		
13	Is there an audit committee?		
14	Disclosure of names on audit committee?		
15	Is there a remuneration/compensation committee?		
16	Names on remuneration/compensation committee?		
17	Is there a nomination committee?		
18	Disclosure of names on nomination committee?		
19	Other internal audit-function besides audit committee?		
20	Is there a strategy/investment/finance committee?		
	Total Role of the Board		
*	**Director Training and Compensation**		
21	Disclose whether they provide director training?		
22	Disclose the number of shares in the company held by directors?		
23	Discuss decision-making process of directors' pay?		
24	Are specific of directors' salaries disclosed (numbers)?		
25	From of directors' salaries disclosed (cash, shares, etc.)?		
26	Specifics disclosed on performance-related pay for directors?		
	Total Director Training and Compensation		
*	**Executive Compensation and Evaluation**		
27	List of the senior managers (not on the board of directors)?		
28	Backgrounds of senior managers disclosed?		
29	Number of shares held by the senior managers disclosed?		
30	Disclose the number of shares held in other affiliated companies by managers?	**Yes**	**No**
31	Discuss the decision-making of managers' (not board) pay		
32	Numbers of managers' (not on board) salaries disclosed?		
33	Form of managers' (not on board) salaries disclosed?		
34	Specifics disclosed on performance-related pay for managers?		
35	Details of the chief executive officer (CEO) contract disclosed?		
	Total Executive Compensation and Evaluation		
	Total Board and Management Structure and Process		
	Total S&P TD		

Appendix 2 Questionnaire Data Collected

Osama Ben Mansour

University of Huddersfield

Business School

Queensgate

Huddersfield HD1 3DH

UK.

1st November 2009

Dear Sir/ Madam,

RE: Request for Annual Report for Financial years 2005, 2006, 2007, 2008, and a reply to this questionnaire.

I am a Libyan currently undertaking a study leading to a PhD at the University of Huddersfield. My research area is Transparency and Disclosure of Corporate Governance Practices in Libyan listed companies, which involve analysing the annual reports of randomly selected companies. I would be grateful if your company would participate in my research. As such, it is important for me to have the annual reports of your company for the years 2005, 2006, 2007 and 2008. I would also like to collect data on your company's views on Transparency and Disclosure. Thus, it is important for my research that you answer this questionnaire to collect information about your company.

Your company reports and the answers to this questionnaire will be treated in the strictest confidence and no information gained from this survey will be identified with any particular person or organisation.

Yours faithfully

Osama Ben Mansour

Tel: 00218912157044/ 00447733429450

E-mail: u0776044@hud.ac.uk

Part 1: Personal information

1-Position within the Company: Chief Executive Officer ☐Other (please state): ……………………………..........................………………………………

2- Qualifications: Doctorate ☐ Master's Degree☐ Bachelor's Degree☐ Higher Diploma ☐ Other (please state)………………………………………………………………

3- Please state the field in which your qualification is in ……………………………………

4-Business experience (years): less than 5☐ 5 to 10☐ 10 to 15☐ 15 to 20☐ More than 20☐

Part 2: Information about the company

1- Relationship between company and Libyan Stock Market: Listed ☐ Not listed ☐

2-Company ownership: Public ☐ Private ☐ Other (please state)……………………………

3- Company size – total assets (million D.L): From1 to100☐100 to1000 ☐ More than 1000☐

4- Company age – from founding (years): 5or less☐ 5 to 15 ☐ 15 to 25 ☐ More than 25 ☐

5- Type of industry: Bank ☐ Insurance ☐

6-Company shareholding: Holding ☐ Affiliated ☐ Investing☐ Recommendation☐ Limited☐

Part 3: Section 1-1 Financial and operating results of the company (Please tick ☑ all relevant answers)

The company has annual reports following: Income statement ☐ Balance sheet ☐ Dividend data ☐ Cash flow statement ☐ Chairman's Report ☐ Chief executive officer statement ☐Display segmental data ☐ Shareholders' equity statement ☐ Disclosure of significant accounting policies☐Environmental policies disclosed ☐ Employee information ☐ Audit report ☐ Quarterly financial statement ☐

	1-Section 1- 2: General information about the company (Please tick ☑ all relevant answers)	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
2	The company publishes financial statements to enable appropriate monitoring to take place.	☐5	☐4	☐3	☐2	☐1
3	The company publish financial statements to provide the basis to value securities.	☐5	☐4	☐3	☐2	☐1
4	The company discloses that transactions relating to an entire group of companies (between related companies) be disclosed in line with high quality internationally recognised standards.	☐5	☐4	☐3	☐2	☐1
5	The company publishes financial statements to disclose information about contingent liabilities.	☐5	☐4	☐3	☐2	☐1
6	The company publishes financial statements to disclose information about off-balance sheet transactions.	☐5	☐4	☐3	☐2	☐1
7	The company publishes financial statements to disclose information about special purpose entities.	☐5	☐4	☐3	☐2	☐1
8	The company publishes financial statements to use in its current management discussions and analysis.	☐5	☐4	☐3	☐2	☐1
9	The company publishes financial statements and includes a section devoted to corporate governance principles and implementations.	☐5	☐4	☐3	☐2	☐1

Section 2: Company objectives

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The company's disclosure helps improve public understanding of the structure and activities of enterprises.	☐5	☐4	☐3	☐2	☐1
2	The company discloses steps that the company has taken to implement their commercial objectives.	☐5	☐4	☐3	☐2	☐1
3	The company discloses policies relating to business ethics to better evaluate the relationship between company and the communities in which they operate.	☐5	☐4	☐3	☐2	☐1
4	The company discloses corporate policies and performance with respect to the environment.	☐5	☐4	☐3	☐2	☐1
5	The company discloses policies relating to society to better evaluate the relationship between company and the communities in which they operate.	☐5	☐4	☐3	☐2	☐1

Section 3: Major share ownership and voting right

1	The basic right of investors is to be informed about the ownership structure of the enterprise.	☐5	☐4	☐3	☐2	☐1
2	The basic rights of investors are upheld vis-à-vis the rights of other owners.	☐5	☐4	☐3	☐2	☐1
3	The company discloses ownership data once certain thresholds of ownership are passed.	☐5	☐4	☐3	☐2	☐1
4	The company discloses about major shareholders and others that, directly or indirectly, control or may control the company through the ownership of controlling.	☐5	☐4	☐3	☐2	☐1
5	The company discloses blocks of shares.	☐5	☐4	☐3	☐2	☐1
6	The company discloses special voting rights.	☐5	☐4	☐3	☐2	☐1
7	The company discloses shareholder agreements.	☐5	☐4	☐3	☐2	☐1
8	The company discloses significant cross-shareholding relationships and cross-guarantees.	☐5	☐4	☐3	☐2	☐1
9	The company discloses significant changes in ownership.	☐5	☐4	☐3	☐2	☐1

Section 4: Board members, key executives and their remuneration

		Yes	No
1	Does the company disclose whether the chairman of the board is an executive director?	☐	☐
2	Does the company disclose information about qualification of chairman and members of the board?	☐	☐
3	Does the company disclose whether the chairman and members of the board have membership of other boards?	☐	☐
4	Does the company disclose the chairman's and members of the board's share ownership in the company?	☐	☐
5	Does the company disclose whether the chairman and members of the board are considered by the board to be independent members, which information might enable investors to assess any potential conflicts of interest that might affect their judgement?	☐	☐
6	Does the company disclose the remuneration of the chairman of the board of directors and members of the board?	☐	☐
7	Does the company disclose the link between remuneration of the chairman and members of board, and company performance, so that investors can assess the costs and benefits of remuneration plans?	☐	☐

8	Does the company disclose how the chairman and members of the board are selected?	Yes ☐	No ☐
9	Does the company disclose the executive director's remuneration?	Yes ☐	No ☐
10	Does the company disclose the link between the executive director's remuneration and company performance?	Yes ☐	No ☐

	Section 5: Related party transactions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The company fully discloses material related party transactions to the market, either individually, or on a group basis.	☐5	☐4	☐3	☐2	☐1
2	The company fully discloses material related party transactions to the market, executed at arm's length.	☐5	☐4	☐3	☐2	☐1
3	The company fully discloses material related party transactions to the market, on normal market terms.	☐5	☐4	☐3	☐2	☐1
4	The company discloses about trading of equity owners of minimum 5% total shares.	☐5	☐4	☐3	☐2	☐1
5	The company reports the curriculum vitae of the chair and members of the board of directors and executive managers that could be a potential for conflict of interest.	☐5	☐4	☐3	☐2	☐1

	Section 6: Material foreseeable risk factors					
1	The company discloses risk management policies exist.	☐5	☐4	☐3	☐2	☐1
2	The company discloses information on reasonably foreseeable material risks, especially risks that are specific to the industry in which the company operates.	☐5	☐4	☐3	☐2	☐1
3	The company discloses information on reasonably foreseeable material risks, especially, risks that are specific to the geographical areas in which the company operates.	☐5	☐4	☐3	☐2	☐1
4	The company discloses information on reasonably foreseeable material risks, especially financial market risks including interest rate, and currency risk.	☐5	☐4	☐3	☐2	☐1
5	The company discloses information on reasonably foreseeable material risks, especially risk related to derivatives and off-balance sheet transactions.	☐5	☐4	☐3	☐2	☐1
6	The company discloses information on reasonably foreseeable material risks, especially risks related to environmental liabilities.	☐5	☐4	☐3	☐2	☐1

	Section 7: Material issues regarding employees and other stakeholders					
1	The company discloses information about the relationship between the management and employees that may materially affect the performance of the company.	☐5	☐4	☐3	☐2	☐1
2	The company discloses information about the relationship between the management and creditors that may materially affect the performance of the company.	☐5	☐4	☐3	☐2	☐1
3	The company discloses information about the relationship between the management and suppliers that may materially affect the performance of the company.	☐5	☐4	☐3	☐2	☐1

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
4	The company discloses information about the relationship between the management and local communities that may materially affect the performance of the company.	☐5	☐4	☐3	☐2	☐1
5	The company discloses programmes for human resource development and training that can communicate important information on the competitive strengths of the company.	☐5	☐4	☐3	☐2	☐1
6	The company discloses retention rates of employees that can communicate important information on the competitive strengths of company.	☐5	☐4	☐3	☐2	☐1
7	The company discloses employee share ownership plans that can communicate important information on the competitive strengths of company.	☐5	☐4	☐3	☐2	☐1

Section 8: Governance structures and policies

1	The company reports corporate governance practices.	☐5	☐4	☐3	☐2	☐1
2	The company discloses proposals and perceptions with regard to corporate governance.	☐5	☐4	☐3	☐2	☐1
3	The company effects disclosure of the governance structure.	☐5	☐4	☐3	☐2	☐1
4	The company has mechanisms in place or being considered in the future to ensure transparency of company governance structure.	☐5	☐4	☐3	☐2	☐1
5	The company discloses governance policies, in particular the division of authority between shareholders, management and board members.	☐5	☐4	☐3	☐2	☐1
6	The company, as a matter of transparency, ensures the procedures for shareholders' meeting votes have been properly counted and recorded and timely announcement of the outcome is made.	☐5	☐4	☐3	☐2	☐1
7	The company disclosure of information are not consistent with the standards of corporate governance	☐5	☐4	☐3	☐2	☐1

Section 9: Preparation of information and disclosure

1	The company application of high quality standards is to significantly improve the ability of investors to monitor the company by providing increased reliability of reporting, and improved insight into company performance.	☐5	☐4	☐3	☐2	☐1
2	The company is adopting high quality accounting standards and internationally recognised standards to improve transparency.	☐5	☐4	☐3	☐2	☐1
3	The company has adopted high quality accounting standards and internationally recognised standards to enable the comparability of financial statements and other financial reporting.	☐5	☐4	☐3	☐2	☐1

Section 10: External audit and monitoring

1	The company discloses whither the external audit statements contribute to an improved internal control environment in the company.	☐5	☐4	☐3	☐2	☐1
2	The external audit statements contribute to an increased transparency and disclosure in the company reports.	☐5	☐4	☐3	☐2	☐1

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
3	The company disclose information about the role of corporate governance in monitoring an auditor’s independence.	☐5	☐4	☐3	☐2	☐1
4	The company discloses information about the role and functions of the audit committee.	☐5	☐4	☐3	☐2	☐1

Section 11External audit and audit committee role

		Yes	No
1	Does the external auditor certify that the financial statement represents fairly the financial position of the company?	☐	☐
2	Does the audit statement include an opinion on the way in which financial statements have been prepared and presented?	☐	☐
3	Does the company disclose whether the external auditor’s review limited to quarterly review?	☐	☐
4	Does the company disclose whether the audit committee often specified as providing oversight of the internal audit activities?	☐	☐
5	Does the company disclose the audit committee charged with overseeing the overall relationship with the external auditor including the nature of non-audit services provided by the auditor to the company?	☐	☐
6	Does the company disclose whether the function of the board of directors or the audit committee to change the external auditor?	☐	☐

Section 12: External auditors accountable to shareholders where the external auditor owes a duty of due professional care

		Yes	No
1	Does the company disclose that, the audit committee function to ensure external auditor owes duty of due professional care to the company?	☐	☐
2	Is external auditor at the shareholders’ meeting accountable to the shareholders which an increased transparency and disclosure?	☐	☐
3	Does the company perform the process of audit peer review when audited by the external auditor to encourage transparency and disclosure?	☐	☐

Section 13: Channels for dissemination information allow for fair, timely, and cost-efficient access to information by user		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The company has introduced a provision for disclosure including periodic disclosure, continuous or current disclosure, and material development reporting disclosure.	☐5	☐4	☐3	☐2	☐1
2	The company produces reports on time for all shareholders without prejudice to a party.	☐5	☐4	☐3	☐2	☐1

Section 14: Corporate governance framework, complemented by effective approach that addresses and promotes the provision of analysis

1	The company gives full disclosure about conflict of interests and how the company deals with the contradictions of interests.	☐5	☐4	☐3	☐2	☐1
2	The company discloses the conflicts of interest on the crisis, provides information for investors to judge risk including conflicts of interest, and the potential bias in the analysis, advice, and available information.	☐5	☐4	☐3	☐2	☐1

		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
3	The company discloses the extent to which corporate governance practices conform to established standards.	☐5	☐4	☐3	☐2	☐1
4	The company discloses how the entity is structuring the incentives of its employees in order to eliminate potential conflict of interest.	☐5	☐4	☐3	☐2	☐1
5	The company discloses of takes into account the conflict of interests when mandating certain approaches to the analysis, and consulting.	☐5	☐4	☐3	☐2	☐1

Any notes:

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Thank you for your cooperation

Appendix 3 Corporate Governance and Company Performance

Research and Year	Corporate governance	Company performance																																								Country
		RO A	RO E	RO CE	RE PS	Ts Q	R-S	OP E	TPT C	QR	PE R	MR	Lev.	MT BV	MT SR	NI	SR	SP	PM	TSR	CA CL	SG	NA PS	TA T	RT AG	CFP S	RI	EV AI	EV AC	SA NE	NS	SR	AD CR	PS	MA SPR	TR	OM	SE	NE	LP	OI	VSP	
Suvanet al. (2012)	Better CG during the 2008–2009 financial crisis																																									✖	Russia
Lopes & Walker (2012)	company-level CG arrangements																																								✖		Brazil
Hermes & Katsigianni(2012)	CG practices	✱				✱																																					Greece
Connelly et al. (2012)	Family ownership					✱																																					Thaila-nd
Zhang (2012)	Ownership structure	✱	✱			✱																																					China
	Board subcommittees	✱	✱			✱																																					
	Market reforms	✱	✱			✱																																					
	Board of directors and board of supervisors	✖	✖			✖																																					
Nimer et al. (2012)	Audit committees	✖				✖																																					Jordan-ian
Mahoney et al. (2008)	Corporate social performance	✱																																									US
Bayoud et al. (2012b)	Social and environmental disclosure	✱	✱				✱																																				Libya
Zhongfu et al. (2011)	Environmental information disclosure					✱																																					China

Research and Year	Corporate governance	Company performance																																								Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
Xin & Xiao (2011)	Information transparency	❋	❋					❋	❋	❋																																	China
Wu (2011)	CEO power	❋				❋																																							China
Valenti (2011)	Board composition and governance structure	✖	✖								✖	✖																															US
Syriopoulos & Tsatsaronis (2011)	The presence of managerial executives related to the founding family	❋	❋																																								Greek and Scandin-avian
	Ownership concentration by board of directors members	✖	✖																																								
	Participation of independent members in the board of directors	✖	✖																																								
Sami et al. (2011)	Chinese CG regime	❋	❋			❋																																					China
Price et al. (2011)	Corporate Practices and performance and financial reporting transparency	✖				✖																																					Mexico
Mahmood & Abbas (2011)	Number of board meetings	❋	✖										❋																														Pakistan

Research and Year	Corporate governance	Company performance																																									Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
Kang & Kim (2011)	Real activity-based earning management					✖																																					Korea
Jiao (2011)	Investment management and research disclosure rankings					✱																																					US
Jerab (2011)	Ownership structure	✱	✱																																								Turkey
	Board of directors	✱	✱																																								
	Managerial compensation	✱	✱																																								
	Internal control and audit	✱	✱																																								
	D and T	✱	✱																																								
Javid & Iqbal (2011)	Board composition	✱	✱			✱																																					India
	Shareholding and ownership	✱	✱			✱																																					
	D and T	✖	✖			✖																																					
Ibrahim & Samad (2011)	Family ownership	✖	✱			✖																																					Malaysia
	Non-family ownership	✖	✱			✖																																					
Dinga (2011)	Corporate ownership and control structure	✱	✱								✱			✱																													UK
Cheung (2011)	Changes in the quality of CG practices	✖				✱							✖	✖																													Hong Kong
Trabelsi (2010)	Governance structure					✱																																					Tunisia
Renders	CG ratings	✱	✱			✱								✱	✱																												European

Research and Year	Corporate governance	Company performance																																									Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
(2010)																																											
Reddy (2010)	Boards of directors	✱				✱								✱																													New Zealand
	Corporate ownership	✱				✱								✱																													
Mishra & Suar (2010)	Corporate social responsibility	✱																																									India
Lantz, (2010)	Activism of institutional investors on shareholder wealth					✖																																					France
Huang (2010)	Independent directors	✱																																									Taiwan
	Ownership characteristics	✱																																									
Hu (2010)	Ownership structure,					(✱)																																					China
	Board of directors					(✱)																																					
	Supervisory board					(✱)																																					
Chugh et al. (2010)	Greater shareholders rights	✱	✱		✱									✱								✱																					US
Chen (2010)	Directors' and officers' liability insurance	✖	✖									✖																															Taiwan
Berthelot (2010)	Information published by an information intermediary					✱																																					Canada
Ntim (2009)	Board meetings,	✖				✖																																					South African

Research and Year	Corporate governance	Company performance																																									Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
	Establishment of board committees	✖				✖																																					
	Board size	(✖)				✱																																					
	CEO duality	✱				(✖)																																					
Norgate (2009)	Ownership	✱		✱																																							UK
	Non-financial reward	✱		✱																																							
	Services provided by the board	✱		✱																																							
	Financial motivation	✱		✱																																							
Dragomir (2009)	Environmental performance	✖		✖	✖	✖							✖				✖																										European Union
	Environmental disclosure	✖		✖	✖	✖							✖				✖																										
	Financial performance of environmentally	✖		✖	✖	✖							✖				✖																										
Chi (2009)	Corporate T and D practices					✱																																					Taiwan
Saleha (2008)	Corporate social responsibility disclosure	✱				✱																																					Malaysia
Omran (2008)	Ownership concentration	✖	✖			✖																																					Arab countries
Lee (2008)	Management compensation					✱																																					US
Kaserer (2008)	Ownership	✱													✱			✱																									Anglo-Saxon countries
Kajola (2008)	Board size		✱																✖																								Nigerian
	Board composition		✱																✱																								
	CEO status		✱																✱																								

Research and Year	Corporate governance	Company performance																																									Country
		RO A	RO E	RO CE	RE PS	Ts Q	R-S	OP E	TPT C	QR	PE R	MR	Lev.	MT BV	MT SR	NI	SR	SP	PM	TSR	CA CL	SG	NA PS	TA T	RT AG	CFP S	RI	EV AI	EV AC	SA NE	NS	SR	AD CR	PS	MA SPR	TR	OM	SE	NE	LP	OI	VSP	
	Audit committee		✱																✱																								
Jo & kim (2008)	Voluntary disclosure	✖	✖																																								US
Javid (2008)	Ownership concentration	✱	✱																✱																								Pakistan
Haat et al. (2008)	Audit quality					(✱)																																					Malaysi-an
	Level of disclosure					✖																																					
	Timely reporting					✖																																					
Duztas (2008)	Transparency and information technology on board structure	✱				✱																																					Turkey
Aman & Nguyen (2008)	Board structure	✱				✱																																					Japan
	Ownership characteristics	✱				✱																																					
	Information and disclosure	✱				✱																																					
Shabbir (2007)	Level of CEO entrenchment on the board																			✖																							UK
Larcker, et al (2007)	CG quality	✱															✱																										US
El Mehdi (2007)	Ownership structures					✱																																					Tunisia
Premuroso & Bhattacharya (2007)	Board-level technology committees	✱	✱			✖										✖			✱		✖																						US
Peng (2007)	CEO Duality		✱																			✱																					China
Tam	Ownership	✱				✱																																					Malaysia

Research and Year	Corporate governance	Company performance																																									Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
&Tan (2007)	types																																										
Li Et Al. (2006)	Shareholders' behaviours	✱			✱																		✱	✱	✱	✱																	China
	Board	✱			✱																		✱	✱	✱	✱																	
	Top management	✱			✱																		✱	✱	✱	✱																	
	Information disclosure	✱			✱																		✱	✱	✱	✱																	
	Stakeholders'	✱			✱																		✱	✱	✱	✱																	
	Supervisors committee	✱			✱																		✱	✱	✱	✱																	
Haniffa & Hudaib (2006)	Board size	✱				✱																																					Malaysia
	Top five substantial shareholdings	✱				✱																																					
Gruszczynski (2006)	Governance rating																		✱																								Poland
Gonenc & Aybar (2006)	Concentrated ownership					✖																																					Turkey
	Business group affiliation					✖																																					
Gani & Jermias (2006)	board independence		✱																								✱																
Chand & Fraser (2006)	Corporate social performance	✱	✱				✱																			✱																	US
Brown & Caylor (2006)	Institutional Shareholder Services	✱	✱																																								US
Anthony & Nicholas	Board size	✖	✖																			✖																					Ghana
	Board Composition	✱	✱																			✱																					

Research and Year	Corporate governance	Company performance																																								Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
(2006)																																											
	CEO duality	✖	✖																			✖																					
	Ownership structure	❋	❋																			❋																					
Abu-Tapanjeh(2006)	Non-executive directors																																										Jordan
	Role CEO																																										
Abdullah (2006)	Directors' Remuneration	(❋)																																									Malaysia
Shabbir (2005)	Compliance with the UK code of CG	✖	✖																																								UK
Sanda (2005)	boards with a higher proportion of outside directors	✖	✖			✖					✖																																Nigeria
	Companies run by expatriate CEOs	❋	❋			❋					❋																																
Pallathitta Rejie (2005)	Foreign ownership	❋				❋																																					India
Miyajima (2005)	Outside board members	✖				✖																																					Japan
Liu (2005)	Shareholdings composition	❋																				❋						✖	❋														China
Eisenberg Et Al (1998)	Board size	(❋)																																									Finland
Kyereboah-Coleman & Biekpe (2005)	Board size	❋																																									China
	Board composition	❋																																									
	CEO duality	❋																																									
	CEO's tenure	(❋)																																									

Research and Year	Corporate governance	Company performance																																								Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
	of office																																										
Ke (2005)	Ownership concentration	*	*		*	*																																					China
	Board size	*	*		*	*																																					
Filatotchev (2005)	Institutional share ownership	×		×	×	*								×																													Taiwan
	Family control over the executive board	*		*	*	*								*																													
	Independent Chairman	×		×	×	×								×																													
Ertugrul & Hegde (2005)	Independent Directors	*										*		*																													US
	Director tenure	*										*		*																													
	Percentage of independent directors in the committees	*										*		*																													
	Director age	*										*		*																													
	Number of directorships held by each director	*										*		*																													
	Independent director ownership	*										*		*																													
	CEO Compensate	*										*		*																													
Earle et al. (2005)	Largest blockholder		*																											*													Hungary
	Largest two		×																											×													

Research and Year	Corporate governance	Company performance																																									Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
	blockholders																																										
	Largest three blockholders		✖																											✖													
	All blockholders		✖																											✖													
Dwivedi & Jain (2005)	Foreign shareholding					✱																																					
	Institutional shareholders					✖																																					
	Board size					✱																																					India
	Directors' shareholding					(✱)																																					
	Public shareholding					(✱)																																					
Chiang & Chia (2005)	Board Size	✱	✱		✱							✱																															
	Board ownership	✱	✱		✱							✱																															
	Institution ownership	✱	✱		✱							✱																															
	Financial transparency	✱	✱		✱							✱																															Taiwan
	Information disclosure	✱	✱		✱							✱																															
	Management structure and process	✱	✱		✱							✱																															
De Andres Et Al. (2005)	Board size	✱				(✱)								(✱)																													
	Composition	✱				✱								✱																													US
Berger Et Al (2005)																																											Argent-ina
Bebczuk(2005)	Role of governance	✱				✱																																					Argent-ina
	Ownership																																										
Klapper	Better CG	✱				✱																																					14

Research and Year	Corporate governance	Company performance																																									Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
& Love (2004)																																											emerging markets
Hutchinson & Gul, (2004)	Corporate controls		✱																																								Australia
Craighead, (2004)	Mandated disclosure		✱									✱																															
Callahan & Smith (2004)	Disclosure	✗	✗																			(✱)																					US
	Governance category																																										
	Executive and director compensation																																										
Brown & Caylor (2004)	Audit		✱			✱													✱			✱									✱	✱											US
	Board of directors		✱			✱													✱			✱									✱	✱											
	Charter/ bylaws		✱			✱													✱			✱									✱	✱											
	Director education		✱			✱													✱			✱									✱	✱											
	Executive and director compensation		✱			✱													✱			✱									✱	✱											
	Ownership		✱			✱													✱			✱									✱	✱											
	Progressive practices		✱			✱													✱			✱									✱	✱											
	State of incorporation		✱			✱													✱			✱									✱	✱											
Bauer (2004)	Governance standards		✱			✱						✱																															Europe
Alves & Mendes (2004)	Code of best practice																																✗										Portug-uese

Research and Year	Corporate governance	Company performance																																									Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
Yoshikawa (2003)	Foreign Ownership change	✱										✱																															Japan
Orlitzky Et Al. (2003)	Corporate social/ environmental	✱	✱		✱																																						US
Farrell & Whidbee (2003)	CEO turnover	✖										✖																															
Anderson (2003)	Founding-family ownership	✱				✱																																					
Shen & Cannella (2002)	Senior executive turnover	✱																																									US
Randøy & Nielsen (2002)	CEO compensation		✖											✖																				✖									Norway and Sweden
	CEO tenure		✖											✖																				✖									
	CEO compensation		✖											✖																				✖									
Bhagat And Black (2001)	Proportion of outsider Directors					✖						✖												✖																			US
Bhagat & Black (2000)	Board independence	✖				✖																													✖								US
Core Et Al (1999)	CEO compensation	✖										✱																															US
Bhagat & Black (1999)	Board independence	(✱)				(✱)																								(✱)						(✱)	(✱)	(✱)					
Vafeas & Theodor	Board structure						✱							✱																							✱						UK

Research and Year	Corporate governance	Company performance																																								Country
		ROA	ROE	ROCE	REPS	TsQ	R-S	OPE	TPTC	QR	PER	MR	Lev.	MTBV	MTSR	NI	SR	SP	PM	TSR	CACL	SG	NAPS	TAT	RTAG	CFPS	RI	EVAI	EVAC	SANE	NS	SR	ADCR	PS	MASPR	TR	OM	SE	NE	LP	OI	VSP	
ou (1998)																																											
Xu & Wang (1997)	Ownership structure	❋	❋			❋								❋																													
Preston & O'bannon (1997)	Corporate social	❋	❋																								❋																US
Yermack (1996)	Board size					(❋)																																					US
Agrawal & Knoeber (1996)	Inside ownership					✖																																					US
Kang & Shivdasani, (1995)	Role of cg mechanisms during top executive turnover	❋										❋																													(❋)		Japan
Hamid (Hamid, 1995)	Executive compensation structure	✖				✖																																					US
Daily & Dalton (1993)	Board leadership	✖	✖									✖																															
Hermalin And Weisbach (1991)	Proportion of outsider Directors	✖				✖																																					US
Mcconnell & Servaes (1990)	Holdings of an outside blockholder					✖																																					US
Zahra & Stanton (1988)	Boards of directors		✖		✖														✖																				✖	✖			

Research and Year	**Corporate governance**	**Company performance**																																									**Country**
		ROA	**ROE**	**ROCE**	**REPS**	**Ts Q**	**R-S**	**OPE**	**TPTC**	**QR**	**PER**	**MR**	**Lev.**	**MTBV**	**MTSR**	**NI**	**SR**	**SP**	**PM**	**TSR**	**CACL**	**SG**	**NAPS**	**TAT**	**RTAG**	**CFPS**	**RI**	**EVAI**	**EVAC**	**SANE**	**NS**	**SR**	**ADCR**	**PS**	**MASPR**	**TR**	**OM**	**SE**	**NE**	**LP**	**OI**	**VSP**	
Murphy (1985)	Executive compensation																			❋																							US

ROE=Return on Equity, ROA= Return on Assets, ROCE=Return on Capital Employed, REPS=Rates Earning Per Share, Ts Q= Tobin's Q, R-S.=Revenues-Sales, OPE=Operating Profit / Operating Income, TPTC=Total Profit / Total Cost, QR=Quick Assets / Current Liabilities, PER=Price Earnings Ratio, MR= Market Return, Lev.=Leverage, MTBV=Market-To-Book- Value, MTSR=Market-To-Sales Ratio, NI=Net Income, SR=Share Returns, SP=Stock Price, PM=Profit Margin, TSR=Total Shareholder Return, CACL=Current Assets Divided by Current Liabilities, SG=Sales Growth, NAPS=Net Assets Per Share, TAT=Total Assets Turnover, RTAG=Rate of Total Assets Growth, CFPS=Cash Flow Per Share, RI= Return on Investment, EVAI=Ratio of Economic Value Added to Invested Capital, EVAC=Economic Value Added Capital Ratio, SANE=Real sales/Average Number of Employees, NS=Net Sales, SR=Share Repurchases, ADCR=Average of the Daily Continuous Returns, PS=Performance of Stock, MASPR=Market Adjusted Stock Price Returns, TR= Turnover Ratio (Sales/Assets), OM=Operating Margin (Operating Income/Sales), SE= Salary Expenditures, NE=Net sale-to-equity, LP=Log Profits, OI= Operating Income, and VSP=Volatility of Stock Prices. ❋ Significant and positive, (❋) Significant and negative ✖ Not significant and positive, and (✖) Not significant and negative.

Appendix 4 Corporate Characteristics Examined

Researcher & Year	Corporate Characteristics examined	Type of Study	Country
Cerf (1961)	Company size, Ownership, Rate of return, Listing status	Aggregate	US
Singhvi (1968a)	Company size, Audit company, Profitability	Aggregate	India
Singhvi & Desai (1971)	Company size, Number of shareholders, Listing status, Rate of return, earnings, and Auditor type	Aggregate	US
Moore & Buzby (1972)	Rate of return, Company size, Earning margin	Aggregate	US
Choi (1973)	Company size and Industry type	Aggregate	European Capital Market
Buzby (1975)	Company size, Listing status	Aggregate	US
Stanga (1976)	Company size, Industry type	Aggregate	US
Patell, James M. (1976)	Company size, Industry type, Listing status	Aggregate	US
Belkaoui & Kahl (1978b)	Company size, Rate of return, Industry type, Liquidity, and Capitalisation ratio	Aggregate	Canada
Davies & Kelly (1979)	Company size, Audit company	Aggregate	Australia
Firth (1979)	Company size, Listing status, Auditor type	Voluntary	UK
Courtis (1979)	Company size, Leverage, Profitability, Audit company	Aggregate	New Zealand
McNally, Lee & Hasseldine (1982)	Company size, Rate of return, Auditor type, Growth in net assets, Industry type	Voluntary	New Zealand
Wallace (1987)	Company size, Rate of return, Liquidity, Multinational affiliation, Type of manager, Industry type	Aggregate Mandatory	Nigeria
Chow & Wong-Boren (1987)	Company size, Assets-in-place, Leverage	Voluntary	Mexico
Cooke(1989c)	Quotation status, Company size, parent company relationship, industry type	Voluntary	Sweden
Cooke (1989a)	Company size, Parent company relationship, Number of shareholders, Foreign listing, Industry type, Listing status	Aggregate Voluntary Social	Sweden
Lev (1990)	Company size, Earnings volatilities, Industry composition, Market risk	Voluntary	US
Tai et al (1990)	Company size, Audit company	Statutory	Hong Kong
Tan, Kidam & Cheong (1990)	Company size, Auditor type, Industry type	Mandatory	Malaysia
Tong et al. (1990)	Company size, Audit company	Voluntary	Malaysia
Cooke (1991)	Company size	Voluntary	Japan
Craswell & Taylor (1992)	Company size, Auditor type, Cash flow risk, Ownership structure, Leverage	Voluntary	Australia
Cooke (1992)	Company size, Listing status, Industry type	Aggregate Voluntary Mandatory	Japan
Lau (1992)	Company size, Leverage, Profitability	Voluntary	Hong Kong
Bradbury (1992)	Company size, Leverage, Industry type, Earnings volatility, Source of financing, Assets-in-place	Segmental	New Zealand

McKinnon & Dalimunthe (1993)	Company size, Leverage, Number of shareholders, Number of subsidiaries , Leverage of diversification, Industry type	Segmental	Australia
Lang & Lundholm, (1993)	Company size, Performance variability, Issuing securities.	Voluntary	US
Malone, Fries & Jones (1993)	Leverage, Listing status, Auditor type, Number of shareholders, Foreign operations, Proportion of outside directors, Industry diversification, Profitability	Aggregate	US
Wallace, Naser & Mora (1994)	Company size, Leverage, Auditor type, Liquidity, Rate of return, Listing status, Profitability, Industry type	Mandatory	Spain
Solas (1994)	No. of shareholder holders, Earning margin, Rate of return	Voluntary	Jordan
Ng & Koh (1994)	Leverage, Auditor type, Liquidity, Industry type, Profitability, Sales, Operational complexity	Voluntary	Singapore
Hossain et al. (1994)	Company size, Ownership structure, Leverage, Assets-in-place, Auditor type, Foreign listing	Voluntary	Malaysia
Ahmed & Nicholls (1994)	Company size, Auditor type, Qualification of principal accounting officer, Multinational affiliation, Leverage	Mandatory	Bangladesh
Abu-Nassar & Rutherford (1994)	Company size, Age, Equity ratio, Rate of return, Dividends, Ownership distribution, Profitability, Industry type	Voluntary	Jordan
Raffournier (1995)	Company size, Leverage, Profitability, Audit company	Voluntary	Switzerland
Wallace & Naser(1995)	Company size, Ownership distribution, Industry type, Leverage, Profitability, Liquidity, Official domicile, Audit company	Mandatory	Hong Kong
Raffournier (1995)	Company size, Leverage, Ownership structure, Auditor type, Assets-in-place, Rate of return, Internationality, Industry type	Voluntary	Switzerland
Hossain, Perera & Rahman (1995)	Company size, Auditor type, Foreign listing, Leverage, Assets-in-place,	Aggregate	New Zealand
Soh (1996)	Company size, Leverage, Ownership, Profitability, Industry type	Voluntary Mandatory	Malaysia
Ahmed (1996)	Company size, Leverage, Audit company	Aggregate	Bangladesh
Al-Modahki (1996)	Company size, Auditor type, Foreign investment, Length of incorporation, Industry type	Aggregate Voluntary Mandatory	Saudi Arabia
Marston (1997)	Company size	Voluntary Mandatory	India
Inchausti (1997)	Company size, Profitability, Audit company,	Aggregate	Spain
Zarzeski (1996a)	company size, foreign sales, debt ratio, domestic culture	Aggregate	France, US Germany, Hong Kong, Japan, UK, Norway
Patton & Zelenka (1997)	Company size, Leverage, Profitability, Audit company	Statutory	Czech Repub
Haniffa (1999)	Company size, Assets-in-place, Industry type, Age, Complexity of business, Profitability, Level of diversification, Multiple listing status, Foreign activates, Corporate gearing , Ownership structure, Type of auditors	Aggregate	Malaysia
Ahmed & Courtis (1999)	Company size, listing status, leverage, profitability, Audit company	Aggregate	UK

Mahmood (1999)	Industry type, Audit company, Commercial law type, and listing status	Voluntary	Egypt
Depoers (2000)	Firm size, Foreign activity, Ownership structure, Leverage, Auditor company, Labour pressure, and Barriers to entry	Voluntary	France
Haniffa & Cooke (2002)	Company size, Leverage, Level of diversification, Complexity of business, Assets-in-place, Ownership structure	Voluntary	Malaysia
Naser, et al. (2002)	Number of shareholders, Audit company, Return on equity, Liquidity, Profit margin, company size, Type of industry, and Foreign & Arab ownership	Aggregate	Jordan
Eng & Mak (2003)	Ownership structure, Board composition	Voluntary	Singapore
Naser & Nuseibeh (2003)	Type of information, the effect of Saudi Organization of Certified Public Accountants creation on the level of accounting disclosure	Mandatory Voluntary	Saudi Arabia
Khanna, Palepu, & Srinivasan, (2004)	Company size, Performance variability, Country legal origin	Aggregate	US
Mangena & Pike (2005)	Shareholders of audit committee members, Audit committee size, Audit committee financial expertise.	Mandatory Voluntary	UK
Alsaeed (2006)	Company size, debt, Ownership dispersion, Age, Profit margin, Return on equity, Liquidity, Industry type, Audit company.	Voluntary	Saudi Arabia
Barako et al. (2006a)	Company size , Leverage, Type of audit company, Profitability, Liquidity, Industry type	Voluntary	Kenya
Cheng, Collins, & Huang, (2006a)	Company size, Industry type, Risk-adjusted returns	Aggregate	US
Tinalkar, (2006)	Company size, leverage, listing status, and Audit company	Voluntary	US and Canada
Birt, Bilson, Smith, & Whaley (2006)	Ownership structure	Voluntary	Australia
McFie (2006)	Company size, Number of shareholders, Shareholders owned, Age, Leverage, Industry type, Payout ratio, and Identity of auditor.	Aggregate Mandatory Voluntary	Kenya
Sepideh, Gin, & Ewere, (2007)	Profitability, Company size, Industrial type	Voluntary	UK
Mohan (2007)	Board size	Aggregate	US
Barako, (2007)	Company size, Leverage, Audit company, Profitability, Liquidity	Voluntary	Kenya
Bhuiyan & Biswas (2007)	Local ownership, Securities and exchange commission notification, Company size, Age, Multinational affiliation, and Board size	Aggregate	Bangladesh
Xiao & Yuan (2007)	Ownership structure, Board composition	Voluntary	China
Mathew, Elsie, & Joseph (2007)	Ownership structure, Dispersion of shareholding, Company size, leverage	Aggregate	Ghana
Aly & Simon (2008)	Company size, leverage, Profitability, Liquidity, Industrial sectors, Audit company, Foreign listing	Voluntary	Egypt
Ben Ali (2008)	Ownership structure, Institutional investor's ownership, Board characteristics	Aggregate	France
Hossain (2008a)	Company size, Profitability, Age, Assets in place, Market discipline, Board composition, and Complexity of business	Aggregate	India

Iskander (2008)	Company size, Profitability, and Industrial membership	Voluntary	Egypt
Chi (2009)	Company size, Financial leverage, age	Aggregate	Taiwan
Foong Soon et al. (2009)	Company size	Voluntary	Malaysia
Curuk (2009)	Company size, Listing status and Industry type	Mandatory	Turkey
Doaa, Jon, & Khaled (2009)	Profitability, foreign listing, industrial type, Company size, leverage, liquidity and Audit company	Aggregate	Egypt
Cho et al. (2010)	Company size and age	Aggregate	US
Kang & Gray (2011)	Company size, foreign listing, Accounting standard adopted, and industry type.	Voluntary	Chain
Mia & Al- Mamun (2011)	Profitability, leverage, change in profitability, change in leverage, and Company size	Aggregate	Australian
Bremer (2012)	Total percentage of shares held by the public sector, Ownership stake held by public banks and insurance companies, and Listing status.	Aggregate	Egypt
Wen (2012)	Listing status	voluntary	China
Ismail & Ibrahim (2012)	Company size, Government ownership and industry type.	Aggregate	Jordanian

Appendix 5Review Studies using Standard & Poor's Transparency and Disclosure

Author & Year	Examine	Findings
Chen, et al. (2003)	The effects of disclosure and other CG mechanisms on the cost of equity capital in Asia's emerging markets.	Both disclosure and non-disclosure CG mechanisms have a significantly negative effect on the cost of equity capital.
Cheng, et al. (2003)	Strong S&P: T&D reduces the cost of equity measured by market beta. Also, it leads to increased risk- adjusted abnormal return and earnings response coefficients around the release of the S&P scores.	Only disclosure rankings of board and management structure and process items can explain the variation in the implied cost of capital. Rankings of ownership structure and investment rights items and financial transparency and information disclosure items do not yield significant results.
Bushee (2004)	Relations between the use of U.S. disclosure practices by non-U.S. companies and the level of interaction such companies have with U.S. Market participants.	The level of interactions a non-U.S. company has with the U.S. capital, product, and Labour Markets is associated with the use of U.S. disclosure practices.
Khanna, et al. (2004)	Relationship between market interaction variables and the T&D measures for the sample companies, after controlling for various other variables known to affect companies' disclosure.	Positive association between these disclosure scores and a variety of market interaction measures, including U.S. listing, U.S. investment flows, exports to, and operations in the United States. Trade with the United States at the country level, has an insignificant relationship with the disclosure scores.
Ashbaugh-Skaife, Collins, & LaFond (2006)	Whether companies that possess strong CG benefit from higher overall credit ratings relative to companies with weak governance.	Credit ratings are: negatively associated with the number of block holders that own at least a 5% ownership in the company; positively related to weaker shareholder rights in terms of takeover defences; positively related to the degree of 34 financial transparency; and positively related to over-all board independence, board stock ownership and board expertise and negatively related to CEO power on the board.
Anderson, et al. (2004)	Relationship between independent directors attributes and debt yields.	The cost of debt is inversely related to board independence and board size. Fully independent audit committees are associated with a significantly lower cost of debt financing. Similarly, yield spreads are also negatively related to audit committee size and meeting frequency.
Aksu & Kosedag (2005)	The relationship between the financial performance of a sample of large capitalization and liquid ISE companies and their transparency & disclosure scores.	The companies with higher scores, especially in the category of board and management structures, have higher returns and accounting measures of profitability. The companies that also use IFRS in the preparation of financial statements have higher T&D scores and commitment to better disclosure scores.
Frost, et al. (2005)	Associations between T&D, and access to capital in global equity markets by emerging market companies.	T&D are positively associated with emerging market companies' global capital market access, after controlling for many factors expected to influence emerging market companies' ability to raise capital globally.
Chiang & Chia, (2005)	Relationships among indicators of corporate governance, including transparency and operating performance measures,	Corporate transparency does have a significant positive relationship with operating performance. Companies with good CG also have a significant positive relationship with operating performance. As such, a

Author & Year	Examine	Findings
	and whether or not the indicators could be predictors of operating performance.	company may devote resources to improving corporate structure in order to improve performance, and outsiders can rely on the information provided by the company to make their decisions.
Mohan (2007)	Relationship between the quality of disclosure in companies' 10-K filings and the risk of securities class action litigation.	Companies that use more numbers, past and future words and other informative words are less likely to be sued, even after controlling for the common determinants of lawsuits.
Ashbaugh-Skaife, et al. (2006)	Whether companies with strong CG benefit from higher credit rating relative to companies with weaker governance.	company-specific risk characteristics, that credit ratings are negatively associated with the number of block holders and CEO power, and positively related to takeover defences, accrual quality, earnings timeliness, board independence, board stock ownership, and board expertise. CEOs of companies with speculative-grade credit ratings are overcompensated to a greater degree than their counterparts at companies with investment-grade ratings, thus providing one explanation for why some companies operate with weak governance.
Cheng, et al (2006b)	Whether shareholder rights and disclosures of financial-related attributes are associated with companies' costs of equity capital.	Companies with stronger shareholder rights regimes and higher levels of financial transparency are associated with significantly lower costs of equity capital. Greater financial disclosure and stronger rights regimes interact in reducing companies' costs of equity capital, such that the effect of a high level of one mechanism is minimal when it is combined with a low level of the other.
Black, Love, & Rachinsky, (2006)	The connection between company-level CG and share prices is limited to cross-sectional data and simple OLS specifications.	There are large differences between OLS and fixed effects results. This casts doubt on OLS results, and thus on most prior work on the connection between governance and company value.
Aksu (2006)	If the T&D level of a sample of Istanbul Stock Exchange companies is enhanced by the promulgation of a set of local CG Principles and by the voluntary adoption of the International Financial Reporting Standards, an international best practice.	The 2004 T&D scores are significantly higher than those of 2003. The companies with higher scores, especially in the category of board and management structures, have higher returns and accounting measures of profitability. Companies that have voluntarily adopted IFRS in the preparation of their 2003 and 2004 financial statements have higher T&D scores and commitment to better disclosure.
Dargenidou, et al. (2006)	Relation between the cost of equity capital and earnings expectations when the properties of accounting that determine earnings vary across different regulatory regimes.	Accounting diversity is likely to be of little importance in integrating financial markets.
Cheng et al. (2006a)	Whether S&P: T&D rankings provide new information to financial markets.	No relationship between composite rankings and abnormal returns. There is a negative relationship between abnormal returns and the difference scores between S&P: T&D ranking from annual report sources alone and composite rankings from annual reports and other sources. Only the subcategory of ownership structure and investor rights is the driving force of the overall results.
McFie	Association between selected	High quality disclosure would have been found to be

Author & Year	Examine	Findings
(2006)	corporate characteristics and high quality disclosure.	associated with company size.
Black, et al. (2006b)	Factors that affect the governance choices of companies in emerging markets	Regulatory factors are highly important, largely because Korean rules impose special governance requirements on large companies.
Aksu & Kosedag (2006)	The first attempt to create a summary T&D index for the largest and most liquid companies trading on the Istanbul Stock Exchange. The company-specific determinants of the T&Ds.	The annual reports and websites are weak in terms of voluntary disclosure. While size, accounting profitability and market-to-book ratio explain the differences in the scores in the ownership and board and management sub-categories as well as in overall scores, leverage remains insignificant in all four models.
Richard et al. (2007)	Whether countries matter more than companies in explaining variance in financial transparency.	Converging accounting practices in the region short-term will not be easy, although there are strong company-level market-based forces driving transparency which may assist the convergence process long-term.
Chen, et al. (2007)	Effects of CG on equity liquidity.	Companies with poor disclosure and transparency have larger economic costs of equity liquidity.
Lee (2007)	Association between corporate voluntary disclosure and the separation of ownership and control in East Asia.	The negative association between voluntary disclosure and the separation of cash flow rights from control rights is less pronounced for companies with greater external financing needs. Companies with high separation of cash flow rights from control rights, those with greater external financing needs undertake higher company-level voluntary disclosure to reduce information asymmetry. The negative association between voluntary disclosure and the separation of cash flow rights from control rights is less pronounced for companies that have a large non-management shareholder.
Tsamenyi, et al. (2007)	CG practices of Ghanaian listed companies. The dearth of literature on CG practices in the developing world despite the increasing interests in the topic in both the developed and the developing world.	The level of disclosure in Ghana is low. Ownership structure, dispersion of shareholding, and company size measured as total assets and market capitalization all have significant effect on disclosure. The correlation between disclosure and leverage is insignificant.
Chen et al. (2007)	Effects of disclosure, and other CG mechanisms, on equity liquidity.	The economic costs of equity liquidity, i.e. the effective spread and the quoted half-spread, are greater for those companies with poor information T&D practices.
Imen (2007)	Investigate the determinants of good governance in the US companies.	Statistically significant and positive associations between each governance index (exception to board index) and company size, investment opportunities, intangible assets and directors and officers ownership. Furthermore, institutional ownership and external financing needs are positively related to each governance index considered. Growth opportunities and performance have no significant effect on governance quality.
Ali, et al. (2007)	Compared to non-family companies, family companies face less severe agency problems	Family companies report better quality earnings, are more likely to warn for a given magnitude of bad news, but make fewer disclosures about their CG practices.

Author & Year	Examine	Findings
	due to the separation of ownership and management, but more severe agency problems that arise between controlling and non-controlling shareholders. These characteristics of family companies affect their corporate disclosure practices.	Consistent with family companies making better financial disclosures, family companies have larger analyst following, more informative analysts' forecasts, and smaller bid-ask spreads.
Doidge, et al. (2007)	Develops and tests a model of how country characteristics, such as legal protections for minority investors and the level of economic and financial development, influence companies' costs and benefits in implementing measures to improve their own governance and transparency.	country characteristics explain much more of the variance in governance ratings (ranging from 39% to 73%) than observable company characteristics (ranging from 4% to 22%).characteristics explain almost none of the variation in governance ratings in less-developed countries and that access to global capital markets sharpens companies' incentives for better governance.
Hutton (2007)	Contribute to a growing body of research on the relation between CG and corporate disclosure quality.	Empirical findings are open to alternative interpretations and in totality present relatively weak, indirect evidence of a relation between CG and the quality of corporate disclosure.
Chuanrom, et al. (2007)	Shareholder protection includes shareholder rights as well as transparency and information disclosure. Shareholder rights are assessed by using items from CG assessment of CLSA and S&P	The CG practices of Thai, Malaysian and Singaporean financial corporations are consistent with international best practices. CG as presented in company documents probably does not actually reflect real CG practices.
Huanga & Zhang (2008)	Investors' valuations of corporate cash hoardings and dividend payout to explicitly isolate the monitoring effect from the information effect of corporate disclosure activity.	Extensive disclosure enhances external monitoring and thus limits insiders' ability to accumulate cash to expropriate minority shareholders. In further support of the monitoring effect of strong disclosure, they find that dividend payout is valued at a premium in opaque companies where cash is more vulnerable to consumption of private control benefits. The disciplinary role of company-level disclosure policy in CG mechanisms.
Frost, et al. (2008)	How five financial reporting and disclosure quality proxies are related to emerging markets companies' cross-listing choices and their access to the global capital market. Five financial reporting and disclosure quality proxies are transparency of the annual report, global vs. local auditor, global vs. local GAAP, translation of the annual report into English, and voluntary dissemination of information through websites.	A strong association between each of their five proxies and emerging markets companies' participation in U.S. and U.K. capital markets, but the variation in the five proxies (plus the controls) explains only about 40% of the variation in companies' cross-listing patterns. The reporting and disclosure proxies are not significantly correlated with the amount of debt and equity capital raised in global markets, after controlling for the effects of cross-listing in the U.S. and the U.K. and other control variables.
Durnev & Fauver (2008)	How predatory government policies (expropriation, lack of property rights protection, corruption, crime) interact with	Companies located in countries with more predatory governments practice weaker governance and disclose less information. The previously documented positive relation between company governance and company

Author & Year	Examine	Findings
	managerial incentives in shaping company governance structure	performance is weaker or disappears altogether when governments pursue predatory policies. In countries with more predatory governments, company-specific characteristics are less important in explaining variation in governance and companies have more similar governance structures
DeBoskey & Gillett (2008)	The impact of corporate transparency, conceived in the broadest sense, and not limited to financial reporting, on US. Companies.	Corporate transparency is neither a unitary concept nor merely an ambiguous term for multiple distinct concepts: factor analysis of ten corporate transparency variables identifies four independent underlying dimensions: disclosure information, intermediary information, earnings quality information and insider information. corporate transparency has significant power to explain cross-sectional variation in credit rating and cost of capital
Felo (2009)	How board composition (independence and expertise) is related to several measures of disclosure transparency, and analyse the association between splitting the roles of CEO and chairman of the board and disclosure transparency	Greater insider participation on the board (regardless of level of financial expertise) is related to less transparent disclosures. Only independent directors with financial expertise are related to more transparent disclosures. Directors with accounting expertise are related to less transparent disclosures in company annual reports. Finally, having the same person fill the CEO and chairman roles is related to greater disclosure transparency.
Grosman (2012)	The effect of corporate governance on financing constraints through investment.	CG significantly impacts capital investment

Appendix 6 Transparency and Disclosure Calculated

Panel	Variable	Q
A	Total transparency & disclosure score (Three categories) The total transparency & disclosure score for a company is calculated follows: $S\&P\ TD_{S} = \sum_{i=1}^{m} d_i$ Where: TD_{S} = 1 (if transparency & disclosure item is disclose in the annual report) or = 0 (if transparency & disclosure item is not disclose in the annual report) ($M \leq 98$).	98
B	Ownership structure and investor right (Three Subcategories) $S\&P\ OSIR = \frac{OSIRs}{Mosir} X\ 100$ Where: $OSIR_{S}$ = Ownership structure and investor right score for each company. M_{osir} = Maximum ownership structure and investor right score possible for the company (≤ 28 items).	28
B1	Transparency of ownership $S\&P\ TO = \frac{TOs}{Mto} X\ 100$ Where: TO_{S} = Transparency of ownership score for each company. M_{to} = Maximum transparency of ownership score possible for the company (≤ 11 items).	11
B2	Concentration of ownership $S\&P\ CO = \frac{TOs}{Mco} X\ 100$ Where: CO_{S} = Concentration of ownership score for each company. M_{co} = Maximum concentration of ownership score possible for the company (≤ 8 items).	8
B3	Voting and shareholder meeting $S\&P\ VSM = \frac{VSMs}{Mvsm} X\ 100$ Where: VSM_{S} = Voting and shareholder meeting score for each company. M_{vsm} = Maximum Voting and shareholder meeting score possible for the company (≤ 9 items).	9
C	Financial transparency & information disclosure (Five Subcategories) $S\&P\ FTID = \frac{FTIDs}{Mftid} X\ 100$ $FTID_{S}$ = Financial transparency & information disclosure score for each company. M_{ftid} = Maximum financial transparency & information disclosure score possible for the company (≤ 35 items).	35
C1	Business focus $S\&P\ BF = \frac{BFs}{Mbf} X\ 100$ BF_{S} = Business focus score for each company. M_{bf} = Maximum business focus score possible for the company (≤ 15 items).	15
C2	Accounting policy review $S\&P\ APR = \frac{APRs}{Mapr} X\ 100$ APR_{S} = Accounting policy review score for each company. M_{apr} = Maximum accounting policy review score possible for the company (≤ 9 items).	9
C3	Accounting policy details $S\&P\ APD = \frac{APDs}{Mapd} X\ 100$ APD_{S} = Accounting policy details score for each company. M_{apd} = Maximum accounting policy details score possible for the company (≤ 3 items).	3
C4	Related party structure and transactions $S\&P\ RPST = \frac{RPSTs}{Mrpst} X\ 100$ RPST = Related party structure and transactions score for each company.	

	M_{rpst} = Maximum related party structure and transactions score possible for the company (≤ 4 items).	4
C5	Information on audit S&P IA $= \frac{IAs}{Mia}$ X 100 IA_{S}= Information on audit score for each company. M_{ia} = Maximum Information on audit score possible for the company (≤ 4 items).	4
D	Board and management structure and process (Four Subcategories) S&P BMSP $= \frac{BMSPs}{Mbmsp}$ X 100 $BMSP_{S}$= Board and management structure and process score for each company. M_{bmsp} = Maximum board and management structure and process score possible for the company (≤ 35 items).	35
D1	Board structure and composition S&P BSC $= \frac{BSCs}{Mbsc}$ X 100 BSC_{S}= Board structure and composition score for each company. M_{bsc} = Maximum board structure and composition score possible for the company (≤ 8 items).	8
D2	Role of the board S&P RB $= \frac{RBs}{Mrb}$ X 100 RB_{S}= Role of the board score for each company. M_{rb} = Maximum role of the board score possible for the company (≤ 12 items).	12
D3	Director training and compensation S&P DTC $= \frac{DTSs}{Mdtc}$ X 100 DTC_{S}= Director training and compensation score for each company. M_{dtc} = Maximum director training and compensation score possible for the company (≤ 6 items).	6
D4	Executive compensation and evaluation S&P ECE $= \frac{ECEs}{Mece}$ X 100 ECE_{S}= Executive compensation and evaluation score for each company. M_{ece} = Maximum executive compensation and evaluation score possible for the company (≤ 9 items).	9

Appendix 7Descriptive Statistics of S&P T&D

Appendix 7-A Descriptive Statistics of S&P T&D (Overall Companies)

Appendix 7-A-1 Descriptive Statistics of Overall S&P T&D

Descriptive Statistics

Year	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	23	.242	.09	.44	.35	.239	.094	.576
2006	23	.287	.16	.45	.29	.270	.079	.430
2007	25	.339	.16	.50	.34	.346	.086	-.080
2008	27	.374	.19	.54	.35	.382	.098	-.077

Appendix 7-A-2 Descriptive Statistics of Ownership Structure &Investor Right

Descriptive Statistics

Year	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	23	.047	.00	.11	.11	.071	.001	-.160
2006	23	.065	.00	.18	.18	.071	.044	.444
2007	25	.095	.00	36	.36	.071	.085	1.644
2008	27	.116	.00	.36	.36	.071	.105	1.180

Appendix 7-A-3Descriptive Statistics of Financial Transparency &Information disclosure

Descriptive Statistics

Year	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	23	.434	.17	.71	.54	.457	.160	.294
2006	23	.505	.29	.77	.49	.514	.149	.209
2007	25	.593	.29	.80	.51	.628	.151	-.490
2008	27	.649	.31	.83	.51	.714	.145	-.721

Appendix 7-A-4 Descriptive Statistics of Board &Management Structure & Process

Descriptive Statistics

Year	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	23	.192	.00	.49	.49	.171	.114	.556
2006	23	.231	.03	.43	.40	.228	.092	-.059
2007	25	.267	.03	.43	.40	.285	091	-.629
2008	27	.298	.03	.46	.43	.314	.099	-.636

Appendix 7-A-5 Descriptive Statistics of Ownership structure &Investor Right by Three Subcategories

Descriptive Statistics

		Transparency of ownership				Concentration of ownership				Voting & shareholder meeting procedures			
Year	No.	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D
2005	23	.094	.00	.18	.088	.010	.00	.25	.052	.001	.00	.11	.038
2006	23	.122	.00	.18	.084	.038	.00	.38	.102	.001	.00	.11	.001
2007	25	.134	.00	.18	.081	.108	.00	1.00	.248	.024	.00	.22	.057
2008	27	.138	.00	.27	.086	.152	.00	.88	.276	.043	.00	.56	.119

Appendix 7-A-6 Descriptive Statistics of Financial Transparency &Information Disclosure by Five Subcategories

		Descriptive Statistics																			
		Business focus				**Accounting policy review**				**Accounting policy details**				**Related party structure & transaction**				**Information on auditors**			
Year	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	23	.507	.13	.87	.207	.440	.00	.89	.278	.666	.00	1.00	.402	.043	.00	.25	.096	.358	.00	.75	.290
2006	23	.556	.27	.80	.162	.516	.00	.89	.287	.840	.00	1.00	.360	.076	.00	.50	.139	.467	.00	.75	.253
2007	25	.652	.27	.93	.210	.632	.00	.89	.228	.956	.00	1.00	.208	.119	.00	.50	.166	.565	.00	.75	.240
2008	27	.707	.27	1.00	.211	.686	.00	1.00	.221	.956	.00	1.00	.208	.206	.00	1.00	.257	.489	.00	1.00	.232

Appendix 7-A-7 Descriptive Statistics of Board &Management Structure & Process by Four Subcategories

		Descriptive Statistics															
		Board structure and composition				**Role of the board**				**Director training & compensations**				**Executive compensation & evaluation**			
Year	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	23	.434	.00	.88	.206	.170	.00	.50	.143	.057	.00	.33	.129	.096	.00	.33	.077
2006	23	.521	.13	.75	.171	.228	.00	50	.110	.086	.00	.33	.149	.125	.00	.33	.077
2007	25	.462	.13	.75	.178	.279	.00	.50	.119	.115	.00	.33	.162	.024	.00	.22	.066
2008	27	.576	.13	.75	.158	.322	.00	.58	.136	.115	.00	.33	.162	.135	.00	.33	.088

Appendix 7-B Descriptive Statistics of S&P T&D (Listing Status)

Appendix 7-B-1 Descriptive Statistics of Overall S&P T&D

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2006	L	8	.324	.22	.45	.22	.321	.083	.207
	N	15	.266	.16	.42	.26	.265	.071	.505
2007	L	8	.359	.24	.45	.20	.387	.069	-.591
	N	17	.328	.16	.50	.34	.331	.094	.212
2008	L	8	.419	.24	.53	.29	.438	.084	-1.23
	N	19	.348	.19	.54	.35	.341	.098	.475

L=companies listed in Libya Stock Market, and N=companies not listed in Libya Stock Market

Appendix 7-B-2 Descriptive Statistics of Ownership Structure &Investor Right

Descriptive Statistics

Year	Co.	N	Mean	Min	Max	Range	Median	S.D	Skew
2006	L	8	.084	.07	.14	.07	.071	.026	1.95
	N	15	.056	.00	.18	.18	.071	.049	.912
2007	L	8	.111	.07	.21	.14	.071	.064	1.30
	N	17	.086	.00	.36	.36	.071	.096	1.95
2008	L	8	.174	.07	.29	.29	.125	.112	.894
	N	19	.084	.00	.32	.32	.071	.089	1.73

L=companies listing in Libya Stock Market, and N=companies not listing in Libya Stock Market

Appendix 7-B-3 Descriptive Statistics of Financial Transparency &Information Disclosure

Descriptive Statistics

Year	Co.	N	Mean	Min	Max	Range	Median	S.D	Skew
2006	L	8	.560	.34	.77	.43	.571	.149	-.282
	N	15	.476	.29	.74	.46	.457	.146	.941
2007	L	8	.628	.40	.77	.37	.642	.136	-.784
	N	17	.575	.29	.80	.51	.571	.159	-.353
2008	L	8	.707	.40	.83	.43	.742	.143	-1.61
	N	19	619	.31	.80	.49.	.571	.142	-.564

L=companies listing in Libya Stock Market, and N=companies not listing in Libya Stock Market

Appendix 7-B-4 Descriptive Statistics of Board Management Structure &Process

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2006	L	8	.278	.11	.43	.31	.287	.098	-.218
	N	15	.205	.03	.34	.31	.228	.081	-.465
2007	L	8	.289	.11	.43	.31	.300	.086	-.523
	N	17	.255	.03	.43	.40	.285	.090	-.828
2008	L	8	.328	.17	.43	.26	.357	.094	-.947
	N	19	.281	.03	.46	.43	.285	.104	-.501

L=companies listing in Libya Stock Market, and N=companies not listing in Libya Stock Market

Appendix 7-B-5 Descriptive Statistics of Ownership Structure &Investor Right by Three Subcategories

Descriptive Statistics														
			Transparency of ownership				Concentration of ownership				Voting & shareholder meeting procedures			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2006	L	8	.136	.08	.18	.084	.031	.00	.25	.088	.013	.00	.11	.039
	N	15	.090	.00	.18	.090	.041	.00	.38	.112	.014	.00	.11	.039
2007	L	8	.180	.15	.20	.033	.093	.00	.50	.186	.041	.00	.22	.082
	N	17	.109	.00	.18	.092	.116	.00	1.00	.281	.014	.00	.11	.039
2008	L	8	.193	.18	.27	.032	.234	.00	.88	.316	.097	.00	.56	.191
	N	19	.109	.00	.18	.092	.108	.00	.88	.253	.014	.00	.11	.039

L=companies listing in Libya Stock Market, and N=companies not listing in Libya Stock Market.

Appendix 7-B-6 Descriptive Statistics of Financial Transparency &Information Disclosure by Five Subcategories

			Business focus				Accounting policy review				Accounting policy details				Related party structure & transaction				Information on auditors			
Year	Co.	N	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D
2006	L	8	.566	.33	.80	.178	.638	.33	.89	.220	.875	.33	1.00	.353	.156	.00	.50	.186	.531	.00	.75	.247
	N	15	.551	.27	.80	.160	.451	.00	89	.304	.822	.00	1.00	.375	.033	.00	.25	.087	.433	.00	.75	.258
2007	L	8	.650	.27	.93	.210	.694	.33	.89	.175	1.00	1.00	1.00	.000	.218	.00	.50	.208	.531	.00	.75	.247
	N	17	.653	.27	.93	.218	.600	.00	.89	.251	.933	.00	1.00	.258	.066	.00	.25	.114	.466	.00	.75	.228
2008	L	8	.733	.27	.100	.244	.736	.33	1.00	.196	1.00	1.00	1.00	.000	.406	.00	1.00	.325	.625	.50	1.00	.189
	N	19	.693	.33	.93	.199	.659	.00	.89	.235	.933	.00	1.00	.258	.100	.00	.25	1.26	.533	.00	1.00	.265

Descriptive Statistics

L=companies listing in Libya Stock Market, and L=companies not listing in Libya Stock Market.

Appendix 7-B-7 Descriptive Statistics of Board & Management Structure &Process by Four Subcategories

Descriptive Statistics

			Board structure and composition				Role of the board				Director training & compensations				Executive compensation & evaluation			
Year	Co.	N	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D
2006	L	8	.515	.25	.75	.169	.260	.17	.50	.113	.166	.00	.33	.178	.166	.00	.33	.118
	N	15	.433	.13	.75	.182	.211	.00	.42	.108	.044	.00	.33	.117	.001	.00	.11	.028
2007	L	8	.562	.25	.75	.178	.260	.17	.50	.121	.166	.00	.33	.178	.069	.00	.22	.101
	N	17	.500	.13	.75	.170	.288	.00	.50	.121	.088	.00	.33	.152	.140	.00	.20	.089
2008	L	8	.625	.50	.75	.099	.322	.17	.50	.136	.166	.00	.33	.178	.166	.00	.33	.118
	N	19	.550	.13	.75	.181	.322	.00	.58	.140	.088	.00	.33	.152	.011	.00	.33	.065

L=companies listing in Libya Stock Market, and N=companies not listing in Libya Stock Market.

Appendix 7-C Descriptive Statistics of S&P T&D (Companies Ownership)

Appendix 7-C-1 Descriptive Statistics of Overall S&P T&D

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	Pu	14	.230	.15	.35	.20	.305	.078	.326
	Pr	9	.265	.14	.30	.16	.260	.120	.090
2006	Pu	14	.281	.15	.45	.30	.311	.074	-.131
	Pr	9	.299	.16	.40	.34	.270	.091	-1.69
2007	Pu	14	.335	.19	.50	.31	.388	.081	-.872
	Pr	11	.348	.18	.40	.22	.330	.098	1.95
2008	Pu	14	.382	.19	.55	.36	.439	.098	-.588
	Pr	13	.374	.24	.40	.26	.340	.102	1.75

Pu=Public Companies, and Pr=Private Companies.

Appendix 7-C-2 Descriptive Statistics of Ownership Structure &Investor Right

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	Pu	14	.048	.00	.11	.11	.071	.036	-.332
	Pr	9	.044	.00	.11	.11	.053	.041	.090
2006	Pu	14	.066	.00	.18	.18	.071	.052	.632
	Pr	9	.066	.00	.11	.11	.071	.029	-1.69
2007	Pu	14	.094	.00	.33	.36	.071	.101	1.59
	Pr	11	.098	.07	.21	.14	.071	.053	1.95
2008	Pu	14	.125	.00	.36	.36	.071	.127	.895
	Pr	13	.102	.07	.21	.14	.071	.052	1.75

Pu=Public Companies, and Pr=Private Companies

Appendix 7-C-3 Descriptive Statistics of Financial Transparency & Information Disclosure

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	Pu	14	.424	.17	.66	.49	.442	.160	.183
	Pr	9	.450	.26	.71	.46	.457	.170	.499
2006	Pu	14	.510	.29	.71	.43	.500	.139	-.061
	Pr	9	.498	.29	.77	.49	.514	.173	.545
2007	Pu	14	.602	.29	.77	.49	.642	.144	-.883
	Pr	11	.581	.34	.80	.46	.571	.169	-.076
2008	Pu	14	.669	.31	.83	.51	.714	.140	-1.27
	Pr	13	.619	.40	.80	.40	.571	.157	-.105

Pu=Public Companies, and Pr=Private Companies.

Appendix 7-C-4 Descriptive Statistics of Board & Management Structure & Process

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	Pu	14	.179	.03	.34	.31	.171	.083	.103
	Pr	9	.212	.00	.49	.49	.228	.155	.343
2006	Pu	14	.222	.03	.34	.31	.242	.093	-.537
	Pr	9	244	.11	.43	.31	.228	.095	.701
2007	Pu	14	.259	.03	.37	.34	.285	.089	-1.64
	Pr	11	.279	.14	.43	.29	.257	.097	.581
2008	Pu	14	.302	.03	.46	.43	.314	.104	-1.36
	Pr	13	.292	.17	.46	.29	.257	.096	.801

Pu=Public Companies, and Pr=Private Companies

Appendix 7-C-5 Descriptive Statistics of Ownership Structure & Investor Right by Three Subcategories

Descriptive Statistics

			Transparency of ownership				Concentration of ownership				Voting & shareholder meeting procedures			
Year	Co.	No.	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D
2005	Pu	14	.103	.00	.18	.093	.00	.00	.00	.00	.023	.00	.11	.047
	Pr	9	.080	.00	.18	.084	.027	.00	.25	.083	.00	.00	.00	.00
2006	Pu	14	.116	.00	.18	.090	.044	.00	.38	.116	.023	.00	.11	.047
	Pr	9	.131	.00	.18	.080	.027	.00	.25	.083	.00	.00	.00	.00
2007	Pu	14	.116	.00	.18	.090	.125	.00	1.00	.290	.039	.00	.22	.070
	Pr	11	.161	.00	.18	.060	.083	.00	.50	.176	.01	.00	.11	.00
2008	Pu	14	.123	.00	.27	.098	.196	.00	.88	.324	.063	.00	.56	.149
	Pr	13	.161	.00	.18	.060	.083	.00	.50	.176	.012	.00	.11	.037

Pu=Public Companies, and Pr=Private Companies

Appendix 7-C-6 Descriptive Statistics of Financial Transparency & Information Disclosure by Five Subcategories

			Descriptive Statistics																			
			Business focus				Accounting policy review				Accounting policy details				Related party structure & transaction				Information on auditors			
Year	Co.	No.	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D
2005	Pu	14	.542	.20	.87	.190	.428	.00	.89	.291	.547	.00	1.00	.425	.071	.00	.25	.117	.232	.00	.50	.249
	Pr	9	.451	.13	.80	.232	.469	.22	.89	.270	.851	.33	1.00	.294	.00	.00	.00	.00	.555	.00	.75	.243
2006	Pu	14	.590	.40	.80	.127	.523	.00	.89	.315	.857	.00	1.00	.363	.071	.00	.25	.117	.357	.00	.75	.254
	Pr	9	.503	.27	.80	.203	.506	.22	.89	.255	.814	.00	1.00	.376	.083	.00	.50	.176	.638	.50	.75	.131
2007	Pu	14	.709	.47	.93	.166	.627	.00	.89	.248	.928	.00	1.00	.267	.107	.00	.50	.161	.392	.00	.75	.234
	Pr	11	.563	.27	.93	.249	.642	.33	.89	.206	.939	.00	1.00	.200	.138	.00	.50	.181	.638	.50	.75	.131
2008	Pu	14	.766	.53	1.00	.173	.766	.00	1.00	.062	.928	.00	1.00	.267	.232	.00	1.00	.285	.517	.00	1.00	.285
	Pr	13	.614	.27	.93	.242	.614	.33	.89	.182	.948	.00	1.00	.184	.166	.00	.50	.216	.638	.50	.75	.131

Pu=Public Companies, and Pr=Private Companies

Appendix 7-C-7 Descriptive Statistics of Board & Management Structure and Process by Four Subcategories

			Descriptive Statistics															
			Board structure and composition				Role of the board				Director training & compensations				Executive compensation & evaluation			
Year	Co.	No.	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D
2005	Pu	14	.154	.13	.63	.117	.428	.00	.33	.144	.023	.00	.33	.089	.095	.00	.22	.059
	Pr	9	.194	.00	.88	.181	.444	.00	.50	.287	.111	.00	.33	.166	.098	.00	.33	.103
2006	Pu	14	.208	.13	.75	.102	.473	.00	.33	.178	.071	.00	.33	.141	.119	.00	.33	.081
	Pr	9	.259	.13	.75	.121	.444	.17	.50	1.88	.111	.00	.33	.166	.135	.11	.33	.074
2007	Pu	14	.267	.13	.75	.114	.526	.00	.42	.191	.095	.00	.33	.156	.023	.00	.22	.064
	Pr	11	.296	.25	.75	.132	.513	.17	.50	.145	.148	.00	.33	.175	.024	.00	.22	.074
2008	Pu	14	.315	.13	.75	.139	.616	.00	.50	.158	.095	.00	.33	.156	.134	.00	.33	.099
	Pr	13	.333	.25	.75	.138	.513	.17	.58	.145	.148	.00	.33	.175	.135	.11	.33	.074

Pu=Public Companies, and Pr=Private Companies

Appendix 7-D Descriptive Statistics of S&P T&D (Company Size)

Appendix 7-D-1 Descriptive Statistics of Overall S&P T&D

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	S	12	.282	.09	.44	.35	.265	.109	-.151
	M	7	.202	.12	.26	.14	.234	.054	-.534
	L	4	.204	.15	.31	.16	.178	.070	1.65
2006	S	12	.310	.20	.45	.25	.306	.083	.338
	M	7	.275	.17	.39	.22	.265	.077	.448
	L	4	.244	.16	.33	.17	.244	.066	.000
2007	S	14	.358	.24	.50	.26	.377	.095	.127
	M	7	.330	.21	.41	.20	.346	.066	-.710
	L	4	.303	.16	.37	.21	.341	.096	-1.65
2008	S	16	.376	.24	.54	.30	.408	.103	.177
	M	7	.374	.23	.46	.23	.387	.079	-.811
	L	4	.367	.19	.53	.34	.372	.137	-.222

S=Small Companies, M=Middle Companies, and L=Large Companies.

Appendix 7-D-2 Descriptive Statistics of Ownership Structure & Investor Right

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	S	12	.051	.00	.11	.11	.071	.040	-.118
	M	7	.045	.00	.07	.07	.071	.033	-.764
	L	4	.035	.00	.07	.07	.035	.041	.000
2006	S	12	.077	.00	.18	.18	.076	.044	.713
	M	7	.066	.00	.14	.14	.071	.043	.366
	L	4	.035	.00	.07	.07	.035	.041	.000
2007	S	14	.116	.04	.36	.32	.071	.093	2.06
	M	7	.076	.00	.21	.21	.071	.066	1.65
	L	4	.071	.00	.21	.21	.035	.101	1.41
2008	S	16	.116	.04	.32	.28	.071	.083	1.80
	M	7	.122	.00	.32	.32	.118	.112	.964
	L	4	.107	.00	.36	.36	.035	.170	1.77

S=Small Companies, M=Middle Companies, and L=Large Companies.

Appendix 7-D-3 Descriptive Statistics of Financial Transparency & Information Disclosure

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	S	12	.485	.26	.71	.45	.457	.165	.017
	M	7	.371	.26	.49	.23	.342	.110	.145
	L	4	.392	.17	.66	.49	.371	.205	.553
2006	S	12	.521	.29	.77	.49	.528	.161	.148
	M	7	.485	.29	.69	.40	.542	.148	-.239
	L	4	.492	.37	.71	.34	.442	.151	1.66
2007	S	14	.592	.34	.80	.46	.614	.161	-.185
	M	7	.608	.29	.77	.48	.628	.156	-1.70
	L	4	.571	.43	.71	.28	.571	.149	.000
2008	S	16	.635	.40	.80	.40	.628	.145	-.288
	M	7	.649	.31	.83	.52	.714	.169	-1.44
	L	4	.692	.51	.83	.32	.714	.130	-.949

S=Small Companies, M=Middle Companies, and L=Large Companies.

Appendix 7-D-4 Descriptive Statistics of Board & Management Structure & Process

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	S	12	.226	.00	.49	.49	.242	.138	.073
	M	7	.159	.06	.29	.23	.142	.067	.716
	L	4	.150	.03	.23	.20	.171	.088	-.1.13
2006	S	12	.252	.11	.43	.32	.242	.088	.428
	M	7	.232	.11	.34	.23	.257	.089	-.184
	L	4	.164	.03	.26	.23	.185	.102	-.889
2007	S	14	.288	.14	.43	.29	.285	.087	.317
	M	7	.257	.11	.31	.20	.285	.075	-1.36
	L	4	.221	.03	.31	.29	.271	.130	-1.81
2008	S	16	.311	.17	.46	.29	.300	.097	.386
	M	7	.302	.17	.40	.23	.314	.073	-.732
	L	4	.250	.03	.37	.34	.300	.151	-1.66

S=Small Companies, M=Middle Companies, and L=Large Companies.

Appendix 7-D-5 Descriptive Statistics of Ownership Structure & Investor Right by Three Subcategories

			Transparency of ownership				*Concentration of ownership*				*Voting & shareholder meeting procedures*			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	S	12	.090	.00	.18	.000	.020	.00	.25	.072	.018	.00	.11	.043
	M	7	.103	.00	.18	.097	.00	.00	.00	.00	.015	.00	.11	.042
	L	4	.090	.00	.18	.105	.00	.00	.00	.00	.00	.00	.00	.00
2006	S	12	.128	.00	.18	.081	.052	.00	.38	.124	.018	.00	.11	.043
	M	7	.129	.00	.18	.088	.035	.00	.25	.094	.015	.00	.11	.042
	L	4	.090	.00	.18	.105	.00	.00	.00	.00	.00	.00	.00	.00
2007	S	14	.151	.00	.18	.070	.145	.00	1.00	.310	.018	.00	.11	.043
	M	7	.129	.00	.18	.088	.071	.00	.50	.189	.015	.00	.11	.042
	L	4	.090	.00	.18	.105	.062	.00	.25	.125	.055	.00	.22	.111
2008	S	16	.151	.00	.18	.070	.135	.00	.88	.279	.027	.00	.11	.050
	M	7	.129	.00	.18	.088	.232	.00	.88	.341	.015	.00	.11	.042
	L	4	.113	.00	.27	.136	.062	.00	.25	.125	.138	.00	.56	.277

S=Small Companies, M=Middle Companies, and L=Large Companies.

Appendix 7-D-6 Descriptive Statistics of Financial Transparency & Information Disclosure by Five Subcategories

			Business focus				*Accounting policy review*				*Accounting policy details*				*Related party structure & transaction*				*Information on auditors*			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	S	12	.505	.13	.80	.228	.518	.22	.89	.277	.888	.33	1.00	.259	.020	.00	.25	.072	.500	.00	.75	.261
	M	7	.523	.27	.87	.208	.333	.00	67	.256	.333	.00	1.00	.333	.071	.00	.25	.122	.214	.00	.50	.267
	L	4	.483	.20	.60	.191	.416	.22	.89	.319	.583	.00	1.00	.500	.062	.00	.25	.125	.187	.00	.50	.239
2006	S	12	.544	.27	.80	.196	.546	.22	.89	.261	.861	.00	.1.00	.332	.083	.00	.50	.162	.562	.00	.75	.216
	M	7	.561	.40	.80	.138	.507	.00	.89	.356	.714	.00	1.00	.488	.071	.00	.25	.122	.392	.00	.75	.283
	L	4	.583	.47	.73	.113	.444	.22	.89	.300	1.00	1.00	1.00	.00	.062	.00	.25	.125	.312	.00	.50	.239
2007	S	14	.600	.27	.93	.239	.648	.33	.89	.216	.952	.00	1.00	.178	.125	.00	.50	.168	.604	.50	.75	.128
	M	7	.742	.60	.93	.146	.603	.00	.89	.278	.857	.00	1.00	.378	.142	.00	.50	.196	.392	.00	.75	.283
	L	4	.650	.47	.93	.206	.638	.33	.89	.56	1.00	1.00	1.00	.00	.062	.00	.25	.125	.312	.00	.50	.239
2008	S	16	.638	.27	.93	.228	.713	.33	.89	.167	.958	.00	1.00	.166	.187	.00	.50	.216	.625	.50	.75	.130
	M	7	.771	.53	.93	.162	.650	.00	1.00	.310	.857	.00	1.00	.378	.250	.00	1.00	.353	.428	.00	1.00	.345
	L	4	.800	.53	1.00	.210	.666	.33	.56	.240	1.00	1.00	1.00	.00	.187	.00	.50	.239	.625	.50	1.00	.250

S=Small Companies, M=Middle Companies, and L=Large Companies.

Appendix 7-D-7 Descriptive Statistics of Board & Management Structure and Process by Four Subcategories

			Board structure and composition				***Role of the board***				***Director training & compensations***				***Executive compensation & evaluation***			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	S	12	.479	.00	.88	.254	.208	.00	.50	.160	.111	.00	.33	.164	.101	.00	.33	.088
	M	7	.410	.25	.63	.118	.119	.00	.33	.116	.000	.000	.000	.000	.095	.00	.22	.076
	L	4	.343	.13	.50	.157	.145	.00	.25	.125	.000	.000	.000	.000	.083	.00	.11	.055
2006	S	12	.468	.13	.75	.177	.270	.17	.50	.107	.111	.000	.33	.164	.129	.11	.33	.064
	M	7	.464	.25	.63	.156	.214	.08	.33	.081	.095	.000	.33	.162	.142	.00	.33	.105
	L	4	.437	.13	.75	.260	.125	.00	.25	.107	.000	.000	.000	.000	.083	.00	.11	.055
2007	S	14	.531	.25	.75	.151	.305	.17	.50	.114	.166	.000	.33	.174	.018	.00	.22	.064
	M	7	.500	.25	.63	.161	.261	.17	.42	.089	.095	.000	.33	.162	.047	.00	.22	.087
	L	4	.531	.13	.75	.277	.229	.00	.42	.184	.000	.000	.000	.000	.083	.00	.11	.055
2008	S	16	.552	.25	.75	.145	.347	.17	.58	.127	.166	.000	.33	.174	.148	.11	.33	.0865
	M	7	.660	.50	.75	.094	.285	.17	.50	.106	.095	.000	.33	.162	.142	.00	.33	.105
	L	4	.500	.13	.63	.250	.312	.00	.50	.219	.000	.000	.000	.000	.083	.00	.11	.055

S=Small Companies, M=Middle Companies, and L=Large Companies.

Appendix 7-E Descriptive Statistics of S&P T&D (Company Age)

Appendix 7-E-1 Descriptive Statistics of Overall S&P T&D

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
	Y	8	.287	.09	.44	.35	.265	.117	-.269
2005	M	6	.248	.15	.39	.24	.224	.098	.594
	O	9	.204	.12	.31	.19	.193	.059	.365
	Y	8	.317	.20	.45	.25	.306	.086	.567
2006	M	6	.272	.17	.39	.22	.250	.084	.443
	O	9	.274	.16	.39	.23	.255	.072	.315
	Y	10	.363	.26	.50	.24	.346	.090	.385
2007	M	6	.348	.24	.48	.24	.362	.091	.061
	O	9	.315	.16	.41	.25	.316	.082	-.818
	Y	12	.380	.27	.51	.24	.387	.086	.227
2008	M	6	.375	.24	.54	.30	.398	.111	.130
	O	9	.368	.19	.53	.34	.377	.108	-.265

Y= Younger companies, M=Medium Companies, and O=Old Companies.

Appendix 7-E-2 Descriptive Statistics of Ownership Structure & Investor Right

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
	Y	8	.056	.00	.11	.11	.071	.034	-.277
2005	M	6	.041	.00	.11	.11	.035	.047	.326
	O	9	.043	.00	.07	.07	.071	.034	-.549
	Y	8	.071	.04	.11	.07	.071	.020	.000
2006	M	6	.071	.00	.18	.18	.071	.067	.527
	O	9	.059	.00	.14	.14	.071	.043	.292
	Y	10	.096	.04	.21	.17	.071	.060	1.46
2007	M	6	.113	.00	.36	.36	.071	.124	1.99
	O	9	.083	.00	.21	.21	.071	.079	1.01
	Y	12	.102	.04	.21	.17	.071	.059	1.20
2008	M	6	.107	.00	.32	.32	.071	.110	1.87
	O	9	.134	.00	.36	.36	.071	.134	.763

Y= Younger companies, M=Medium Companies, and O=Old Companies.

Appendix 7-E-3 Descriptive Statistics of Financial Transparency & Information Disclosure

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
	Y	8	.485	.26	.71	.45	.471	.164	.006
2005	M	6	.447	.262	.26	.66	.414	.176	.369
	O	9	.381	.17	.66	.49	.342	.147	.556
	Y	8	.532	.29	.77	.48	.542	.166	.145
2006	M	6	.476	.31	.66	.35	.442	.156	.326
	O	9	.501	.29	.71	.42	.457	.144	.201
	Y	10	.607	.34	.80	.46	.628	.162	-.418
2007	M	6	.604	.40	.77	.37	.657	.153	-.645
	O	9	.574	.29	.77	.48	.628	.156	-.710
	Y	12	.657	.51	.80	.29	.642	.111	.058
2008	M	6	.642	.40	.80	.40	.714	.182	-.759
	O	9	.647	.31	.83	.52	.714	.163	-.997

Y= Younger companies, M=Medium Companies, and O=Old Companies.

Appendix 7-E-4 Descriptive Statistics of Board & Management Structure & Process

Descriptive Statistics

Year	Co.	N	Mean	Min	Max	Range	Median	S.D	Skew
2005	Y	8	.217	.00	.49	.49	.228	.163	.235
	M	6	.214	.14	.34	.20	.200	.078	.876
	O	9	.155	.03	.29	.26	.142	.079	-.102
2006	Y	8	.246	.11	.43	.32	.257	.109	.364
	M	6	.228	.17	.34	.17	.214	.059	1.75
	O	9	.219	.03	.34	.31	.257	.103	-.784
2007	Y	10	.285	.14	.43	.29	.271	.102	.372
	M	6	.281	.20	.37	.17	.285	.061	.137
	O	9	.241	.03	.31	.29	.285	.101	-1.60
2008	Y	12	.303	.17	.46	.29	.285	.096	.580
	M	6	.323	.23	.46	.23	.328	.087	.334
	O	9	.276	.03	.40	.37	.314	.114	-1.41

Y= Younger companies, M=Medium Companies, and O=Old Companies.

Appendix 7-E-5 Descriptive Statistics of Ownership Structure & Investor Right by Three Subcategories

Descriptive Statistics

			Transparency of ownership				Concentration of ownership				Voting & shareholder meeting procedures			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	Y	8	.090	.00	.18	.084	.031	.00	.25	.088	.013	.00	.11	.039
	M	6	.090	.00	.18	.099	.00	.00	.00	.00	.018	.00	11	.045
	O	9	.101	.00	.18	.095	.00	.00	.00	.00	.012	.00	.11	.037
2006	Y	8	.125	.00	.18	.083	.031	.00	.25	.088	.013	.00	.11	.039
	M	6	.121	.00	.18	.093	.062	.00	.38	.153	.018	.00	.11	.045
	O	9	.121	.00	.18	.090	.027	.00	.25	.083	.012	.00	.11	.037
2007	Y	10	.136	.00	.18	.084	.093	.00	.50	.186	.013	.00	.11	.039
	M	6	.151	.00	.18	.074	.166	.00	1.00	.408	.018	.00	.11	.045
	O	9	.121	.00	.18	.090	.083	.00	.50	.176	.037	.00	.22	.078
2008	Y	12	.136	.00	.18	.084	.093	.00	.50	.186	.027	.00	.11	.051
	M	6	.151	.00	.18	.074	.145	.00	.88	.357	.018	.00	.11	.045
	O	9	.131	.00	.27	.102	.208	.00	.88	.306	.074	.00	.56	.184

Y= Younger companies, M=Medium Companies, and O=Old Companies.

Appendix 7-E-6 Descriptive Statistics of Financial Transparency & Information Disclosure by Five Subcategories

			Descriptive Statistics																				
			Business focus				**Accounting policy review**				**Accounting policy details**				**Related party structure & transaction**				**Information on auditors**			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	Y	8	.525	.27	.80	.203	.541	.22	.89	.268	.750	.33	1.00	.345	.00	.00	.00	.00	.500	.00	.75	.231
	M	6	.500	.13	.80	.241	.425	.00	.89	.340	.833	.00	1.00	.408	.041	.00	.25	.102	.416	.00	.75	.341
	O	9	.496	.20	.87	.213	.370	.11	.89	.248	.481	.00	1.00	.412	.083	.00	.25	.125	.194	.00	.50	.243
2006	Y	8	.558	.27	.80	.188	.541	.22	.89	.268	.916	.33	1.00	.235	.062	.00	.50	.176	.593	.50	.75	.129
	M	6	.533	.33	.80	.188	.481	.00	89	.327	.666	.00	1.00	.516	.083	.00	.25	.129	.500	.00	.75	.273
	O	9	.570	.40	.80	.137	.518	.00	89	.309	.888	.00	1.00	.333	.083	.00	.25	.125	.333	.00	.75	.279
2007	Y	10	.641	.27	.93	.236	.652	.33	.89	.217	.933	.00	1.00	.210	.093	.00	.50	.186	.593	.50	.75	.129
	M	6	.633	.27	.93	.272	.648	.33	.89	.191	1.00	1.00	1.00	.00	.125	.00	.25	.136	.583	.50	.75	.129
	O	9	.674	.47	.93	.161	.604	.00	.89	.278	.888	.00	1.00	.333	.138	.00	.50	.181	.333	.00	.75	.279
2008	Y	12	.683	.47	.93	.184	.763	.67	.89	.110	.944	.00	1.00	.192	.125	.00	.50	.189	.593	.50	.75	.129
	M	6	.677	.27	.93	.311	.648	.33	.89	.036	1.00	1.00	1.00	.00	.250	.00	.50	.223	.625	.50	.75	.136
	O	9	.748	.53	1.00	.172	.642	.00	1.00	.303	.888	.00	1.00	.333	.250	.00	1.00	.330	.500	.00	1.00	.353

Y= Younger companies, M=Medium Companies, and O=Old Companies.

Appendix 7-E-7 Descriptive Statistics of Board & Management Structure and Process by Four Subcategories

Descriptive Statistics

			Board structure and composition				Role of the board				Director training & compensations				Executive compensation & evaluation			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	Y	8	.437	.00	.88	.291	.197	.00	.50	.183	.125	.00	.33	.172	.111	.00	.33	.102
	M	6	.500	.25	.63	.158	.194	.00	.33	.113	.055	.00	.33	.136	.092	.00	.11	.045
	O	9	.388	.13	.63	.145	.129	.00	.33	.125	.00	.00	.00	.00	.086	.00	.22	.074
2006	Y	8	.437	.13	.75	.200	.260	.08	.50	.143	.125	.00	.33	.172	.138	.11	.33	.078
	M	6	.479	.38	.63	.122	.236	.17	.33	.062	.055	.00	.33	.136	.111	.111	.111	.00
	O	9	.472	.13	.75	.205	.194	.00	.33	.102	.074	.00	.33	.147	.123	.00	.33	.103
2007	Y	10	.484	.25	.75	.155	.322	.17	.50	.121	.166	.00	.33	.178	.07	.00	.22	.078
	M	6	.583	.38	.75	.129	.291	.17	.42	.102	.111	.00	.33	.172	.111	.111	.111	.00
	O	9	.513	.13	.75	.211	.231	.00	.42	.123	.074	.00	.33	.147	.037	.00	.22	.078
2008	Y	12	.531	.25	.75	.173	.343	.25	.58	.129	.166	.00	.33	.178	.138	.11	.33	.078
	M	6	.625	.50	.75	.079	.361	.17	.50	.136	.111	.00	.33	.172	.148	.11	.33	.090
	O	9	.583	.13	.75	.187	.277	.00	.50	.144	.074	.00	.33	.147	.123	.00	.33	.103

Y= Younger companies, M=Medium Companies, and O=Old Companies.

Appendix 7-F Descriptive Statistics of S&P T&D (Industry Type)

Appendix 7-F-1 Descriptive Statistics of Overall S&P T&D

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	B	18	.241	.15	.39	.24	.244	.075	.492
	I	5	.244	.09	.44	.35	.234	.122	.585
2006	B	18	.290	.17	.39	.22	.275	.069	.044
	I	5	.283	.16	.45	.29	.255	.097	.778
2007	B	19	.345	.24	.48	.24	.346	.069	.194
	I	6	.331	.16	.50	.34	.367	.110	-.023
2008	B	20	.409	.49	.74	.25	.622	.092	-.073
	I	7	.342	.44	.71	.27	.614	.099	-.466

B=Banks, and I=Insurances

Appendix 7-F-2 Descriptive Statistics of Ownership Structure & Investor Right

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	B	18	.052	.00	.11	.11	.071	.034	-.525
	I	5	.039	.00	.11	.11	.035	.041	.340
2006	B	18	.074	.00	.18	.18	.071	.049	.511
	I	5	.055	.00	.11	.11	.071	.036	-.655
2007	B	19	.100	.00	.36	.36	.071	.095	1.517
	I	6	.067	.00	.21	.21	.071	.062	1.62
2008	B	20	.129	.00	.36	.36	.071	.107	1.23
	I	7	.099	.00	.32	.32	.071	.105	1.40

B=Banks, and I=Insurances

Appendix 7-F-3 Descriptive Statistics of Financial Transparency & Information Disclosure

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	B	18	.418	.17	.66	.49	.457	.151	.052
	I	5	.460	.26	.71	.46	.428	.181	.461
2006	B	18	.485	.29	.69	.40	.500	.136	.035
	I	5	.536	.29	.77	48	.514	.172	.167
2007	B	19	.579	.34	.77	.43	.600	.141	-.236
	I	6	.615	.29	.80	.51	.685	.172	-.989
2008	B	20	.655	.40	.83	.43	.700	.138	-.518
	I	7	.641	.31	.80	.49	.714	.164	-1.00

B=Banks, and I=Insurances

Appendix 7-F-4 Descriptive Statistics of Board & Management Structure & Process

Descriptive Statistics										
Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	B	18	.191	.03	.34	.31	.185	.075	-.106
	I	5	.193	.00	.49	.49	.142	.164	.612
2006	B	18	.242	.11	.34	.23	.257	.068	-308
	I	5	.212	.03	.43	.40	.200	.123	.405
2007	B	19	.273	.20	.37	.17	.271	.049	.166
	I	6	.257	.03	.43	.40	.285	.137	-.376
2008	B	20	.312	.23	.46	.23	.300	.071	.510
	I	7	.276	.03	.46	.43	.314	.134	-.524

B=Banks, and I=Insurances

Appendix 7-F-5 Descriptive Statistics of Ownership Structure & Investor Right by Three Subcategories

Descriptive Statistics														
			Transparency of ownership				Concentration of ownership				Voting & shareholder meeting procedures			
Year	Co.	No.	Mean	Min	Max	S.D	Mean	Min	Max	S.D	Mean	Min	Max	S.D
2005	B	18	.110	.00	.11	.088	.00	.00	.00	.00	.015	.00	.11	.040
	I	5	.070	.00	.18	.088	.027	.00	.25	.083	.012	.00	.11	.037
2006	B	18	.129	.00	.18	.085	.044	.00	.33	.116	.015	.00	.11	.040
	I	5	.111	.00	.18	.088	.027	.00	.25	.083	.012	.00	.11	.037
2007	B	19	.142	.00	.18	.077	.142	.00	1.00	.289	.031	.00	.22	.067
	I	6	.121	.00	.18	.090	.055	.00	.50	.166	.012	.00	.11	.037
2008	B	20	.149	.00	.27	.084	.151	.00	.88	.260	.055	.00	.56	.149
	I	7	.121	.00	.18	.090	.152	.00	.88	.317	.024	.00	.11	.049

B=Banks, and I=Insurances.

Appendix 7-F-6 Descriptive Statistics of Financial Transparency & Information Disclosure by Five Subcategories

			Business focus				*Accounting policy review*				*Accounting policy details*				*Related party structure & transaction*				*Information on auditors*			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	B	18	.481	.13	.87	.222	.428	.00	.89	.257	.642	.00	1.00	.380	.035	.00	.25	.090	.375	.00	.75	.306
	I	5	.548	.27	.80	.187	.469	.11	.89	.322	.703	.00	1.00	.454	.055	.00	.25	.110	.333	.00	.75	.279
2006	B	18	.533	.27	.80	.167	.500	.00	.89	.245	.809	.00	1.00	.386	.053	.00	.25	106	.464	.00	1.00	.274
	I	5	.592	.40	.80	.157	.543	.00	.89	.357	.888	.00	1.00	.333	.111	.00	.50	.181	.472	.00	.75	.232
2007	B	19	.619	.27	.93	.233	.619	.33	.89	.172	.955	.00	1.00	.172	.107	.00	.50	.161	.500	.00	1.00	.240
	I	6	.703	.47	.80	.170	.654	.00	89	.306	.888	.00	1.00	.333	.138	.00	.50	.181	.472	.00	.75	.232
2008	B	20	.695	.27	1.00	.232	.698	.33	.89	.140	.958	.00	1.00	.166	.232	.00	1.00	.285	.571	.00	1.00	.228
	I	7	.725	.47	.93	.186	.666	.00	1.00	.319	.888	.00	1.00	.333	.166	.00	.50	.216	.555	.00	1.00	.273

B=Banks, and I=Insurances

Appendix 7-F-7 Descriptive Statistics of Board & Management Structure and Process by Four Subcategories

Descriptive Statistics																		
			Board structure and composition				**Role of the board**				**Director training & compensations**				**Executive compensation & evaluation**			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	B	18	.455	.13	.63	.143	.154	.00	.33	.107	.071	.00	.33	.141	.087	.00	.11	.047
	I	5	.402	.00	.88	.284	.194	.00	.50	.190	.037	.00	.33	.111	.111	.00	.33	.111
2006	B	18	.491	.13	.75	.166	.220	.08	.33	.070	.119	.00	.33	.165	.134	.11	.33	.064
	I	5	.416	.13	.75	.197	.240	.00	.50	.158	.037	.00	.33	.111	.111	.00	.33	.096
2007	B	19	.544	.38	.75	.135	.261	.17	.42	.079	.142	.00	.33	.171	.023	.00	.22	.064
	I	6	.486	.13	.75	.220	.305	.00	.50	.166	.074	.00	.33	.147	.024	.00	.22	.074
2008	B	20	.607	.38	.75	.108	.315	.17	.50	.109	.142	.00	.33	.171	.150	.11	.33	.082
	I	7	.527	.13	.75	.214	.333	.00	.58	.176	.074	.00	.33	.147	.111	.00	.33	.096

B=Banks, and I=Insurances

Appendix 7-G Descriptive Statistics of S&P T&D (Audit Peer Review &Non Audit Peer Review)

Appendix 7-G-1 Descriptive Statistics of Overall S&P T&D

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	A	14	.252	.15	.39	.23	.244	.072	.222
	N	9	.227	.09	.44	.35	.193	.123	1.02
2006	A	14	.302	.21	.39	.18	.306	.059	.116
	N	9	.266	.16	.45	.29	.244	.101	1.11
2007	A	15	.346	.24	.48	.24	.346	.069	.115
	N	10	.328	.16	.50	.34	.346	.109	.051
2008	A	16	.386	.24	.54	.30	.387	.090	.162
	N	11	.357	.19	.51	.32	.377	.105	-280

A=Audit Peer Review, and N=Non Audit Peer Review

Appendix 7-G-2 Descriptive Statistics of Ownership Structure & Investor Right

Descriptive Statistics

	Co.	N	Mean	Min	Max	Range	Median	S.D	Skew
2005	A	14	.005	.00	.11	.11	.071	.031	-.866
	N	9	.031	.00	.11	.11	.000	.041	.875
2006	A	14	.079	.00	.18	.18	.071	.044	.740
	N	9	.047	.00	.11	.11	.071	.039	-.153
2007	A	15	.120	.04	.36	.32	.071	.090	1.77
	N	10	.059	.00	.21	.21	.071	.066	1.65
2008	A	16	.134	.04	.36	.32	.071	.102	1.43
	N	11	.091	.00	.32	.32	.071	.110	1.39

A=Audit Peer Review, and N=Non Audit Peer Review

Appendix 7-G-3 Descriptive Statistics of Financial Transparency & Information Disclosure

Descriptive Statistics

Year	Co.	No.	Mean	Min	Max	Range	Median	S.D	Skew
2005	A	14	.446	.17	.66	.49	.471	.155	-.181
	N	9	.415	.26	.71	.46	.342	.175	1.02
2006	A	14	.514	.29	.71	.43	.542	.139	-.134
	N	9	.492	.29	.77	.49	.457	.172	.666
2007	A	15	.581	.34	.77	.43	.600	.142	-.256
	N	10	.612	.29	.80	.51	.657	.170	-.947
2008	A	16	.653	.40	.83	.43	.700	.137	-.496
	N	11	.644	.31	.80	.49	.714	.166	-1.02

A=Audit Peer Review, and N=Non Audit Peer Review

Appendix 7-G-4 Descriptive Statistics of Board & Management Structure & Process

Descriptive Statistics									
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**Range**	**Median**	**S.D**	**Skew**
2005	A	14	.189	.03	.34	.31	.185	.076	-.030
	N	9	.196	.00	.49	.49	.171	.163	.551
2006	A	14	.240	.11	.34	.23	.257	.071	-.331
	N	9	.215	.03	.43	.40	.214	1.49	.345
2007	A	15	.271	.20	.37	.17	.271	.048	.275
	N	10	.260	.03	.40	.43	.285	.138	-.446
2008	A	16	.308	.23	.46	.23	.285	.071	.705
	N	11	.282	.03	.46	.43	.314	.135	-.665

A=Audit Peer Review, and N=Non Audit Peer Review

Appendix 7-G-5 Descriptive Statistics of Ownership Structure & Investor Right by Three Subcategories

Descriptive Statistics														
			Transparency of ownership				**Concentration of ownership**				**Voting & shareholder meeting procedures**			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	A	14	.123	.00	.18	.084	.00	.00	.00	.00	.015	.00	.11	.010
	N	9	.050	.00	.18	.080	.027	.00	.25	.083	.012	.00	.11	.037
2006	A	14	.142	.00	.18	.077	.044	.00	.38	.116	.015	.00	.11	.040
	N	9	.090	.00	.18	.090	.027	.00	.25	.083	.012	.00	.11	.037
2007	A	15	.155	.00	.18	.066	.142	.00	.78	.289	.031	.00	.22	.067
	N	10	.101	.00	.18	.095	.055	.00	.50	.166	.012	.00	.11	.037
2008	A	16	.162	.00	.27	.072	.151	.00	.88	.260	.055	.00	.56	.149
	N	11	.101	.00	.18	.095	.152	.00	.88	.317	.024	.00	.11	.049

A=Audit Peer Review, and N=Non Audit Peer Review.

Appendix 7-G-6 Descriptive Statistics of Financial Transparency & Information Disclosure by Five Subcategories

			Descriptive Statistics																			
			Business focus				**Accounting policy review**				**Accounting policy details**				**Related party structure & transaction**				**Information on auditors**			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	A	14	.481	.13	.87	.222	.492	.22	.89	.253	.714	.33	1.00	.342	.053	.00	.25	.106	.410	.00	.75	.287
	N	9	.548	.27	.80	.187	.370	.00	.89	.314	.592	.00	1.00	.493	.027	.00	.25	.083	.277	.00	.75	.291
2006	A	14	.542	.27	.80	.175	.563	.33	.89	.219	.881	.00	1.00	.309	.071	.00	.25	.117	.464	.00	.75	.274
	N	9	.577	.40	.80	.149	.444	.00	.89	.372	.777	.00	1.00	.441	.083	.00	.50	.176	.472	.00	.75	.232
2007	A	15	.609	.27	.93	.227	.634	.33	.89	.187	.955	.00	1.00	.172	.125	.00	.50	.010	.162	.00	.75	.240
	N	10	.718	.47	.93	.172	.629	.00	.89	.294	.888	.00	1.00	.333	.111	.00	.50	.181	.472	.00	.75	.232
2008	A	16	.681	.27	1.00	.222	.714	.33	.89	.149	.958	.00	1.00	.166	.232	.00	1.00	.010	.285	.00	1.00	.228
	N	11	.748	.47	.93	.199	.642	.00	1.00	.308	.888	.00	1.00	.333	.166	.00	.50	.216	.555	.00	1.00	.273

A=Audit Peer Review, and N=Non Audit Peer Review.

Appendix 7-G-7 Descriptive Statistics of Board & Management Structure and Process by Four Subcategories

Descriptive Statistics																		
			Board structure and composition				**Role of the board**				**Director training & compensations**				**Executive compensation & evaluation**			
Year	**Co.**	**No.**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**	**Mean**	**Min**	**Max**	**S.D**
2005	A	14	.455	.13	.63	.143	.148	.00	.33	.109	.071	.00	.33	.141	.087	.00	.11	.047
	N	9	.402	.00	.88	.284	.203	.00	.50	.186	.037	.00	.33	.111	.111	.00	.33	.111
2006	A	14	.491	.13	.75	.166	.214	.08	.33	.078	.119	.00	.33	.165	.134	.11	.33	.064
	N	9	.416	.13	.75	.197	.250	.00	.50	.150	.037	.00	.33	.111	.111	.00	.33	.096
2007	A	15	.544	.38	.75	.135	.256	.17	.33	.069	.142	.00	.33	.171	.023	.00	.22	.064
	N	10	.486	.13	.75	.220	.314	.00	.50	.170	.074	.00	.33	.147	.024	.00	.22	.074
2008	A	16	.607	.38	.75	.108	.303	.17	.50	.095	.142	.00	.33	.171	.150	.11	.33	.082
	N	11	.527	.13	.75	.214	.351	.00	.58	.185	.074	.00	.33	.147	.111	.00	.33	.096

A=Audit Peer Review, and N=Non Audit Peer Review.