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Corporate social reporting in a transition economy: the case of Libya

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Abstract

Research that considers corporate social reporting (CSR) in emerging economies is still limited and Libya remains a rich point of departure for studies of other transitioning or developing economies, particularly those in the Arab world**.** This paper therefore aims to investigate whether and, if so, how changes are reflected in social accounting disclosure practices. A sample of 270 annual reports from 54 companies, both public and private across a range of sectors and covering a five year period, were analysed using content analysis to ascertain the state of, and trends in, corporate social reporting by Libyan companies. Additionally a survey questionnaire was administered to financial managers to explore their views and perceptions, as producers of financial reports, on the current state of corporate reporting in general and social reporting in particular, to gain some insight into their motivations and to elicit their opinions on the future of CSR. These two methods were together utilized to develop a fuller and richer picture of corporate social disclosure in Libya. During the five year period examined, CSR remained largely unresponsive to significant changes in the political scene with disclosure at a low level compared with developed countries and only in certain areas. As well as providing insights into CSR in a transition economy, this suggests further research is needed to illuminate the role and influence of societal culture and to understand the impact of organisational and professional or quasi-professional subculture on disclosure and responsibility practices.

Corporate social reporting in a transition economy: the case of Libya

1. Introduction

Increasing attention has been paid to corporate social responsibility and disclosure in recent years. Its potential for making the social influence of business enterprises more transparent in turn enables the potential for society to hold those enterprises more accountable for their operations. However, the social and economic environments of developing countries differ from those of liberal market economies in developed countries, although research that considers corporate social reporting (CSR) in emerging economies is still limited (Belal and Momin, 2009). This paper therefore considers corporate social responsibility disclosure by Libyan companies through their annual reports in the light of that country's economic, social and political environment[1]. Based on empirical findings, it is argued that Libyan companies generally disclose some information related to social responsibility but at a low level compared with developed countries. Employee and community involvement are the themes that the companies disclose most information about. Focusing on the current state of, and the trends in, CSR in Libya this paper expands on the outline statements made above and explores the question of whether CSR has changed over time, given that the Libyan economy has been in transition from a planned to a market economy.

The research from which this paper emanates is, on a number of levels, the most comprehensive to date on CSR in Libya in terms of both reach and depth, using both quantitative and qualitative methods and primary and secondary data. Firstly it took a sample of 270 annual reports from 54 companies over a five year period. The companies were both public and private, encompassing oil, manufacturing, financial services (banks and insurance), and other service companies. Secondly its aim was both to map the amount and type of corporate social disclosure in Libya and to ascertain and explain patterns and trends (were there differences between private and state owned companies for example?). Thirdly the annual reports themselves were rigorously analysed using content analysis with both words and sentences employed as units of measurement in order to achieve these aims. Finally, a questionnaire was administered to a group of 99 financial managers to explore their views and perceptions, as producers of financial reports, on the current state of corporate reporting in Libya in general and social reporting in particular. The questionnaire also sought to elicit their opinions on possible developments for the future of CSR.

To begin, this paper outlines the growth of CSR in developed countries, sketching out what is reported and why and setting the scene for later comparison with the situation in Libya. It also highlights the reasons why the annual report is the main source of disclosure on corporate social responsibility but sounds a cautionary note, indicating that the findings of research on CSR in developed countries might not easily be extrapolated to generalize about emerging economies (Orij, 2010). Attention then turns to the argument that Libya provides opportunities for studying both the state of, and trends in, CSR and allows comparisons to be made with the situation in developed and other developing countries. The focus then shifts more specifically onto the research from which this paper proceeds, providing a short summary of its motivations and methods. Based on content analysis of companies' annual reports and on primary data obtained by surveying financial managers, the findings of the research with regards to the position of CSR in Libyan companies are then summarized, discussed and inferences drawn. After suggesting possible reasons for the low level of CSR in Libya, the paper ends by pointing out the limitations of this investigation with recommendations for potentially fruitful avenues for future research and implications for policy.

2. The growth of CSR

Corporate Social Reporting is a topic of much interest among academic accounting researchers (Gray, 2001; Mathews, 1997, Parker 2011). The term has been variously defined and used. Gray, Owen, & Maunders (1988, p. 3) state that it is:

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

Such a definition arguably encapsulate the idea of CSR, which, in developed countries, emerged in response to a combination of public opinion, investors' assessments and changes in corporate self-concept. The volume and richness of corporate social reporting by large companies has risen over the last three and half decades (Smith, Adhikari, & Tondkar, 2005), particularly since 1990, when environmental concerns stimulated interest in environmental reporting. Thus, in respect of the role of business in the community, it may be seen as an extension of a financial disclosure system that reflects wider societal expectations. Since then, the reach of CSR and disclosure has extended to include information on (amongst other things): energy consumption, employee welfare, products, community involvement and consumer protection as well as on the prevention or reduction of pollution and protecting the environment, although Bouten et al (2011) question the idea that corporate social responsibility reporting is a sufficient or suitable mechanism in meeting the requirements of social and environmental accountability. Decisions about what to include will be based to a great extent on which interest groups are being targeted, and that is usually those whose influence is most salient to business ((Mitchell, Agle and Wood, 1997; Wheeler and Elkington, 2001). Elijido (2011) also highlights the influence of the media in decisions about the content of annual report environmental disclosure. Naser & Abu-Baker (2000) state, however, that the aim of corporate social reporting should be to disclose information that benefits both direct users of this information and society at large. Whether or not this is the aim of corporations at this point in time, there is certainly far more information available than was previously the case.

2.1. CSR and the annual report

There may be many possible channels of communication available to companies but, perhaps unsurprisingly in the light of the above, the annual report is an important source of information for many users (Rockness & Williams, 1988). The majority of studies into corporate social responsibility disclosure have used the annual report as their main source. Although not produced exclusively for shareholders, because they are produced on a regular basis they meet the needs of users who expect to receive timely information, including information about social performance, to give them the opportunity to make decisions or take action concerning companies' behaviour (Swift, 2001). Thus they act as a significant forum for a firm's communication within political, social and economic systems. Although other media can be used to disclose information about social and environmental performance (reporting separately on these issues and the use of websites have achieved some prominence in developed countries in recent years for example), Tilt (1994) found the annual report to be the most commonly used medium for reporting corporate social information. Companies use the annual report to highlight their achievements in reducing pollution, protecting the environment, and addressing employee welfare as well as for addressing various other social welfare issues of interest to society at large (Gray, Owen & Adams, 1996).

In this context, Hopwood (1996) argued that corporate annual reports have become a highly sophisticated product of the corporate design environment, using the tools of management, marketing and communication theory to proactively construct a particular visibility for, and meaning around, the company. In general they embody and reflect the evolution of corporate aims from those of profit-making alone to profit making in conjunction with providing services to society (Alsairrafi, 1990). With respect to developing countries, Abu-Baker & Naser (2000) noticed that reporting generally on social issues is barely addressed, but that the annual report conveyed almost all the information generated by companies, making company annual reports in developing countries such as Libya a particularly valuable source of information. Indeed, in Libya, annual reports are considered the major means through which corporate messages are conveyed because the internet is as yet little used by Libyan companies.

2.2. Studying CSR in developing countries

The majority of empirical studies on CSR have focused on developed countries[2]. Nevertheless, some studies suggest that it might be unwise to extrapolate from the findings of these studies and to generalize from them to all developing countries (Adams 2002, Mahdeo, Oogarah-Hanuman and Soobaroyen 2011, Matthews 1993). For example, Arab countries, are inclined to ‘uncertainty avoidance’ (Hofstede 1980). According to Gray (1988) a social environment with higher levels of uncertainty avoidance has a preference for secrecy. Companies in this social arena perceive a need to restrict information to avoid possible conflicts and uncertainties of competition, and to ensure the preservation of security. Moreover, access to information in such societies is on a ‘need to know’ basis rather than emanating from the expectation of a ‘right to know’ which has characterised some debates about accountability in developed countries (ASSC, 1975). As Samuels (1990) points out, the objective of conventional accounting is to measure and disclose wealth and changes therein, which may not address more pressing needs for information in emerging economies. Gray, Kouhy and Lavers (1995a) agree and also found that the nature and volume of corporate social reporting tends to vary both over time and between different economies. The level of economic and social development in any particular country is therefore likely to be a significant factor affecting corporate social disclosure practices (Adams 2002). In terms of the practices of disclosure themselves, Baydoun & Willett (2000) and Haniffa (2001) are particularly critical of introducing western corporate social and environmental disclosure techniques into different socio-cultural contexts, not least because standardized techniques cannot be simply grafted on where different economic systems pertain but also because of the ethical issues involved here.

Even if one does not accept an association between accounting principles and socio-economic factors (Goodrich 1986), there is a sizeable international literature on the role of cultural factors in accounting practice and policy. In short, cultural norms influence accounting practices (Gray 1988). Jaggi & Low (2000) re-iterate that the culture of a country would strongly affect *financial* disclosure by companies in that country and that this effect of culture similarly influences *social* disclosure in companies' annual reporting. Moreover, Aghila (2000) stated that the family, religion and language have a significant effect on the attitudes and behaviour of people in Libya, as in Arabic society in general. In particular, the influence of Islam is a factor to be considered in the context of cultural influences and Hayashi (1989) argues that Islamic accounting considers society before business enterprise. On this basis, if the purpose of accounting is to serve society then accounting practices in their turn cannot fail to be relational to their social, political, economic and cultural contexts. For this reason Baydoun and Willett (2000) state that western accounting criteria do not reflect the ethical precepts of Islamic Law. For example, because trust underlies relationships within Islam, the need for accounting as a means of disclosure is reduced, meaning that firms in Islamic nations may disclose less information.

Although these factors sound a cautionary note in terms of the need to judiciously adapt rather than uncritically adopt theoretical approaches and lessons from research in developed nations, corporate social reporting nevertheless has the potential to make positive contributions in addressing the needs of developing countries (Ite 2004). What follows therefore is an outline of why studying CSR in Libya might make a contribution to the conduct of research of CSR in developing and Arabic countries as well as to understandings of social accounting practices in Libya itself.

2.3. Studying CSR in developing countries – the case of and for Libya

There are three good reasons for paying particular heed to Libya. First, Libya is a developing country and, moreover, it is transitioning from a planned to a market economy. As a result accounting information in annual reports needs to be researched to ascertain how far they are keeping up with meeting users' needs. Second, little research relating to accounting information disclosure practices and, in particular, corporate social disclosure practice has previously been undertaken in Libya. Additionally, there has been only limited research into practices in former colonial countries (Kisenyi & Gray 1998). The research on which this paper is based thus explicitly sought to map the existing state of corporate social disclosure in Libya and to ascertain its trend. Furthermore, although several research studies show that annual reports disclose information relevant to the discharge of environmental and social responsibility (Adams, Hill, & Roberts, 1998; Mathews, 1997), such studies are limited in number, even in developed countries where practice is changing quickly. There are still fewer in developing countries (Abu-Baker & Naser, 2000).

Thus researching companies in developing countries furnishes an opportunity to study the *growth* of corporate social responsibility and corporate social reporting. This is especially salient in the case of countries that are transitioning from a planned economy to a market economy. Focusing on companies in Libya, which is undergoing this transition, therefore offers the prospect of investigating both the nature and extent of information on social responsibility and of making comparisons with information provided about the economies of other developing or developed countries. Such research can contribute therefore to the literature on social responsibility disclosure and on CSR in developing countries, especially in those with a transition economy. It is also useful for research that focuses on Arab countries (e.g. Abu-Baker & Naser, 2000; Al-Khater & Naser, 2003; Jahamani, 2003; Naser & Abu-Baker, 1999), which has particular salience given that they are arguably still deeply rooted in the conventional social and economic structures of the past (Jahamani, 2003).

Libya has been seeking gradually to veer away from socialism towards a more western capitalist system. For example companies used to be controlled and supervised by the Libyan government. After the transition from a planned to a market-based system which started a few years ago, some companies have been or are being privatized. Others are restructuring and are under the control of the General Board of Ownership Transfer of Public Companies and Economic Units, an organisation tasked with overseeing and achieving the transfer of public companies to the private sector. Investigating corporate social reporting and disclosure in Libya thus offers a varied landscape affording additional insights and dimensions into corporate reporting itself.

3. Methods

The research from which this paper emanates is the most comprehensive to date on CSR in Libya in terms of both reach and depth, both substantively and methodologically. It aimed firstly to document the amount and type of social disclosure by Libyan companies in their annual reports; secondly to identify patterns and trends in corporate social disclosure, thirdly to explore possible reasons for these and finally to use the findings from meeting the latter two aims to gain some insight into CSR in transition economies. No single approach would have been sufficient to meet all these aims. The study therefore made use of both quantitative and qualitative methods and primary and secondary data. The two methods selected were content analysis of company reports to investigate patterns and trends in CSR and a questionnaire administered to 99 financial managers in order to elicit the views of those involved in preparing the reports. This additional perspective on the insights provided by content analysis allowed better understanding of the underpinning motivations for the information disclosed than would have been provided by the content analysis alone.

3.1. Content analysis of annual reports

The aim of mapping the amount and type of corporate social disclosure in Libya and of ascertaining and explaining patterns and trends was achieved through content analysis of 270 annual reports from 54 companies for the period 2001-2005. Considered the fastest growing method of analysis in quantitative research (Neuendorf, 2002), quantitative content analysis measures the volume of disclosure and then attempts are made to draw inferences about the meaning/importance of the text (Gray et al., 1995a; Gray et al., 1995b; Krippendorff, 1980; Unerman, 2000a). This is done by counting the number of times a particular word (or sentence, or paragraph – whatever unit of analysis is chosen) appears in the text. The idea is that the more a particular word is used, the more significant is its subject. In this way raw material is converted into meaningful research data. For the purposes of this research both words and sentences were selected as units of analysis. The advantages of these units are summarised by Gray et al. (1995b, p. 84) as follows: words are categorised more easily, lend themselves to more exclusive analysis and have the pragmatic advantage that a database can be scanned for specified words. Sentences enable the researcher to infer meaning.

3.1.1. Validity of content analysis

Although it is a more disciplined method than simply making general comments about a body of texts, there is nevertheless an element of subjectivity to content analysis (Tilt 1998), because the same document can be interpreted differently by different researchers. When using content analysis, therefore, it is important to justify selection of both the source and the components of the text to be analysed.

In terms of source, the reasons for selecting annual reports has been dealt with more fully above. However, it must be added that gaining access to them was not an entirely straightforward matter. As stated earlier, higher levels of secrecy and a weaker sense of the right to know often prevails in Arab countries. Moreover, information from official sources and channels of communication is seldom trusted or relied on to the extent that information from personal, particularly familial, sources is. This meant an approach similar to that of snowball sampling was adopted, utilizing the researcher's personal contacts and making personal visits. That notwithstanding, companies were selected to represent a broad range of sectors, both public and private and reports from a broadly representative sample of Libyan companies were analysed.

With regard to the components of the text to be analysed, arguably the most essential element of content analysis, Gray et al. (1995b) contend that it is important that independent judges would identify similar categories as constitutive of CSR. To enable content analysis to be performed in a manner which can be replicated therefore, agreement between the researcher and other coders on the categorisation of the text was sought. Firstly, the specific measurement instrument used in this study was derived from the work of Gray et al (1995b) which itself is based on earlier work by Ernst & Ernst, (1978) and Guthrie & Mathews (1985). Hence categories within the following measurements were recorded:

- **Themes** or the dimensions of the social disclosure categories (i.e. employee, community, environmental and consumer)
- The **type of data** (i.e. monetary quantification; quantified but non-monetary/statistical data; declarative data such as graphics and charts)

- The **quantity of data** (i.e. the number of words and sentences that appear).

Secondly, this measurement instrument was then tested against that developed by the Centre for Social and Environmental Accounting Research and adjustments were made to align it with the Libyan context.

3.2. Survey of financial managers

In order to contextualise and to establish a basis for further reflection on the findings of the content analysis, a questionnaire was administered to a group of 99 financial managers to explore their views and perceptions on the current state of CSR in Libya in general and social reporting in particular. The questionnaire addressed the following areas:

- Current corporate disclosure practices and reasons for these
- If wider disclosure developed, in terms of corporate social information, whether any beneficial socio-economic effect may be obtained from such an action.
- Whether it is probable that legal requirements and accounting standards might be needed to make wider disclosure;
- The extent to which notions of corporate social responsibility are acceptable in the Libyan context.

The inclusion of this particular group was mainly based on their knowledge of accountancy practices and the fact they are the preparers of accounting information. Thus there is an opportunity to gain some insight into the way in which financial managers are thinking about information that companies should provide and, to some degree, into the reasons behind their thinking (Belal and Owen 2007, Islam and Deegan 2008, Kuasirikan 2005). The questionnaire also sought to elicit their opinions on possible developments for the future of CSR. However, these possibilities are mediated by the fact that accountancy in Libya is not so much a profession as an occupational category, with financial managers largely being responsible for audited accounts rather than management accounting per se. Moreover, according to Bait El-Mal et al. (1973), accounting practices in Libya are influenced by four key sources of impact namely statutory requirements which control the business in this particular country (Ali, Ahmed and Henry 2004), accounting technology and know-how imported from other countries, the influence of accounting education and the writings and contributions of academics and practitioners in the accounting field and, not least, by religion. These factors will also have a bearing on the views of financial managers in respect to CSR themselves.

The survey was carried out by means of a questionnaire divided into three sections. The first section dealt with respondents' perceptions about corporate annual reporting in general, the second with their opinions about social disclosure and the reasons and motivations underpinning the decisions for selection and inclusion of information. These responses were recorded on a five point Likert scale, The third part of the questionnaire requested general information on the respondents' background. Two stages of prior development preceded distribution of the final version of the questionnaire. Comments and suggestions from pilot surveys conducted in the UK and then in Libya were incorporated into a second draft of the questionnaire and English and Arabic versions were distributed to PhD students interested in corporate reporting and whose first language was Arabic. They then provided comments on the English and Arabic translation. The final Arabic questionnaire was distributed to respondents. Of the 124 questionnaires distributed, 99 financial managers responded, a response rate of 79.8%. The reason for the relatively high rate of response was that the researcher again utilized personal contacts and personally handed out questionnaires to each respondent. Therefore this was not a random sample. However, there is no reason to suppose that this impacted significantly on the data.

These two methods, content analysis of annual reports and the survey questionnaire, were together utilised to develop a fuller and richer picture of corporate social disclosure in Libya. The research thus augments a previous study by Pratten & Mashat (2009) which provided a purely descriptive study of Libyan corporate social reporting and, although the latter did cover fifty-six annual reports, this was only over a four year period (1999-2002).

4. Data and findings

Before turning to the findings themselves, it must be noted that both the amount and incidence of corporate social disclosure was recorded. It was assumed that the amount of corporate social disclosure is related to the importance placed on a particular subject or issue and therefore the greater the amount of disclosure, the greater its perceived importance. The incidence of disclosure is assumed to point out a recognition and/ or concern by the business organisation of a particular issue.

4.1. Patterns of disclosure

Table 1 shows the results of analysis of the data in all categories across all years. The pattern of disclosure shall be presented first before briefly turning to trends in disclosure.

Insert Table 1 here

4.1.1. Patterns in consumer disclosure

The most striking result of the analysis is that not one company, in any of the five years under review, disclosed any information related to consumers. And yet the survey of financial managers (see below) indicated they thought that, as interested groups, consumers also had a right to information (although the interests of this group were ranked below shareholders and investors, creditors and employees). The reasons for their exclusion can perhaps be attributed to the fact that the Libyan economy is still relatively under-developed and transitioning towards a market system, so consumer issues have not yet come to the fore. However, as all the companies studied provided at least some information about one or more of the other categories in their annual reports, this omission merits further investigation.

4.1.2. Patterns in employee disclosure

Insert Table 2 here

The predominance of disclosure of information classified under the employee theme has been reported and corroborated in various studies conducted in the area of corporate social reporting (e.g. Andrew, Gul, Guthrie and Teo, 1989; Belal, 2001; Gray et al., 1995a; Guthrie & Parker, 1990; Hackston & Milne, 1996; Imam, 2000; Thompson & Zakaria, 2004). This study did not contradict these findings in that the most common theme in Libyan companies' annual reports is 'employees' with seven out of ten employee categories commonly reported as the main disclosure areas. Table 2 shows employee disclosure for all companies across all categories.

4.1.3. Patterns in community involvement disclosure

Insert Table 3 here

Libyan companies disclosed both financial and non-financial information on community involvement in their annual reports (Table 3). However, when compared with the size of the companies this disclosure may be said to be limited. Given that Islamic Law urges Muslims to take an active and responsible role in society, the limits of reporting on this theme warrants further investigation. It may be, for example that community involvement is regarded as the responsibility of individuals rather than of organisations.

4.1.4. Patterns in environmental disclosure

Insert Table 4 here

Environmental disclosure is an amalgamation of seven categories (Table 4). In spite of the increasing importance and recognition of environmental issues, it is evident that companies in Libya are at a very early stage in their consideration of this topic. Only a few companies disclose some environmental information, covering only three themes out of seven (environment and policy; waste pack pollution, recycle, product land; environment other). Moreover, it is largely the same companies that disclose this kind of information each year, with a few newcomers for some of the themes. The results seem to be consistent with the findings of many studies and particularly those conducted in developing countries (e.g. Andrew et al., 1989; Imam, 200; Belal, 2001; Rizk, 2008). These studies also reported that environmental disclosure has been given only modest attention. It seems reasonable to suggest that none of the companies in the research sample, whether privately owned or in sectors under government control, placed great value on reporting this kind of information, or if they did care and did undertake some activity that fell into these categories, they did not have a policy of disclosing what they were doing.

Interestingly, oil companies (only one of the four companies that disclosed information was in that sector) also seem uninterested in disclosing any information in these categories, despite the impact these companies make on the environment and the fact that oil companies around the world tend to be highly visible, with relatively high disclosure. This suggests that the companies in Libya might not be concerned with this topic and/or are not subject to the influence of pressure groups.

4.2. Trends in disclosure

In this study of Libyan companies, the idea was to go beyond the provision of a snapshot in time in order to ascertain whether the quantity and quality of CSR had changed over a five year period. Notable change might have been expected because of the changes taking place in the Libyan economy and in Libyan society, but analysis of annual company reports over that period showed that most, if not all, Libyan companies pay corporate social disclosure low attention (Table 1). In terms of volume of reporting, little had changed (see Tables 2-4) and the amount of information of both financial and non-financial types which is disclosed in the annual reports is very low. There is also consistency in the type of disclosure presented. Most of the information is quantitative (either financial or other numeric information). Only three companies used declarative methods such as graphics and charts to give more details about social responsibility information. There might be, however, some observable trends in the incidence of each of the three types of disclosures (financial, quantitative but not financial and declarative). The incidence of both monetary disclosure and the proportion of declarative disclosure have remained relatively stable over the period in question while the proportion of non-monetary quantitative disclosure increased slightly in total for example.

However, simply noting the low level of CSR masks some interesting details which merit further interrogation. Thus:

- the trend for social disclosure is increasing in some categories (see Tables 2-4) and decreasing or staying at the same level in others.
- Libyan companies have also steadily increased their disclosure of employee information during the period of the study. In terms of this theme, the average amount of disclosure for categories such as basic data (and here the increase was sizeable), equal opportunities and benefits in kind, increased (Table 2).
- Libyan companies decreased their disclosure in the 'charity and political' category (Table 3). However, when the reasons for this decrease are unpacked, it becomes apparent that only the industrial sector discloses non-financial type information in this category and therefore this decrease is attributable solely to a decrease in reporting in this sector alone. Furthermore reporting in the 'community' category increased but only because the number of companies reporting increased from four to five during the period of the study.
- During the period under study, moreover, there was no change in the disclosure of financial information in the charity and political and community categories whereas there were changes in non-financial disclosure of the same (see Table 3). This may be attributable to the fact that some companies either stopped or started giving to charity or that those responsible for the preparation of these reports made changes to the kind of language used to represent these disclosures.

4.3. Findings from the survey of financial managers

Insert Table 5 here

It is evident that financial managers see the most important purpose of the annual report as the provision of information to managers. Although, in general, annual reports are unsuitable vehicles for management purposes, this may be explained by the fact that financial managers may lack a separate system for providing management information and the report may be the only means of communication. Moreover, it is logical and expected that the report is also seen chiefly as a means to provide information to the Tax Authorities, given that all companies operating in Libya are obliged to provide their annual reports to them and that financial managers could not undervalue the purpose for which annual reports are intended, that is communicating information to those parties with purely financial interests and involvement in the companies. However, this is not to imply that financial managers do not see social disclosure as unimportant and most financial managers did believe that most Libyan companies already pay at least some attention to social issues.

4.3.1. Potentially beneficial socio-economic effects of wider social disclosure

The survey also aimed to gain some insight into whether financial managers thought there was a demand for, or a least a recognition and acceptance of the need for, Libyan companies to pay more attention and take into account social and environmental issues and in general it seems to be the case that they do. The vast majority of respondents consider that disclosing this kind of information will encourage an investment environment, develop human resources and serve customers, and might also emphasize the role of accounting and of accountants themselves. However, given that these are the very people who produce annual reports, the question remains why disclosure has remained more limited.

4.3.2. Legal requirements, accounting standards and disclosure

The vast majority of the respondents rejected the suggestion that companies should be owned by the public sector to guarantee their social responsibility. However, they were also of the view that, if companies are not subject to external pressure (legal, professional or pressure exerted by particular interest groups for example) this is unlikely to happen. In particular, respondents believe that the law can provide the best stimulus to disclosing information about corporate social responsibility, at least at this period of time.

4.3.3. Notions of corporate social responsibility in the Libyan context.

The vast majority of respondents agreed with the idea that Libyan companies should take a broader view of social responsibility and should report to a wider audience, including society at large (although this category is ranked last). In other words, they agreed that financial, as well as non-financial, information should not only be disclosed to the limited set of stakeholders who have a financial relationship with companies, but also that this kind of information should be available to all stakeholder groups, including society at large. This could be seen as regarding a social contract with society as necessary for the viability of business. The suggestion that companies should be thought of as social enterprises and that their existence is justified as long as they satisfy the objectives of the society was also supported by some respondents. On the other hand, the findings showed that the vast majority of the respondents rejected the suggestion that companies should be owned by the public sector to guarantee their social responsibility. Correspondingly, they overwhelmingly rejected the suggestion that companies have no social responsibility but exist only to make as much profit as possible for their owners. The question was rather as to the best method – through the law or voluntary initiative – to increase Libyan companies' social disclosure (see above).

5. Discussion of the reasons for the low level of CSR in Libya

What might explain the low level of social disclosure by Libyan companies other than the recursive reason that most companies attach low priority to it? As alluded to earlier, this situation is not uncommon and thus inferences may be drawn from studies in other developing countries and applied to the Libyan context. For example Ahmad & Nicholls (1994) in their study of mandatory disclosure in Bangladesh argue that an inadequate regulatory framework and enforcement mechanism, the lack of an accounting profession and the absence of an effective capital market are some of the reasons for low levels of accounting disclosure and accounting standards in developing countries. In other words, developing countries tend to lack a rich legal and professional infrastructure. These conditions also exist in the case of Libya, in addition to market conditions and the weakness of the Libyan stock market.

One of the major reasons for low social disclosure in developing countries, including those whose economies are in transition, may be the lack of mandatory (i.e. statutory) disclosure requirements. Unerman (2000b) thus supports the idea of increasing disclosure about corporate social activities by mandatory regulation, as he believes that voluntary initiatives are considerably less effective. Haniffa & Cooke (2002, pp. 237-238) agree that, if there is no public pressure function (which is the case in Libya) or laws and regulations governing the companies, companies are unlikely to provide high quality information without this mandatory requirement. However, this situation is further complicated by the fact that Libyan companies generally do not provide information to the general public. The information provided is on a restricted need-to-know rather than the right-to-know basis, and it is only disclosed to those parties to whom the companies are legally accountable (e.g. the Tax Office). Arpan & Radebaugh (1985) confirm that in countries where state ownership dominates, such as Libya, only a few users other than the government are expected to be provided with accounting information. Therefore companies in Libya, which are (or were until recently) predominantly state owned, pay more attention to commercial information (i.e. selling prices) rather than financial information. For a long time before the market opened to the private sector in the middle of the 1990s, avoiding losses and maximising production levels rather than maximising their market value were the main concerns of Libyan companies; it will take some time to change their concerns and objectives, particularly as new companies including the companies in the private sector, tend to take their lead from more established companies in their sector in preparing and providing the information included in annual reports

Lack of awareness of the importance and perceived benefits of corporate social responsibility disclosure among professional accountants might also affect the type, level and volume of social reporting. Researching in Bangladesh, Ahmad & Nicholls (1994), found that accountants receive more rigorous professional training and exposure if they study outside Bangladesh, and have more expertise in understanding important subjects related to accounting, compared to locally trained accountants who might be expected to know less about these subjects. This may well be the case in Libya too, although it must be said that accounting practices in Libya were adopted from those in Western countries, especially the UK and USA, and might not be affected much by Libyan culture and religion (although, this may be too simplistic a conclusion to reach, a point touched on again in the concluding paragraphs of this paper). Nevertheless, because laws are Tax and State oriented and most business activities are controlled by the State the role of the accounting profession is weakened. Furthermore Radebaugh (1975) maintains that cultural attitudes can be seen as a factor influencing a country's development of accounting objectives, standards, and practices. In this respect Libya is similar to other Arab countries in that the extended family, clan, tribe and village play an important role in community life and in people's relationships with each other (Agnaia, 1997). Thus family contacts and personal relationships may play a greater part in gaining business and career promotion than practical experience or academic qualifications. Indeed, loyalty to the family, clan, and tribe along with the emphasis placed on regionalism and sectarianism, occasionally outweigh loyalty to a profession and sometimes the law (Agnaia, 1997).

Another reason for the low levels of CSR in Libya is connected to the levels of demand for corporate social information and how far this is a function of the company environment. Insights from a political economy perspective are useful here. For example, pressure groups in developed countries, where the economy is well established, can afford to be more aware of, and receptive to, social and environmental issues, whereas pressure groups in developing countries worry more about meeting basic material needs. The exhaustion of natural resources associated with rises in the standard of living do not merit the same level of attention and the main focus in developing countries is current productivity rather than any long-term social and economic consequences In similar circumstances, it would be unrealistic to expect the developing countries to have the same level of corporate social responsibility and disclosure. Thus different national concerns and priorities can be said to be reflected in public and institutional pressures for corporate social activities and disclosure (Gray & Kouhy, 1993; Xiao, Gao, Heravi and Cheung, 2005).

6. Conclusions, limitations and ideas for further research and for policy development

This research contributes to the limited studies on corporate social disclosure conducted in developing economies in general. In particular, it gives insight into corporate social disclosure practices in Libya, an Arab Muslim country. Using content analysis, it examined social reporting trends over a five year period rather than taking a one-year snapshot and interpreted the results of that content analysis in terms of different types of countries. Although only using annual reports to measure CSR might be considered limiting, the reasons why these documents were particularly valuable to a Libyan study were set out in some detail above. Utilising this data source exclusively was particularly justifiable in Libya where there are few other reporting channels for social disclosure. In general, the findings of the content analysis revealed that, during five year period examined, CSR remained largely unresponsive to significant changes in the political scene that occurred over a much longer period of time and to the transition from a managed to a market economy. Although the study covers only five years and any conclusions drawn regarding long term trends must be viewed with caution, nevertheless these findings also accord with those of Freedman & Stagliaon (1992), who argue that motivation for disclosing information about corporate social activities is a complex phenomenon consisting of a range of inter-connected logics. It is therefore reasonable to point to the relatively entrenched position of accountants and the attitude of top management towards its stakeholders as possible reasons for the lack of congruence between political and economic change.

However, perhaps there are also more deep-seated factors at work here. According to Belkaoui (2000) accounting and auditing knowledge is organized in a culturally standardized way with a familiar event sequence, which tells the individual how to react to a particular accounting and/or auditing phenomenon. Thus the role of culture and its impact on the value orientation of those who prepare these reports (Perera 1989), alluded to only briefly above, merits further attention as does its impact on organisational subculture and, in turn, the impact of the latter on disclosure and responsibility practices. In particular, the role of religion in different economic and cultural settings is an interesting avenue to explore in terms of the construction of accountability concepts and practices.

Whilst the five year period scrutinised here is longer than in other studies which tend to only provide a snapshot, a comprehensive longitudinal investigation over a longer time period might help to better establish and clarify the trends of corporate social reporting and disclosure in Libya. As Libya develops, companies are likely increasingly to use other channels to disclose social information. When this happens, future studies should investigate these, in addition to corporate annual reports which are subject to the limitations outlined above. It would be particularly interesting to discover why and how some companies disclose more social information than the majority of other companies and these former might be taken as examples of good practice. It is likely also that there will be increased attention paid to Libya post regime change.

Beyond their contribution to research the findings also have a number of things to say to policy. Firstly they suggest the need for ameliorating the status and disclosure practices of the accounting profession and particularly the provision of guidance for companies in disclosing social information. They also highlight the need for developing and adapting standards for accounting and auditing which are suitable for the Libyan environment and which incorporate recognition that corporate social reporting and disclosure is relevant to the country's economic, social and political situation. The argument might also be made for these standards to be legally enforceable. It was, moreover, beyond the scope of this paper to discuss the views and perceptions various groups of stakeholders on corporate social reporting in Libya but these contribute to a fuller and richer picture and deserve to be further scrutinised. At any rate, the research reported here provides a useful starting point for all these avenues of inquiry and Libya remains a rich point of departure for studies of other transitioning or developing economies, particularly those in the Arab world.

[1] The research on which this paper is based prior to the regime change of 2011.
[2] Recent exceptions include Aurora and Puranik (2004) and Balasubramanian, Kimber and Siemensma (2005) in India, Belal and Owen (2007) in Bangladesh, Mahdeo, Oogarah-Hanuman and Soobaroyan (2009) in Mauritius, Mitchell & Trevor (2009) in South Africa and Rizk, Dixon and Woodhead (2008) and Salama (2009) in Egypt.

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Table 1. Companies' disclosure of social responsibility information

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

W= number of words
Se= number of sentences

Table 2 Employee disclosure (Total)

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

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

Table 3. Community involvement disclosure (Total)

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

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

Table 4. Environmental disclosure (Total)

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

N: Number of companies disclosing
% Percentage of companies disclosing
** Average amount of disclosure of those that disclose
F: Financial ***NF***: Non Financial ***W***: words ***Se***: sentences
S: Services companies ***I***: Industrial companies ***O: Oil*** companies

Table 5. The importance financial managers attach to the purposes of corporate annual reports

Rank	The provision of information to:	Mean score
1	Assist managers in managing the company	4.38
2	The Income Tax department, as a basis for taxation assessment	4.09
3	Assist in the negotiation of financial facilities with financial institutions	3.77
4	Owners on the uses made of their funds and the legality of those uses	3.55
5	Creditors for the protection of their interests	3.51
6	Help employees to help protect and advance their interests	3.44
7	Assist government agencies and departments in debates about the public interest	3.30
8	Assist potential shareholders and investors in their investment decisions	3.17
9	Society at large in order to judge the actions and policies of the company	2.95