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AN EVALUATION OF COMPREHEHNSIVENESS OF CORPORATE REPORTING PRACTICES IN A DEVELOPING COUNTRY: EMPIRICAL EVIDENCE FROM LISTED AND NON-LISTED LIBYAN COMPANIES

Abdalrhman Kairi Alnabsha

A Thesis Submitted to the University of Huddersfield
In Partial Fulfillment of the Requirements For
The Degree of Doctor of Philosophy

The University of Huddersfield
University of Huddersfield Business School
Accountancy and Finance Department
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Abstract

The quality and quantity of information disclosed by companies in their annual reports in a particular country depends heavily on the country's level of economic development, the development of the accounting profession, the legislation in force, and the existence of a sophisticated financial market. In this vein, following the recent changes and reforms of both the Libyan economy and the legislation around financial reporting, government legislation and laws have played a major role in shaping the current financial reporting practices in Libya. This thesis aims to empirically examine the quality as well as the quantity of the information disclosed in the annual reports of Libyan companies. In particular, by using an integrated research design framework, the study seeks to: (i) assess the perceptions of the preparers and users of Libyan Corporate Annual Reports (CARs) regarding the use and usefulness of the information disclosed; and (ii) investigate the comprehensiveness of disclosure among Libyan listed and non-listed firms, and examine the association between a number of corporate governance mechanisms, the ownership structure, and corporate specific characteristics and the corporate disclosure behavior of Libyan listed and non-listed firms. This study consists of two stages. The first stage uses a questionnaire survey as a research instrument. The second stage uses a content analysis of real secondary data collected from companies' annual reports and analyzed using various regression models.

The findings of the questionnaire survey suggest that both preparers and users consider CARs to be the most important source of corporate information for their decision-making process. Furthermore, the delay in publishing CARs and the lack of unified accounting and reporting standards were viewed as the prime factors restricting their use in Libya. Generally speaking, the respondents considered the information disclosed in the annual reports of Libyan firms as adequate. With regard to the factors affecting corporate reporting practices in Libya, as expected, the Libyan Commercial Code (LCC) and Income Tax Law (ITL) were viewed by the vast majority of respondents as the prime factors affecting corporate reporting practices in Libya. In addition, a lack of reporting standards and accepted accounting principles, in line with the lack of knowledge of external users' needs were perceived as the prime obstacles restricting the extent of disclosure. The findings also indicated that there were statistically significant differences in perceptions among the user groups, and between users and preparers regarding the use and usefulness of CARs in Libya.

With regard to the findings of the content analysis of the annual reports of Libyan listed and non-listed companies, the results suggest that, firstly, board size, the frequency of board meetings and the presence of an audit committee have an impact on the level of corporate disclosure. On the other hand, the findings indicate that duality in the position of the CEO and board composition are not related to the extent of disclosure. Secondly, regarding ownership structure variables, no evidence was found that director ownership, foreign ownership, government ownership and institutional ownership were significant in explaining the extent of disclosure. Finally, the results from the content analysis are robust, controlling for a number of potential endogeneity and non-linearity issues.

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Statement of Originality

I hereby certify that all of the work described within this thesis is the original work of the author. Any published (or unpublished) ideas and/or techniques from the work of others are fully acknowledged in accordance with the standard referencing practices.

(Abdalrhman Alnabsha)

(January, 2016)

Chapter 1 Introduction

1.1 Introduction and Background

According to Owusu-Ansah (1998, p. 608) disclosure is defined as *"the communication of economic information, whether financial or nonfinancial, quantitative or qualitative relating to an enterprise's financial position and performance"*. Although there are a variety of tools other than annual reports that a company can use to disclose information such as interim reports, prospectuses, financial newspapers or magazines, journals, government publications, and direct contact with the company's management, the annual report is the only mandatory document regularly required by regulatory bodies to comply with mandatory requirements. Moreover, the annual report represents the construction and external image of the firm (Gray et al., 1995). Therefore, the current study focuses on information disclosed in annual reports of Libyan listed and non-listed firms.

The primary purpose of corporate disclosure is to provide the users with information to help them make predictions about future performance in order to make their decisions. Corporate annual reports (CARs) consist of a wide range of quantitative and qualitative information that helps a variety of user groups in their decision making. Thus, a full annual report is expected to consist of meaningful and sufficient relevant information, and satisfy the information needs of diverse user-groups (Mirshekary & Saudagaran, 2005). Therefore, in order to evaluate corporate information, the quality as well as the quantity of that information should be investigated (Alotaibi, 2016; Hasseldine et al., 2005; Van Beest et al., 2009). Annual reports should be designed, in shape and content, to comply with the informational needs and requirements of external user groups. Therefore, regularly eliciting and assessing the perceptions of the user groups regarding various aspects of reporting practices is an important practice to draw feedback and improve communication between the entity and its stakeholders (Epstein & Pava, 1993). In the current study, in order to provide a comprehensive overview of the corporate disclosure practices of Libyan firms, both the quality and the quantity of corporate information are investigated. In this respect, the current study defines the quality of corporate information as the ability of corporate information to be useful "usefulness" of the informational needs for different user groups.

The quality and quantity of information disclosed by firms in an economy depends heavily on the level of development, the development of the accounting profession, the legislation in force and the existence of a sophisticated financial market. Following the recent changes and reforms of both the Libyan economy and legislation regarding corporate reporting, this research aims to explore the role of legislation and accounting profession in shaping the current financial reporting practices of Libyan companies, and how these practices were influenced by those legislation and economic reforms. The phenomenon of corporate reporting behaviour is influenced by political, environmental, cultural and economic factors.

In order to provide a comprehensive overview of corporate reporting practices in Libya, the study focuses on annual reports of three sectors, namely: banks, manufacturing and services. The rationale behind this is that these are the dominant sectors after the oil and gas sector in the Libyan economy in terms of their contribution to the total gross domestic product (GDP). The oil and gas sector is excluded as most of the companies operating in this sector are either foreign companies or partners of foreign companies with more advanced accounting and reporting practices.

A recent review of the academic corporate reporting literature has reported that this examination of corporate reporting practices takes two patterns, the first pattern focuses on the perceptions and attitudes of users regarding the use and usefulness of corporate information for their decision making (e. g. Abu-Nassar & Rutherford, 1996; Al-Razeen & Karbhari, 2004b; Alattar & Al-Khater, 2007; Alotaibi, 2016; Anura De & Kathy, 2010; Ho & Kar Shun, 2001; Lee & Tweedie, 1975; Mirshekary & Saudagaran, 2005; Naser & Nuseibeh, 2003). While the other examines the extent of corporate disclosure by measuring the quantity of information disclosed in annual reports of companies using a disclosure index (e. g. Abdullah, M. et al., 2015; Alhazaimeh et al., 2014; Aljifri et al., 2014; Alotaibi, 2016; Barako., 2007; Cerf, 1961; Elshandidy et al., 2013; Firth, 1979; Hossain, 2008; Madhani, 2016; Madi et al., 2014; Ntim et al., 2013; Owusu-Ansah, 1998; Samaha et al., 2015; Santhosh et al., 2015; Tsalavoutas & Evans, 2010). This pattern of investigation has developed from examining the influence of corporate characteristics on the level of disclosure to examining the influence of the ownership structure and more recently corporate governance attributes on the extent of disclosure. As these two patterns complement each other, the current study applies both methods to explore the perceptions of annual report preparers and users regarding the usefulness of the information disclosed in annual reporting of Libyan firms, as well as providing empirical evidence about the status of corporate disclosure practices within the Libyan context.

In the first pattern, the research to date has tended to focus on users' perceptions only, rather than both users' and preparers' perceptions, regarding the quality and the usefulness of the information published in CARs. In addition, a review of the disclosure literature has shown that a large number of empirical studies have been conducted focusing on the subject of voluntary disclosure practices and their association with corporate governance attributes, ownership structure, and corporate specific-characteristics, most of these studies have focused on developed countries (e. g. Buzby, 1975; Cerf, 1961; Choi, 1973; Cooke, 1989c, 1992; Firth, 1979; Henry & Leone, 2016; Hooks et al., 2002; Khlif & Hussainey, 2016; Malone et al., 1993; McNally et al., 1982; Santhosh et al., 2015; Singhvi & Desai, 1971; Stanga, 1976). However, in this context, Akhtaruddin (2005) argues that too little attention has been paid to developing countries in general (e. g. Adelopo, 2011; Aljifri, 2008; Hossain & Hammami, 2009; Omar & Simon, 2011) and to Libya in particular (Kribat et al., 2013). Moreover, there is little empirical evidence about financial and non-financial sectors and listed and non-listed firms.

Reducing the confidence of the users in companies is perceived as one of the key consequences of inadequate information in CARs, this leads to less incentive to invest in those companies. Therefore, this research seeks to help develop the disclosure literature in developing countries in relation to both financial and nonfinancial sectors, which is currently sparse. The aim is to examine the extent of the current comprehensive disclosure practices by listed and non-listed firms and their association with corporate governance characteristics, ownership structure, and corporate characteristics with a particular reference to Libya as a developing country.

A careful assessment of this literature reveals a number of discernible weaknesses. Firstly, despite increasing suggestions that companies may engage in disclosures for many theoretical reasons, and therefore the ability of any single theoretical framework to fully explain the motivations underlying corporate disclosures is limited, existing studies are either largely descriptive in nature (Benjamin & Stanga, 1977; Cooke, 1989a, 1989c; Ho & Shun, 2001; Inchausti, 1997; Meek et al., 1995; Owusu-Ansah, 1998) or underpinned by a single theoretical framework (Watts & Zimmerman, 1990; Chen & Roberts, 2010). This limits current understanding of the various motivations underlying corporate disclosures. Secondly, although most corporations are non-listed, existing studies examining the motivations for, and determinants of, corporate disclosures have focused mainly on listed corporations (Barako et al., 2006; Bozec & Bozec, 2007). By contrast, there is an acute dearth of studies analysing corporate disclosure in non-listed corporations (Benjamin & Stanga, 1977; Cooke, 1989a, 1989c; Ho & Shun, 2001; Inchausti, 1997; Meek et al., 1995; Owusu-Ansah, 1998), which thereby impairs current understanding of corporate disclosure behaviour with respect to non-listed firms.

Thirdly, despite increasing theoretical and empirical suggestions that corporate decisions, including those relating to disclosure are often taken by corporate boards and owners (Eng & Mak, 2003; Ntim et al., 2012a, b; 2013), existing studies have focused primarily on examining how firm-level characteristics, such as firm size and industry, drive corporate disclosures. In contrast, studies investigating the extent to which corporate governance and ownership structures can influence the extent of corporate disclosures are rare (Collett & Hrasky, 2005), and thereby limit the current understanding of how and why corporate governance and ownership structures may influence corporate disclosure behaviour. Finally, despite the increasing importance of developing countries around the world, existing studies examining corporate disclosure behaviour are primarily concentrated in developed countries with largely similar institutional and contextual characteristics (Fifka, 2013; Ntim & Soobaroyen, 2013a, 2013b). In contrast, developing countries, such as Libya, have different economic, institutional, legal and political environments and thus, the effect of corporate governance, ownership and firm-level variables on corporate disclosure can be expected to be different from firms operating in developed countries. Therefore, an examination of the various factors that may influence corporate disclosure behaviour in developing countries where empirical evidence is limited can help in providing full understanding of corporate disclosure behaviour around the world (Aljifri, 2008; Aljifri et al., 2014; Benjamin & Stanga, 1977; Cooke, 1989a; Inchausti, 1997; Wang & Hussainey, 2013).

This chapter is structured as follows: Section 1.2 outlines the research aim, objectives and questions. Section 1.3 outlines the motivation for carrying out the current study. An overview of the research methodology is presented in Section 1.4. Finally, section 1.5 presents the structure of the thesis.

1.2 Research Aim, Objectives and Questions

The main aim of this research study is to investigate corporate reporting practices in the annual reports of Libyan companies. This aim is divided into two parts. The first part assesses the quality of disclosure by investigating the preparers' and users' perceptions regarding the usefulness of information that is provided by Libyan companies' annual reports and what aspects of corporate information they include, as presented by companies in Libya for various external user groups in the light of those recent changes in the corporate reporting environment. Furthermore, this study investigates the comprehensiveness of disclosure in annual reports of Libyan companies, and examines the factors that influence the level of disclosure. This includes the extent to which corporate governance, ownership structure and companies' characteristics influence the extent of disclosure.

The following objectives have been set to achieve the above main aim:

1. To investigate the usefulness of CARs in Libya from the perspective of preparers and users, and their attitudes regarding different aspects of corporate reporting.
2. To analyse different interested parties' perceptions and attitudes regarding the adequacy of current disclosure in the annual reports of Libyan firms, and the factors expected to influence disclosure level, and investigate their needs for additional information.
3. To identify whether there are any significant differences among respondent groups regarding their perceptions of the usefulness of the information provided in CARs.
4. To investigate the extent of corporate disclosure in Libyan companies' annual reports.
5. To examine the influence of corporate governance mechanisms on the extent of corporate disclosure in the annual reports of Libyan companies.
6. To examine the influence of the ownership structure on the extent of corporate disclosure in the annual reports of Libyan companies.

7. To examine the influence of corporate characteristics on the level of corporate disclosure in the annual reports of Libyan companies.

In order to achieve the above objectives, the current study seeks to answer the following research questions:

1. What are the perceptions and attitudes of preparers and users regarding the usefulness of the information provided in CARs in Libya?
2. What is the degree of adequacy and factors affecting the current disclosure of information published in Libyan companies' CARs?
3. Are there any significant differences among respondent groups regarding their perceptions of the usefulness of the information provided in CARs?
4. What is the level of disclosure in Libyan companies' annual reports?
5. Do corporate governance mechanisms have any influence on the extent of corporate disclosure in the annual reports of Libyan companies?
6. Does the ownership structure have any influence on the extent of corporate disclosure in the annual reports of Libyan companies?
7. Do corporate specific-characteristics have any influence on the extent of corporate disclosure in the annual reports of Libyan companies?

1.3 The Importance and Motivation of the Study

The current study is distinguished from prior studies through the following:

Firstly, investigating the perceptions of preparers and users regarding the use and usefulness of Libyan firms' annual reports is of potential importance to regulators and preparers. It also assists in improving communication between the reports' users and the firms. In addition, the current study provides feedback from the users of CARs to the appropriate regulatory authorities such as the Central Bank of Libya (CBL), and provides empirical evidence regarding the value of annual reports to preparers. There has been no attempt to compare the views and perceptions of the preparers of annual reports regarding disclosure practices to those of various user groups. Furthermore, the current study offers both local and foreign investors an objective assessment of the current reporting practices in annual reports of Libyan firms. Such an assessment is important to all investors who are interested in making financial decisions before investing in the Libyan market.

Secondly, the study contributes to the literature by providing up-to-date empirical evidence of the relationship between corporate disclosure behaviour and corporate governance aspects in one of the North African countries Libya, where such studies are relatively limited compared with developed countries. The current study is of special importance in that this is the first study investigating the corporate disclosure practices of Libyan financial and nonfinancial firms. The current study provides new empirical evidence from a country that is considered a developing country in a transition stage from a socialist economy to a market-oriented economy.

Thirdly, empirically testing the influence of corporate governance characteristics, ownership structure and firm characteristics on the extent of corporate disclosure can suggest areas where necessary improvements to disclosure regulations in the Libyan context can be highlighted. In other words, users and regulators alike may benefit from the identification of any systematic differences between firms in their level of disclosure. In addition, the current study assesses comprehensiveness of disclosure behaviour over a period of considerable change in the ownership structure represented by the privatization programme and the recent political and economic changes taking place in the country.

Fourthly, the study contributes to the literature by examining the factors affecting the changes in corporate disclosure practices over time by conducting a longitudinal study as a response to calls for more research in this area (Huafang & Jianguo, 2007). This kind of longitudinal investigation can help to focus on the evolution of corporate disclosure behaviour over time.

Fifthly, the current study employs a number of additional analyses to check the robustness of the results. Along with Ordinary Least Square (OLS), the study employs more sensitive and elaborate techniques, namely two-stage least squares (2SLS) to test for endogeneity. This is not commonly used in the disclosure literature, although it is more relevant to the measurement method of disclosure extent. Furthermore, this study re-estimates the comprehensive disclosure level to detect the presence of non-linear relationships between corporate governance variables and the extent of corporate disclosure. In addition, distinct from most prior studies, the analyses cover both listed and non-listed firms, and thereby allow this thesis to provide new empirical insights relating to the disclosure behaviour of both listed and non-listed firms. The rationale behind the inclusion of non-listed firms in the sample is referred to the fact that these non-listed firms are required by the Libyan laws (LCC and LSM) to be listed in the LSM. The sample of non-listed firms was in the process of joining the LSM complying with Libyan laws but due to the unrest that took a place in 2011 this process is being delayed. According to Article No. 31 of the decision 436 all public, private and foreign companies that operate in the Libyan market with capital not less than 25,000.00 LYD must register and be listed in the LSM (GPC, 2008 Article No. 31 of decision 436).

Finally, the timeliness of the current study enhances its likely importance to the Libyan accounting standard-setting bodies and other relevant government bodies such as the State's Audit Bureau in evaluating the preparers' perceptions of current reporting practices, in terms of initiatives to adopt international accounting regulations in light of the recent global turbulence and Libyan economic and political changes.

1.4 Overview of the Research Methodology

In the current study, a positivistic philosophy is adopted. This research also adopts the deductive paradigm in which the researcher goes through five sequential stages, starting by deducing hypotheses from theories; articulating the hypotheses in operational and measurable terms; testing the hypotheses; investigating the specific outcomes and results (conform or reject the theory); and finally justifiable modification of the theory if necessary. The main aim of this study is to explore: (1) the perceptions regarding, and (2) the nature and determinants of, corporate disclosure behaviour in annual reports from listed and non-listed firms in Libya that lacks to such prior disclosure studies.

To recap, the main aim of the study is to examine the perceptions of preparers and users of CARs regarding corporate information published in annual reports of Libyan firms. In addition, the study attempts to empirically investigate the relationship between the extent of corporate disclosure and a number of corporate governance attributes, ownership variables and organisational characteristics. Thus, the study adopts the deductive approach starting with developing hypotheses based on a multi-theoretical framework. As it is explained in Chapter Three of this thesis, a multi-theoretical framework is adopted integrating a number of disclosure theories. This study will benefit from looking at corporate disclosure behaviour from different perspectives. Therefore, the study is classified as a quantitative study using a questionnaire survey and a self-constructed disclosure index (content analysis). The financial and non-financial, listed and non-listed companies operating in the Libyan market represent the sample population of the study. The study focuses on a period of five years from 2006 to 2010 after the emergence of the Libyan Stock Market (LSM). The period after 2010 was excluded because of the uprisings and instability which took place in Libya at the beginning of 2011 which has affected companies' activities.

Therefore, in order to achieve the objectives of the study, two main research methods were used to obtain data, namely a questionnaire survey and a disclosure index. Firstly, a questionnaire survey was employed to elicit the perceptions of preparers and users of annual reports in order to evaluate the usefulness of the information disclosed in the annual reports of Libyan firms. The questionnaire survey targeted seven user groups, namely: individual investors; institutional investors; financial analysts; senior bankers; legal accountants and auditors; academics and researchers; and tax officers, while the target preparer group was accountants working in Libyan companies who were in charge of preparing the annual reports.

Secondly, a comprehensive disclosure checklist was employed to measure the extent of disclosure in annual reports of Libyan companies. Furthermore, data was obtained from the 193 collected annual reports to examine possible associations between a number of corporate governance variables, ownership structure, corporate-specific characteristics, and comprehensiveness of disclosure. The comprehensive disclosure index was constructed based on prior relevant studies conducted in both developed and developing countries (e. g. Alhazaimeh et al., 2014; Aljifri, 2008; Aljifri et al., 2014; Bayoud, Marie, et al., 2012; Dembo & Rasaratnam, 2014; Fathi, 2013; Hassan et al., 2006; Kolsi, 2012; Kribat et al., 2013; Omar & Simon, 2011; Samaha et al., 2012; Soliman, 2013).

1.5 Structure of the Thesis

The aim of this section is to present an overview of the structure of the current thesis. The current study has been organised into eight chapters and a brief overview of each chapter is presented as follows:

The next chapter of the thesis provides background information about the economic environment in Libya, as well as a general description of the nation's accounting profession, legal requirements, and corporate governance. This chapter also presents a brief historical abstract regarding the government's intention and plan to convert the Libyan economy from a socialist economy controlled by the state's agencies, to a market-oriented economy opening the door for local and foreign investors to invest in the Libyan economy. The chapter also discusses the role of the LSM as a new mechanism to achieve the above objective.

Chapter three discusses the theoretical framework underpinning the current study. The chapter critically reviews the dominant theories that have been used to explain corporate disclosure practices. Prior studies have used a number of theories, such as agency, legitimacy, resource dependence and stakeholder theories to inform and interpret their findings. The review has revealed that no single theory can fully provide an explanation of corporate disclosure behaviour. The chapter ends with the proposed theoretical framework for the current study.

Chapter four reviews the relevant disclosure literature. Firstly, this chapter reviews prior evidence about disclosure practices and the perceptions of preparers and users. The review covers previous studies that explore the views and attitudes of preparers and users about financial disclosure practices in both developed and developing countries. Secondly, the chapter reviews previous disclosure studies in two sub-sections: the first section reviews traditional disclosure studies that investigated variation in disclosure by company characteristics, while the second section reviews disclosure studies that investigated corporate governance characteristics and ownership structure as determinants of the extent of disclosure. The chapter ends with a discussion to outline the gap in the literature to which the current study contributes.

Chapter five presents how the theoretical framework and the empirical evidence relate to each other. The chapter discusses the research philosophy, methodology and methods, hypotheses development for the study, the research instruments employed to collect the data, and the construction of the disclosure indices. The sources of data and the operational measures of the independent variables are explained. The chapter also discusses the research sample and population as well as providing a brief overview of the applied statistical tests and analyses.

Chapters six and seven present and discuss the empirical findings of the two types of collected data. Chapter six provides a full descriptive analysis and the results of the questionnaire survey of preparers' and users' perceptions. The descriptive statistics comprise mainly the percentage, the mean, and the standard deviation. The chapter also presents the inferential analyses using non-parametric tests namely: the Kruskal-Wallis H Test and the Mann-Whitney U Test. Chapter seven measures the extent of disclosure in Libyan companies' annual reports. The chapter starts by analysing the descriptive statistics of comprehensive disclosure level, moving to its sub-groups. The chapter continues by examining the determinants of the corporate disclosure practices of Libyan companies by testing the research hypotheses related to corporate governance characteristics, ownership structure and corporate characteristics. In addition, chapter seven ends with additional analyses to check the sensitivity and robustness of the results.

Finally, chapter eight summarises the key findings of the current study and the contribution to knowledge, outlines the main limitations of the study, and suggests avenues for future research.

Chapter 2

Financial Reporting Framework in Libya

2.1 Introduction

Following the changes and reforms made after 2006, represented in the emergence of the Libyan Stock Market (LSM), changes to the Libyan economy and legislation on financial reporting, this chapter attempts to explore the role of legislation and the profession in shaping the current financial reporting practices of Libyan companies and how these practices were influenced by legislation and economic reforms. In other words, the aim of this chapter is to present the historical and current state of the Libyan economy, its accounting profession and some relevant legal regulations.

This chapter starts by providing a brief background of Libya and its economy as well as focusing on the privatisation programme and the emergence of the LSM. Secondly, this chapter seeks to explore the financial reporting regulatory framework specified by Libyan regulations and its development over the years since independence in 1952. Thirdly, this chapter discusses the accounting profession and highlights the role of Libyan government laws and regulations in the profession and then focuses on the emergence of the Libyan Accountants and Auditors Association (LAAA). Fourthly, the chapter discusses the legal requirements for corporate financial reporting imposed by Libyan authorities (ITL, LCC, and BL). This chapter is organised as follows: section 2.2 provides a brief review of the Libyan context in terms of location, population, history and political regime. It also focuses on the development of the Libyan economy by looking at its historical development, particularly the privatisation programmes and recent establishment of the LSM. Section 2.3 focuses on the legal requirements for corporate financial reporting imposed by the Libyan authorities. Section 2.4 provides an overview of Libyan corporate governance practices, and section 2.5 explores the accounting profession. Section 2.6 provides an overview of the current accounting education in Libya. Section 2.7 discusses the historical establishment and role of the LAAA and finally, section 2.8 summarises the chapter.

2.2 The Libyan Economic Background

Libya is a developing Arab country located in North Africa, bordering the Mediterranean Sea between Tunisia and Egypt, occupying an area of 1,665,000 square kilometres, with a population of 6.6 million (Bureau of Statistics and Census, 2012). Islam is the state religion, and about 97% of Libyans are Sunni Muslim. Arabic is the official language, while English and Italian are also spoken in business and trade. The Libyan social environment is largely influenced by the extended family, tribe, clan and the Islamic religion. These factors play a significant role in the formulation of community life and people's daily lives (Almehdi, 1997).

The economy was unique in many aspects, accompanied by peculiar characteristics due to its political regime. The Libyan economy was agriculture-based until the discovery of oil in 1959. In the early 1970s, the government of the day began a drive for economic development (Almehdi, 1997; El-Firjani et al., 2014). Over the past 30 years, expansion in the petroleum sector has driven the Libyan government's revenue with the contribution of oil at over 50% in the 1970s and early 1980s to 95% in 2000s. The country's economy has mainly depended on oil as the central source of income and has dedicated a large proportion of this income to establishing industrial companies in non-oil sectors over the last two decades (Almehdi, 1997).

Non-oil sectors grew significantly reaching over 70% of GDP during the period of 2000 to 2010 (Tawiri & Marinov, 2011). Nonetheless, the country continued to struggle to provide sufficient capital goods and consumer goods to reach 'self-sufficiency' and 'self-reliance' (Almehdi, 1996). The economy was largely influenced by the country's socialist philosophy in terms of the ownership of a business and controlling of business objectives (Terterov, 2004). Libyan industrial firms were predominantly owned by the state, and organised and run by government institutions. Based on the state socialist philosophy, workers were given the right to establish self-management in their firms. Most corporations were managed by General People's Committees and each committee was responsible for running the business, achieving the enterprise's objectives, and complying with the financial regulations, guidelines and instructions provided by their relevant secretariats. As a result of the state socialist philosophy, and despite the government's attempts to drive the economy from a socialist formulation to a market-oriented economy, Libyan companies as public enterprises were very sensitive to any changes in the government's policies regarding economic, political and social issues (Almehdi, 1997).

In line with the state's plan to open the door for foreign investors, laws were issued to facilitate this objective. For instance, in 1992, Law No. 9 on partnerships provided a new foundation for individuals to engage in manufacturing, agriculture, professional service and other ventures as sole owners or in partnerships, leading to the emergence of private businesses. Furthermore, in 1997, Law No. 5 concerning foreign capital investment was issued by the General People's Congress (GPC) to attract foreign investments and accelerate economic development to the country.

The period since independence (1951) consisted of four distinct phases of economic growth in Libya. Each phase reflects the prominent features of economic growth in the country during that time: the first one reflects the situation before the discovery of oil in 1959; the second covers the period from 1959 until 1969; the third period from 1969 until 1986 while the current period started in 1987. The discovery of oil in 1959 has changed the economic situation with an increasing inflow of foreign capital. The Libyan economic system of the period from independence 1951 to 1969 was primarily capitalist. Private ownership existed with low interference from government, while public ownership existed in sectors with large scale investment. The state started its ownership structure in 1970, reaching its peak in 1980, when most enterprises were owned or managed directly or indirectly by the state's authorities.

Subsequent to the period of isolation, the Libyan government in 1987 started moving towards a new liberal and open system. Despite the Libyan economy being characterised by a central hand of control with authoritarian rules, a few private enterprises began to emerge and operate in the Libyan economy in the 1990s. This was mainly caused by the problems the Libyan economy faced during the late 1980s and early 1990s as world oil prices collapsed leading to worse standards of living. A series of measures for economic liberalisation were introduced by the Libyan government as a response to those crises including a major role for the private sector (Alafi & Bruijn, 2010; Otman & Karlberg, 2007).

Since the 1990s, the Libyan government started issuing a number of statutes for the purpose of regulating economic operations (El-Firjani et al., 2014). As an example of these reforms, the state started its unification of the exchange rate as an attempt to prevent the smuggling of foreign currency and the informal black market. Furthermore, the state announced its cancelation of the required licences for import and export activities. This achieved an improvement in the role of banks in economic transactions, leading to an increase in the size of commercial operations as well as competition. Also, a few economic regulations were issued by the General People's Committee such as: Law 5, 1997 - Encouragement of Foreign Capital Investment; Law 9, 2000 - Regulation of Transit Commerce and Free Zones; Law 21, 2001 - Practice of Economic Activities for Individuals and Public Companies; GPC's decision 21, 2002 - Organizing of Foreign Capital Investment; and GPC's decision 8, 2005 - Organizing the opening of representatives' offices for foreign companies in Libya.

2.2.1 The Privatisation Programme in Libya

Similar to other developing countries, privatisation has been a controversial subject in Libya. Despite the debate regarding the need for privatisation, many developing economies have rapidly moved to transfer the ownership of state enterprises. In line with those countries, Libya started a privatisation plan (Alafi & Bruijn, 2010; El-Firjani et al., 2014). In 2001, the GPC enacted law No. 118 to establish the Investment and Privatisation Board (IPB) as an independent board for ownership transformation projects. In 2003, the Libyan government declared its intention to transfer the ownership of 360 industrial and agricultural businesses to the private sector. This was planned to be achieved through three stages: in the first stage, 260 factories were targeted for privatisation immediately and by the end of 2005. In the second stage, 46 factories were to be privatised in 2007, and 54 factories were set to be privatised during the period 2007/2008 as the third stage. In 2005 the GPC in its decision No. 99 extended the period of implementing this privatisation project till 2015 (Abdussalam, 2006; Mohamed et al., 2013). Despite efforts made by the Libyan government for a strong and fast privatisation programme, the number of privatised enterprises has just reached a third of the targeted number (360) of privatised enterprises.
Table 2-1 below shows the number of firms privatised by sector.

Figure 2-1 Privatised enterprises by sectors

Sector	Number of Privatised enterprises	%
Industrial Sector	90	72%
Services Sector	25	20%
Agricultural Sector	10	8%
Total	125	100%

Source: (Investment and Privatisation Board IPB, 2012)

2.2.2 The Libyan Stock Market (LSM)

The LSM was established in 2006 based on the decision of GPC No. 134, as it was controlled and observed by the General Public Committee of the Investment, Economic and Commerce. According to Article No. 55 of the GPC's decision No. 34, the LSM requires compliance with International Accounting Standards (IASs). Several rules and regulations regarding the disclosure, content and form of annual reports have been set by the LSM. Furthermore, The LSM requires all listed companies to have their financial statements audited according to the International Standards of Auditing (ISAs) to ensure high quality financial information. Moreover, it is required for listed companies to publish their financial statements as well as notes to the financial statements and auditor's report in at least two widespread domestic newspapers within one week of their ratification by the General Assembly[1] of the company. In addition, listed companies were required to publish quarterly financial reports accompanied by a summary report from an external auditor. Article No. 29 of decision No. 134 requires that all public and private companies that have capital of one million LYD or more must register on the LSM. In addition, according to Article No. 55, until the establishment of national accounting and auditing standards, all listed companies should prepare and audit their financial reports in accordance to IASs.

This decision was amended by the Libyan GPC in decision No. 436 of 2008 with minor changes. One of the main changes is that the LSM's capital has been increased to 50 Million LYD. Additionally, all public, private and foreign companies that operate in the Libyan market with capital not less than 25,000.00 LYD must register and be listed in the LSM (GPC, 2008 Article No. 31 of decision 436). Furthermore, Article No. 64 also

[1] General Assembly in Libya consists of shareholders in a company

emphasised that all listed companies' financial reports should be prepared and audited according to IASs and ISAs (GPC, 2008 Article No. 64 of decision 436).

The LSM issued the Libyan Corporate Governance Code (LCGC) in 2007 as a guide to a number of key components of effective board practice. The LCGC applies to accounting periods beginning on or after 2007 and applies to all companies listed in the LSM regardless of whether they are incorporated in Libya or elsewhere. According to the LCGC Article H the majority of board members must be non-executives. The position of Chairman of the Board of Directors should be separated from any executive function. With regard to board meetings, the LCGC in Article O requires the Board of Directors to meet regularly by invitation from the Chairman of the board. Article O also requires the Board of Directors to document its meetings and prepare minutes for the discussions and deliberations including the voting process. However, the LCGC does not indicate the minimum number of meetings for the Board of Directors to hold per year. Article P of the LCGC focuses on the Board of Directors' compensation, in which the general meeting of shareholders determines the level and structure of the Board of Directors' compensation which may be paid as remuneration, non-cash benefits or a percentage of the company's profits (LSM, 2007).

2.3 The Libyan Legal and Regulatory Framework of Corporate Reporting

There are many laws and regulations which organise corporate financial reporting practises in Libya. The legal and regulatory framework governing corporate reporting practices in Libya remains very limited in scope and is presented in general and loose terms. The following subsections attempt to present a brief overview of these laws and regulations.

2.3.1 The Income Tax Law (ITL)

The first Income Tax Law (ITL) in Libya was issued in 1968 to overcome problems caused by legal differences in different laws being applied at the same time in the Libyan context during the period from 1952 to 1968. ITL No. 21 introduced in 1968, was replaced by ITL No. 64 (1973) with some limited changes, ITL No. 64 was then replaced by ITL No. 11 of 2004 with major changes to the Libyan taxation system. This ITL was introduced to reduce the burden of taxation to encourage foreign capital to invest in the country (Cholmeley-Eversheds & Mukhtar, 2008; El-Firjani et al., 2014). In Libya, both listed and non-listed firms are required to prepare their financial statements in accordance with the ITL despite that fact that listed firms are required to comply with IFRS to prepare their annual reports. This failure of listed companies to comply with IFRS and instead comply with government laws such as ITL and LCC is caused by the week enforcement mechanisms in the LSM and the government intention to control the practices of corporate reporting in the country. Therefore, the ITL has played a major role in accounting practices particularly the preparation of financial statements.

The ITL No. 11 of 2004 focused specifically on identifying and clarifying the different kinds of direct taxes. This law was announced as part of the state's plan to equally encourage foreign and national capital to invest in the Libyan economy through procedures to reduce the burden of taxation on those national and foreign businesses (ITL, 2004). According to this ITL, tax is imposed on various profits according to the company's sector. According to article No. 1 of this law, any income from any activity generated in Libya must be subject to this law. In addition, according to Articles No. 2, 3 and 4, each taxpayer must submit a tax declaration to the Libyan tax authority. According to Article 59 of this law, all companies are required to submit their financial statements audited by a certified public accountant within seven months of the year end to the tax authority with a trading account, depreciation statement and a statement of the company's expenses. Article No. 72 requires any income generated by branches of Libyan companies operating outside Libya and branches of foreign companies registered in Libya to be subject to this tax law. Furthermore, Article No. 76 provides the Tax Authority with the right to estimate the incomes of foreign companies' branches operating in Libya. In 2010 the Tax Law No. 7 was issued to replace the ITL No. 11 of 2004 with some changes to the recognition and presentation of net income and profit (ITL, 2004; The Libyan Government, 1968, 1973, 2010).

2.3.2 The Libyan Commercial Code (LCC)

The first Libyan Commercial Code (LCC) was enacted at the end of 1953. This LCC identified a list of 23 commercial activities (Article No. 5). The LCC had an influence on accounting practices as it highlighted and discussed issues of accounting such as accounting records, invested capital and distribution of profits. The LCC was amended in 1970 primarily to cover rules on corporation books and record keeping as well as financial reporting. Furthermore, the LCC focused partially on accounting practices through stipulating requirements for accounting systems and reporting methods applied by Libyan companies (Buzied, 1998). According to Article No. 58 of the 1970 LLC, all firms must keep at least the following records: a journal that includes all daily transactions, a Balance Sheet book and inventory. All these books must be signed and notarised by an official from the court and must be kept free from erasures, blank spaces, insertions and marginal notes (El-Firjani et al., 2014).

The LCC requires all Libyan companies to establish three bodies namely: an Administration Board (Board of Directors), a General Assembly and an Independent Controlling Committee. The Administration Board or Board of Directors is responsible for running the company under the general policy of the General Assembly, while the primarily role of the Controlling Committee is to ensure that the management activities of the company are implemented in accordance with its rules. The General Assembly refers to the official meeting of the company's shareholders where they have the right to vote for directors and on major company decisions and issues (Buferna et al., 2005). The LCC is the main foundation of the corporate governance system in Libya as it discusses issues related to the formulation and responsibilities of the Board of Directors. For example, Article No. 570 of the statement released in 1972 by the Libyan government regarding Joint-Stock Companies requires them to retain the following registers: a register of members; a register of bondholders; a minute book of members' meetings; a minute book of directors' meetings; a minute book of the executive committee's meetings; and a record book of bondholders' meetings.

Furthermore, Companies' directors are assigned the responsibility of preparing the company's accounts with a report about the firm's performance during the fiscal year. Moreover, these financial statements must be approved by the general assembly of shareholders (The Libyan Government, 1972. Article 572 & 573). According to Article 572, all companies are required prepare their annual reports within 120 days after the year-end. Additionally, all annual reports must be available to the shareholders at the business's headquarters at least fifteen days before the general assembly meeting for reports to be certified (Article 580). A copy of the approved profit and losses accounts and balance sheet, included with the directors' and auditors' report have to be submitted to the Commercial Register (CR) during the thirty days of that approval (The Libyan Government, 1972 Article 583).

The LCC was amended again in 2010 with some changes regarding requirements for accounting practices, reporting systems and methods, including the preparation of an annual balance sheet and profit and loss account, both of which must be obtainable at the company’s headquarters at least 15 days before the general meeting. However, the LCC did not pay much attention to the accounting standards and principles that should be applied in preparing the annual reports or auditing standards for those reports.

2.3.3 The Libyan Banking Law (BL)

The main law in Libya that regulates the banking sector is the Banking Law (BL) No. 1 of 2005 which established the legal framework for banking and financial activities. The BL No. 1 of 2005 was enacted to replace the banking, monetary and credit law No. 1 of 1993 as part of reforming the financial and banking sector in the country. The administrative as well as financial transactions of both the Central Bank of Libya (CBL) and commercial banks were the main reason for designing the BL (Cholmeley-Eversheds & Mukhtar, 2008; El-Firjani et al., 2014). The BL is divided to three parts, and each part covers a specific function of the CBL. The first part addresses the functions of the CBL (articles 1 to 64), the second part deals with commercial banks in Libya (articles 65 to 100), while the third part stipulates penalties (articles 101 to 121) (Central Bank of Libya, 1993, 2005). For example, according to Article 83 of the BL No. 1, all commercial banks are required to appoint their annual auditing of their accounts to two chartered accountants nominated by the banks’ general assembly. Each one of the nominated auditors is required to prepare and send a report to the CBL within the period set by the director.

2.4 Corporate Governance in Libya

Over the last three decades, although a variety of definitions of corporate governance have been proposed in the relevant literature, no universal accepted definition was brought to existence. Therefore, the Cadbury Report (1992) defined corporate governance as the system by which firms are controlled and directed. Accordingly, the Organisation for Economic Cooperation and Development (OECD) in 1991 stated that the concept of corporate governance is concerned with how rights and responsibilities are distributed among different categories of individuals in a firm, such as managers, shareholders and the directors’ board who are in charge of making decisions on firm activities through established rules and procedures (Balc et al., 2013).

Since the 1990s, the Middle East and North Africa (MENA) region has witnessed considerable growth in the private sector leading to restructured business processes through improving the complex legislation procedures and regulations that citizens were forced to deal with. Good corporate governance practices depend mainly on a countries' level of development. As Libya, like most developing countries, is in the process of transitioning from a socialist economy with political governance to an open market economy, the country is undergoing this process attempting to attract foreign investment. This section aims to provide an overview of the corporate governance structure in Libya and summarise corporate governance issues stated in the LCC. This section also seeks to offer an overview of the roles and responsibilities of the Board of Directors, directors' compensation and shareholders' rights.

2.4.1 Roles and Responsibilities of the Board of Directors

According to the OECD (2004), the legal framework shapes the foundation for any corporate governance system. In relation to corporate governance systems, there are three types of legal system namely the English, the French and the German and Scandinavian legal system. The English legal system provides the highest level of investor protection, while the French legal system provides the lowest level of investor protection and the German and Scandinavian legal system is half way between the French and English system (Gilson, 2001; La Porta et al., 1997). The Libyan legal system is derived from a combination of Islamic legal principles and French Civil law. The official sources of the law in Libya, as stated in the first Article of the Civil Code, consist of Islamic principles, legislative provisions and custom. In 1971, a single system of Islamic and secular principles was founded to replace this system. The main legal laws, including the Civil Code and the LCC have undergone substantial amendments since 1971.

The establishment of the LCC in 1953 was the cornerstone for the corporate governance system in Libya. The LCC has established many aspects of corporate governance within the Libyan context. As one its priorities, the law attempted to start by differentiating between types of firms: the joint-liability companies, limited partnership companies, joint-stock companies, limited liability companies, and limited partnership by shares. In addition to this, the law provides the guidelines for founding, registering, managing, governing and dissolving all forms of firms. Moreover, it also identifies the sanctions for any failure to satisfy any requirements of the law. According to Article 478 of the LCC, the liability of joint stock companies must be fully paid according to their shares, whereas Articles 4 and 17, after the amendment in 1970, require Libyans to own at least 51 per cent of joint stock firms' capital.

With regard to the responsibilities of the Board of Directors, the LCC does not specify the number of the board members, instead leaves this to the General Assembly. According to Article 530, the General Assembly is in charge of appointing the board members. With regard to the appointment of the Chairman of the Board by the General Assembly, members of the Board are in position where they have the right to approve one of the members to be the chairman. However, the LCC in this case does not provide any details implicitly or explicitly regarding any necessary experience or qualifications to be held by the member in order to be authorised. In addition, according to the LCC, managing and establishing the general policy of a firm is the pure responsibility of the Board of Directors endorsed by its General Assembly. According to the LCC (1970) Article 8, the Board of Directors should be headed by a Libyan and should meet periodically at least once every two months. Furthermore, the LCC does not require companies to establish an audit committee.

2.4.1.1 Directors' Compensation

The LCC identifies the methods for board remuneration. The law authorises members of the board to receive a salary as well as special benefits or an attendance allowance for every session which is defined by the articles of incorporation. Although the LCC (1970) permits the combination of one or more of these benefits, remuneration must not exceed 10% of the net profit after the elimination of all expenses (Article 11).

According to the LCC (1970) Article 12, the Board of Directors must submit a detailed statement of any remuneration to the General Assembly at least one week before the General Assembly meeting. This statement must include: any board members' remuneration, salaries, cars, houses etc. during the financial year; any remuneration or percentage of net profit that the Board of Directors proposes to distribute to its members; any transactions where the members of the board or any executives have a conflict of interest between the interest of company and interest of the member or members; and any donations with a full statement of all donors.

Despite the efforts of Libyan law to specify the roles and responsibilities of the Board of Directors, an ambiguity still exists particularly regarding the formation of the board. Furthermore, a weakness can be clearly seen in how executive directors should be appointed, and whether or not the interests of all the shareholders and stakeholders should be taken into account and how. In addition to this, according to Article 547, the LCC has failed to provide any indication regarding the establishment of sub-committees.

2.4.1.2 The Rights and Responsibilities of Shareholders

The LCC to some extent attempted to protect the rights of shareholders and provide them with equal and fair opportunities. For example, Article 503 indicates that shareholders have the right to attend general meetings, vote equal to their number of shares (one share, one vote), and to be involved in decision making and participate in the General Assembly's agenda. The Law also permits shareholders to access and review annual reports two weeks before the annual general meeting.

With regard to the responsibilities of the General Assembly, Article 516 identifies a set of tasks that the General Assembly has to take care of including: approving the annual report and budget; electing and appointing the Board of Directors and auditors; determining the remuneration for the Board of Directors and the auditors if this is not determined in the articles of association; evaluating decisions regarding issues related to the company; and finally discussing any other issues raised by the Board of Directors. According to Article 515, there are two types of meetings for the General Assembly: ordinary and extraordinary. With regard to the ordinary meeting, it should be held at least once a year within the first four months of the fiscal year to discuss and approve the Board of Directors' annual reports and determine dividends (Article 516), while in extraordinary meetings, the General Assembly meets to discuss and address any urgent issues and make decisions such as increasing the capital of the company and adjusting the articles of association (Article 517).

Furthermore, Article 519 indicates that to protect shareholders' rights, the Board of Directors have the right to call the General Assembly immediately to discuss any issues indicated in the request. As an attempt of the law to provide shareholders with flexibility, Article 524 provides shareholders with the right to represent other shareholders on their behalf in the General Meeting. In addition, Article 525 does not allow the Board of

Directors to vote on the General Assembly's decisions that may relate to matters concerning their responsibilities.

2.5 The Accounting Profession in Libya

Before Libyan independence in 1952, no domestic accounting profession existed and foreign accounting firms from the UK and the USA were the only firms that businesses depended on for accounting practices (Bait-El-Mal et al., 1973). There was no official accounting education or even training to fill this gap in the accounting profession in Libya in that era, which was one of the country's most serious barriers leading to full reliance on advisors from the UK and the USA to establish a basic accounting system. Consequently, foreign firms from the USA such as the Libyan Public Development and Stabilisation Agency, the Libyan American Joint Service and the Libyan American Reconstruction Commission entered the country to practice accounting practices. These firms were all managed by non-Libyans, and as result the British and Americans implemented their own accounting paradigms, which significantly influenced accounting practices (Buzied, 1998; El-Firjani et al., 2014).

The Libyan economy has grown rapidly during the second half of the last century which has placed more burdens on the accounting profession in Libya. The need for much more reliable information by investors, managers, creditors and government agencies has been a major subject in the process of decision-making for the economic development of the country. The accounting profession in Libya is in its early infancy. Although the first regulation to organise the accounting profession in Libya was enacted on 1973 (Low No. 116) namely the Libyan Accounting and Auditors Profession Law, the Libyan Certified and Public Accountants Union (LCPAU) was not established until 1976 (Bait-El-Mal et al., 1973). This law intended to regulate accounting and its related areas with the aim of: (1) registration of accountants; (2) fees; (3) exercise of profession; (4) obligations of accountants and auditors; (5) pension and contribution fund; (6) penalties; and (7) general and transitional provisions.

To date, the Libyan Certified and Public Accountants Union (LCPAU) has failed to set a systematic body of accepted standards and practices of accounting in Libya. Therefore, this lack of consistency and uniformity in the preparation and presentation of financial reports was caused by the absence of professional standards for accounting and auditing. As result, a few Libyan regulations and laws (LCC, ITL and BL) have influenced the accounting profession in Libya (El-Firjani et al., 2014; Kribat et al., 2013).

2.6 Accounting Education

Prior to independence in 1952, nearly 90% of the population was illiterate and only a small number of Libyans had been to university or trained as professional accountants. Since that year, a compulsory education system from primary level to university level has been established and is under development, which includes accounting education. Consistent with other systems, the country relied greatly on advisors from America, Britain and the UN to establish this system, much of which was brought from the developed world (Buzied, 1998; IBRD, 1960; Kilani, 1988; Nassr & Simon, 2004; Stanford Research Institute, 1969).

After the major changes in the economic system of Libya, the country followed some policies to move away from the colonial system of the UK and USA, and move towards recognizing and producing professional accountants by placing a strong demand on higher education and university qualifications. Similarly to other countries such as Singapore, a university degree in Libya without any further examination except only to practical experience was accredited as an acceptable qualification for professional and academic recognition (Tan Teck et al., 1994; Wijewardena & Yapa, 1998). Later on in the 1970s, more Libyan accounting offices were founded in response to the increasing number of accounting graduates from Libyan universities and graduates from abroad.

According to Nassr and Simon (2004) the accounting education system in Libya initially focused on the intermediate level (pre-university), by establishing the first School of Public Administration in 1953 as an attempt to train graduate book-keepers and clerks (Buzied, 1998). Thereafter, accounting education was launched at university level in the Faculty of Economics and Commerce at the University of Libya (currently named Garyounis University) in 1957 with the establishment of the Accountancy Department (Bakar, 1997; Buzied, 1998; Kilani, 1988). Nassr and Simon (2004) state that two levels of accounting education existed after independence which were: pre-university and university levels. The former level takes 3–4 years of study, and is divided into general baccalaureate, specialized baccalaureates, technical and vocational institutes. This level of education consists of over 30 commercial institutes, including colleges and secondary schools, in order to cope with the growing need for accountants, secretaries and bookkeepers for both government and private sectors. For students to be qualified to study at these institutions they must pass the third part of fundamental education. The offered diploma programmes usually take three years focusing primarily on accounting subjects such as the fundamentals of accounting, cost accounting, bank accounting, principles of auditing, governmental accounting and taxation accounting. However, no professional qualifications were offered by any organisations at that time.

The first establishment of an accountancy department was in 1957 at Garyounis University in the Faculty of Economics and Commerce. This had an important impact on accounting education in Libya because it was the only faculty between 1957 and 1981 that provided accounting education at the university level (El-Firjani et al., 2014). In 1980, as a result of increasing demand for accounting services and accountants at the higher education level, a few other universities started offering accounting programmes. This increase in the number of accounting programmes in different accounting departments caused a critical shortage in the academic accounting teaching staff, which forced those institutions to recruit lecturers from different Arabic countries, particularly from Egypt, Iraq and Jordan (Nassr & Simon, 2004).

Accounting education in Libya faced a major problem; it was based on Western accounting theories which lacked validity not only because of the different nature of the economy, but also because of the Islamic nature of Libyan society, where the philosophy and institutional framework is different from those in the West in which accounting and reporting practices were practised (Nassr & Simon, 2004). It goes without saying that the Libyan accounting education system is significantly influenced by other countries' systems, particularly those from the west, and was imported from North America and Britain during the colonial period, followed by the UN after independence. This to some extent confirms the findings of Yapa's (2000) study that almost all developing countries have inherited their accounting education system from a colonial system under western rules.

The accounting profession in Libya is built on Islamic philosophy that is to some extent different from the one predominant in the west. For example, under the basics of the Shari'a law that promotes belief in the unity of God, the community and the environment, a form of social accountability is needed, rather than the prevailing personal accountability in Western societies (Nassr & Simon, 2004). Consequently, accounting should represent the Islamic belief of full disclosure of information in order to achieve the objective of state accountability, rather than focusing on what can be disclosed and cannot be disclosed being the result of other political issues (Ahmed & Karim, 1995; Baydoun & Willett, 2000). Baydoun and Willett's study (2000) illustrated a comparison between the Islamic system and Western accounting (see Figure 2-2). For a long period of time the State was the ultimate user of accounting reports primarily for taxation purposes, and required companies to serve the interests of the socialist state. Consequently, the accounting profession had to focus on giving priority to complying with the state's national economic strategy, and imposing a robust focus on the implementation of the regulations, laws, and the state's economic policies, when annual reports were prepared and audited and accounting services were provided. It could be argued that since the Libyan economic system differs significantly from that economies in the Western world, teaching the accounting curriculum introduced from the Western world is not desirable, because the Western accounting curriculum needs to be modified and adapted to fit the accounting reality in Libya rather than being taught mechanically (Nassr & Simon, 2004).

Figure 2-2 The differences in Islamic and Western accounting systems

Characteristics	*Western financial accounting system*	*Islamic corporate reports*
Philosphical Viewpoint	Economic rationalism	Unity of God
Principles	Secular	Religious
	Individualistic	Communal
	Profit maximization	Reasonable profit
	Survival of fittest	Equity
	Process	Environment
Criteria	Based upon modern commercial law – permissive rather than ethical:	Based upon ethical law orginating on the Qur'an: (Islamic Law, As-Sunnah)
	Limmited disclosure (provision of information subject to public interest)	*Full disclosure* (to satisfy any reasonable demand for information in accordance with the Shari'a)
	Personal accountability (focus on individuals who control resources)	*Public accountability* (focus on the community who participate in exploiting resources)

Source**:** Adapted from Baydoun and Willett (2000, p. 82)

2.7 Libyan Accountants and Auditors Association (LAAA)

The Libyan Accountants and Auditors Association (LAAA) was established in 1973 by Law No. 116. This was the first law enacted to form the accounting and auditing professions in Libya. The LAAA was established to enhance the accounting profession and keep the accounting profession updated with new events and developments in its field.

Membership of the LAAA is considered to be the main accountancy professional qualification in Libya. Being a member of the LAAA requires an accountant to meet certain requirements including holding Libyan nationality, a bachelor's degree or above in accounting, a minimum of five years' experience in the accountancy field and good characteristics and reputation (El-Firjani et al., 2014).

An accountant intending to practise accountancy who holds a bachelor's degree in accounting but has no experience, can be registered as an assistant accountant in a practice which allows him/her to practise the profession through joining a formal accounting firm. After finishing two years of experience, an assistant accountant can start to practise certain activities with some limitations such as verifying accounts for firms that do not have shares and certifying and auditing taxpayers' accounts (Nassr & Simon, 2004). Those with a degree higher than bachelor's, are not required to gain any level of experience if their higher degree required four years or more of study and training. For accounting firms to start working and offer their services to businesses such as preparing and auditing financial reports, they must be licensed by the LAAA. Most public accounting offices are primarily engaged in preparing and auditing financial reports due to the shortage of experience and expertise in many services and demand from businesses for those services (Buzied, 1998).

Accounting practices in Libya were influenced significantly by institutional and regulatory frameworks that comprise regulations, rules and associations inherited from the American, British and Italian eras (Bait-El-Mal et al., 1973; El-Firjani et al., 2014; Kilani, 1988; Nassr & Simon, 2004), and included in the LCC and ITL. Despite the fact that the LCC to some extent has been amended from time to time to comply with the changing needs of the environment, the accounting system and reporting approaches applied in the Libyan context reflected those passed down by the country's former colonial nations (Buzied, 1998). Although under the LCC all companies are compulsorily required to prepare an annual report, including a balance sheet and an income statement, there is no official set of Libyan accounting standards about the form or content of those annual reports, nor any requirements regarding what foreign accounting standards and principles should be adopted (Bait-El-Mal et al., 1973; Buzied, 1998; Kilani, 1988; Kribat et al., 2013; Nassr & Simon, 2004). Therefore, substantial variances emerge in the ways in which accounting principles, methods and measures are implemented within different firms even in the same industry, which can be related to the LAAA’s failure to set up a uniform set of accounting principles to be applied by all companies in the Libyan context.

However, further to the LAAA, the establishment of the State Accounting Bureau (SAB) in 1955 by the Ministry of Treasury was one of the active bodies in the development of the accounting profession in the country at that time. The SAB has contributed significantly to the development of the accounting profession through its attempts and calls to adopt a uniform set of accounting standards to combine accounting and reporting practices under one umbrella. The adoption of International Financial Reporting Standards IFRSs has been one of the recent main missions of the SAB with no implementation so far.

2.8 Conclusion

To sum up, the LCC has had a major influence on accounting practices in Libya, particularly with regard to accounting records, invested capital and distribution of profits (LCC, 1953), but little attention has been paid to the development and application of accounting standards and principles by companies. In addition, the LCC was the key regulator for corporate governance in Libya through establishing many aspects of corporate governance such as the responsibilities of the Board of Directors, appointment of the board members and the Chairman of the board by the General Assembly as well as the requirement for companies to establish an audit committee.

Furthermore, the LSM requires companies to adopt IASs, although not all companies are fully compliant and the LAAA is currently in the process of working in collaboration with the SAB with regard to IFRS adoption. The Libyan legal system developed from a combination of Islamic legal principles and French Civil law with all the main laws, including the Civil Code and the LCC, having undergone substantial amendments since 1971 (El-Firjani et al., 2014; Gilson, 2001; Kribat et al., 2013; La Porta et al., 1997). Together, the Libyan context’s specific issues offer an interesting setting to examine the drivers of corporate disclosures. Although the listed companies are required to comply with IFRS, they still comply with the ITL, LCC and BL. The absence of enforcement mechanisms in the LSM (and government pressure) has led all companies in the Libyan market to give the priority to comply with local ITL, LCC and BL. The government laws in Libya including ITL, LCC and BL do not differentiate between listed and non-listed firms in their compliance, as all these firms operate in the Libyan market. Therefore, the current study seeks to examine the extent to which corporate governance, ownership, and the firm-specific characteristics of listed and non-listed companies operating in the Libyan market may impact on the level of corporate disclosures. An overview of the corporate governance structure in Libya was provided highlighting corporate governance issues covered by the LCC including the roles and responsibilities of the Board of Directors, directors' compensation and shareholders' rights. Finally, the chapter provided an overview of the state of the accounting profession in Libya with relation to the recent development in accounting education in Libya.

Chapter 3

Literature Review Part 1: Theoretical Framework of Corporate Disclosure Practices

3.1 Introduction

In the new global economy, corporate reporting has become a central issue focusing on perceptions regarding what the content of financial statements should be. However, far too little attention has been paid to developing a theoretical framework to elucidate many observed phenomena such as why financial statements take their current structure. By way of explanation, the literature has failed to provide a theory that comprehensively explains corporate disclosure behaviours. This chapter seeks to identify the critical aspects of the various theoretical assumptions and theories.

Since the phenomenon of corporate reporting is to provide useful information to different user groups for decision making purposes, studying the quality and the quantity of information is one of the most dominant methods used to measure the ability of the provided information to satisfy the informational needs for each user group. The quality of corporate information can be measured through the qualitative characteristics of accounting information such as; relevance, reliability, comparability and understandability from the users' perspective (e. g. Alzarouni et al., 2011; Bikram et al., 2011; Cheung et al., 2010; Gassen & Schwedler, 2010; Hodge, 2003; IASB, 2010; Joyce et al., 1982; Kamal et al., 2003; McDaniel et al., 2002; Ninlaphay & Ussahawanitchakit, 2011; Obaidat, 2007; Rusu, 2012). On the other hand, for assessing the quantity of information, disclosure has been the predominant method, using an index of information items to capture the quantity of information provided in financial statements (e. g. Aljifri, 2008; Alsaeed, 2005; Barako., 2007; Elshandidy et al., 2013; Gisbert & Navallas, 2013; Lopes & Rodrigues, 2007; Samaha et al., 2012).

This chapter is organised as follows: the next section 3.2 presents an overview of the term disclosure, types of disclosure and the costs and benefits of disclosure. Section 3.3 attempts to discuss the decision usefulness approach that is adopted in this study to investigate preparers' and users' perceptions regarding the use and usefulness of information disclosed in the annual reports of Libyan firms. The following section 3.4 addresses the dominant theories that have been adopted in the corporate disclosure literature to explain the relationship between corporate governance and ownership structure and the extent of corporate disclosure, including: agency, stakeholder, resource dependence, capital need, legitimacy and political cost theory. Finally, a discussion and summary is provided to justify the adopted multi-theoretical perspective.

3.2 Corporate Disclosure (overview)

3.2.1 Definition of Disclosure

Prior research has provided a variety of definitions for disclosure. According to Cooke (1992, p. 231) disclosure can be defined as *"consisting of both voluntary and mandatory items of information provided in the financial statements, notes to the accounts, management's analysis of operations for the current and forthcoming year* and any *supplementary information"*. Gibbins et al (1990, p. 122) defined financial disclosure as *"any deliberate release of financial information, whether numerical or qualitative, required or voluntary, or via formal or informal channels"*. On the other hand, a comprehensive definition of financial disclosure was provided by Choi (1973, p. 160) *"the publication of any economic information relating to a business enterprise, qualitative or otherwise, which facilitates the making of investment decisions"*. Choi refers economic information to the data that can reduce the uncertainty concerning the outcome of future economic events. Disclosure is made in accordance with accounting regulations, standards and legislation, or can be voluntary. Enterprises disclose information and notes in their financial statements according to formats which in many countries are specified by regulations and laws.

Based on the definitions provided above, corporate disclosure is a wide term that goes beyond annual reports. For the purpose of this research, the definition of disclosure needs to be narrow and focus on items of information provided in the annual reports of Libyan companies. Therefore, in this study disclosure is defined as the publication of any types of information through the CARs that are relevant and material to different user groups for decision making purposes.

The current study focuses on Libya as a developing country in a transition stage from a socialist economy to a market economy in which the privatisation programme in the country needs a high level of transparency and disclosure. According to Megginson and

Netter (2001, p. 321) Privatisation is *"The deliberate sale by a government of state-owned enterprises (SOEs) or assets to private economic agents"*. Disclosure of information consists of the whole area of corporate reporting such as financial statements and any additional information provided as a supplement with those statements. It has been argued that the effectiveness of privatisation depends largely on the ability of the accounting system to achieve its objectives. In developing countries, the out-dated accounting systems negatively influence the achievement of privatisation's objectives. As a result, many governments that started privatisation programmes have undertaken some reforms to their accounting policies and capital market not just to attract foreign investors, but also to gain their confidence in their capital market (Al-Akra et al., 2010). It is extremely important for privatising economies to improve disclosure practices to meet international comparable and acceptable accounting standards to improve foreign investors' confidence. Thus, privatising economies, particularly emerging economies, reform their accounting policies and disclosure standards. Based on the definitions provided above, the concept of disclosure covers a wide range of sources of accounting information that go beyond annual reports to provide information from outside the financial statements such as economic statistics and competition.

Companies have two kinds of publishing information by which they can reduce information asymmetry towards stakeholders: mandatory (compulsory) and voluntary information. The most important published items are listed under mandatory disclosure. The mandatory character of reporting is defined at the national level through professional bodies, being practiced by firms in most countries, whereas voluntary disclosure is for the purpose of satisfying the informational needs of different user groups. In the case of Libya, in the absence of a uniform set of accounting regulations, government laws and regulations such as the LCC, ITL and BL are the basis for corporate disclosure practices. As the current study aims to provide a comprehensive overview of corporate disclosure practices in annual reports of Libyan firms, a brief overview of types of disclosure is provided below.

3.2.2 Types of Disclosure

3.2.2.1 Mandatory Disclosure

A mandated disclosure represents the minimum information disclosure level required by regulations and professional bodies to protect the investing community (Wolk et al., 1992). Mandatory disclosure refers to those items of information that must be published in accordance with legal rules, the capital market or accounting regulations. The major aim of mandatory disclosure is to provide users with the information they need for the process of decision making. The compulsory character of corporate disclosure varies between countries based on the regulations and laws applied in those countries (Adina & Ion, 2008).

3.2.2.2 Voluntary Disclosure

Gray et al. (1995, p. 43) defined voluntary disclosure as *"to provide information other than what is required by regulations"*. On the other hand, Hossain and Hammami (2009, p. 255) defined voluntary disclosure as *"disclos[ing] more information based on managerial incentives"*. Voluntary disclosure can reduce the problems of information asymmetry (Lang & Lundholm, 2000). According to Chakroun and Matoussi (2012, p. 336) voluntary disclosure is defined as *"to reduce the information asymmetry between a leader and an investor, we must have the case where the former discloses voluntary information to the latter"*. Thus, voluntary disclosure can be defined as those items that are not mandated.

3.2.3 Costs and Benefits of Disclosure

The decision to disclose, or not to do, stems from the costs and benefits associated with this decision. As it is discussed later in the disclosure theories review, each theory has its own explanations and justifications. For example, from the agency theory's perspective, incentives to expose information derive from increased government taxes and from the threat of price protection by equity and debt capital providers. From the perspective of agency costs, it can be clearly seen how the use of bonding and monitoring was introduced to reduce overall agency costs. According to signalling theory, the potential for undervaluation provides an incentive to signal good news to different user groups, while potential legal and reputation costs motivate not concealing bad news from these groups.

Although, a variety of theories exist to provide a suitable explanation of disclosure practices, there were other researchers who attempted to adopt intuitive reasoning based on a cost-benefits analysis. Bhushan & Lessard (1992, p. 150) argued that *"it is now generally recognised that a cost-benefit analysis is required, weighing the benefits of additional disclosure to investors against the costs, both direct and indirect, to issuers"*. Organisations are generally reluctant to endure additional costs from expanded disclosure, since disclosure demands transaction costs unless the potential benefits exceed the relevant costs, or are necessary for gaining competitive advantages in the market.

In general, costs incurred by companies by making disclosures can be divided into direct and indirect costs (Cooke, 1989c). The direct costs of disclosing or exposing information involve the real material value of the company's resources that are used in collecting, processing, supervising, auditing information and any legal fees including the dissemination of this information. By way of explanation, disclosure involves agency costs (monitoring costs), contracting costs (costs of rewriting existing contracts) and information costs (costs of becoming informed) (Mautz & May, 1978; Watts & Zimmerman, 1990). Elliot and Jacobson (1994) argued that organisations attempt to avoid litigation costs by disclosing information, which explains the reasons behind why those organisations are reluctant to disclose bad news that may lead to an unfavourable reaction from users. Conversely, it was argued by Skinner (1994) that there is incentive for management to provide bad news voluntarily for reducing costs of litigation. The direct costs of disclosure vary significantly between companies depending on their internal organisational structure. The more complex the organisational structure is, the higher the cost is and the more simple the business the lower the cost (Gray et al., 1984).

3.3 Decision Usefulness Approach

Theoretically, the aim of accounting reporting is to gather, mould and present data into a particular format and then dispatch it to the relevant users. Comprehensive reporting highlights the question of what to report, the form in which to report and to whom to report (Rutherford, 2013). According to Coy and Dixon (2004) there are three reporting paradigms that have been proposed to overcome these issues. These paradigms are stewardship, public accountability and decision usefulness.

The stewardship paradigm is constructed based on a contractual agency relationship between the agent and the principal. This principal permits the agent to control the resources of the firm which is in return obligated to be responsible for the custody and use of those resources. As is explained later in the agency theory section (4.4.1) and from a market perspective, the management is the agent whereas the shareholders are the principal. However, in a public sector scenario, the concept of principal-agent relationship does not fit because the public sector management represents the steward of a much wider group of stakeholders. With an expansion of such a relationship, stakeholders are those who have the reasonable right to access information about the reporting firm, and who influence or are influenced by the reporting entity. By way of explanation, stakeholders of an entity consist of any individuals or groups who can impact or can be impacted by its activities (Boyne et al., 2002; Freeman, 1984).

As this study attempts to provide a broader perspective than that offered by the principal/agent relationship, the decision usefulness approach provides a guideline for the nature of information that should be reported by an entity. The basic assumption of this paradigm is quoted from FASB (2010, p. 1) *"the objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the entity"*.

As reported by the financial reporting framework, regardless of information mission to meet the needs of shareholders, decision usefulness characteristics have been of relevance to other user groups. According to the framework of the IASB (2001), Paragraph 10 *"as investors are providers of risk capital to the entity, the provision of financial statements that meet their needs will also meet most of the needs of other users that financial statements can satisfy"*. Thus, one can observe that these other user groups demand financial reporting with qualitative characteristics for their decision usefulness evaluation of the supplied information.

The decision usefulness model has become one of the leading paradigms of accounting emerging as a paradigm in line with agency theory and positive accounting theory (Deegan & Unerman, 2006). The decision usefulness model has been a critical feature in setting accounting standards within capital market research (Ball & Brown, 1968; Beaver et al., 1968). It is well known that making decisions requires users to access information, and normative theories such as the Conceptual Framework of financial reporting (developed by the US Financial Accounting Standards Board (FASB), the UK Accounting Standards

Board (ASB) and the International Accounting Standards Board (IASB)) are suitable for illustrating what this information should be. In order to achieve the main objective of interactive decision-useful information, this information should meet qualitative characteristics such as understandability, reliability, relevance, consistency and comparability.

According to the ASB (1999); FASB (1978) and IASB (2001), the decision usefulness approach relies on the level of support that information can provide to the user groups for their decision making. Also, these boards emphasise the importance of identifying who these user groups are as a first step. With regard to this identification of user groups, for example, FASB's framework highlights the importance of useful information for making rational decisions for both present and potential investors and creditors (FASB, 1978, paragraph 34). Also, in paragraph (37) the framework proposes that information provided by preparers of financial reports should help users in assessing cash flow prospects, and information relating to firm performance and earnings (paragraph 42) and liquidity and fund flows in paragraph (49). In paragraph (15) of IASB (2001), in order for users to evaluate the ability of a firm to generate cash, economic decision-useful information should focus on the financial performance and position of that firm.

The ASB (1999), paragraph 1.3 framework suggests that, different user groups have different purposes for using financial statements which require different useful information. For information to be useful to different user groups for the purpose of assessing the stewardship of management "*agent*" as well as making economic decisions, the ASB's framework (1999, paragraph 1.6) endorses the importance of financial reports to provide information about the financial position and performance of a company. There is a consensus by the FASB, IASB and ASB regarding the qualitative characteristics of accounting and financial information for better communication decision-useful financial information. These characteristics are: understandability; reliability; relevance; comparability and consistency (Jonas & Blanchet, 2000; McDaniel et al., 2002).

The decision usefulness approach focuses on users' decision making regarding the preparation of corporate information when evaluating the quality and the quantity of information required by investors for their decision making. This approach has been widely used in previous studies investigating users' perceptions regarding the use and usefulness of information in CARs (e. g. Alattar & Al-Khater, 2007; Alzarouni et al., 2011; Anura De & Kathy, 2010; Ho & Wong, 2003; Jonas & Blanchet, 2000; Kamal et al., 2003; McDaniel et al., 2002; Mirshekary & Saudagaran, 2005; Naser & Nuseibeh, 2003; Naser et al., 2003; Obaidat, 2007; Pike & Chui, 2012; Van Beest et al., 2009). As the purpose of this research is to evaluate the current level of usefulness of corporate information for the primary users of CARs, and identify their level of satisfaction with the current provided information, the decision usefulness approach is adopted to investigate the perceptions of preparers and users regarding the use and usefulness of information disclosed in CARs in Libya.

3.4 Disclosure Theories

3.4.1 Agency Theory

Generally speaking, agency theory emphasizes the study of contractual relationships concerning the delegation of some degree of decision making autonomy to one party regarding a contract. Accordingly, agency theory is associated with how to align agent and principle interests. According to Jensen & Meckling (1976, p. 308) agency relationship is defined as; *"A contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent"*.

For the present focus, the owner manager contractual relationship with its financial implications is explored. According to such a relationship, the owner is perceived as the principle, while the manager is the agent. Agency theory, as adopted to view the owner-manager relationship, perceives the company as a "*nexus of contracts*" between factors of production, in which each factor is a utility maximiser (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976; Watts & Zimmerman, 1990; Yi et al., 2011). Under the agency theory and its simple terms, the company is viewed as a series of individual contracts in which the rights and responsibilities of the contracting parties are determined by the company's article of association. Thus, when applied to contracts between corporate managers and investors, it is more likely speculated that companies cannot raise capital, or do so on extremely unfavourable terms, unless they have the ability and right to offer contractual terms in order to enable investors to monitor and evaluate their performance.

The agency theory postulates that all agency relationships have two significant features. The degree of decision making autonomy is viewed as the first feature that is exercised by that agent which influences the welfare of both the agent and the principal. The second feature of the agency relationship is the varying interests of both the agent and principal to the contract. In general, these features generate a conflict of interests, whereby apparently the agent acts for his or her interest and maximises utility at the expense of the principle (Alberti-Alhtaybat et al., 2012).

According to agency theory, a company is incentivised to release information about its activities and performance to owners following the agency concept. This theory is found to explain the relationship when managers are appointed by the owners of a company to manage its activities. Providing an explanation of the nature of the demand for financial information as well as the cost of disclosure is one of the contributions of the agency theory. It is widely known that managers and owners of a firm have different interests, leading owners to contract with managers in such a way as to reduce conflicts between the goals of the two groups. As a result, monitoring agency contracts with management may lead to incurring costs. Therefore, corporate disclosure is perceived as one way by which owners can monitor employment contracts with their management. This traditional disclosure is referred to as accountability to the owners of the company (Watts, 1977).

According to Jensen and Meckling (1976, p. 308) the costs of agency relationship can be defined as the sum of three components, namely: monitoring expenditures by the principal; bonding expenditures by the agent and residual loss. For the first component, monitoring expenditures covers costs which result from the principal controlling the agent's behaviour, such as costs of measuring and perceiving the agent's performance and costs of establishing compensation policies. For the bonding expenditures component, the agent is incentivised to make costs to ensure that he "*the agent*" will not act in a way that causes harm to the principal's interest, or he will be responsible to compensate the principal in the case where harm occurs. The final component is residual loss which is defined as the wealth effect of divergence in actions taken by the agent that may differ from the actions the principal would take himself.

In addition, Jensen and Meckling (1976) highlighted the important role of auditing financial statements as a way to reduce agency costs. They referred that to preference of the bondholders to disseminate detailed financial statements as a means of monitoring the management. This means that the manager can present such information at a lower cost because already much of this information is collected for the purpose of the manager's internal decision making. This would motivate him "*the manager*" to incur the cost of providing such reports with accuracy testified by an independent outside auditor. Therefore, since there is a lack in the statutory requirements in the Libyan context, the agency theory may help in investigating corporate disclosure practices in Libya. In addition, as the country witnesses a privatisation programme to transfer the ownership of the state's firms to individual and institutional investors, the agency can be used to provide an explanation of the new relationship between the principal and the agent in the Libyan context.

Costs experienced by owners of a firm when monitoring agency contracts will lead to a reduction in managers' compensation. For this reason, managers are motivated to reduce those costs. The incentive derives from the fact that management is evaluated and compensated to some extent by how well they report. It has been argued by Jensen & Meckling (1976) and Chow & Wong-Boren (1987) that voluntary disclosure leads to a lowering of the agency monitoring costs. Thus, reporting reliable accounting information on time to owners is the optimal way for mangers to reduce the agency monitoring costs (Holthausen & Leftwich, 1983).

The agency theory focuses only on internal factors, namely management behaviour or attitude. It ignores external environmental factors such as political, social and economic contexts. These external factors have a significant role in explaining corporate reporting practices particularly in emerging economies. In view of the fact that agency theory refers to a utilitarian ethical behaviour (self-interest). Thus, accepting such behaviour varies from one country to another especially between developed and developing countries depending on their contextual variances. Furthermore, agency theory does not perceive the world from a perspective that includes such interaction between internal and external aspects, which brings in the discussion of other theories such as stakeholder theory to explain corporate reporting practices and their role in modern business development.

Agency theory (shareholders' perspective) has been applied to provide a clarification of the agency relationship between a company's owners and management. Agency theory links governance to implementing contracts and claims that agents administer the company on behalf of its principals, who have the right to impose penalties whenever the agent fails to achieve the contractual objectives. The role of the agent in the company reflects the accountability relationship between an agent and a principal, since the agent is responsible for protecting the interests and rights of the principal and minimising managerial expropriation and performing in the principal's favour.

With regard to corporate governance, agency theory proposes that corporate governance mechanisms are presented to alleviate managerial opportunism, which is expected to minimise agency costs (Solomon, 2013). Agency theory emphasises the need for building a body of governance structures through a set of legal contracts by shareholders to monitor managers. The theory proposes a reduction in the number of executive board members as an attempt to enhance the board's independence, and to help shareholders hold board members to account (Chen, 2011; Solomon, 2013). According to agency theory, a good governance system can lead to a decrease in agency costs. Moreover, it helps mitigate monitoring and bonding costs leading to improvement in governance practices, disclosure and financial performance (Fama & Jensen, 1983).

3.4.2 Stakeholder Theory

The stakeholder perspective emerged in the late twentieth century and is considered an extension to the shareholder perspective (Letza et al., 2004; Mallin, 2013). According to Grant (2003), the word stakeholder refers to a wide spectrum of business constituents that should be taken into account in the decision-making process. By the same token, stakeholders were defined by Freeman (1984; 2010, p. 54) as *"any group or individual who can affect or is affected by the achievement of an organisation's purpose"*. Stakeholder theory is established on the hypothesis that a firm's continued survival needs the support of stakeholders. The theory postulates that the behaviour of various stakeholder groups (shareholders, creditors, suppliers, customers, public groups and governmental institutions) promote management to relate corporate needs with their surroundings. The more influential the stakeholder is, the more the corporation must adopt stakeholder management. In the Libyan context, as privatisation started to take place in the Libyan economy and a competitive environment started to emerge, companies started to realise the importance of different stakeholder groups and try to comply with their information needs in an attempt to build a coherent business network.

Stakeholders can be categorised into two groups, primary and secondary. The primary stakeholder group consists of all individuals who contribute to the business such as shareholders, investors, suppliers, employees, and the government, while the secondary group includes those who do not essentially contribute to the survival of the business, but directly or indirectly influence or are influenced by the business, such as society and media (Rizk et al., 2008). Stakeholder theory postulates that stakeholders, not only shareholders, have the right to access corporate information. In Libya different stakeholders became interested in corporate disclosure after the privatisation programme and the transition from a socialist economy to a market economy in which stakeholder theory can provide an explanation of Libyan companies' incentives to disclose more information in their annual reports. From this postulation and linked to the employed questionnaire survey in the current study, perceptions of different user groups were obtained to evaluate the use and usefulness of information provided by Libyan firms.

However, contradicting views have emerged concerning the postulation of this theory. Sternberg (1997) criticises stakeholder theory, arguing that this theory is not compatible with corporate governance and businesses. It ignores the main objective of business that exploits long term owner value. Furthermore, the theory states that a firm should be accountable to every stakeholder not only to owners, therefore encouraging managers to go beyond their obligations to owners. Moreover, Sternberg (1997) stated that achieving balanced stakeholder interests is considered to be an impractical objective which also undermines accountability and private property. Conversely, the first two criticisms by Sternberg were criticised by Turnbull (1997) using empirical evidences. Turnbull (1997) claims that stakeholder relationships can help to provide legitimacy and protect private property, wealth and agency.

According to both agency and stakeholder theories, managers are considered as agents who should act on behalf of the principal. Based on both theories, an attempt was carried out by Hill and Jones (1992) to develop a paradigm called the stakeholder-agency approach. The authors state that this approach was proposed as a modification of agency theory to accommodate theories of power which assumes inefficient markets attempting to recognise the existence of unequal resource dependencies between stakeholders and agents. With regard to the appropriateness of stakeholder theory as a theoretical underpinning for corporate disclosure, stakeholder theory is more likely to be relevant in developing countries and transitional economies with highly regulated industries. Therefore, it is worth noticing that to address the voluntary disclosure practice in a particular country, one needs to take into account the different types of voluntary disclosure that could be disclosed to satisfy the information needs of different stakeholders.

3.4.3 Resource Dependence Theory

Though much of the disclosure literature has theorized using agency, stakeholder, capital need, legitimacy and political cost theories, resource dependency theory focuses on the board of directors and particularly on the relationship between the firm and the financial and non-financial resources that are crucial for the firm's growth (Pearce & Zahra, 1992). In this regard, Chen and Roberts (2010) argue that firms are not self-contained or self-sufficient as they rely on their environment for survival and existence. This theory sheds light on how firms can access resources for their existence and growth. In other words, according to Pfeffer (1973), the board of directors as an institution of internal corporate governance structures is not only necessary for ensuring that managers are effectively monitored, but is also an essential link between the firm and the critical resources that it needs to maximise financial performance. Pfeffer and Salancik (2003) state that the resource dependence theory perceives the entire board as a mechanism that manages to reduce external uncertainties rather than dichotomizing directors as executive and non-executive.

As firms use disclosure to reduce the information asymmetry between owners and management, high levels of disclosure lead to a low cost of capital as source of finance. With regard to the role of corporate governance mechanisms in corporate disclosure behaviour, the board of directors not only performs a monitoring role, but also provides necessary resources such as business contracts, experience and expertise, which as result improves financial performance (Chen, 2011; Nicholson & Kiel, 2007). Furthermore, the board of directors has the capability to represent the interests of different stakeholders, such as customers, suppliers, creditors, government, employees and local communities which helps firms to achieve a competitive advantage by serving as a direct link between the firm and the environment (Chen & Roberts, 2010; Hillman et al., 2000; Kiel & Nicholson, 2003; Nicholson & Kiel, 2007; Yi et al., 2011). Thus, from a resource dependency perspective, larger boards should be more effective than smaller boards, as larger boards can make better collective decisions (Abeysekera, 2010). In the Libyan context, the board of directors plays an important role in securing financial resources. For example, the state ownership of a number of listed and non-listed firms has helped those firms to obtain necessary funding from the government.

3.4.4 Capital Need Theory

Capital need theory postulates that the need to raise capital is a crucial drive for disclosure (Core, 2001). When raising capital, firms try to raise it as cheaply as they can. To do so, firms work hard to reduce investors' uncertainty by disclosing a great level of information that helps cheap capital to be raised (Cooke, 1993; Firth, 1980). This theory has been used to provide an explanation about why listed companies disclose more information than non-listed companies, and further, why multi-listed companies disclose information more than single market listed companies (Cooke, 1989b). Choi (1973) argued that the cost of capital decreases when disclosure level increases. Also, Firth (1980) reported that companies intend to increase their level of disclosure considerably when they start raising new stock market finance.

Based on this theory, the incentive behind disclosure by companies is the need for a source of capital with the lowest possible cost. Therefore, to raise cheap capital, companies use disclosure as a tool to reduce information asymmetry and increase investor certainty, either in the form of loans or shares of finance. According to Alexander and Archer (1995), the main task of corporate disclosure is to shrink the information asymmetries in the capital market, in which market efficiency can be improved. In addition to this, Core (2001) doubts that mandatory disclosure is sufficient to obtain the cheapest capital. Poor or low information disclosing is more likely to lead to more expensive finance (Meek & Gray, 1989; Yi et al., 2011). Investors, whether existing or potential, may demand an information risk premium; more information disclosure helps to reduce information asymmetry and reduce information risk leading to an improvement in the share price (Barry & Brown, 1986; Healy & Palepu, 2001). That is to say, companies operate in a competitive market where they compete for low cost capital through providing more information and other incentives. According to Cooke (1989c), releasing greater information in CARs contributes to attracting new investors, which helps to give a company's shares a good value and a good price reflecting its value. Furthermore, a high level of disclosure is a key determinant of companies' stock prices, particularly over the long run.

The main assumption of this theory regarding the motivations behind companies' decision to disclose greater information voluntarily was clearly emphasised by (Craven & Marston, 1999, pp. 323-324):

"One incentive for voluntary disclosure is the need to raise capital at the lowest possible cost. Companies might increase their voluntary disclosure in order to raise capital more cheaply on the markets. This will increase transparency and reduce information asymmetries between the company management and market participants. Additional disclosures may help the listed companies to attract new shareholders, thus enabling companies to maintain a healthy demand for shares with a liquid market".

Of direct relevance to the Libyan context is the LSM, an emerging capital market that seeks to attract foreign investors as well as Libyan capital invested abroad. Therefore, in order to increase the disclosure requirements and increase investors' confidence through reducing information asymmetry and uncertainty, the capital market authority mandated the adoption of IASs since its establishment in 2006. Thus, Capital Need theory aims to provide an explanation of the results regarding the differences in the extent of disclosure between listed and non-listed firms in the LSM.

3.4.5 Legitimacy Theory

This theory is perceived as a matching concept to the political cost theory, as the main assumption of both theories attempts to provide an explanation regarding accounting choices with regard to avoiding future costs. According to Patten (1991), the basic hypothesis of legitimacy theory assumes that there is a social contract between a corporation and the society in which the business operates. It purports that, in this social contract, a multitude of implicit and explicit expectations of corporate conduct should be represented to society. For companies to get approval of their goals and survive, they agree to act according to social desire (Guthrie & Parker, 1989; Shocker & Sethi, 1973).

This theory has been widely adopted to illustrate management motivation for the disclosure of corporate social responsibility (Chan et al., 2014; Patten, 1991; Prior et al., 2008; Reverte, 2009). Corporate disclosure is a mechanism that is used by managers to show their responsiveness to their social and environmental responsibilities (Wilmshurst & Frost, 2000). According to Elliott and Jacobson (1994), managers may try to use disclosure to liberate some of companies' accountability to society.

Voluntarily information disclosure can assist managers to communicate with stakeholders and society. Due to the assumption of societal acceptance of the legitimacy theory, most disclosure studies focusing on social as well as environmental disclosure have adopted this theory. The idea of using disclosure as a means for legitimacy is supported by empirical evidence from these studies (e. g. Elliott & Jacobson, 1994; Guthrie & Parker, 1989; Patten, 1991; Wilmshurst & Frost, 2000). On the other hand, a few writers have concluded that legitimacy theory is inadequate to provide a full explanation of social and environmental reporting behaviour (e. g. Guthrie & Parker, 1989; O'Dwyer, 2002). With relevance to the Libyan context, during the transition period of the Libyan economy firms had no experience of how to operate in a competitive environment in which their managers had to show their responsiveness to social and environmental responsibility for legitimacy.

3.4.6 Political Cost Theory

According to Watts and Zimmerman (1978), politicians have the power to affect companies' wealth re-distributions by way of taxes, regulations, subsidies etc. They also argue that political costs created by economic factors have an impact on managerial decision making regarding accounting policy and disclosure behaviour (Milne, 2002). The concept of political costs was defined by Foster (1978, p. 167) as *"the costs associated with government expropriating wealth from corporations and redistributing it to other parties in society"*. Previous studies have argued that politicians seek to interfere with business affairs through performing wealth redistribution (Jensen & Meckling, 1976; Stigler, 1971). The process of wealth redistribution may be implemented by taking several constructs such as price control, governmental control over operations, higher taxes, and subsidies and licenses, which in some extreme cases leads businesses to be subject to economic difficulties such as nationalisation and expropriation (Hossain & Taylor, 2007; Watts & Zimmerman, 1978). Therefore, from a theoretical perspective, political costs represent the way in which wealth can be redistributed from a business to other parties (Whittred & Zimmer, 1990).

The impact of political costs on firms depends heavily on the level of political visibility and positive associations with large and profitable firms (Buzby, 1975; Wong, 1988). Therefore, according to Holthausen and Leftwich (1983) companies with political visibility usually tend to regulate and modify their voluntary disclosure as a mechanism to reduce political costs. Furthermore, companies with political sensitivity adopt accounting methods that help them to reduce political costs and reported earnings. Watts and Zimmerman (1978) reported that large firms were found to be more politically sensitive and have more wealth transfers imposed on them.

Voluntary disclosure was proposed as a solution for companies to reduce political costs and prevent external intervention by government agencies (Lim & McKinnon, 1993). A discussion was sparked by Epstein et al. (1976) highlighting the key role of regulatory bodies in corporate voluntary disclosure in terms of future regulations. The authors reported that companies use voluntary disclosure through establishing procedures to control and prevent the potential for government intervention. In addition, companies change the timing and content of disclosure to diminish political costs (Cahan, 1992). With regard to the Libyan context, firms operate in a socialist economy where the state's intervention is high in business despite its initiatives to transfer the economy to a market economy by opening the door for foreign investors. Firms in Libya are still subject to direct or indirect pressure from the state's agencies through performing wealth redistribution.

3.5 Conclusion

This chapter provided a review of the dominant theories that have been adopted in the disclosure literature. It is noteworthy that no single theory can fully provide an explanation of disclosure behaviour. What is more, the above review of the relevant theoretical framework illustrates that each theory looks at the disclosure phenomenon from a different perspective. For example, agency, resource dependence and capital need theories perceive disclosure practices from an economic perspective focusing on parties closely related with economic activities, and arguing that self-interest is the only motivation behind individuals' actions. While stakeholder, legitimacy and political costs theories view disclosure practices from a political economic perspective, focusing instead on parties and government agencies, claiming that individuals are motivated by power and economic self-interest. Moreover, a socioeconomic approach focuses on individuals' motivation by social values, and in turn considers a wider perspective outside the business. However, no single theory is able to offer a comprehensive explanation of the phenomenon of corporate disclosure behaviour. Each theory explains corporate disclosure behaviour using its own assumptions and postulations through specific theoretical lenses (Alberti-Alhtaybat et al., 2012). The inability to find a single theory that can offer a satisfactory explanation of corporate disclosure was emphasised by Khlifi and Bouri (2010, p. 63) *"in spite of the need to develop a specific theory of disclosure, there is not a definite one that has been conceived to satisfy this requirement"*. Furthermore, it can be noticed that there is an association between these theories in which they compete and overlap.

Despite increasing suggestions that corporations may engage in disclosures for multiple theoretical reasons, and therefore the ability of any single theoretical framework to fully explain the motivations underlying corporate disclosures is limited, existing studies are either largely descriptive in nature (Benjamin & Stanga, 1977; Cooke, 1989a, 1989c; Ho & Shun, 2001; Inchausti, 1997; Meek et al., 1995; Owusu-Ansah, 1998) or underpinned by a single theoretical framework (Watts & Zimmerman, 1990; Chen & Roberts, 2010). This limits the current understanding of the various motivations underlying corporate disclosures. Prior studies have relied on a number of theories, such as agency, stakeholder, resource dependence and legitimacy theories to inform and interpret their findings. The current study, therefore, draws from these theories in developing the current study's hypotheses. However, as these theories have been widely discussed in the extant literature, this study does not aim to offer detailed expatiations on their underlying assumptions and meanings. Nevertheless, this study draws on a number of disclosure theories to interpret its findings. The analyses are informed by a number of theoretical perspectives, including agency, stakeholder, resource dependence, capital need, legitimacy and political cost theories, which distinguish the current study from many of the existing studies that are either largely descriptive or informed by a single theoretical perspective.

Chapter 4 Literature Review Part 2: Empirical Evidence from the Relevant Literature

4.1 Introduction

A considerable amount of literature has been published on corporate disclosure since the 1970s (Huafang & Jianguo, 2007). A large volume of which has primary focused on the effect of certain corporate characteristics on corporate disclosure practices (Adelopo, 2011; Ahmed & Courtis, 1999; Akhtaruddin, 2005; Chow & Wong, 1987). More recently, a large and growing body of literature has examined the relationship between corporate governance, ownership structure and corporate disclosure behaviour in annual reports (Eng & Mak, 2003; García-Meca & Sánchez-Ballesta, 2010; Huafang & Jianguo, 2007; Samaha et al., 2015).

The aim of this chapter is to highlight the key studies and research concerning the issue that is the focus of this research. This chapter is organised as follows. The next section 4.2 reviews and appraises empirical studies that examine the attitudes and perceptions of user groups and preparers regarding the usefulness of information provided in CARs. The following section 4.3 reviews the empirical studies focusing on the level of disclosure in annual reports. Section 4.3.1 discusses the key studies concerning the relationship between company-specific characteristics and the level of corporate disclosure, while section 4.3.2 discusses the empirical studies examining the association between corporate governance characteristics and ownership structure and corporate disclosure behaviour. Specifically, it reviews the existing literature on corporate governance and corporate disclosure. This review helps develop an understanding of the empirical methods, data sources and findings, and helps identify gaps within the existing literature that a study in the Libyan context can contribute to. The rationale behind the literature review is to identify gaps in the empirical literature related to both the attitudes and perceptions of user groups and preparers regarding the usefulness of information provided in CARs, and the potential determinants of corporate mandatory and voluntary disclosure practices that can be addressed by this study. Section 4.4 addresses the hypotheses' development. Finally, section 4.5 provides a summary of the chapter.

4.2 Empirical Studies Focusing on Users' and Preparers' Perceptions

4.2.1 Studies Focusing on Users' Perceptions

The main purpose of financial reporting is to provide useful financial information to existing and potential investors, lenders, and other creditors about an entity to help them in making decisions (Young, 2006). Thus, investigating users' perceptions regarding the usefulness of the information is a fundamental part of evaluating the quality of corporate information. Regular communication with these user groups assists in evaluating their attitudes and perceptions regarding the use and usefulness of this information. This section attempts to provide a comprehensive review of previous studies that have examined users' perceptions regarding information in CARs.

The literature has reported various views regarding the usefulness of CARs for meeting the information needs of different user-groups and has focused upon the relative importance of each section of the CARs. A large number of studies were conducted focusing on developed and developing countries (e. g. Abdelsalam, 1990; Abu-Nassar & Rutherford, 1996; Ahmed, 1988; Al-Ajmi, 2009; Al-Hajji, 2003; Al Sawalqa, 2012; Alattar & Al-Khater, 2007; Anderson, 1981; Anderson & Epstein, 1995; Arnold & Moizer, 1984; Baker & Haslem, 1973; Bartlett & Chandler, 1997; Chang & Most, 1981; Gniewosz, 1990; Mautz, 1968; Meyer & Bernstein, 1982; Mirshekary & Saudagaran, 2005; Naser et al., 2003). These studies are reviewed below, categorised into studies conducted in developed and developing countries.

4.2.1.1 Studies in Developed Countries

In Mautz's study (1968) the main objective was to study how the users of published annual reports used these reports. In Mautz's study, financial analysts were requested to rate the importance they attached to CARs as a source of corporate information for assessing the varied companies. Financial statements were ranked as the most important source of information. However, some studies in developed countries reported that other sources were considered as important sources of corporate information. For example, Baker and Haslem (1973) conducted an investigation which covered 1,623 individual investors in the US. The study focused on individual investors in order to obtain their attitudes regarding the importance that they attached to sources of corporate information. Baker and Haslem (1973) found that for the majority of the respondents, stockbrokers were the most important source of information. Conversely, for about 8% of individual investors, CARs were ranked as the most important source of information. Furthermore, the study revealed that information related to future expectations was ranked as highly important, while dividends-related information was perceived as of lower importance by the respondents. This study has been criticised by Ahmed (1988) who argued that the sample in Baker and Haslem's (1973) study was a list of customers of five brokerage firms, therefore it was expected that stockbrokers' advice would be ranked as the most important source of information by respondents because they were customers of these firms.

Epstein (1975) conducted a survey to explore the perceptions of U.S. investors regarding the usefulness of CARs in the U.S. The results of the study were consistent with the findings of Baker and Haslem (1973). The author concluded that stockbrokers' advice was ranked as the primary source of information for investment decisions by nearly 49% of the respondents, while CARs were perceived as the second most important source of information by only 15%. Lee and Tweedie (1975) attempted to examine the perceptions and views of individual investors investing in large British firms. The authors intended to identify whether or not individual investors read and relied on sections of CARs for their investment decision making. Lee and Tweedie (1975) found that financial press reports were considered as the most important source, while CARs were ranked as a less important source of information. Another finding of their study was that the chairman's report was found to be the most widely read section, while the profit and loss account was the second most widely read section by individual investors in the UK. In addition, the study reported that future information about a firm was ranked as the most important information by the respondents.

In the UK, Firth (1978) conducted an investigation to offer empirical evidence relating to the importance of disclosure in CARs and to investigate whether there were any differences between the study's targeted groups. A survey of seventy-five items was provided to various interested parties, namely: preparers, users and auditors asking them to rate the importance of the items. The study reported that historical accounting information attracted high scores for importance, as did inflation adjusted accounts. In addition, the study detected somewhat similar views between finance directors and auditors, and consensus between financial analysts and bank loan officers in terms of the importance ratings. However, there were significant differences between auditors and finance directors on the one hand and bank loan officers and financial analysts in the other. These differences led to significant information not being disclosed to the user groups of those accounts, even when this release required extra costs. Like Chandra (1974), Firth's (1978) T-statistic test was used to test his hypotheses, even though the study's variables were measured on an ordinal scale.

In Australia, Anderson (1981) conducted a study to investigate the usefulness of CARs to institutional investors. The respondents were asked about their investment objectives, used sources of information, importance, and readership of sections of CARs. Anderson's study reported that CARs were perceived as the most important source of information for Australian investors' investment decisions, followed by advice from investment services. The third source as ranked by institutional investors was stockbrokers' advice, while the fourth was direct visits to companies. Regarding the importance attached to sections of CARs, Anderson (1981) found that the balance sheet was perceived as the most important section of CARs followed by the profit and loss account, whereas notes to the accounts was seen as the third in the importance order.

Chang and Most (1981) surveyed three user groups including institutional investors, individual investors and financial analysts about their perceptions of the usefulness of qualitative and quantitative data in the annual reports in three countries; the USA, the UK and New Zealand. Chang and Most found that CARs were considered as the most important source of information for the three surveyed groups for their investment decisions. In Australia, a study was conducted by Courtis (1982) to elicit the perceptions and views of private shareholders about their use of CARs for the purpose of investment decision making. Drawing from approximately 2000 questionnaires, he reported that private shareholders perceived CARs as the third most important source of information, while stockbrokers' advice was rated as the primary source for information followed by newspapers. With regard to reading the sections of CARs, the chairman's report was the most readable section, while the profit and loss account was the second, followed by the directors' report. In addition, shareholders perceived the profit and loss account as the most influential section of the annual report followed by the balance sheet, while the least important section was notes to the accounts and statistical data.

In New Zealand, McNally et al (1982) carried out a study to review the importance of a list of 41 voluntary information items to stockbrokers and financial editors. The study reported that both groups of users considered future dividends and dividend policies to be the most influential pieces of information, followed by information about profit forecast. On the other hand, information about advertising and corporate social responsibility was perceived as the least important items. The stockbrokers attached higher importance to most of the information items (28 out of 41) than the financial editors. This difference between the two groups was however only represented by five items, and the study used a T-test for the purpose of examining the differences in the views of the user groups instead of using a non-parametric test.

Meyer and Bernstein (1982) conducted a study in the UK to investigate institutional investors' perceptions towards CARs. The study found that CARs were ranked as the most important source of information that institutional investors needed for investment decisions. Arnold and Moizer (1984) undertook a survey between 1978 and 1981 to provide information about the methods used by investment analysts in the UK to appraise investments in ordinary shares. The survey reported that the most influential source of information was company's annual reports between the eighteen possible sources that were specified in the study. Surprisingly, a discussion with personnel from the company was the next most important source of information.

A comparative study was carried out by Chang and Most (1985) to examine users' perceptions and attitudes regarding the usefulness of information provided in CARs in three countries: the US, the UK and New Zealand. The study focused on three user groups in the three countries namely: individual investors, institutional investors and financial analysts. The findings of the study concluded that CARs were perceived as an important source of information for the decision making of the three user groups. The study also found that individual investors in the US perceived CARs as the most influential source of information, followed by newspapers and magazines as the second most important sources and advisory services as the third most important source. With regard to individual investors in the UK and New Zealand, newspapers and magazines was considered as the most important source of information, followed by stockbrokers' advice as the second most important source and CARs as the third source.

In the U.S., Epstein and Pava (1993) conducted a questionnaire survey to elicit the perceptions and attitudes of individual investors regarding CARs. Epstein and Pava attempted to compare the findings of the study with the findings obtained from Epstein (1975), and by doing this they were trying to capture any changes in the individual investors' perceptions regarding corporate annual reporting during eighteen years. The study concluded that CARs were considered as the most important source of information compared with the perceptions of the respondents in Epstein's (1975) study where CARs were considered as moderately important, as the second most important source of information. The study also reported that stockbrokers' advice was perceived as the fifth most important source of information, which was considered as the most important source in Epstein (1975). In addition to this and with regard to the importance of sections of CARs, the balance sheet and profit and loss account were ranked as the most influential sections of CARs in the U.S.

In Australia, Anderson and Epstein (1995) carried out an empirical study of a sample of four large firms to examine their attitudes and perceptions of individual investors regarding CARs. A questionnaire survey was employed to collect the perceptions of the respondents. The findings of the study revealed that individual investors rated stockbrokers' advice as the most important source followed by financial newspapers and magazines, while CARs were perceived as the third most important source of information for investment decision making. In a more specific focus on CARs, the directors' report was found to be the most readable section of the annual report, followed by the income statement.

Bartlett and Chandler (1997) came to support the findings of Anderson and Epstein (1995) reporting that CARs were largely neglected by shareholders, which can be seen as a reflection of the passive nature of the individual investors who have low interest in much of the detailed disclosure. Following the methodology of Lee and Tweedie (1975), Bartlett and Chandler (1997) attempted to explore the usage of CARs using a sample of 300 individual investors in the UK. The findings indicated that the chairman's statement and the chief executive's review were widely read sections respectively, followed by the report of operations. Surprisingly, the auditor's report was found to be the least read section by the respondents. In addition, Bartlett and Chandler (1997) concluded that newspapers and magazines were found to be ranked as the most important sources of information, while CARs were rated as the seventh most important source.

4.2.1.2 Studies in Developing Countries

The first detailed examinations of users' views in a developing country context was carried out in Nigeria by Wallace (1988). Wallace investigated the consensus of various users of CARs regarding the importance of a set of information items. Accountants, financial analysts, professionals, managers and investors were asked to attach their views about the importance of 102 information items. The study found that there was a significant difference between professionals, managers and investors on one hand and the accountants on the other. Wallace's study can be criticised on the ground that it did not indicate for which items the views of the accountants differed from each of the other groups. Ahmed (1988) investigated the role of CARs in investment analysis in Malaysia and evaluated their importance as a source of information for analysts. He found that the most important source of information for investment analysts was the company annual reports. A similar finding was reported by Abdelsalam (1990) in Saudi Arabia when his study found that 67% of investors considered CARs as the most influential source of information for their investment decisions.

Comparative empirical evidence from the Middle-East, particularly from Kuwait and Jordan, was provided by Solas and Ibrahim (1992) who examined the users' perceptions and views regarding the usefulness and reliability of various financial information items for investment decision making. A questionnaire survey consisting of 23 information items was administrated and sent to individual and institutional investors in Kuwait and Jordan. The study concluded that there was a significant diversity of opinion regarding the perceived usefulness of 10 out of the 23 information items between investors in both countries. In Jordan, another developing country with a reasonably sophisticated capital market, Abu-Nassar and Rutherford (1996) carried out an investigation to view the ways in which users of CARs perceived those reports in terms of their ability to influence their decision making. Abu-Nassar and Rutherford found that most users made at least moderate use of CARs when they made their investment decisions.

In Malaysia, a study was conducted by Rahman (2001) to obtain the perceptions of accountants regarding the primary sources of information and sections of CARs using a questionnaire survey. The author concluded that accountants used annual reports mainly for providing advice to their clients. The study also revealed that advisory services and annual reports were perceived as the most important sources of information respectively. With regard to the importance of sections of CARs, the profit and loss account was ranked as the most influential section of the annual report. Similarly, in Kuwait, Naser et al. (2003) provided empirical evidence of the use and usefulness of CARs as an important source of information. The authors used a questionnaire survey to investigate the usefulness of CARs to Kuwaiti users and found that the annual reports were considered as the most important source of information followed by information obtained directly from stewardship and advice specialists.

Further empirical evidence was provided by Al-Razeen and Karbhari (2004b) regarding the views of users of CARs in Saudi Arabia. A questionnaire survey was administrated to five target user groups namely: individual investors; institutional investors; creditors; financial analysts and government officials. The authors found that most of the user groups considered the income statement and balance sheet as the most important sections of the annual report, while the cash flow statement was ranked as the least significant. Mirshekary and Saudagaran (2005) conducted a study to investigate the perceptions of seven different user-groups in Iran. Their study reported that as basis for making investment decisions annual reports were regularly used and users relied heavily on information obtained from published annual reports. Mirshekary and Saudagaran (2005) also reported that the income statement was perceived as the most important section of the CARs, while the cash flow statement was the second and the balance sheet was considered as the third most important section.

In Gulf Cooperation Council countries (GCC), Alattar and Al-Khater (2007) and Al-Ajmi (2009) carried out their studies in Qatar and Bahrain respectively. They found that users perceived CARs as the most important source of information for their decision making. In Qatar, user groups perceived all eight sections of the CARs to be significantly important, indicating that these eight sections were equally relevant, with some extra emphasis on the balance sheet as the first section and the income statement as the fourth. In addition, the user groups ranked the audit report as the second most influential section and the statement of cash flow as the third most important section (Alattar & Al-Khater, 2007). In studies such as Al-Hajji (2003), Al-Razeen and Karbhari (2007), Al-Attar and Al-Khater, (2007) and Al-Ajmi, (2009) the board of directors' report was classified as the least important section of the corporate annual reports. In Jordon, Al Sawalqa (2012) aimed in his study to provide a comparison between the usage of CARs and other sources of financial information by Jordanian individual investors in the Amman Stock Exchange for their investment decisions. The study found that CARs were perceived as the most influential source of information followed by daily share prices, newspapers, corporate websites, advice from relatives and stockbrokers' advice respectively.

As can been seen from the findings of previous studies (e. g. Abdelsalam, 1990; Abu-Nassar & Rutherford, 1996; Ahmed, 1988; Al-Ajmi, 2009; Al-Hajji, 2003; Al Sawalqa, 2012; Alattar & Al-Khater, 2007; Alrazeen, 1999; Anderson, 1981; Arnold & Moizer, 1984; Chang & Most, 1981; Day, 1986; Gniewosz, 1990; Mautz, 1968; Meyer & Bernstein, 1982; Mirshekary & Saudagaran, 2005; Naser et al., 2003) CARs were considered as the most important source of financial information. Conversely, other studies reported different findings from the above, where CARs have been considered as a less important source of financial information (e. g. Anderson & Epstein, 1995; Baker & Haslem, 1973; Bartlett & Chandler, 1997). However, Gniewosz (1990) argued that the significance of CARs as a source of information changes over a period of one year depending on its role. It varies from serving as a primarily source of information to a confirmatory role. In addition, he stated that "*the annual report also acts as a stimulus for identifying specific questions rather than merely as a source of information in response to prior questions*" (p. 223). Regarding the importance of sections of CARs, it has been agreed by the majority of studies that respondents perceive the income statement and the profit and loss statement followed by the balance sheet as the most important sections of corporate annual reports.

4.2.2 Studies Focusing on Preparers' Perceptions

Although the literature on the perceptions and attitudes of users has developed during the last decades, the literature on the perceptions and views of preparers remains limited, particularly in developing countries. It is worth mentioning that a few limited studies were conducted trying to examine the perceptions and views of preparers of CARs in developing countries (e. g. Abu-Nassar & Rutherford, 1995; Ho & Wong, 2003; Mirshekary & Saudagaran, 2005; Stainbank & Peebles, 2006). Therefore, this section aims to provide an overview of the studies that investigated preparers' perceptions regarding corporate reporting.

4.2.2.1 Studies in Developed Countries

In the US, Chandra (1974) targeted a sample of public accountants and security analysts using a questionnaire survey including six types of information items namely: balance sheet items, income statement and statement of retained earnings items, other statement items, 'derived information' or trends, ratios, components, percentages, etc., developed from information in the financial statements themselves, items concerning accounting methods and items concerning projections and budgetary disclosure. Chandra's study clearly asked the respondents whether they valued information items as "users" of information or as "preparers" perceiving the user's information requirements. Chandra found that accountants did not rate information in the same way as security analysts for the purpose of equity investment decisions, even though they tended to have equivalent preferences in their dual roles as preparers and users of information. The principal null hypothesis of Chandra's (1974, p. 737) study was that *"there is no difference between the value of information to security analysts as perceived by accountants and the value of information to security analysts for equity investment decisions"*. A t-test was used to test each of the fifty-eight information items. The results of the t-test rejected the null hypothesis for 35 of the total 58 items reaching 60.3%. Chandra attempted to provide a reasonable justification for such findings citing "lack of consensus" referring that to the lack of communication between the preparer and user groups, or the time lag existing between what user groups needed and what the preparers could provide. Chandra and Greenball (1977) attempted to explain the management's reluctance to disclose information. The authors examined the information needs of preparers represented by financial managers against security analysts as users. The study found that preparers "managers" differed significantly for 46 out of the 58 items in terms of their perceived value of the information items, from users "security analysts".

Kung and Lambert (1977) criticised the conclusion of Chandra (1974) claiming that the observed disparity between security analysts and accountants on the value of selected accounting information items for the purpose of equity investment decisions might not have been an indication of a lack of consensus on the value of those items, but rather might be more likely to be a result of differences in the way the targeted groups (accountants and security analysts) responded to the information items survey. Using Kendall's and Spearman's rank-order analysis, evidence was obtained suggesting that accountants and security analysts may have implicitly utilized different value measurement scales. Although the values indicated by the two groups for the fifty-eight information items were different, in each group the relative importance of each item was not significantly different.

Ho and Wong (2003) carried out a study to examine the views of preparers in Hong Kong listed companies regarding corporate reporting practices in China. A questionnaire survey was used to obtain the perceptions of 610 finance directors and chief finance officers (CFOs). The findings reported that the respondents ranked institutional shareholders as the primary users of annual reports of Hong Kong listed companies. Bankers and creditors, management/directors, and individual shareholders were perceived as the following most important users respectively, while academics and employees were last in importance. The study also revealed that CFOs or finance directors were considered to be the most influential group affecting corporate disclosure policies, followed by CEOs and board chairmen. With regard to external bodies affecting disclosure policies, Hong Kong Exchange (HKEx) and the Companies Ordinance were ranked as the most influential factors on corporate disclosure behaviour. With regard to preparers' perceptions about disclosure adequacy, respondents indicated that the current disclosure practices were ineffective, suggesting voluntary disclosures as the way to improve the market efficiency.

4.2.2.2 Studies in Developing Countries

In Jordan, Abu-Nassar and Rutherford (1995) carried out a study to examine the views and opinions of preparers of CARs. The authors targeted five respondent groups namely: boards of directors, financial directors, chairmen, chief accountants, and company accountants using a questionnaire survey. The findings of the study indicated that preparer groups perceived the directors and management of the company as the most important users of annual reports, followed by individual and institutional shareholders. Furthermore, their study revealed that the finance director was ranked as the most important factor affecting the preparation of financial reports, followed by the chairman and chief accountants respectively. The Companies Act was perceived as the most influential factor on accounting policy and disclosure behaviour. Finally, Abu-Nassar and Rutherford concluded that expenses associated with preparing CARs were ranked as the most significant barrier in disclosing information.

In South Africa, an investigation was conducted by Stainbank and Peebles (2006) to study the importance of sources of financial information used by preparers and users when making decisions. In this study, the preparers of annual reports were represented by financial managers, while the users were represented by institutional investors. The findings of the 172 questionnaires reported that the user group perceived communication with management as the most important source of information, while the preparers considered stockbrokers' advice to be the first most important source. With regard to how thoroughly the respondents read each section of the annual report, while the preparers ranked the income statement as first, the section most thoroughly read by the users was the cash flow statement. With regard to the qualitative characteristics which were used to evaluate the usefulness of accounting information, the study also revealed that the preparers ranked fair presentation, understandability and relevance as the most important criteria, while the user groups emphasised comparability, faithful representation and relevance.

4.3 Empirical Studies Focusing on the Extent of Disclosure

4.3.1 Corporate Disclosure and Company's Characteristics

In efficient developed capital markets, the extent of corporate disclosure is assumed to be higher compared with emerging capital markets (Nair & Frank, 1980). In addition, the efficiency level of the capital market depends heavily on information quality and disclosure. In accordance with Foster (1978), developed capital markets such as the US release additional information not as a response to regulatory-based forces but to market forces. US firms started disclosing financial information publicly before the formation of professional regulatory bodies. Different sets of variables were investigated to provide an explanation of corporate disclosure behaviour in developed capital markets using different statistical methods and disclosure indices.

Corporate disclosure studies have taken different approaches focusing on a number of interesting issues of disclosure. Some of these studies focus on: adequacy (Buzby, 1974a; Owusu-Ansah, 1998); quality of information (Forker, 1992; Singhvi & Desai, 1971); cost and benefit perspectives (Benston, 1986; Depoers, 2000); and comprehensiveness (Olusegun & Naser, 1995; Wallace et al., 1994). Additionally, each study has focused on different aspects of disclosure such as: forecast information (Keasey & McGuinness, 2008;

Penman, 1980; Trueman, 1986; Wang & Hussainey, 2013); interim reports (Green Jr, 1964; Schipper, 1981); social disclosure (Alotaibi, 2016; Bayoud & Kavanagh, 2012; Roberts, 1991; Setyorini & Ishak, 2012); risk disclosure (Elshandidy et al., 2013; Elzahar & Hussainey, 2012; Hussainey & Al-Najjar, 2012; Khlif & Hussainey, 2016; Moumen et al., 2015); and segmental disclosure (Edwards, 1995).

Corporate disclosure has been under-investigated throughout its long history, going back to the early 1960s. The first empirical study that used a quantifiable measure to measure the disclosure in CARs was conducted by Cerf (1961). Thereafter, subsequent studies (e. g. Buzby, 1975; Firth, 1979, 1980; Singhvi & Desai, 1971; Stanga, 1976) were carried out to study corporate disclosure practices. The studies mentioned above have been the guideline for subsequent studies in terms of the applied approach weighted or un-weighted to measure the extent of disclosure. However, subsequent research has developed the measurement of disclosure applying the un-weighted approach of disclosure index and expanding the independent variables that are expected to affect the level of disclosure. In relevance to the Libyan context, only one published study was conducted by Kribat et al. (2013) to investigate the nature of, and influences on, disclosure in the annual reports of firms in the Libyan banking sector.

This section reviews the empirical work focusing on corporate disclosure in CARs. This section is divided into two parts, namely, developed and developing countries due to the fundamental differences between the two groups. Section 3.3.1.1 reviews studies conducted in developed countries, while section 3.3.1.2 reviews studies conducted in developing countries.

4.3.1.1 Studies in Developed Countries

Cerf (1961) published the first study to use a disclosure index (consisting of 31 items) to investigate the level of disclosure in 527 US companies' annual reports. The disclosure index used in Cerf's study was weighted by financial analysts by assigning a value from 1 to 4 for each information item depending on its availability. The study reported that, assets size, rate of return and number of shareholders were positively associated with the level of disclosure. The study also reported that the extent of disclosure was higher within companies whose shares were traded on the New York Stock Exchange compared with those traded on another exchange. As can be seen from this first study, within the firm scope, corporate-specific attributes were the first variables to be investigated regarding their role in explaining corporate disclosure practices.

Since Cerf's (1961) study was the underpinning for following research on corporate disclosure using simple means, an extension was developed by Singhvi and Desai (1971) to examine corporate disclosure applying Chi-square and a stepwise least-square regression. The study focused on a sample of 100 listed companies in the New York Stock Exchange and another 55 companies from over-the-counter market using a disclosure index consisting of 34 items 28 of which were derived from Cerf (1961). Singhvi and Desai (1971) found that listing status, which provided 89% of the explanatory power, was the most significant variable associated with the extent of disclosure. This was found to be inconsistent with the findings of Cerf (1961) where company size was the most significant variable. Singhvi and Desai (1971) also found that small companies with less profitability, audited by small auditing firms and free from listing requirements, were associated with a low level of disclosure.

Another empirical study carried out by Buzby (1975) used a different approach by developing an index consisting of 39 information items using a weighted approach by financial analysts. The study focused on a sample of two groups including 44 firms listed on the New York Stock Exchange and 44 firms trading on the over-the-counter market. Buzby used three criteria to match the sample approach for the two groups, which were: assets size, fiscal year ending and three-digit industrial classification. The study reported that no significant association was found between listing status and the level of disclosure, while in contrast, a positive relationship was detected between firm size and disclosure level. Similarly, Stanga (1976) investigated the impact of firm size and type of industry on the level of disclosure in 80 large firms in the U.S. adopting the weighting methodology developed by Buzby (1975). The weighted method was presented in a list of 79 information items that was sent to financial analysts using a five-point Likert scale where a scoring sheet was used. A linear regression was also employed to test the relationship between firm size and industry type and the extent of disclosure. The findings of Stanga's study reported that there is generally a weak disclosure level, and firm size was not a significant determinant in elucidating corporate disclosure. Conversely, industry type was found to be a significant factor in predicting variations in the level of disclosure across companies.

By the same token, in the United Kingdom, Firth (1979) investigated the relationship between three firm characteristics namely firm size, listing status and auditor type and the level of voluntary disclosure in 180 companies' annual reports for the year 1976. Using a weighted disclosure checklist of 48 items, a bivariate analysis was conducted. Consistent with the finding of Buzby (1975), Firth (1979) revealed that firm size was positively associated with the extent of voluntary disclosure. However, inconsistent with Buzby (1975) but consistent with Stanga (1976), the listing status was reported to be positively associated with the extent of disclosure. On the other hand, the study reported that the audit firm was not significantly associated with voluntary disclosure. Firth (1980), in another study, attempted to explore the changes in voluntary disclosure of firms while they raised finances. In his study, six different samples were used from manufacturing firms in the UK. Firth (1980) measured the extent of voluntary disclosure using a weighted and un-weighted index of 48 information items. The study indicated that the level of voluntary disclosure increased in smaller firms when they were raising finance through stock markets. With regard to the Libyan context, this contradiction in findings regarding listing status highlights the need for investigating the impact of the LSM on corporate disclosure practices, which is one of the contributions of this study in reference to Kribat et al. (2013).

Of direct relevance to this study, in New Zealand, McNally et al. (1982) investigated the association between a number of company attributes: size, growth, rate of return, industry type and auditor size and the level of voluntary disclosure in a sample of 103 listed manufacturing companies on the New Zealand Stock Exchange. A weighted disclosure index was constructed consisting of 41 financial and non-financial information items to measure the level of voluntary disclosure. This index was sent to two professional groups, namely: financial editors and members of the New Zealand Stock Exchange, asking them to rank the relative importance for each of the 41 items using a five-point Likert scale. The study revealed that only firm size was significantly related to the extent of voluntary disclosure. Similarly, in the case of Mexico, Chow and Wong (1987) studied the association between the level of voluntary disclosure and three company characteristics: company size, leverage and assets in place. The study investigated the extent of disclosure in 52 listed manufacturing companies. The study used a disclosure index of 24 voluntary information items to measure the level of voluntary disclosure. Using both weighted and un-weighted approaches, a multiple regression model was employed to examine the association between the independent variables and the dependent variable. The findings of the study reported no significant association between the extent of voluntary disclosure and leverage and assets in place, while firm size was revealed to be positively associated with the extent of voluntary disclosure.

Cooke (1989c) collected data from 90 non-financial firms for the year 1985 to study corporate voluntary disclosure in Sweden. Cooke used a checklist of 146 items to measure the level of voluntary disclosure, and divided the sampled firms into three groups based on their listing status: 33 single listed on the Swedish Stock Exchange, 38 non-listed, and 29 multiple listed. Cooke's study found that the extent of disclosure was significantly different among the three groups. The study showed that manufacturing and services companies disclosed more information than companies in the trading sector. In addition, the regression analysis reported that there was a significant positive relationship between firm size and listing status and the level of voluntary disclosure. The findings of this study are of major importance to the current study because of its aim to investigate corporate disclosure in non-financial companies (manufacturing & services), as well as listed and non-listed companies in the LSM. Similarly, in Japan, Cooke (1991) investigated the association between the following firm characteristics: firm size, industry type and listing status and the level of disclosure. The annual reports of 48 companies for the year 1988 were collected and divided into three groups; 25 single listed on the Tokyo Stock Exchange, 13 non-listed and 10 multiple listed. The results of the employed stepwise regression illustrated that firm size was found to be the greatest explanatory variable that predicted the extent of disclosure, followed by listing status. Moreover, and contrary to his study in Sweden, manufacturing companies in Japan were reported to disseminate more voluntary information than services and trading companies.

Focusing on the disclosure decisions regarding particular types of information in a particular location, Craswell and Taylor (1992) tried to elucidate the decisions to disclose information about estimated reserves in the annual reports of Australian gas and oil companies. Focusing on a sample of 86 companies, Craswell and Taylor conducted a univariate and multivariate analysis to address the relationship between disclosure decisions and companies' attributes: firm size, leverage, audit firm, cash flow risk and number of shares. A dichotomous approach was applied for the specific items of disclosure. The results of the analysis showed no effect of firm size, leverage, cash flow risk or the proportion of shares on disclosure decisions, while the audit firm was positively associated with the disclosure decision. Similarly, in the oil and gas industry, Malone et al. (1993) attempted to address the level of disclosure in the annual reports of 125 firms and its relationship with firm characteristics namely firm size, number of shareholders, audit firm, listing status, earnings margin, rate of return on net worth, proportion of outside directors, and foreign operations. Malone et al. (1993) constructed a weighted disclosure checklist of 129 items to measure the level of disclosure. A stepwise regression model was employed to investigate the association between the selected firm attributes and the extent of disclosure. The results of the regression analysis revealed that only three of the selected firm characteristics, namely listing status, number of shareholders and debt to total equity ratio were positively significant in explaining the level of financial disclosure. In contrast, firm size, audit firm, earnings margin, rate of return on net worth, proportion of outside directors and foreign operations were revealed to be insignificant in predicting the level of disclosure.

Another stream of empirical papers has emerged focusing on across-countries studies. In this regard Meek et al. (1995) focused on the level of voluntary disclosure in the annual reports of a sample of multinational companies from the U.K., U.S., France, Netherlands and Germany. Meek et al. (1995) studied the association between the level of voluntary disclosure and companies' attributes namely firm size, country, leverage, industry type, profitability, international listing status and multinationality. A disclosure checklist was developed consisting of 85 voluntary items categorised into three groups: strategic information, financial information and non-financial information. This disclosure checklist was applied to 272 annual reports for the year 1989 using a dichotomous approach. The findings of the study reported that there was a positive association between the extent of voluntary disclosure and firm size, country, and international listing status, while the other company attributes were revealed to be insignificant in explaining the level of voluntary disclosure.

In Switzerland, an empirical study was conducted by Raffournier (1995) to study the voluntary financial disclosure by Swiss listed firms and its relationship with company characteristics namely size, profitability, leverage, audit firm, industry, fixed assets, internationality level, and ownership structure. A list of 30 information items was derived from the EU directives to measure the level of voluntary disclosure. Raffournier found that firm size and internationality were statistically significant factors in explaining corporate disclosure behaviour. As can be seen from Raffournier's study, the explanatory variables have developed to include ownership variables where the ownership diffusion was investigated in the study. Of particular interest to the current study, and focusing on a sample of 55 listed non-financial firms in New Zealand, Hossain et al. (1995) examined the level of voluntary disclosure in annual reports, as well as investigating its association with five firm-specific attributes namely firm size, assets in place, auditor type, leverage and foreign listing status. With a clear indication of agency theory as a theoretical underpinning, the study's hypotheses were driven and developed. A disclosure checklist was created consisting of 95 items to measure the level of voluntary disclosure. In line with the other common disclosure studies, Hossain et al. (1995) employed OLS regression and found that only firm size, assets in place, leverage and foreign listing status were positive and significant explanatory variables of the level of disclosure.

In the Czech Republic, Patton and Zelenka (1997) investigated the association between the level of voluntary disclosure and company's characteristics, namely firm size, type of auditor, profitability, listing status, financial risk and number of employees of a sample of 50 Czech joint-stock companies. The findings of the multiple regressions analysis found that type of auditor, number of employees, listing status, and return on equity performance were revealed to be statistically significant in predicting the level of voluntary disclosure in the Czech joint-stock companies. By the same token, and of particular interest to this study, Inchausti (1997) examined the impact of seven firm characteristics on the extent of disclosure in Spanish companies. The study focused on the annual reports of 138 listed companies for the years 1989, 1990 and 1991. The independent variables in this study were firm size, stock exchange cross listing, leverage, industry type, profitability and auditor type. The results of the employed stepwise regression analysis indicated that only three out of the seven explanatory variables, namely firm size, auditing, and stock exchange were reported to have an impact on the extent of disclosure in Spanish companies. Of direct relevance to this study, regarding agency theory as a theoretical underpinning, Depoers (2000) attempted to examine the costs and benefits of voluntary disclosure practices in France. Using the annual reports of 102 companies listed on the Paris stock Exchange for the year 1995, Depoers' study examined the influence of some economic determinants on the level of voluntary disclosure. These determinants were firm size, leverage, auditor size, foreign activity and labour pressure. The findings of the study, based on a multiple regression analysis, found that there was a significant positive association between firm size and foreign activity as independent variables and the level of voluntary disclosure.

In Hong Kong, Ferguson et al. (2002) studied the status of voluntary disclosure practices of state-owned firms listed on the Hong Kong Stock Exchange. Ferguson et al. carried out a study to examine the influence of international capital market pressure on the level of voluntary disclosure. The study investigated the impact of firm size, industry type, leverage, firm type and listing status on the extent of voluntary disclosure. The study used a sample of 142 annual reports from non-financial companies for the years 1995 and 1996. The findings of the study concluded that firm size was found to be positively associated with the extent of voluntary disclosure in state-owned firms listed on the Hong Kong Stock Exchange. Of direct relevance to the current study, Ferguson's study focused on state owned firms, which are similarly investigated in the Libyan context in the current study.

Again of particular interest to this study, in Greece, Leventis and Weetman (2004) examined the relationship between seven firm-specific attributes and the level of voluntary disclosure in non-financial traded companies listed on the Athens Stock Exchange. The annual reports for 87 non-financial firms were collected in this study for the year 1997. The independent variables were categorised into the three following groups: the first group was associated with structure-related variables namely firm size and gearing; the second group was associated with performance namely profitability and liquidity; and the third group was related to market variables namely industry, listing status and share return. An un-weighted checklist of 72 information items relevant to the Greek market was developed to measure the level of voluntary disclosure. A linear regression model was employed to investigate the association between the independent variables (corporate characteristics) and the dependent variable (the extent of voluntary disclosure). The study revealed that the level of overall disclosure was relatively low at nearly 38%. In addition, regarding the association between the explanatory variable and the extent of voluntary disclosure, only 36% of the overall disclosure was explained by the independent variables (company's characteristics). Firm size was found to be the most significant variable in predicting the level of disclosure, followed by listing status and share return. With regard to where the current study stands in relation the these reviewed studies, the current study takes into consideration the impact of corporate characteristics on corporate disclosure practices by identifying variables most frequently investigated by previous studies.

Of direct relevance to this study, and as firm attributes are still receiving attention as drivers of corporate disclosure, and based on the argument that the driving factors have interrelated effects on disclosure, Grüning (2007) highlighted the need to examine the entire network of causal relationships in order to investigate the drivers of corporate disclosure. Grüning applied a structural equation modelling technique to examine the association between four firm attributes as determinants of corporate disclosure, namely firm size, industry, cross listing and country. The study reported that firm size has an indirect influence on corporate disclosure practices, arguing that firm size is mediated by cross listing. In addition, listing status was revealed to play the key role in explaining the network of related drivers of corporate disclosure behaviour.

Of particular interest to this study, in China, Wang Kun et al. (2008) examined the determinants and consequences of voluntary disclosure in Chinese listed firms. In this study, following the model of Meek et al. (1995), an un-weighted disclosure index was developed consisting of 79 information items classified into three groups: strategic, financial and non-financial. The findings indicated that equity return and audit firm are significantly and positively associated with overall voluntary disclosure. Conflicting with the findings reported by Ferguson et al. (2002), where the firm size was positively associated with all types of disclosure, strategic, financial and non-financial information, Wang Kun et al. (2008) found that firm size was positively associated with strategic information and overall disclosure only.

4.3.1.2 Studies in Developing Countries

In Tanzania, an empirical study was carried out by Abayo et al. (1993) to assess the extent of financial disclosure in Tanzanian companies. The authors attempted to extend the measurement of disclosure quality by including: compliance with mandatory disclosure requirements, type of audit report, voluntary disclosure, and timeliness. The study used the annual reports of 51 companies in Tanzania for the year 1990. Of direct relevance to the current study, and in order to achieve the study’s extended aim, two disclosure indices were developed, a mandatory index containing 88 information items and a voluntary index with 44 information items. The findings indicated that a poor quality of corporate disclosure was revealed in the sample annual reports. The study showed a weak positive relationship between mandatory and voluntary information.

In Malaysia, Hossain, Lin, and Adams (1994) investigated the association between the level of voluntary disclosure and firm characteristics, namely firm size, gearing, ownership structure, assets in place, foreign listing and audit firm. A checklist consisting of 78 information items was developed by the authors to measure the level of voluntary disclosure in the annual reports of 67 non-financial listed firms for the year 1991. The study concluded that firm size and ownership structure were significantly associated with the level of voluntary disclosure, while gearing and audit firm were reported to be significant influential variables.

Of particular interest to the current study in Libya as a developing country, in Jordan, Naser et al. (2002) studied the relationship between the extent of voluntary information disclosure and a firm's characteristics in a sample of 84 non-financial firms listed on the Amman Stock Exchange. The study focused on the annual reports of 84 non-financial firms operating in both the services and manufacturing sectors for the year 1998. The company's characteristics were: firm size, industry type, auditing firm, liquidity, profitability, gearing and ownership structure variables. The authors developed an un-weighted disclosure checklist of 104 items to measure the level of corporate disclosure. The findings indicated that there was a significant positive association between the extent of information disclosure and five of the investigated firm characteristics: sales, audit firm, market capitalisation, gearing ratio and profit margin. Conversely, only liquidity showed a significant negative association with the extent of information disclosure. This study is relevant to the current study in terms of its focus on the extent of disclosure in the annual reports of both financial and non-financial companies (manufacturing & services) and because it has a similar country structure and nature.

Further empirical evidence from Saudi Arabia, a developing country, was collected by Al-Razeen and Karbhari (2004a) to investigate the association between both the mandatory and voluntary disclosure in a sample of 68 Saudi Arabian companies for the year 1996. Of particular interest to this study, a disclosure index was developed consisting of 56 items classified into 23 mandatory items, 18 voluntary closely related and 15 voluntary items. The study found that there was no association between mandatory disclosure and two types of voluntary disclosure. The authors emphasised the need for co-ordination between the management and the board of directors in preparing the annual reports in Saudi companies.

A later empirical study by Alsaeed (2006) was conducted to test the hypothesised association between the extent of voluntary disclosure in annual reports in Saudi Arabia and several firm characteristics. The study used the annual reports of a sample of 40 non-financial listed firms on the Saudi Stock Exchange. The study adapted the classification of firm characteristics used by Olusegun and Naser (1995) and Leventis and Weetman (2004) into three categories (structure-related variables, market-related variables and performance-related variables). A checklist of 20 information items was constructed by the authors to measure the extent of voluntary disclosure in the sample annual reports. The findings of the study indicated that a significant positive relationship was found between firm size and the extent of voluntary disclosure. Conversely, the study revealed that the remaining characteristics were not associated with the level of voluntary disclosure.

Another supporting evidence of prior studies is offered in Malaysia, Ghazali and Weetman (2006) studied the factors that could explain the extent of voluntary disclosure in CARs. Using a disclosure index of 53 information items, the study examined the level of voluntary disclosure in the annual reports of firms listed on the Kuala Lampur Stock Exchange for the year 2000. The investigated firm characteristics were firm size, gearing, and profitability, including ownership structure and board characteristics as drivers of corporate disclosure. Ghazali and Weetman concluded that firm size and profitability are positively associated with the level of voluntary disclosure.

In Turkey, Aksu and Kosedag (2006) studied the transparency and disclosure practices in the 52 largest firms in the Istanbul Stock Exchange. The study used the Standard and Poor’s index to measure the transparency and disclosure practices in corporate annual reports for the year 2003. The study attempted to illuminate the extent of voluntary disclosure and investigate the relationship between the level of voluntary disclosure and some company characteristics, namely: firm size, leverage, profitability, market capitalisation and market to book ratio. The findings of the study illustrated that the voluntary disclosure level was relatively low. In addition, firm size, profitability and market to book ratio were reported to be significantly associated with the level of voluntary disclosure, while leverage was reported to be insignificantly related to the level of voluntary disclosure.

Of direct relevance to the current study, Hassan et al. (2006) investigated the extent of disclosure in the annual reports of non-financial listed firms in the Egyptian Stock Exchange for the period 1995 to 2002. An un-weighted index of mandatory and voluntary disclosure was used to measure the disclosure practices of the sampled non-financial firms. The study reported that there was a gradual increase in both mandatory and voluntary disclosure. The study also revealed that public firms generally disclose less information than private firms. While the results of the study concluded that more profitable firms disclose more information than less profitable, results for firm size and gearing are mixed.

Using the annual reports of 31 companies, Aljifri (2008) carried out a study to explore corporate voluntary disclosure practices in the UAE. The study used a list consisting of 73 information items to capture the extent of disclosure. Aljifri found that there was a significant positive relationship between the level of disclosure and industry type (banks, insurance, industrial, and service), where banks were reported to disseminate more information than the other industries. A justification regarding this difference was provided by the author, who claimed that banks in the UAE were subject to strict and advanced control by the Central Bank in the country. In relation to the current study, this finding supported the development of the study's hypothesis regarding the disclosure level in financial and non-financial firms in Libya. In addition, based on the finding that the size, gearing and profitability were insignificantly associated with the extent of disclosure, the author suggested that the level of disclosure is determined by regulations rather than by the market.

Another evidence from Egypt was provided by Soliman (2013) who examined the relationship between the corporate voluntary disclosure practices of 50 Egyptian non-financial listed companies for the period 2007-2010 and firm characteristics, namely, firm size; firm's age; auditor size; and profitability. A disclosure index consisting of 60 items of information was constructed to measure the level of disclosure. The study found that firm size and profitability were positively and significantly associated with the level of disclosure. However, the study did not provide any evidence of association between firm age and auditor size and the dependent variable.

With regard to companies' compliance with mandatory disclosure requirements, Shehata et al. (2014) attempted to examine the association between the extent of mandatory disclosure and firm characteristics of Egyptian companies. The firm characteristics included in this study were: company size, leverage, assets-in-place, age, profitability, liquidity, type of business, auditor type and foreign activity. The study focused on a sample of 39 listed firms for the year 2007. The findings of the study indicated that company size and auditor type have a positive and significant impact on mandatory disclosure level, while liquidity has a negative impact on the corporate mandatory disclosure practices of Egyptian companies.

More recent empirical evidence was provided from the UAE by Aljifri et al. (2014) who examined the effect of firm specific characteristics on the extent of corporate voluntary financial disclosure amongst 153 public, joint-stock, listed and non-listed UAE companies. Five corporate specific characteristics were included in the study, namely: return on equity, type of industry, liquidity, listing status and market capitalization. The study found that industry type, listing status, and size of firm were significantly related to the extent of disclosure. As long as this study provides support for previous studies, it is of relevance to the current study in terms of its focus on a country with similar characteristics to the country in the current study (Libya).

With regard to the relevance of the above reviewed studies in developed countries in general and in developing countries in particular, the review assisted in identifying corporate-specific characteristics that were frequently investigated, as well as the measurement of corporate disclosure level. From the above studies, eight corporate characteristics were derived to be investigated in this current study.

4.3.2 Corporate Disclosure and Corporate Governance

The past thirty years have seen increasingly rapid advances in the association between corporate disclosure and corporate governance. In recent years, there has been a large volume of published studies describing the role corporate governance mechanisms play in explaining corporate disclosure practices (Chapple & Truong, 2015). Financial scandals such as Enron, Tyco, Imclone Systems and WorldCom, were considered to be caused by the failure of corporate governance practices and its mechanisms to monitor, control and direct organisations and their agents. Therefore, the restoration of public trust and confidence became the main aim and agenda for today's business leaders (Bauwhede & Willekens, 2008). In order to achieve this aim and assist leaders in enhancing this relationship, more disclosure and transparency of information about a firm's structure and management is needed (Rogers, 2006). Prior empirical studies have focused on different types of disclosure. Some of these studies focused on corporate social responsibility (Chan et al., 2014; Haniffa & Cooke, 2005; Kolk & Pinkse, 2010), share option disclosure (Forker, 1992), and financial disclosure (Alhazaimeh et al., 2014; Chen & Jaggi, 2000; Khiari, 2013).

Prior empirical literature focused largely on the relationship between corporate governance mechanisms and corporate disclosure in both developed and developing countries. However, most of these studies tended to focus on a single country to provide evidence of such a relationship from a particular economic environment, for example: (Collett & Hrasky, 2005) in Australia, (Arcay & Muiño, 2005) in Spain, (Gul & Leung, 2004) in Hong Kong, (Haniffa & Cooke, 2002) in Malaysia, (Eng & Mak, 2003) in Singapore, (Barako et al., 2006) in Kenya, (Tsamenyi et al., 2007) in Ghana, and (Alhazaimeh et al., 2014) in Jordan.

Several variables and characteristics have been addressed to study corporate governance in the literature, such as the board of directors and its committees. Several studies show examples of characteristics of the board of directors (Alotaibi, 2016; Chen & Jaggi, 2000; Eng & Mak, 2003; Haniffa & Cooke, 2002) and the audit committee (Barako et al., 2006; Ho & Shun, 2001; Samaha et al., 2015). In addition, ownership structure has been widely investigated and integrated as an explanatory variable in the disclosure literature (Alhazaimeh et al., 2014; Depoers, 2000; Ghazali, 2007; Gisbert & Navallas, 2013; Quick et al., 2013). Additionally, due to the fact that corporate governance and ownership structure are related based on the agency theory, the increasing attention to corporate governance has led to an increase in the importance of ownership structure as an explanatory variable. Ownership structure takes several forms such as government ownership (Naser et al., 2002); institutional ownership (Haniffa & Cooke, 2002); management ownership (Baek et al., 2009; Xiao & Yuan, 2007); and block-holder ownership (Eng & Mak, 2003).

This section outlines the relevant prior disclosure studies which examined the association between corporate governance and ownership structure and the extent of disclosure. The first part of this section reviews the studies that focused on the board of directors, while the second part reviews the studies associated with ownership structure variables.

4.3.2.1 Board Characteristics and Corporate Disclosure

According to the agency relationship between agent and principal, directors are in charge of governing their firms. It has been frequently stated that the board of directors is a key element of the corporate governance structure (Crowther & Jatana, 2004; Watts & Zimmerman, 1990). A large and growing body of literature has investigated a variety of board characteristics such as board size, role duality, board composition and audit committees (e. g. Arcay & Muiño, 2005; Chapple & Truong, 2015; Chen & Jaggi, 2000; Clifford & Evans, 1997; Ghazali & Weetman, 2006; Gul & Leung, 2004; Haniffa & Cooke, 2002).

Of direct relevance to the current study, Chen and Jaggi (2000) examined the relationship between the independent non-executive directors and the comprehensiveness of financial disclosure in Hong Kong. The study used a sample of 87 firms in Hong Kong. Chen and Jaggi adopted the disclosure index developed by Olusegun and Naser (1995) to measure the comprehensiveness of financial disclosure. As criteria for the classification of firms, the study classified the sample into family owned and non-family owned firms as in prior studies (Lam et al., 1994; Mok et al., 1992). The results revealed that a positive association exists between the proportion of independent non-executive directors and the extent of financial disclosure. In addition, the study indicated that this association is stronger for non-family controlled firms compared with family controlled firms. Another empirical study in Hong Kong was carried out by Ho and Shun (2001) to study the relationship between corporate governance variables and the level of voluntary disclosure of listed firms in Hong Kong. The corporate governance variables included in their study were: the proportion of independent directors to total number of directors on the board, the existence of an audit committee, the existence of dominant personalities (CEO/Chairman duality), and the percentage of family members on the board. The study found that there was a significant positive association between the existence of an audit committee and the level of voluntary disclosure. On the other hand, the percentage of family members on the board was negatively associated with the level of voluntary disclosure. The finding of this study regarding the positive association between the existence of an audit committee and the extent of voluntary disclosure was supported by Barako et al. (2006) whose their study provided evidence of the positive relationship between voluntary disclosure and having an audit committee in Kenyan listed companies. However, Chen and Jaggi (2000), Ho and Shun (2001), and Barako et al. (2006) only focused on listed firms and ignored non-listed firms.

By the same token, Haniffa and Cooke (2002) examined the association between three groups of independent variables and the extent of voluntary disclosure of listed companies in Malaysia. These three groups were: firm characteristics variables, cultural variables and corporate governance variables. The variables of corporate governance investigated in their study were: board composition, cross-directorships, role duality, family members on the board, financial director on the board and non-executive chairperson. The study used the annual reports of 167 non-financial firms listed on the Kuala Lumpur Exchange for the year 1995. The authors constructed a disclosure index consisting of 65 voluntary information items. The findings of the study revealed that there was a significant positive association between two variables of corporate governance (non-executive chairman and family members sitting on the board) and the level of voluntary disclosure. This study can be criticised based on the fact that it also focuses only on listed companies in Malaysia and only on voluntary disclosure.

In Hong Kong, Gul and Leung (2004) attempted to investigate the association between board leadership structure represented by CEO role duality, the proportion of expert outside directors on the board and the level of voluntary disclosure. The study used the annual reports of 385 non-financial listed firms for the year 1996. In order to capture the level of voluntary disclosure, Gul and Leung developed a disclosure index consisting of 44 items. The findings reported that there was an association between CEO role duality and low voluntary disclosure. This result supports the argument that the position of chairman and CEO should be separated. The study also found that firms with a higher proportion of expert outside directors on the board were associated with lower voluntary disclosure. In addition, the study reported an interesting result; the negative association between CEO role duality and the extent of voluntary disclosure was reported to be weaker with firms that had a higher proportion of expert outside directors on the board.

Of particular interest, Ghazali and Weetman (2006) tried to find out the factors that could explain the extent of voluntary disclosure in the annual reports of companies in Malaysia. In addition to firm characteristics the study examined the influence of board characteristics and ownership structure on the extent of voluntary disclosure. Board characteristics investigated in this study are family members on the board and board composition. Using a disclosure index of 53 information items, the study examined the level of voluntary disclosure in the annual reports of 87 non-financial firms listed on the Kuala Lampur Stock Exchange for the year 2000. The study reported that the ratio of family members on the board has a significant negative impact on total voluntary disclosure, while board composition was found to be insignificant in explaining corporate voluntary disclosure. However, both Gul and Leung (2004) and Ghazali and Weetman (2006) failed to provide a comprehensive evaluation of corporate disclosure practices as they did not include mandatory disclosure practices.

Of direct relevance to the current study, Cheng and Courtenay (2006) attempted to investigate the relationship between board monitoring and the extent of disclosure. They tested the impact of the role of the board of directors, board size and role duality on the level of voluntary disclosure. A checklist of 72 information items was constructed to measure the level of voluntary disclosure in the annual reports of 104 firms for the year 2009. The study found that there was a significant positive relationship between the level of voluntary disclosure and the proportion of independent non-executive directors. The study also reported that firms with boards dominated by independent directors are more likely to have a higher extent of voluntary disclosure. By the same token, and of particular interest to this study, Patelli and Prencipe (2007) investigated the association between independent directors and the level of voluntary disclosure in a sample of 175 non-financial firms listed on the Milan Stock Exchange for the year 2002. The study revealed that there was a significant positive relationship between the independent directors and the total voluntary disclosure. However, again these studies failed to provide evidence of the corporate disclosure behaviour of non-listed companies. Linking this to the Libyan context, the LCC does not discuss the proportion of independent non-executive directors on the board.

With relevance to the current study in terms of its focus on board composition as a determinant of corporate disclosure, Lim et al. (2007) tested the relationship between board composition and voluntary disclosure behaviour in a sample of 181 firms. A two phase regression analysis was employed. In the first phase, the association between the ratio of independent directors to total board size, and firm attributes that might be related to the extent of voluntary disclosure was estimated, while in the second phase, authors examined the influence of board composition, captured by the fitted values from the first stage, on the level of voluntary disclosure. Lim et al. concluded that there was a positive association between the extent of voluntary disclosure and board composition.

Akhtaruddin et al. (2009) examined the relationship between corporate governance and voluntary disclosure by listed firms in Malaysia. The authors adopted an index developed by Meek et al. (1995) to measure the extent of voluntary disclosure of a sample of 94 Malaysian listed firms. The board characteristics investigated in this study were: board size, proportion of independent non-executive directors (INDs) on the board, and percentage of audit committee members to total members on the board. The results indicated that board size and proportion of INDs were positively and significantly correlated with voluntary disclosure practices. However, the ratio of audit committee members to total members on the board was found not to be associated with the extent of voluntary disclosure. This study can be criticised based on the ground that authors employed an index that was constructed to focus on developed countries (Meek et al.'s index), thus, contextual differences between developed and developing countries, such as legal, cultural and economic systems have not been taken into account (Haniffa & Cooke, 2002; Robertson et al., 2013).

Empirical evidence of the association between the proportion of independent directors and voluntary corporate disclosure behaviour was provided by García-Meca and Sánchez-Ballesta (2010) using a meta-analysis of a review of 27 studies. The findings of the study revealed that board independence has a positive impact on voluntary disclosure. By the same token, Chau and Gray (2010) examined the association between corporate governance disclosure and board independence in a sample of 273 Hong Kong listed firms in 2002. The findings indicated that the appointment of an independent chairman has a positive association with the extent of voluntary disclosure.

Ntim et al. (2012) examined the factors influencing corporate governance voluntary disclosure in South Africa over the 2002-2006 period. Among 169 South African firms, they revealed a positive and significant association between board size and the existence of an audit committee, and voluntary corporate disclosure. Similarly, in Egypt, Samaha et al. (2012) investigated the influence of corporate board variables namely board composition, board size, CEO duality, and the existence of an audit committee on the extent of corporate governance voluntary disclosure in Egypt. Focusing on a sample of 100 Egyptian companies, Samaha et al. revealed that the extent of corporate governance disclosure is negatively associated with duality in position, and positively associated with the proportion of independent directors on the board. More recently, Allegrini and Greco (2013) examined the association between seven governance variables related either to the board structure or functioning and voluntary disclosure of a sample of 177 listed companies on the Italian Stock Exchange in 2007. Allegrini and Greco concluded that board size, diligence (proxied by board and audit committee number of meetings), and the frequency of meetings of the audit committee were positively associated with voluntary disclosure, while CEO duality was negatively associated with voluntary disclosure.

Of direct relevance to the current study, Fathi (2013) investigated the association between the extent of disclosure and corporate governance mechanisms. The author constructed a weighted and un-weighted disclosure index to measure the extent of disclosure of a sample of non-financial listed Tunisian companies for the period of 2004-2009. The study revealed that the extent of disclosure is explained by duality in position, concentration of ownership and control quality as measured by the number of auditors and the presence of the Big 4. However, the study used a single theoretical framework for the association between corporate governance and disclosure behaviour, underpinned by agency theory. In the same context and of particular interest to this study, in the UAE, Aljifri et al. (2014) provided empirical evidence of the relationship between corporate governance variables, namely board composition and audit committee, and corporate financial disclosures amongst a total of 153 public joint-stock companies, both listed and non-listed. The findings of this study revealed that both corporate governance variables have no influence on the extent of disclosure. Similarly, Alhazaimeh et al. (2014) tested the impact of corporate governance and ownership structure on the extent of voluntary disclosure in Jordanian listed firms. The results indicated that out of the five board characteristics, namely, board size, board composition, board activity, non-executive directors and audit committee, only board compensation was found to be significantly associated with the extent of voluntary disclosure.

With a specific focus on Saudi Arabia, Al-Bassam et al. (2015) investigated the influence of board mechanisms on the extent of corporate governance voluntary disclosure in Saudi Arabian publicly listed companies. The study found that companies which had larger boards and a Big 4 auditor disclosed more information than those which did not. Similarly, in China, Liu (2015) studied the relationship between a set of corporate governance mechanisms and forward-looking disclosure in the annual reports of Chinese firms listed on Shanghai Stock Exchange (SHSE) for the period 2008–2012. The author reported that the proportion of independent directors on the board of directors improved the extent of forward-looking disclosure. However, the separation of the roles of the CEO and the chairman of the board of directors was not a significant variable in explaining any improvement in forward-looking disclosure.

An evidence from European emerging countries was provided by Mateescu (2015) by examining the association between the companies' board independence and the level of voluntary disclosure with reference to corporate governance aspects disclosed by a sample of 51 companies for the year 2012, listed in the first tier of four European emerging counties, namely Estonia, Poland, Hungary and Romania. The author reported that there is a positive association between the size of the audit committee and the level of financial and non-financial disclosure. A comprehensive study was provided by Samaha et al. (2015) using a meta-analysis of 64 empirical studies to examine potential moderators in the relationship between board, audit committee characteristics and voluntary disclosure. Samaha et al. reported that board size, board composition and audit committee were significantly and positively associated with voluntary disclosure practices, while CEO duality was significantly but negatively related to voluntary disclosure practices.

Abdullah, et al. (2015) investigated the determinants of voluntary corporate governance disclosure practices in the annual reports of 67 Islamic banks in the Southeast Asian and Gulf Cooperation Council regions. The findings of the study revealed that stronger corporate governance is associated with a higher level of voluntary corporate governance disclosure. Recently, Beekes et al. (2016) investigated the relationship between corporate governance, companies' disclosure practices and their equity market transparency. The study collected data from more than 5,000 listed companies in 23 countries for the period from 2003 to 2008. Beekes et al found that better-governed firms are more associated with frequent disclosures to the stock market.

4.3.2.2 Ownership Structure and Corporate Disclosure

Based on the agency theory perspective, Jensen and Meckling (1976) argued that the separation between ownership and control in a firm leads to an increase in agency costs as a result of a conflict of interests between principal and agent. The potential for conflict between the manager and shareholders is greater in widely held ownership than in closely held firms (Fama & Jensen, 1983). In other words, information disclosure is more likely to be greater in widely held firms, because principals effectively ensure that their economic interests are optimized, and agents can convince owners that the firm is performing optimally (Chau & Gray, 2002).

Chau and Gray (2002) examined the association between ownership structure and corporate voluntary disclosure behaviour in Hong Kong and Singapore. 122 annual reports of industrial firms were collected from both countries (60 Hong Kong, 62 Singapore) for the year 1997. The study developed a disclosure index consisting of 113 information items. The findings indicated that the extent of voluntary disclosure was found to be positively associated with a wider ownership structure. Similarly, Eng and Mak (2003) studied the relationship between ownership structure and the extent of voluntary disclosure. The study focused on a sample of 158 listed firms in Singapore for the year 1995. The ownership structure variable was divided into: government ownership; managerial ownership; and block-holder ownership. The results found that the extent of voluntary disclosure was positively associated with the ownership structure. While blockholder ownership was not related to disclosure, lower managerial ownership and significant government ownership were positively associated with voluntary disclosure. However, Eng and Mak (2003) did not included non-listed firms.

As ownership structure is still receiving attention as a driver of corporate disclosure, Ghazali and Weetman (2006) examined the factors that could be associated with the extent of voluntary disclosure in the annual reports of Malaysian firms. Following the classification of Meek et al. (1995) the authors constructed a disclosure index of 53 information items to capture the extent of voluntary disclosure in a sample of 87 non-financial listed firms. Of direct relevance to the current study, Ghazali and Weetman (2006) investigated the association between ownership concentration, number of shareholders, director ownership, government ownership and the extent of voluntary disclosure. The study found that director ownership was significantly associated with the extent of voluntary disclosure while government ownership was not significant in explaining companies' trends towards greater transparency and disclosure. Similarly to Eng and Mak (2003), Ghazali and Weetman (2006) also failed to consider non-listed firms in Malaysia to provide a comprehensive overview of corporate disclosure behaviour in those countries.

Further empirical evidence was provided by Barako et al. (2006) to examine the association between the level of voluntary disclosure and ownership structure. Barako et al. tested the voluntary disclosure practices in the annual reports of listed companies in Kenya from 1992 to 2001. As a part of the study, the authors examined the extent to which the ownership structure influenced the extent of voluntary disclosure practices in Kenya. The study concluded that the levels of institutional and foreign ownership were found to have a significant positive impact on the extent of voluntary disclosure. Similarly, and of particular interest to the current study in Libya as a developing country, in Ghana Tsamenyi et al. (2007) provided supporting evidence that a firm's ownership structure has an impact on its management's decision to disclose or not disclose information. Further to the study's aim to examine the corporate governance practices of Ghanaian listed firms, the study examined the association between the dispersion of shareholding and ownership structure and the level of voluntary disclosure in Ghanaian firms. The results of the study indicate that ownership structure and dispersion of shareholding were found to have a significant positive association with voluntary disclosure practices in Ghana. However, these studies can be criticised based on their failure to generalise their findings to non-listed companies in developing countries in general and Kenya and Ghana in particular.

By the same token, in China, Xiao and Yuan (2007) investigated the effect of ownership structure including blockholder ownership, managerial ownership, state ownership, legal-person ownership, and foreign listing/shares ownership on the level of voluntary disclosure in a sample of 559 listed firms in China for the year 2002. The results revealed that only two variables of ownership structure, blockholder ownership and foreign listing/shares ownership, were found to be significantly associated with corporate voluntary disclosure practices. The other three variables of ownership structure (state ownership, managerial ownership and legal-person ownership) were insignificantly related to the extent of voluntary disclosure. Similarly, in Taiwan, Guan et al. (2007) examined the relationship between ownership structure: director ownership, outside directors managerial ownership, institutional ownership and blockholder ownership and disclosure level. A disclosure index was developed including 37 items to capture the extent of disclosure in a sample of 45 listed firms. The study provided evidence of a positive association between institutional ownership and director ownership and disclosure level.

Based on the agency theory perspective, a study was carried out by Xiao and Yuan (2007) to examine the joint effect of managerial ownership and board composition on the level of voluntary disclosure in listed Chinese firms. The study used the annual reports of a sample of 559 listed firms for the year 2002. The results of the OLS regression indicated that state ownership and managerial ownership were not found to be associated with the extent of voluntary disclosure. Similarly in China, Wang Kun et al. (2008) attempted to study the determinants and consequences of voluntary disclosure in Chinese listed firms. The findings indicate that the proportion of state ownership and foreign ownership have a significant positive association on the overall voluntary disclosure. In addition, the study indicated that foreign and state ownership significantly influenced strategic information while no evidence was obtained for such an association with financial information.

On a cross-country level, Bauwhede and Willekens (2008) investigated the drivers of the extent of disclosure of corporate governance for 130 firms from 14 European countries in 2000. The authors reported that the percentage of shares closely held by insiders was found to be negatively associated with corporate governance disclosure practices. More recently, Samaha et al. (2012) investigated the association between board ownership and the extent of corporate governance disclosure among a sample of 100 Egyptian listed firms. The results of the study indicated that no evidence was found to generally support the hypothesis of the positive association between director ownership and corporate governance voluntary disclosure. By the same token, among 130 firms in the UK from 2003 to 2009, Hussainey and Al-Najjar (2012) reported a negative association between managerial ownership and corporate voluntary disclosure, and a positive association between institutional ownership and corporate governance.

Similarly and of direct relevance to the current study, Ntim et al. (2012) examined the relationship between ownership variables (block ownership, institutional ownership and government ownership) and voluntary corporate governance disclosure. They examined 169 listed firms in South Africa during the period 2002-2006, the authors found that block ownership was negatively associated with corporate governance voluntary disclosure, while government ownership and institutional ownership were positively associated with corporate governance voluntary disclosure in listed firms in South Africa. In Saudi Arabia, with a sample of 80 publicly listed companies over a seven year period (2004-2010), Al-Bassam et al. (2015) investigated the association between institutional ownership and government ownership and the extent of corporate governance voluntary disclosure. The authors reported a positive significant association between higher institutional ownership and higher government ownership and the extent of corporate governance voluntary disclosure.

Ebrahim and Fattah (2015) investigated the corporate governance characteristics and the independent audit quality on the compliance with IFRS requirements of income tax accounting in Egypt. Authors found that firms with higher levels of foreign representation and institutional ownership on the board are more likely to engage with an audit firm with international affiliation and comply with IFRS recognition and disclosure requirements. Another evidence of the association between ownership structure and the corporate forward-looking disclosure behaviour of Chinese firms listed on the Shanghai Stock Exchange (SHSE) for the period 2008–2012 was carried out by Liu (2015). Liu found that ownership structure appeared to be a significant variable in explaining forward-looking disclosure policies, as firms with high levels of foreign ownership disclosed more forward-looking information. However, the author did not find any evidence of a significant association between state ownership and the extent of forward-looking disclosure.

Recently, In India, Madhani (2016) examined corporate governance practices and voluntary disclosure practices of firms classified according to types of ownership namely; private sector firms, foreign firms and public sector firms. Madhani measured corporate governance and disclosure practices of firms by adopting the index constructed by Subramanian and Reddy (2012). The study found that no evidence of statistically significant difference was found in the CGD scores of firms across the various examined ownership types.

4.4 Prior Disclosure Studies in the Libyan Context

Although there is increasing attention on transparency and corporate governance in Libya as an emerging capital market in a transition stage, the international published research regarding the corporate disclosure practices of Libyan firms is limited. However, a number of studies have investigated corporate disclosure practices in Libya. This section aims to review previous disclosure studies in Libya in order to identify the gap that this current study aims to fill. While most of these studies focus on corporate social and environmental disclosure (e. g. Bayoud & Kavanagh, 2012; Bayoud, Kavanagh, et al., 2012a, 2012b; Bayoud, Marie, et al., 2012) or the adoption of IFRS (e. g. Elhouderi, 2014; Faraj & El-Firjani, 2014; Laga, 2013; Masoud, 2014; Zakari, 2014), Kribat et al. (2013) investigated the mandatory and voluntary disclosure practices of Libyan banks for the period 2001 to 2005. Relevant to the Libyan context, Kribat et al. (2013) were the first to study the influence of bank-specific characteristics on the level of disclosure in Libyan banks for the period of 2000-2006. Kribat et al. found that compliance with mandatory disclosure requirements was high. They showed that profit alone was statistically significant as a determinant of disclosure levels, consistent with the assumption of signalling theory whereby the managers of successful firms have incentives to disclose high levels of information to differentiate their company from their competitors. However, this study assesses the extent of corporate mandatory and voluntary disclosure in the period before the emergence of the LSM and only focus on corporate characteristics as determinants of disclosure practices. Therefore, this study aims to expand this investigation by including the impact of corporate governance characteristics and ownership structure on the disclosure behaviour of financial and non-financial, listed and non-listed companies.

There has been an increase in accounting research on Libya as a single case since the 1970s (Bait-El-Mal et al., 1973; Kilani, 1988). Most of disclosure studies in the Libyan context focus on corporate social or environmental disclosure leading to a lack of empirical evidence regarding the comprehensiveness of disclosure in the annual reports of Libyan companies, particularly after the emergence of the LSM. In addition, the studies related to the adoption of IAS/IFRS in Libya (Elhouderi, 2014; Faraj & El-Firjani, 2014; Laga, 2013; Masoud, 2014; Zakari, 2014) are generally either theoretical in nature or rely on primary data. None of these studies has attempted to investigate the level of compliance of Libyan firms with the requirements of the IASs/IFRS.

4.5 Hypotheses' Development

4.5.1 Hypotheses Related to the Questionnaire Survey

As mentioned earlier in Chapter One, one of the main objectives of this thesis is to empirically examine the perceptions of preparers and users of CARs regarding the use and usefulness of the information disclosed in Libyan companies' annual reports. This investigation is carried out in the light of the period of transition in the Libyan economy during the last decade. The aim of this section is to present the research hypotheses which are related to empirical studies focusing on users' and preparers' perceptions discussed earlier in this chapter. Section 4.2 of this chapter showed that the literature offered different findings drawn from the previous studies, whether in developed or developing countries. The empirical literature (refer to sections 4.2.1 & 4.2.2) offered evidence that some previous studies reported that there were no significant differences between user groups (Firth, 1978), while others found that there were significant differences between different user groups in their perceptions (e. g. Mirshekary & Saudagaran, 2005; Solas & Ibrahim, 1992; Wallace, 1988).

The findings of prior empirical studies reviewed in Sections 4.2.1 & 4.2.2 suggest that there is conflicting evidence between some studies focused on developed countries on the one hand, and similar ones focused on developing countries on the other. For example, looking at the findings of previous studies, CARs were considered to be the most important source of information by users in most studies, whether in developed or developing countries (Abu-Nassar & Rutherford, 1996; Alattar & Al-Khater, 2007; Alrazeen, 1999; Alzarouni et al., 2011; Anderson, 1981; Anura De & Kathy, 2010; Mirshekary & Saudagaran, 2005; Naser et al., 2003). On the other hand, other studies found that CARs were ranked as having less importance (Anderson & Epstein, 1995; Baker & Haslem, 1973; Bartlett & Chandler, 1997; Chen et al., 2013).

The Libyan economy as discussed in Chapter Two has been under state control, where the majority of companies are government managed or owned, therefore one could expect a more unified accounting system with similar disclosure practices. In light of the purpose of this study, and to accomplish the objectives of the current research, a series of research hypotheses related to the questionnaire survey are formulated. Various findings drawn from previous studies, together with what has been discussed in the above chapters, are used for formulating hypotheses. These hypotheses are divided according to the questions of the questionnaire survey. While questions 1 and 2 can be answered using the descriptive statistics in Chapter Six, question 3 regarding differences among respondent groups regarding their perceptions of the usefulness of the information provided in CARs can be answered through testing the following null hypotheses. The following null hypotheses have been set up based on the assumption that the perceptions of different user-groups usually conform to a general pattern.

H_{q1}: *There are no significant differences among the respondent groups regarding their perceptions of the importance they attach to sources of corporate information.*

$H_{q1.1}$: *There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the importance they attach to sources of corporate information.*

H_{q2}: *There are no significant differences among the respondent groups regarding the importance they attach to sections of CARs.*

$H_{q2.1}$: *There are no significant differences between the user groups as a whole and the preparers regarding the importance they attach to sections of CARs.*

H_{q3}: *There are no significant differences among respondent groups regarding their reading of various sections of CARs.*

$H_{q3.1}$: *There are no significant differences between the user groups as a whole and the preparers regarding their reading of various sections of CARs.*

H_{q4}: *There are no significant differences among respondent groups regarding their perceptions of the understandability of various sections of CARs.*

$H_{q4.1}$: *There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the understandability of various sections of CARs.*

H_{q5}: *There are no significant differences among respondent groups regarding their perceptions of the usefulness of the information included in CARs.*

$H_{q5.1}$: *There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the usefulness of the information included in CARs.*

H_{q6}: There are no significant differences among respondent groups regarding their perceptions of the issues influencing the use of CARs.

$H_{q6.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the issues influencing the use of CARs.

H_{q7}: There are no significant differences among respondent groups regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs.

$H_{q7.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs.

H_{q8}: There are no significant differences among respondent groups regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs.

$H_{q8.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs.

H_{q9}: There are no significant differences among respondent groups regarding their perceptions of the factors influencing corporate reporting practices.

$H_{q9.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the factors influencing corporate reporting practices.

H_{q10}: There are no significant differences among respondent groups regarding their perceptions of the obstacles restricting the disclosure level in CARs.

$H_{q10.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the obstacles restricting the disclosure level in CARs.

H_{q11}: There are no significant differences among respondent groups regarding their perceptions of the need for additional information in CARs.

$H_{q11.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the need for additional information in CARs.

4.5.2 Hypotheses Related to the Extent of Disclosure

Prior studies have relied on a number of theories, such as agency, legitimacy, resource dependence and stakeholder theories to inform and interpret their findings. Therefore, this research study draws from these theories in developing the disclosure hypotheses. However, as these theories have been widely discussed in the extant literature, the current study does not offer detailed expatiations on their underlying assumptions and meanings. Therefore, The current study aims to examine the effect of board variables (i.e., board size, CEO role duality, board composition, frequency of board meetings and the existence of an audit committee) and ownership mechanisms (director ownership, foreign ownership, government ownership and institutional ownership) on the level of corporate disclosure in Libya. To the best of the researcher's knowledge, this is the first attempt to investigating the effect of board and ownership mechanisms on the level of corporate disclosure in Libya, and thus offers vital opportunities to extend, as well as make a number of new contributions to the extant corporate governance and disclosure literature. The current study adopts the deductive approach as the researcher begins by forming the hypotheses from a general premise and the relevant theoretical and empirical evidence.

4.5.2.1 Corporate Governance Characteristics

As an objective of this research is to assess how corporate governance mechanisms influence corporate disclosure practices in Libya, five corporate governance related variables are investigated, namely: board size, CEO role duality, board composition, the frequency of meetings and existence of an audit committee. The rationale behind choosing these variables is that these variables were commonly investigated in the prior literature. In addition, these variables have been included because of the availability of the data for measurement in the annual reports of Libyan listed and non-listed companies. Below is the discussion for hypotheses development for board size, frequency of meetings, and existence of audit committee.

Board size

As explained in Chapter Three (section 3.4.1), according to agency theory, board size is a key determinant in monitoring a firm's activities and decision making. Board size is measured by the number of both executive and non-executive directors (NEDS) on the board. It has been argued by Laksmana (2008) that a large board leads to a higher opportunity to have diversity of experts in areas, such as financial reporting. More importantly, Samaha et al. (2012) suggest that larger boards are less likely to be dominated by senior executives. As a result, firms with larger board size are more likely to disclose more information than those with a smaller board size. By the same token, stakeholder theory assumes that firms with larger boards can get greater access to their external environment, which as a result secures resources such as finance and business contracts, and reduces uncertainties (Jia et al., 2009). On the other hand, others claim that larger boards are associated with poor communication and monitoring leading to a negative impact on firms' disclosure behaviour (Herman, 1981; Jensen, 1993). In addition, resource dependence theory postulates that larger boards are more likely to have a greater diversity of expertise and stakeholder representation, which can contribute to improving corporate reputation (Lajili & Zéghal, 2005; Linsley & Shrives, 2006).

Empirically, and although most prior research supports the positive association between board size and corporate disclosure behaviour (Barako et al., 2006; Laksmana, 2008; Samaha et al., 2015; Wang & Hussainey, 2013), some researchers found no relationship between board size and disclosure level (Ebrahim & Fattah, 2015; Lakhal, 2005; Othman et al., 2014). On the other hand, some studies argued that board size may have a negative impact on the board's effectiveness, leading members to be less motivated to take part in decision making and resulting in low levels of disclosure (Byard et al., 2006; Yermack, 1996). With regard to the Libyan context the LCC does not specify the exact number of directors that should form a corporate board. Based on the above discussion and contradictory signs of theories the following hypothesis is proposed:

H_{d1}: There is a significant association between board size and the level of disclosure in the annual reports of Libyan companies.

The Frequency of board meetings

Ntim and Osei (2011) argue that the frequency of board meetings measures the intensity of a board's activities and the quality or effectiveness of its monitoring. As a board of directors needs to be updated in a timely manner regarding firm background and activities, frequent board meetings can put greater pressure on the management to provide additional information. Brick and Chidambaran (2010) argue that frequent board meetings are a continuous commitment to sharing information with the management. From a positive theoretical perspective, a higher frequency of board meetings can help to improve the quality of managerial monitoring, which in turn has a positive impact on corporate performance (Ntim & Osei, 2011). One the other hand, others argue that board meetings cannot be guaranteed to be beneficial to shareholders' interests. For example, Vafeas (1999) claims that the limited time directors spend together is used for routine tasks, such as the presentation of management reports rather than exchanging ideas and suggestions, which consequently shrinks the amount of time that outside directors have to monitor management. Empirically, the positive argument of this relationship was supported by the findings of Kelton and Yang (2008) and Barros et al. (2013) who found that a lower frequency of audit committee meetings is associated with the extent of disclosure. However, Alhazaimeh et al. (2014), Madi et al. (2014) and Othman et al. (2014) found that there was no significant relationship between the frequency of meetings of the audit committee and voluntary disclosure. The related empirical evidence is in line with the above empirical evidence, and thus the following hypothesis is formulated:

H_{d2}: There is a significant positive association between the number of meetings and the level of disclosure in the annual reports of Libyan companies.

Existence of an Audit Committee

Firms form audit committees voluntarily as an essential mechanism to monitor agency costs and improve the quantity as well as the quality of information that is disclosed for various corporate stakeholders (Islam et al., 2010; Othman et al., 2014; Samaha et al., 2012). According to agency theory, the existence of an audit committee can help firms to reduce agency costs particularly if it is dominated by non-executive directors. It is considered to be an important element for the board of directors to internally control decision making and enhance the quality of information flow between owners and managers (Arcay & Muiño, 2005; Fama, 1980). Empirically, Ho and Shun (2001), Barako et al. (2006), Al-Shammari and Al-Sultan (2010) and Samaha et al. (2015) found that the presence of an audit committee had a positive impact on corporate disclosure behaviour. On the other hand, others do not find such associations between the two variables (Alhazaimeh et al., 2014; Aljifri et al., 2014; Allegrini & Greco, 2013; Mangena & Pike, 2005). In the Libyan context, the LCC does not require companies to establish an audit committee mandatorily. Based on the above theoretical and empirical evidence, the fifth hypothesis is formulated below as:

H_{d3}: There is a significant positive association between the existence of an audit committee and the level of disclosure in the annual reports of Libyan companies.

4.5.2.2 Ownership Structure Variables

Foreign ownership

From a theoretical perspective, agency theory postulates that ownership becomes dispersed as a result of an increase in the number shareholders, leading to increasing demands for more information disclosure (Fama & Jensen, 1983). According to Bradbury (1992), corporate disclosure is expected to be higher in widely-held firms, which can consequently lead to an increase in information demand from foreign investors because of the separation between owners and management. Empirically, Alhazaimeh et al. (2014) and Haniffa and Cooke (2002) found that there is a significant positive association between foreign ownership and the extent of corporate voluntary disclosure. However, Aljifri et al. (2014) found no association between foreign ownership and corporate financial disclosure.

In the Libyan context, foreign shareholders are expected to face higher levels of information asymmetry due to the language barrier and differences in accounting practices. Therefore, firms with higher foreign ownership are expected to advance their disclosure practices and information quality such as presenting their annual reports in the English language. This was supported by Xiao et al. (2004) when they found that foreign ownership not only improved information disclosure, but also encouraged firms to prepare English websites to facilitate the disclosure of information in English.

Government ownership

A high level of government ownership with strong political connections can offer protection against greater scrutiny and discipline by weak regulatory frameworks, which as a result, leads to low disclosure levels in such firms (Ntim et al., 2013). It has been argued that the degree of conflict amongst powerful stakeholders (stakeholder theory), such as governmental and private owners, can lead to a higher need for resolution through increasing disclosure levels (Eng & Mak, 2003). Theoretically, different views exist that attempt to underpin the association between government ownership and corporate disclosure practices. One assumes that firms with higher state ownership can easily obtain funding from the government, so these firms attract investors with less incentive to disclose more information. Conversely, from another perspective, these firms are under more public scrutiny, leading to pressure to disclose more information.

Prior literature, to some extent, is mixed regarding the association between government ownership and the extent of corporate disclosure. Alhazaimeh et al. (2014), Eng and Mak (2003), Ntim, C. G. et al. (2012) and Khan et al. (2013) reported a positive association between government ownership and voluntary disclosure. However, Ghazali and Weetman (2006) found an insignificant association between state ownership and the extent of information disclosure by Malaysian companies, while Ebrahim and Fattah (2015) and Dam and Scholtens (2012) reported a negative association between government ownership and voluntary disclosure.

The Libyan government started a privatisation programme to drive the economy from a socialist to a market oriented economy by transferring the ownership of government enterprises to foreign and institutional investors in order to improve the Libyan economy and attract capital. The emergence of the LSM in 2006 was one of the most important steps towards the implementation of the privatization agenda. The Libyan government is expected to be a powerful stakeholder that helps to legitimise their operations and enables access to additional resources (De Villiers & van Staden, 2006).

Institutional ownership

Generally, in large firms, a large proportion of shares are owned by institutional investors. This large ownership provides institutional investors with the right to play an influential role in the structure of corporate governance. Therefore they are privileged, and have information advantages over the rest of the minority shareholders. From an agency theory perspective, institutional ownership is considered as a key part of effective control over the company, whereby managers disclose more information to meet the informational needs of institutional shareholders as influential stakeholders (stakeholder theory). In addition, legitimacy theory postulates that firms with high institutional ownership are keen to disclose more information to gain their support and justify their continued stewardship.

Empirically, Xiao et al. (2004) reported that there is a positive relationship between the proportion of institutional ownership and the extent of internet-based voluntary disclosure. Similarly, Bushee and Noe (2000) and Ebrahim and Fattah (2015) provided evidence that suggests a positive association between institutional investors' ownership and the extent of voluntary disclosure. However, Alhazaimeh et al. (2014) and Ntim and Soobaroyen (2013a) found a negative association between institutional ownership and the level of disclosure. With regard to the Libyan context, the government's plan to privatise its enterprises has led to an increase in the institutional ownership in Libyan privatised firms.

Director ownership

As a result of director ownership, agency costs can be reduced, because director ownership can lead to an alignment of the interests of owners and management (Jensen & Meckling, 1976). This can help in reducing the need for incurring monitoring and bonding costs and thus disclosure. As a result, shareholders will bear the increase in agency costs (Eng & Mak, 2003; Ghazali & Weetman, 2006). The increase in the monitoring costs of a firm will encourage managers to disclose more voluntary information. Therefore, director ownership is perceived as an alternative corporate governance mechanism to disclosure, in which the need for more monitoring and disclosure decreases with higher director ownership. Agency theory suggests that there is a contradictory association between voluntary disclosures and director ownership. Managerial ownership serves as a way to align the management's interests with those of other shareholders, leading to an increase in disclosure level (Jensen & Meckling, 1976). It argues that firms with a higher proportion of director ownership are associated with less information asymmetry between the principal and the agent. Empirically, Eng and Mak (2003), Nagar et al. (2003) and Wang and Hussainey (2013) found a negative association between director ownership and corporate voluntary disclosure. With regard to the Libyan context, the LCC does not discuss the proportion of director ownership.

Based on the above discussion of the four variable of ownership structure included in the current study, the comprehensive hypothesis below is articulated:

H_{d4}: There is a significant association between ownership structure and the level of disclosure in the annual reports of Libyan companies.

4.6 Conclusion

As can be seen from the above literature review, investigating corporate disclosure is organized around two broad themes, namely the quality and quantity of corporate information. In order to develop and test hypotheses concerning the extent of disclosure in

Libyan annual reports, there is a need for a theoretical concept and operational measures of the extent of disclosure. The above reviewed literature draws upon two dominant common approaches to evaluate corporate disclosure. The first approach relies on the perceptions and attitudes of the users of corporate information collecting primary data based on the decision usefulness approach. In the second approach, researchers rely on assessing the quantity of information disclosed in CARs and the factors that can explain the level of disclosure such as firms' characteristics, corporate governance and ownership structure (Patton & Zelenka, 1997). Recently, researchers have shown an increased interest in corporate governance aspects which will be maintained into the future and corporate governance concerns which will expand in importance over time (Solomon, 2013). A clear definition of corporate governance and its mechanisms is needed, especially in developing countries, due to the wide variety of corporate governance interpretations.

Firstly, although extensive research has been carried out on investigating the impact of corporate governance mechanisms and ownership structure on corporate disclosure practices (Arcay & Muiño, 2005; Barako et al., 2006; Chen & Jaggi, 2000; Cheng & Courtenay, 2006; Eng & Mak, 2003; Ghazali & Weetman, 2006; Gul & Leung, 2004; Haniffa & Cooke, 2002), most of these studies focus on developed countries, leading to inadequate evidence from developing countries. Secondly, whilst a number of studies have been conducted in a number of developing countries, these are limited to countries such as Kenya by Barako et al. (2006), UAE by Adawi and Rwegasira (2011) and Aljifri et al. (2014); South Africa by Ntim et al. (2012a, b) ; Egypt by Samaha et al. (2012); Tunisia by Fathi (2013); and Jordon by Alhazaimeh et al. (2014). Therefore, the current study examines the effect of board variables (i.e., board size, CEO role duality, board composition, frequency of board meetings and the existence of an audit committee) and ownership structure variables (director ownership, foreign ownership, government ownership and institutional ownership) on the level of corporate disclosure in Libya. This is the first attempt to investigate the effect of board and ownership mechanisms on the level of corporate disclosure in Libya, and thus offers vital opportunities to extend, as well as make a number of new contributions to, the extant corporate governance and disclosure literature. In addition, previous studies to date have tended to focus on a single point of time rather than several years. Therefore, it is useful to study the influence of corporate governance mechanisms and ownership structure on corporate disclosure over several years, especially in a country in transition with an emerging capital market such as Libya.

Thirdly, although extensive research has been carried out investigating the impact of corporate governance mechanisms and ownership structure on corporate disclosure practices (Arcay & Muiño, 2005; Barako et al., 2006; Chen & Jaggi, 2000; Cheng & Courtenay, 2006; Eng & Mak, 2003; Ghazali & Weetman, 2006; Gul & Leung, 2004; Haniffa & Cooke, 2002), most of these studies focus on voluntary disclosure leading to inadequate evidence in mandatory disclosure. Fourthly, despite increasing theoretical and empirical suggestions that corporate decisions, including those relating to disclosure are often taken by corporate boards and owners (Eng & Mak, 2003; Ntim et al., 2012a, b; 2013), existing studies have focused primarily on examining how firm-level characteristics, such as firm size and industry, drive corporate disclosures. In contrast, studies investigating the extent to which corporate governance and ownership structures can influence the extent of corporate disclosures are limited (Collett & Hrasky, 2005), and thereby limit the current understanding of how and why corporate governance and ownership structures may influence corporate disclosure behaviour. Finally, despite the increasing importance of developing countries around the world, existing studies examining corporate disclosure behaviour are primarily concentrated in developed countries with largely similar institutional and contextual characteristics (Fifka, 2013; Ntim & Soobaroyen, 2013a, b). In contrast, developing countries, such as Libya, have different economic, institutional, legal and political environments and thus, the effect of corporate governance, ownership and firm-level variables on corporate disclosure can be expected to be different from those that have been found for firms operating in developed countries. Therefore, an examination of the various factors that may influence corporate disclosure behaviour in developing countries, where empirical evidence is limited can help in providing a full understanding of corporate disclosure behaviour around the world (Aljifri, 2008; Aljifri et al., 2014; Benjamin & Stanga, 1977; Cooke, 1989a; Inchausti, 1997; Wang & Hussainey, 2013).

Chapter 5 Research Methodology

5.1 Introduction

To recap, this study aims to investigate corporate disclosure practices in Libya as a developing country. The previous chapters present: an overview of the Libyan context in chapter two, outline of the relevant theories in chapter three, and reviewing the relevant literature in chapter four. This chapter seeks to provide an overview of the research methodology adopted and research methods employed in this study. It aims to review the research philosophy, approach, design and methods employed for achieving the objectives of the research. It also includes the methodological preferences and the main research tools used for collecting the data, the research sample and population are also defined.

Based on the literature and the proposed theoretical underpinning, the empirical part of this study attempts to explore both (i) the perceptions regarding and (ii) the nature and the determinants of corporate disclosure practices in Libyan companies' annual reports. The former, concerning the perceptions of stakeholders regarding the usefulness of corporate reporting, is achieved using a questionnaire survey to elicit respondents' perceptions regarding the usefulness of information provided in CARs. The second part aims to measure the extent of corporate disclosure and its trends over the period of study (2006-2010). In the second part the study aims to examine the relationship between the extent of corporate disclosure as a dependent variable and a number of explanatory variables (corporate governance, ownership structure and corporate-specific attributes). The rationale behind adopting the two methods of data collection is explained in this chapter.

A deductive approach is adopted in this study starting with developing hypotheses based on a multi-theoretical framework. As indicated in Chapter Three (the theoretical framework), a multi-theoretical framework is adopted, integrating a number of disclosure theories in order to benefit from looking at the phenomena of corporate disclosure behaviour from different perspectives. Therefore, the study is classified as a quantitative study using a questionnaire survey and a self-constructed un-weighted and weighted disclosure index (secondary data). The financial and non-financial, listed and non-listed companies operating in the Libyan market represent the sample population of the study. The study focuses on a period of five years from 2006 to 2010 after the emergence of the LSM.

The remainder of this chapter is organised as follows. Section 5.2 describes the research philosophy, the research paradigm is discussed in section 5.3. Section 5.4 discusses hypotheses development, while sections 5.5 and 5.6 describe the research methods, the sample selection procedure and the data. Section 5.7 introduces the applied statistical tests and analysis, while section 5.8 summarises the chapter.

5.2 Research Philosophy

The research process comprises a number of phases or processes that are crucial in conducting research. Each of these phases involves rational decision making priorities. According to Saunders et al. (2007) the phases of the research process are illustrated as six layers, namely research philosophies, approaches, strategies, choices, time horizons, techniques and procedures. Peeling away some of these layers before deciding about data collection and data analysis is a very important step in the research's methodology. Questions of research method are also highly important as determinants to questions of ontology, epistemology, and the appropriate research paradigm (Guba & Lincoln, 1994).

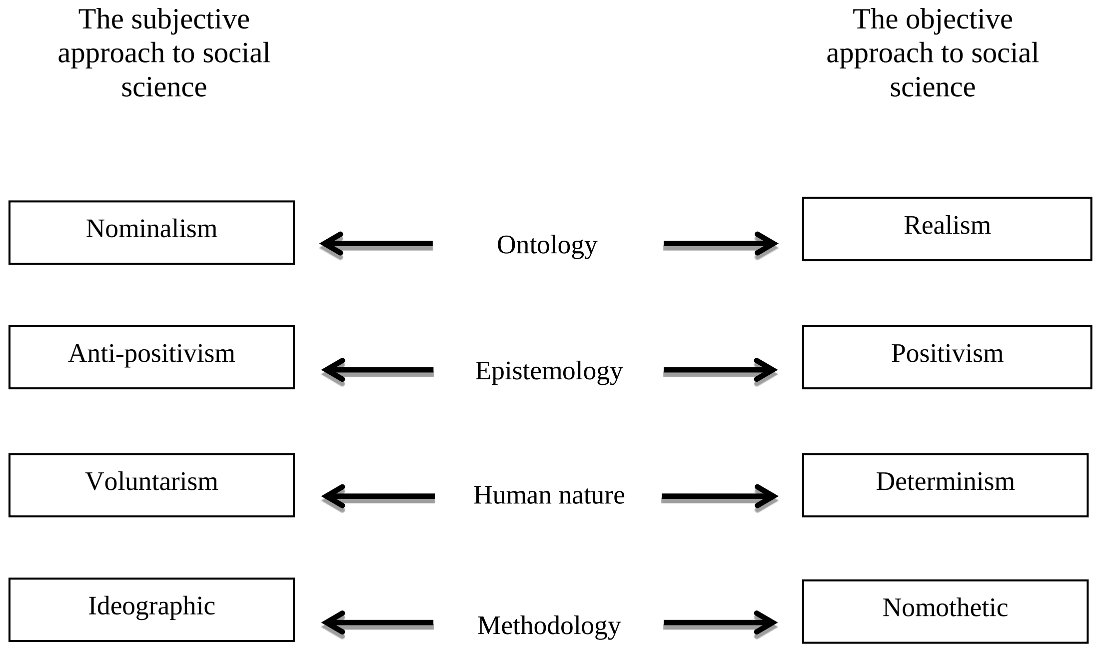
The term research philosophy relates to the progress of scientific practice based on individuals' understanding and interpretation concerning the nature of knowledge (Hussey & Hussey, 1997). The overlap between individuals' views and assumptions depends on the way that a researcher imagines the development of knowledge. The philosophical framework demonstrates how a researcher accepts and adopts rational assumptions of how the world is being viewed. There are two main paradigms about the research process that dominate the literature: positivism and phenomenology. The appropriateness of the research methodology depends on the research philosophy, which is based on the epistemological or ontological assumptions of the research (Creswell & Plano Clark, 2007; Saunders et al., 2009, 2012).

According to Morgan (1979) the concept of a paradigm can be employed in three ways. The first way is through philosophy, reflecting essential notions about the world, while the second is through a social engagement, establishing the guidelines for the research to be conducted by the researcher. The third way involves identifying the techniques and methods that are considered to be a crucial part of an investigative research. A framework was developed by Burrell and Morgan (1979) to provide an understanding of the broad streams of social science approaches for conducting empirical research. This framework consists of two dimensions, namely the subjective-objective dimension and the regulation-radical society dimension.

The subjective-objective dimension of social science is built on four assumptions concerning the nature of the world, namely: ontology, epistemology, human nature and methodology. Figure 5.1 illustrates these assumptions which are the basis for the adopted research methodology. These assumptions also help researchers to find the way in which an investigation should be conducted in line with how knowledge is attained in the social world (Burrell & Morgan, 1979). According to Crotty (1998, p. 10), the term ontology refers to the nature of reality "the study of being". The issue of ontology relates to the question of whether the structure of reality exists in a solid and tangible state, and whether it is considered to be the outcome of individual awareness (nominalism) or whether it exists independent of individual consciousness (realism) (Burrell & Morgan, 1979; Crotty, 1998).

According to Crotty (1998, p. 3) epistemology can be defined as *"the theory of knowledge embedded in the theoretical perspective and thereby in the methodology"*. It is associated with assumptions concerning the nature of knowledge, focusing on how social researchers try to understand the social world (Burrell & Morgan, 1979). Two approaches represent epistemology, namely positivism and anti-positivism. From the positivists' perspective, knowledge exists independently of any consciousness, while from the anti-positivists' perspective, knowledge is subjectively imposed (Burrell & Morgan, 1979).

Figure 5-1 The subjective - objective dimension



Adopted from Burrell and Morgan (1979, p. 3)

Understanding the philosophical issues and the nature of the research has been a fundamental task for clarifying and choosing the appropriate design for the research (Easterby-Smith et al., 2008). According to Easterby-Smith et al. (2002); Collis and Hussey (2009) and Zikmund et al. (2013) the assumptions made when designing a research study can be based on one of two research paradigms: positivism or interpretivism.

5.2.1 Positivism (Quantitative)

Generally, the positivist paradigm in the social sciences is built on the approach applied in natural science fields such as botany, biology and physics. It pursues the grounds or facts of a social phenomenon with reference to the subjective state of the facts or the individual (Collis & Hussey, 2009; Hussey & Hussey, 1997). The positivist philosophy has been widely adopted and applied in business and management research, as it was derived from the scientific approach and quantitative paradigm (De Vaus, 2001; Sekaran, 2003).

As in much of today’s social sciences research, the positivist paradigm has been the underpinning paradigm applied in conducting early natural sciences research. The assumption of this paradigm is that social reality is independent of the researcher and objective methods are set to measure its properties. Positivists explain causal relationships between variables that can help in developing theories from the findings. Within the positivist paradigm, the main task of social research is to collect and gather facts, and attempt to measure how certain patterns occur, which as a result focuses on external causes and fundamental rules to elucidate behaviour. Furthermore, the positivist paradigm adopts the quantitative, objective and traditionalist method (Collis & Hussey, 2009; Easterby-Smith et al., 2008). Collis and Hussey (2009) claim that since the positivist paradigm postulates that social phenomena can be measured, this clearly means that this paradigm is expected to be related to quantitative methods and analysis.

5.2.2 Interpretivism (Qualitative)

Interpretivism can be defined as a fact or incidence that happens or appears in a way that is questionable. Therefore, the interpretivist paradigm focuses on understanding social phenomena from the researcher's own perspective (Hussey & Hussey, 1997). The interpretivist paradigm, or as others name it in the literature: constructivist, constructivism or phenomenological, provides an understanding of how people interpret their world. What is more, in this paradigm researchers can incorporate (whether implicitly or explicitly) their ideas and perceptions regarding the phenomenon that is under investigation (Collis & Hussey, 2009; Gill & Johnson, 2002).

According to Easterby-Smith et al. (2008) and Collis and Hussey (2009), interpretivism (or phenomenology) is derived from the idea that social reality is part of the researcher with a subjective measurement. The main task of the interpretivist paradigm is to provide an explanation to the differences in constructions and meanings that people place upon their past experiences (Easterby-Smith et al., 2002). In contrast to the positivist paradigm, the interpretivist paradigm implies the phenomenological, qualitative and subjective approach (Collis & Hussey, 2009).

Gill and Johnson (2002) argue that this paradigm attempts to provide an understanding of how individuals make sense of their world, with a focus on human action being conceived as purposive and meaningful. Thus, the researcher is more concerned with understanding as well as explaining individuals' experiences rather than concentrating on causal relationships or rules represented through external factors including fundamental rules (Easterby-Smith et al., 2002).

A brief description of the implications of the two paradigms is demonstrated below in **Table 5-1**:

Table 5-1 Implications of the positivist and interpretivist paradigms

	Positivism	Interpretivism
The observer	must be independent	is part of what is being observed
Human interests	should be irrelevant	are the main drivers of sciences
Research progresses through	hypotheses and deductions	gathering rich data from which ideas are induced
Concepts	need to be defined so that they can be measured	should incorporate stakeholder perspectives
Units of analysis	should be reduced to the simplest terms	may include the complexity of 'whole' situations
Generalisation through	statistical probability	theoretical abstraction
Sampling requires	large numbers selected randomly	small numbers of cases chosen for specific reasons

Source: Easterby-Smith et al. (2008, p. 59)

A new paradigm called pragmatism has been identified by Collis and Hussey (2009) and Saunders et al. (2009). Based on this paradigm, pragmatists are not required to adopt a single system of philosophy when they are conducting research, which gives them the choice to use mixed methods, where the researcher should stop asking questions regarding reality and the laws of nature. Therefore, the research problem and the available approaches to understand this problem are more important than focusing on the appropriate paradigm to adopt for the research investigation.

The two previous main research paradigms have strengths and weaknesses, which can guide the researcher to identify and select the appropriate methodology as well as methods for his research (Amaratunga et al., 2002). **Table 5-2** below is adopted from Amaratunga et al. (2002) to illustrate a summary of these distinctive features.

Table 5-2 Strengths and weaknesses of the positivism and interpretivism

Paradigm	*Strengths*	*Weaknesses*
Positivism (quantitative)	✓ The methods used can provide wide coverage of the range of situations ✓ They can be fast and economical ✓ Where statistics are aggregated from large samples, they may be of considerable relevance to policy decisions	✓ The methods used tend to be rather inflexible and artificial ✓ They are not effective in understanding processes or the significance that people attach to actions ✓ They are not very helpful in generating theories ✓ Because they focus on what is, or what has been recently, they make it hard for policy makers to infer what changes and action should take place in the future
Interpretivism (qualitative)	✓ Data-gathering is seen more as natural than artificial ✓ Has the ability to look at change processes over time ✓ Has the ability to understand people's meaning ✓ Has the ability to adjust new issues and ideas as they emerge ✓ Helpful in theory generation	✓ Collecting data could be tedious and require extra resources ✓ Analysing and interpreting data could be more difficult ✓ Difficulties in controlling pace, progress and the research end-points ✓ Low credibility may be given to the results by policy makers

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

The researcher believes that social reality is independent and cannot incorporate (whether implicitly or explicitly) his ideas or perceptions regarding the phenomenon of corporate disclosure that is under investigation. Furthermore, as positivists explain causal relationships between variables that can help in developing theories from the findings, thus, the researcher adopts the positivist paradigm where the task of social research is to gather facts and measure how certain patterns occur. Therefore, the positivist paradigm is adopted using quantitative, objective and traditionalist methods. A quantitative approach is used to investigate corporate reporting practices and the determinants that could influence the extent of comprehensive disclosure in the annual reports of Libyan firms. Furthermore, key stakeholders' perceptions are required to provide a comprehensive evaluation of the usefulness of corporate disclosure for users' decision making purposes. Therefore, a questionnaire survey is an appropriate choice to examine the quality of information provided in Libyan firms' annual reports, while content analysis using a disclosure index is employed to measure the quantity of information. In addition, and of direct relevance to this study, corporate disclosure practices in Libya are examined empirically using Libyan firms' annual reports allowing the researcher to be independent of what is being researched.

5.3 Research Methodology

There are two research methodological approaches: the deductive approach and the inductive approach. The inductive approach is an empirical investigation underpinned by current practices which the researcher aims to generalise from, while the deductive approach is not related to existing practice as the researcher seeks to identify the research problem based on testing a theory (Saunders et al., 2007).

5.3.1 The Deductive Approach

According to Sekaran (2003, p. 27) deduction is defined as *"the process by which we arrive at a reasoned conclusion by logical generalization of a known fact"*. Researchers use the deductive approach (testing theory) to develop a theory, hypothesis and the designing of a strategy to test that hypothesis (Saunders et al., 2000). Studies that adopt this approach build and develop a conceptual and theoretical framework, and follow this by testing it through empirical observations. This method is perceived as moving from general to particular aspects (Collis & Hussey, 2009).

5.3.2 The Inductive Approach

As reported by Sekaran (2003, p. 27), induction is *"a process where we observe certain phenomena and on this basis arrive at conclusions"*. Researchers adopt inductive research (building theory) when they seek to collect and develop a theory based on results obtained from data analysis. In other words, in general the inductive approach is used as an inquiry to provide an understanding of a social problem from different perspectives (Saunders et al., 2000; Yin, 2003). According to Collis and Hussey (2009) the inductive approach is perceived as a study in which a theory is developed from the observations and inferences of empirical reality. Therefore, general inferences are considered and made from particular instances. Since this method moves from individual observations to statements of general patterns, it is considered as moving from specific to general.

How theory and existing literature are used is considered to be one of the fundamental differences between the deductive and inductive approaches. It can be summarised from the discussion above, the deductive approach is designed to examine a theory in which the literature builds and identifies questions, themes and interrelationships before collecting and analysing data. Whereas, the inductive approach is used to shape a theory during each stage of the research progress, and themes are identified throughout the research, using the literature to explore various relevant areas (Creswell, 2003).

Based on the argument stated by Saunders et al. (2009), choosing which approach is suitable for a research project depends on the extent to which a researcher is aware of the theory in the early stages of the research. The earlier the researcher is aware, the more he or she will be able to decide which approach is appropriate to use. As discussed above, the deductive approach focuses on designing a research strategy to develop and test hypotheses and theories. On the other hand, the inductive approach is more concerned with collecting and gathering data mainly for the purpose of developing theories based on findings from analysing that data. Moreover, the deductive approach is associated with the positivist philosophy, while the inductive is linked to the interpretivist philosophy.

Saunders et al. (2007) argue that the deductive approach is more aligned with the positivist paradigm, while the inductive approach is more associated with the interpretivist paradigm. Furthermore, Bryman and Bell (2003) state that the deductive approach "testing a theory" is associated with quantitative research, whereas the inductive approach "generation of theory" is associated with qualitative research.

All the arguments stated above were taken into consideration when the research paradigm of this research was adopted. In addition, a number of criteria were highlighted by Creswell (2009) and Saunders et al. (2009) to determine whether this research would be inductive or deductive. The research topic with its wealth of literature assisted the researcher in defining the theoretical framework and hypothesis and adopting the deductive approach, while a research topic with a lack of literature which was relatively new in its field would more likely to adopt the inductive approach.

Since this research does not aim to develop a theory, but rather to investigate the nature and practices of corporate disclosure practices and investigate the association between a number of determinants and corporate disclosure behaviour in the annual reports of Libyan firms, the deductive approach is perceived to be more suitable for this research. In addition, the disclosure literature provides strong evidence for the suitability of the deductive approach for this kind of research (see: Barako et al., 2006; Ghazali & Weetman, 2006; Haniffa & Cooke, 2002).

In this research, adopting the deductive paradigm requires the researcher to go through five sequential stages, starting by deducing hypotheses from theories; articulating the hypotheses in operational and measurable terms; testing the hypotheses; investigating the specific outcomes and results (conform or reject the theory); and finally justifiable modification of the theory if necessary (Saunders et al., 2007).

5.4 Research Hypotheses

In the deductive approach, in order to investigate expectations or test hypotheses, a researcher forms certain "normative" expectations or hypotheses from a general premise, theory, or empirical evidence. On the other hand, with the inductive method, the researcher begins with the data and designs a "positive" research method to investigate the generalisability of the evidence. As this study adopts the deductive approach, the researcher begins with forming the hypotheses from a general premise and the relevant theoretical and empirical evidence. Since the study employs two methods to investigate corporate reporting practices in the annual reports of Libyan firms, which are a questionnaire survey and disclosure content analysis, two types of hypotheses were developed based on the objectives of the study. For the questionnaire, hypotheses were developed to explore any differences between the perceptions of the respondents groups regarding the usefulness of information provided in the annual reports of Libyan firms, while for the disclosure content analysis, hypotheses were developed to examine the relationships between corporate governance characteristics, ownership structure and corporate characteristics and the extent of disclosure. Therefore, for the purpose of the current study, the deductive approach was adopted by forming expectations or hypotheses in a prescriptive manner and collecting evidence to examine expectations and test hypotheses.

5.4.1 Questionnaire Related Hypotheses

The developed hypotheses below reflect the decision usefulness approach and positivistic approach adopted in the thesis. Each hypothesis focuses on a specific objective issue regarding current disclosure practices in the Libyan companies that reflected the role of corporate reporting in a conventional decision usefulness framework. Table 5.3 details and summarises each of the hypotheses adopted.

Table 5-3 The hypotheses of the questionnaire survey

No	Hypothesis	Expecte sign	Previous studies
H_{q1}	There are no significant differences among the respondent groups regarding their perceptions of the importance they attach to sources of corporate information.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Mirshekary & Saudagaran, (2005); Alzarouni et al., (2011).
$H_{q1.1}$	There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the importance they attach to sources of corporate information.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Mirshekary & Saudagaran, (2005); Alzarouni et al., (2011).
H_{q2}	There are no significant differences among the respondent groups regarding the importance they attach to sections of CARs.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Mirshekary & Saudagaran, (2005); Anura & Kathy, (2010); Alzarouni et al., (2011).
$H_{q2.1}$	There are no significant differences between the user groups as a whole and the preparers regarding the importance they attach to sections of CARs.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Mirshekary & Saudagaran, (2005); Anura & Kathy, (2010); Alzarouni et al., (2011).
H_{q3}	There are no significant differences among respondent groups regarding their reading of various sections of CARs.	?	Desoky, (2002); Mirshekary & Saudagaran, (2005).
$H_{q3.1}$	There are no significant differences between the user groups as a whole and the preparers regarding their reading of various sections of CARs.	?	Desoky, (2002); Mirshekary & Saudagaran, (2005).
H_{q4}	There are no significant differences among respondent groups regarding their perceptions of the understandability of various sections of CARs.	?	Desoky, (2002); Mirshekary & Saudagaran, (2005).
$H_{q4.1}$	There are no significant differences between the user groups as whole and the preparers regarding their perceptions of the understandability of various sections of CARs.	?	Desoky, (2002); Mirshekary & Saudagaran, (2005).
H_{q5}	There are no significant differences among respondent groups regarding their perceptions of the usefulness of the information included in CARs.	?	Desoky, (2002); Mirshekary & Saudagaran, (2005).
$H_{q5.1}$	There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the usefulness of the information included in CARs.	?	Desoky, (2002); Mirshekary & Saudagaran, (2005).
H_{q6}	There are no significant differences among respondent groups regarding their perceptions of the issues influencing the use of CARs.	?	Desoky, (2002); Mirshekary & Saudagaran, (2005).
$H_{q6.1}$	There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the issues influencing the use of CARs.	?	Desoky, (2002); Mirshekary & Saudagaran, (2005).
H_{q7}	There are no significant differences among respondent groups regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Mirshekary & Saudagaran, (2005); Lennard (2007).

$H_{q7.1}$	There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Mirshekary & Saudagaran, (2005); Lennard (2007).
H_{q8}	There are no significant differences among respondent groups regarding their perceptions of the extent to which the current available information meets each qualitative characteristic when evaluating the usefulness of information appearing in CARs.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Lennard (2007); Mirshekary & Saudagaran, (2005); Lennard (2007).
$H_{q8.1}$	There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Mirshekary & Saudagaran, (2005).
H_{q9}	There are no significant differences among respondent groups regarding their perceptions of the factors influencing corporate reporting practices.	?	Desoky, (2002); Ho & Wong, (2003); Mirshekary & Saudagaran, (2005); Anura & Kathy, (2010).
$H_{q9.1}$	There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the factors influencing corporate reporting practices.	?	Desoky, (2002); Ho & Wong, (2003); Mirshekary & Saudagaran, (2005); Anura & Kathy, (2010).
H_{q10}	There are no significant differences among respondent groups regarding their perceptions of the obstacles restricting the disclosure level in CARs.	?	Desoky, (2002); Ho & Wong, (2003); Mirshekary & Saudagaran, (2005); Anura & Kathy, (2010).
$H_{q10.1}$	There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the obstacles restricting the disclosure level in CARs.	?	Desoky, (2002); Ho & Wong, (2003); Mirshekary & Saudagaran, (2005); Anura & Kathy, (2010).
H_{q11}	There are no significant differences among respondent groups regarding their perceptions of the need for additional information in CARs.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Mirshekary & Saudagaran, (2005).
$H_{q11.1}$	There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the need for additional information in CARs.	?	Abu-Nassar and Rutherford (1996); Desoky, (2002); Mirshekary & Saudagaran, (2005).

5.4.2 Disclosure Related Hypotheses

As discussed in the hypotheses development in Chapter Four (section 4.5), the hypotheses listed below are formulated based on theoretical and empirical evidence with reference to the Libyan context. Table 5-4 summarises each of the hypotheses developed for the current study.

Table 5-4 The hypotheses of the disclosure content analysis

No	Hypothesis	Expected sign	Previous studies
H_{d1}	There is a significant association between board size and the level of disclosure in the annual reports of Libyan companies.	?	Barako et al., (2006); Laksmana, (2008); Samaha et al., (2012); Wang & Hussainey, (2013); Ebrahim & Fattah, (2015); Samaha et al., (2015).
H_{d2}	There is a significant positive association between the number of meetings and the level of disclosure in the annual reports of Libyan companies.	+	Kelton & Yang, (2008) Barros et al., (2013); Alhazaimeh et al., (2014); Othman et al., (2014).
H_{d3}	There is a significant positive association between the existence of an audit committee and the level of disclosure in the annual reports of Libyan companies.	+	Mangena & Pike, (2005); Barako et al., (2006); Samaha et al., (2012); Allegrini & Greco, (2013); Samaha et al., (2015).
H_{d4}	There is a significant association between ownership structure and the level of disclosure in the annual reports of Libyan companies.	?	Ferguson et al. (2002); Eng & Mak (2003); Xiao et al., (2004); Collett & Hrasky, (2005); Ghazali & Weetman, (2006); Hossain & Taylor (2007); Ntim, Opong & Danbolt, (2012); Khan et al., (2013); Ntim & Soobaroyen, (2013a); Alhazaimeh et al., (2014); Ebrahim & Fattah, (2015).

5.5 Research Methods

Collis and Hussey (2003, p. 55) state that methodology is *"the overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data"*. The qualitative versus quantitative dimension is widely perceived to be the most fundamental distinction in research methodology (Bailey, 1994). Hussey and Hussey (1997, p. 54) define the term research method as *"the various means by which data can be collected and/or analysed"*. It is fundamental that researchers should adopt an appropriate methodology that complies with the philosophical assumptions of their paradigm (Collis & Hussey, 2009). Creswell (2009) argues that the terms strategy of inquiry, approach, and methodology are used interchangeably. He distinguishes three approaches which the strategy of inquiry (i.e. methodology) can be derived from. In order to evaluate the right and suitable approach for a given research project, Creswell (2009) linked each approach to paradigms and data collection methods and analysis. These approaches are: qualitative, quantitative and mixed method.

- Qualitative approach: the researcher adopts and uses the interpretivist philosophy; a variety of methodologies can be used such as grounded theory, ethnography, phenomenology, case studies and narrative research in general. Based on this approach the intention, as determined by the researcher, is to develop themes through collecting open-ended and emerging data.
- Quantitative approach: the investigator tends to use a positivist paradigm, adopting strategies of inquiry such as surveys and experiments, collecting data by employing predetermined instruments and analysing data using statistical techniques.
- Mixed method approach: within this approach the pragmatic paradigm is adopted using a mix of strategies of inquiry. Therefore, this paradigm involves collecting both qualitative (e. g. interviews) and quantitative (e. g. instruments) data.

In the context of the current research study and taking into consideration the research objectives, questions, and paradigm, this research adopts the quantitative approach. Thus, a combination of the survey method (questionnaire survey) and content analysis of CARs are adopted as the main research strategy. These methods have been widely used in many previous relevant studies (e. g. Abu-Nassar & Rutherford, 1996; Alattar & Al-Khater, 2007; Bartlett & Chandler, 1997; Gray & Ratzinger, 2010). The rationale behind the decision to choose these two methods in this research study is fourfold:

- To be consistent with the research paradigm a positivistic paradigm is adopted in this research.
- Questionnaire survey has been a popular and commonly used method to collect primary data in business and management research generally (Collis & Hussey, 2003, 2009; Saunders et al., 2009, 2012; Zikmund et al., 2013).
- The current research study aims to target a large number of participant groups (preparers and users), therefore it would be unpractical for a meaningful number of face-to-face interviews to be conducted within a normal thesis time frame.
- As illustrated in Chapter Four, the survey method has been extensively utilised in the vast majority of previous research studies as the primary method for gathering

data regarding the usefulness of information disclosed in CARs for decision makers (e. g. Anura De & Kathy, 2010; Mirshekary & Saudagaran, 2005; Naser et al., 2003). Furthermore, applying this method assists the researcher in the comparing this research's outcome with earlier findings.

- Since the main aim of this research is to evaluate corporate reporting practices in Libyan firms, using both methods ensures the provision of a comprehensive overview of corporate reporting practices in Libya. The questionnaire survey obtains the perceptions of users regarding the usefulness (quality) of the information provided in CARs, as the main purpose of corporate reporting is to provide useful information to its users, while the disclosure index measures the extent (quantity) of disclosure in CARs of Libyan firms.

5.5.1 The Questionnaire Survey Method

The literature offers a variety of different avenues through which the quality of corporate information in a country could be assessed. One way is to solicit the perceptions of the external users of CARs (e. g. Abu-Nassar & Rutherford, 1996; Anura De & Kathy, 2010; Bartlett & Chandler, 1997; Bikram et al., 2010; Gray & Ratzinger, 2010). A second way of evaluating the quality of corporate information is to measure the extent of disclosure against a list of information items (e. g. Abdelsalam & Weetman, 2007; Buzby, 1974b; Elshandidy et al., 2013; Hassan, 2012; Marston & Shrives, 1991; Ntim et al., 2012; Ntim et al., 2013; Owusu-Ansah, 1998; Samaha et al., 2015). As these two methods complement each other, this research has applied both methods in order to provide the reader with a comprehensive picture of the status of corporate disclosure practices in Libya.

Although several data collection methods have been used as a survey strategy, such as questionnaire, structured interview, and structured observation, the questionnaire survey is considered as one of the most commonly used methods to collect quantitative data in business and management research (Hair, 2003, 2011; Saunders et al., 2007, 2009). Furthermore, and of direct relevance to this study, it is more related to positivistic research attempting to test hypotheses driven from theory, which thus is associated with the deductive approach (Ryan et al., 2002).

Saunders et al. (2007, p. 608) define a questionnaire as *"general term including all data collection techniques in which each person is asked to respond to the same set of questions* *in a predetermined order"*. In other words, it can be defined as set of questions that are carefully designed and verified to gather responses from a specific group or groups of participants (Collis & Hussey, 2009; Sekaran & Bougie, 2013; Zikmund et al., 2013). There are different ways in which a questionnaire can be distributed such as post/mail questionnaire, online questionnaire, telephone questionnaire and self-administrated questionnaire. However, each one of these ways has its advantages and disadvantages. Based on the nature of the current research population divided into preparers and users of CARs in the Libyan context, the self-administrated questionnaire was perceived to be the most appropriate type to elicit preparers' and user groups' perceptions and attitudes regarding the usefulness of CARs for their decision making.

The questionnaire method has a number of advantages including the ability to reach a large number of respondents, ease of comparison and reasonable costs. On the other hand, it has a few shortcomings that require high concern such as the clarity and appropriateness of questionnaire's questions and the sample of respondents (Collis & Hussey, 2009; Saunders et al., 2009). In the self-administrated questionnaire the researcher delivers the questionnaire to the participants through various ways such as post, mail or in person, and provides an explanation of the purpose of the study. Then, the respondents are asked to complete the questionnaire alone (Oppenheim, 1992, Sekaran and Bougie, 2010).

The questionnaire survey is used to elicit the perceptions and opinions of companies' preparers and users of annual reports in Libya in order to evaluate the usefulness of financial statements to various Libyan user groups. Two main groups were sent the questionnaire survey, one representing the preparers of annual reports (represented by accountants and financial managers), while the user group was divided into sub-groups (represented by individual investors, institutional investors, financial analysts, senior bankers or bank loan officers, accountancy professionals, academics and researchers and tax officers).

5.5.1.1 Questionnaire Construction (Design, Wording, Layout and Translation)

This study avoided using a mail-questionnaire because of the time required to post, deliver, return and follow up. This is a particular problem in Libya due to the weak postal system, particularly at the time of the data collection where the country was in unrest. In addition, Hussey and Hussey (1997) argue that self-administrated questionnaires tend to score a high response rate. Therefore, the present study selected self-administrated questionnaires to elicit the perceptions of the study's respondents. A series of closed questions were designed to reflect the aims of this research and the relevant literature. Most of the questions, except the questions about general information, ask respondents to specify their views in the form of statements on a seven-point Likert scale. The rationale behind choosing a seven-point Likert scale was to provide respondents with more flexibility in indicating their perceptions and capturing the more accurate feeling or attitude of the participants. The distribution and collection of the questionnaire survey was performed between April and May 2014. The researcher spent two months collecting both primary and secondary data for this study. It was not an easy task to carry out the distribution and collection of the questionnaire survey and collection of the annual reports of the sampled Libyan firms personally, particularly at the time of unrest in the country.

Copies of both the English and Arabic versions of the questionnaire were addressed to the preparers of Libyan firms' annual reports, while another copy was handed to the users. The questionnaire was attached with a covering letter to encourage the targeted participant groups to answer the questionnaire and inform them of the total confidentiality of respondents' information. The covering letter was followed by a glossary of the terms which were quoted from the Conceptual Framework of the International Accounting Standards Board (2010) to assist respondents in understanding the survey's questions to ensure answers with a high level of accuracy. Furthermore, at the end of the questionnaire, respondents were offered the chance to provide their comments or any ideas that they would like to highlight regarding corporate reporting practices of Libyan firms. Also, respondents were offered the option of being provided with a copy of the findings of the study (see the questionnaire survey in Appendix 1-1).

The questionnaire survey was divided into four parts as below:

Part 1: Personal information: this part contained seven questions dealing with the respondents' backgrounds and seeking general information about their category, occupation, use of corporate annual reports, accounting and financial experience, academic and professional qualifications, place of education, gender and age.

Part 2: The importance of sources of corporate information and sections of CARs in Libya: This part aimed to identify the importance of each source of information listed and to identify the importance of each section of CARs for the purposes of decision-making.

Part 3: The use and usefulness of the information provided in CARs: The purpose of this part was to obtain respondents' views about the use and usefulness of the information with regard to their decision making.

Part 4: The qualitative characteristics of financial information: This part aimed to identify the respondents' perceptions regarding the qualitative characteristics of the provided information to evaluate its usefulness and identify the importance of each characteristic.

Part 5: Adequacy and satisfaction with the information supplied in CARs: The aim of this part is to obtain respondents' opinions regarding the adequacy of information and their satisfaction with the usefulness of corporate information for decision-making purposes (see Appendix 1-1 & 1-2).

At the start of each part of the questionnaire, a brief introduction of the aim of the part was provided to assist participants in completing the questionnaires (although the questions themselves were intended to be self-explanatory).

The majority of the questionnaire questions were derived from prior relevant studies and modified to fit the Libyan context. The review of relevant literature was the main source for preparing the questionnaire (see: Abu-Nassar & Rutherford, 1996; Al-Razeen & Karbhari, 2004b; Anderson, 1981; Anderson & Epstein, 1995; Beuselinck & Manigart, 2007; Cheung et al., 2010; Courtis, 1982; Epstein & Pava, 1993; Jonas & Blanchet, 2000; Khan & Ismail, 2012; Lee & Tweedie, 1975; Mensah et al., 2006; Mirshekary & Saudagaran, 2005; Zoysa & Rudkin, 2010). A considerable effort was made to ensure that the questionnaire covered all relevant aspects of the usefulness of information provided by corporate disclosure practices in Libya by deriving the questions of the questionnaire from the above listed studies.

Finally, as the aim of the questionnaire is to obtain the perceptions of respondents (preparers and users) for whom English language was not the primary spoken language, and in order to avoid any misunderstanding or ambiguity influencing the responses, the questionnaire was translated by the researcher into Arabic as the main spoken language.

According to Oppenheim (2000, p. 48) *"the translation of questionnaires from one language to another is akin to entering a series of mine fields"*, because most of the above mentioned studies used in formulating the questionnaire are written in English, the questionnaire was originally constructed in English and thereafter translated into Arabic. Respondents were handed both the English and Arabic versions of the questionnaire giving them the right to choose which version to answer.

Furthermore, several steps were undertaken during the translation of the questionnaire in order to ensure there were no potential problems with the translation. Reviewing previous related questionnaires that were constructed first in English and then translated into Arabic provided the researcher with a useful guideline for the appropriateness of accounting terms used in the questionnaire. The first draft of the Arabic version with the English version was subject to review by several postgraduate colleagues in the business school whose first language is Arabic, and another two postgraduate students who were doing their PhD degrees in linguistics. Amendments were made based on their comments and suggestions. In addition, to avoid any bias that might be encountered by the researcher, two staff at the British Council in Libya reviewed the two versions of the questionnaire, and a few comments as well as suggestions were made regarding the Arabic version related to grammar and the appropriateness of words.

5.5.1.2 Questionnaire Pre-Testing and Piloting

As a part of the ethical consideration of the questionnaire instrument, at the beginning of March 2014, the questionnaire survey was sent to the staff research ethical review committee for ethical review. Two independent reviewers have reviewed the questionnaire draft for any possible ethical issue related to the questions in the survey. After ten days, two reviewers' pro forma decisions were provided with outright approval. Although the final drafts of the questionnaire were constructed in stages with detailed revisions and extensive effort, it was nevertheless crucial to pre-test the final drafts to find out whether further improvement was required before starting the distribution of the questionnaire. Prior to the administration of the questionnaire, the process of pre-testing the questionnaire with a small sample of participants has been widely recommended by researchers (Ghauri & Grņhaug, 2010; Sekaran, 2003). The purpose of pre-testing the questionnaire is to make sure that there will be no problems with the measurement and wording of the questionnaire and that no difficulties will be faced by the targeted participants (Sekaran & Bougie, 2010).

Furthermore, piloting the questionnaire enables the researcher to achieve an initial assessment of the content validity and reliability of the questionnaire and the collected data (Saunders et al., 2009). Within this context, in order to identify different views and perceptions, piloting the questionnaire could be performed involving colleagues, experts and a sample of research participants (De Vaus, 2002, 2014; Oppenheim, 2000).

Moreover, due to the problems that may occur during the translation process, as highlighted by Oppenheim (2000), the questionnaire was piloted to ensure that the translation process has not led to any kind of misleading or misunderstanding. Therefore, the final draft of the questionnaire was reached through number of pre-testing stages. These are discussed next. Firstly, the English version of the questionnaire was piloted with academic staff in the Department of Accountancy and Finance at Huddersfield Business School. Six questionnaires were distributed and three questionnaires were returned with some comments and suggestions. At the same time, nine English questionnaires were handed out to PhD students at the Huddersfield University Business School with an accountancy and business subject background. Out of the nine questionnaires, five completed questionnaires were returned with some minor comments and suggestions. Comments and suggestions from both staff and students at the Business School were taking into consideration to amend the questionnaire draft.

Secondly, the questionnaire was piloted in Libya where a total of 56 questionnaires were distributed randomly to individual investors, institutional investors, financial analysts, senior bankers, legal accountants & auditors, academics, tax officers, companies' managers of accounting departments and accountants. The access to these respondent groups is explained in the next section. The piloting distribution of the questionnaire was performed randomly at the beginning of April 2014. A total of 33 completed questionnaires were returned with a response rate of 59%. The outcome of the piloting showed that respondents had no problems in completing the questionnaire.

5.5.1.3 The Questionnaire Sample

To recap, the questionnaire survey is used to determine the views and perceptions of users and preparers about the usefulness of information disclosed in the annual reports of Libyan firms, and the adequacy of that information. Below are the targeted sample and population for the questionnaire. **Table 5-5** below illustrates the response rate of the questionnaire survey.

Table 5-5 The questionnaire's response rate

	Distributed	Returned	Response rate
Users			
Individual investors	30	13	43.3%
Institutional investors	35	18	51.4%
Financial analysts	30	15	50%
Senior bankers	30	14	46.7%
Legal accountants & auditors	32	21	65.6%
Academics (researchers)	29	18	62%
Tax officers	30	18	60%
Total	216	117	62.5%
Preparers			
Accountants & financial directors	95	48	50.5%
Total	311	165	53%

5.5.1.3.1 The User-Groups

1- Individual investors

Since the start of the privatisation programme in Libya, individual investors have become an important factor in the economic development and the foundation of the LSM. This group was targeted through visiting the LSM to get in touch with individual investors. Also, the Libyan Businessmen Board (LBB) in Tripoli was visited to collect information regarding individual investors who are investing in the Libyan market. The researcher was able to approach a total of 30 individual investors through continued visiting of the LSM and LBB, distributing 30 questionnaires during the period of the data collection. Out of the 30 distributed questionnaires a total of 13 completed questionnaires were answered and returned achieving a response rate 43.3% as shown in Table 5-5.

2- Institutional investors

This type of investor is relatively rare in emerging economies such as Libya. As a result of searching for and identifying these investors in Libya, the financial analysts in a list of institutions were included and contacted to fill out the questionnaire survey. This list of institutional investors was obtained from the Central Bank of Libya (CBL) in April 2014 prior to the time of data collection when the researcher was issued a letter from the Ministry of Higher Education requesting the recipient to co-operate with the researcher during his data collection. This letter had a great influence on both governmental and private institutions encouraging them to provide the researcher with the required information and data about institutional investors. Each institution was visited personally to hand the questionnaire to the financial analyst(s) in that institution. The number of questionnaires handed out varied from one to three depending on the number of financial analysts in each institution, resulting in a total of 35 (See Appendix 2-1). All of these institutions responded and filled in the questionnaire survey through their financial analysts, with different response rates. Some institutions returned all three questionnaires and others returned only one questionnaire. As shown in Table 5-5, with a response rate of 51.4%, of the 35 questionnaires distributed, a total of 18 completed questionnaires were returned.

3- Financial analysts

Financial analysts are responsible for analysing and studying CARs for the purpose of evaluating and making decisions. In this study, financial analysts working in private accounting and auditing firms were chosen to fill out the questionnaire survey. A list of 123 accounting and auditing firms was obtained from the CBL. Only 53 firms were working at the time of the data collection. Additionally, financial analysts in the CBL and the LSM also were targeted. In addition to the CBL and LSM a total of 28 questionnaires were distributed personally to this user group. Out of the 30 distributed questionnaires a total of 15 completed questionnaires were answered and returned with a response rate of 50% as shown in Table 5-5.

4- Senior bankers and bank loan officers

The questionnaire survey was sent to the credit departments of the Libyan public and commercial banks. A list of 11 banks operating in Libya was obtained from the CBL (see Appendix 2-2). Most of these banks were located in Tripoli, the capital city of Libya. Senior bankers and bank loan officers at these banks were personally handed a total of 30 questionnaires in April 2014 and the researcher started collecting the completed questionnaires in the beginning of May 2014. Each bank was handed two or more questionnaires for its senior bankers or bank loan officers. All banks responded and filled in the questionnaire survey through their senior bankers with different response rates where some banks returned three questionnaires and others returned only one questionnaire. As shown in Table 5-5, out of the 30 distributed questionnaires a total of 14 completed questionnaires were returned with a response rate of 46.7%.

5- Accountancy professionals

This group of users was represented by legal accountants and auditors. Accountants registered at the LAAA and accountancy bureaus operating in Libya were targeted as representatives of this group. Although a huge list of accountants was obtained from the LAAA in the beginning of April 2014, only 157 accountants provided their contact details to the LAAA. Of the 157 accountants, only 82 individuals had handed their contact details correctly. The majority of them are located in the west of Libya and particularly in Tripoli. After contacting the 82 individuals by phone and email, a total of 32 questionnaires were handed to individual accountants registered in the LAAA. Out of the 32 distributed questionnaires, a total of 21 completed questionnaires were answered and returned achieving a response rate 65.6% as shown in Table 5-5.

6- Academics and researchers

This group covers academics and researchers in the accounting field in Libyan universities. There are 15 universities in Libya, of which only 12 universities have business schools and accountancy departments in particular (see Appendix 2-3). Most of these universities are located in the west part of the country with only two universities in the east and one in the south of the country. The letter issued by the Ministry of Higher Education in Libya was used to get access to accountancy staff and researchers in the business schools of these universities. In April 2014 a total of 29 questionnaires were handed to accounting academics and researchers in accountancy departments at these universities. Of the 29 distributed questionnaires a total of 18 completed questionnaires were answered and returned with a response rate of 62%.

7- Tax officers

The Libyan Tax Authority was the main user of CARs in Libya for a long period of time, and is still in the position where all companies operating in the Libyan market are required to submit their annual reports to them for tax purposes. Personal visits during April and May 2014 were conducted to 15 tax offices in different parts of the country where the researcher handed 30 questionnaires to tax officers. Again, the letter from the Ministry of Higher Education in Libya was helpful to get access to tax officers in these offices. As shown in Table 5-5, with a response rate of 60%, out of the 30 distributed questionnaires a total of 18 completed questionnaires were returned.

5.5.1.3.2 The Preparers Group

Although there are many studies investigating the attitudes and views of different user-groups regarding the usefulness of CARs and their information needs, relatively few studies were conducted to examine the perceptions of the preparers of CARs regarding this matter, particularly in developing countries. Therefore, one of the contributions of this study lies in this point, by filling the communication gap between the two parties. Financial directors and accountants in both listed and non-listed firms in Libya were targeted to elicit their perceptions on the usefulness of CARs and how they prioritise and rank the information needs of different user groups. The population of the Libyan companies is discussed later in section 5.5.2.5. A total of 95 questionnaires were handed personally to accountants and financial directors in the firms where their annual reports were collected for the content analysis part of this study. As shown in Table 5-5, with a response rate of 50.5%, of the 95 distributed questionnaires, a total of 48 completed questionnaires were collected.

5.5.2 The Disclosure Index Method

As indicated previously, the disclosure index instrument has been widely used in prior disclosure studies after the study conducted by Cerf (1961). Disclosure indices have been used to measure and explain differences in the quantity of information disclosed by companies. In accounting research a disclosure index is widely applied particularly with corporate disclosure related studies (Coy & Dixon, 2004; Marston & Shrives, 1991). A disclosure index method is used to collect data in order to measure the extent of corporate disclosure and to investigate the association between a number of explanatory variables and the level of disclosure. Disclosure indices are extensive lists of selected items that are expected to be disclosed in a firm’s annual report (Marston & Shrives, 1991). This approach has been extensively used in the previous studies (e. g. Al-Razeen & Karbhari, 2004a; Alhajraf, 2002; Botosan, 1997; Cooke, 1992; Naser et al., 2003; Santhosh et al., 2015; Watson et al., 2002).

There are two main types of disclosure studies based on the extent of content analysis employed, namely holistic content analysis and partial content analysis. In the former, the researcher examines the entire annual report in order to construct a disclosure index, while in the partial approach, the researcher focuses on a particular list of disclosure topics (Beattie et al., 2004). With regard to the above classification, in order to capture the comprehensiveness of disclosure this study investigates the whole annual report. Therefore, consistent with Cooke (1989c); Xiao et al. (2004); Hossain et al. (1994) and Barako. (2007), the disclosure index of a firm is the result of the ratio of the actual disclosure scores awarded to the maximum possible disclosure expected.

5.5.2.1 Construction of the Disclosure Index

Building and selecting the items for the disclosure index is the first fundamental step in the development of the index design. Disclosure index is identified as a checklist of selected information items that are expected to appear in companies' annual reports in a single country or across countries (Cooke, 1989a; Hassan & Marston, 2010; Marston & Shrives, 1991). The majority of previous corporate disclosure studies have used this measurement index (e. g. Adelopo, 2011; Akhtaruddin, 2005; Aljifri, 2008; Alsaeed, 2006; Cerf, 1961; Cooke, 1989a; Depoers, 2000; Hassan et al., 2009; Hossain & Hammami, 2009; Lopes & Rodrigues, 2007; Meek et al., 1995; Omar & Simon, 2011). The disclosure index can consist of mandatory and/or voluntary informational items. In prior research, there are two types of index namely weighted indices and un-weighted indices. Since there is no general theory regarding the selection and/or number items to be included in a disclosure index, prior research has been inclined to consider a wide number of relevant information items (Olusegun & Naser, 1995).

Due to the fact that there is a lack of a theoretical framework regarding the choice and selection of items to be included in the disclosure index (Jones & Shoemaker, 1994), and the absence of a uniform set of accounting standards in the Libyan context, a list of 108 information items has been identified to be included in the disclosure index based on a review of a sample of 50 annual reports of Libyan listed and non-listed firms and relevant disclosure studies (e. g. Barako et al., 2006; Chau & Gray, 2002; Eng & Mak, 2003; Ferguson et al., 2002; Ghazali & Weetman, 2006; Haniffa & Cooke, 2002; Hossain et al., 1994; Kribat et al., 2013; Leventis & Weetman, 2004; Lim et al., 2007; Meek et al., 1995; Tsamenyi et al., 2007). Since this part of the study does not focus on a specific user group, an un-weighted index is applied. In addition, an instrumental variable was developed using an alternative weighting approach to test the robustness of the findings of the weighted index (see section 5.5.2.3). A scoring sheet of all possible items was developed based on the following to build a comprehensive index:

- The items required by statutory regulations (LCC, ITL and BL).

- A review of the relevant disclosure literature to identify items specific to this study.

- Items included in the annual reports published by Libyan listed and non-listed companies.

In total, the complete checklist of comprehensive disclosure level (Comprehensiveness of disclosure) consisted of 108 information items.

5.5.2.2 Scoring the Index Items

According to Cooke (1989c), there are two approaches for developing scoring methods. In the first approach, researchers use the number of words to describe the disclosed items in which the score of this item varies between one and zero (Copeland & Fredericks, 1968). This approach was criticised by Cooke (1989c) based on subjectivity in the allocation of scores. In the second approach, a required information item takes the value of one if it is disclosed and zero otherwise. It was argued that in order to avoid any negative impact on the reliability, as well as the validity of the disclosure instrument, two scoring approaches should be taken into consideration: weighting or un-weighting the score of the included items in the disclosure index.

There is an argument regarding weighting the score of the disclosure index items. In the weighted approach disclosure items have a different level of importance varying between user groups, while in the un-weighted approach all disclosure items have an equal level of importance. Approaches advocating the use of a weighted score argue that the weighted scores assist researchers in measuring the quality of disclosure not only the extent of the disclosure, which may in turn contribute to mitigating the issue of subjectivity (Botosan, 1997). Conversely, those who support the use of the un-weighted scores argue that the issue of subjectivity in weights of user groups will average each other out; certain disclosure items will be valued less and some will be valued more, resulting in an averaging out of their subjective weight. Also, constructing the un-weighted index is more practical because it does not require the included items to be weighted by the targeted groups (Cooke, 1989c; Hodgdon et al., 2008).

Consistent with the majority of disclosure studies, this study adopts the un-weighted approach. The rationale behind choosing the un-weighted approach consists of several reasons:

1. As this study investigates disclosure practices over five years (2006-2010), the importance of each item on the disclosure index might change over time (Hassan et al., 2006).
2. The un-weighted scores intend to avoid the subjectivity inherent in evaluating the relative importance of each item on the used index for all user-groups (Ferguson et al., 2002).
3. The weighted approach is often constructed based on the views of user groups such as financial analysts which might not reflect the real importance of the items to other user-groups. Thus, according to Cooke (1989c) and Wang Kun et al. (2008) the un-weighted approach is typically appropriate for studies that consider different stakeholders instead of a specific user group.
4. Cooke (1989a), Marston and Shrives (1991) and Santhosh et al. (2015) state that indices with a large number of items would be expected to provide the same score when applying a weighted and an un-weighted approach.
5. Empirical evidence was provided by Chow and Wong (1987), Adhikari and Tondkar (1992) and Olusegun and Naser (1995) showing that identical results were found when using both the weighted and un-weighted approaches for scoring the applied disclosure indices.

In addition, in line with using the un-weighted approach the current study uses the weighted approach based on the scores of the un-weighted index in order to provide robust results. The weighted approach is explained in the next section.

For the un-weighted index, this study employs a dichotomous approach, scoring a value of one if the item is disclosed and zero if the item is not (Adelopo, 2011; Aljifri, 2008; Barako et al., 2006; Cooke, 1991; Ghazali & Weetman, 2006; Gisbert & Navallas, 2013; Haniffa & Cooke, 2002; Leventis & Weetman, 2004; Olusegun & Naser, 1995; Omar & Simon, 2011). However, there are some cases where some disclosure items are not relevant to some firms. The issue of scoring inapplicable items leads to penalising firms for not disclosing such items, and this could affect the reliability of the index instrument. To avoid such problems, it is suggested that reading the entire annual report to determine whether the items are applicable for a firm or not is essential for researchers to avoid penalising firms for non-disclosing inapplicable items (Cooke, 1989c, 1991). Therefore, following relevant disclosure studies to avoid any potential bias, annual reports were read in advance to identify any possible inapplicable items. This has contributed significantly to the construction of the disclosure index and enhancing its reliability and validity.

Since this study focuses on the comprehensive level of disclosure, a disclosure index was developed as explained in the former section (5.5.2.1). The actual disclosure score of applicable items for a firm is calculated as follows:

$$\textbf{ADS}\ \text{score} = \sum_{j=1}^{n} \mathbf{dj}$$

Where:

ADS = actual disclosure score for a firm,

dj = 1 if the j information item is disclosed in the annual reports.

dj = 0 if the j information item is not disclosed in the annual reports.

n = the total number of information items which a firm is expected to disclose.

Therefore, the total disclosure index score (**TDIS**) for a firm is calculated as follows:

The total disclosure index is the ratio of the actual scores awarded to a firm (ADS) to the maximum applicable disclosure score for a firm (M).

TDIS = ADS / M

M = the maximum applicable disclosure score = number of applicable items (≤144).

5.5.2.3 Alternative Weighted Disclosure Index

The predicted instrument was developed as a proxy for the extent of corporate comprehensive disclosure in carrying out the instrumental variable (IV) estimation is a relevant and valid instrument. Following the suggestions of Larcker and Rusticus (2007) and Gippel et al. (2015), an instrumental variable was developed using an alternative weighted index to test the robustness of the results. Although all 108 items are weighted equally, the number of items varies across the sub-groups. This variation leads to differences in the assigned weights for each group. Therefore, to deal with this issue, an alternative weighted *Index,* in which each group is assigned an equal weight to the total, was created. The un-weighted index consists of nine groups in which 11% is awarded to each group. Our results are presented in line with the un-weighted index in section 7.4.3.4.

5.5.2.4 Reliability and Validity of the Disclosure Index

Reliability refers to *"the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials"* (Carmines & Zeller, 1979, p. 11). In other words, the reliability of a measurement tool refers to its ability to provide similar results to measure disclosure when applied by different researchers (Marston & Shrives, 1991). Omar and Simon (2011) argue that the reliability of using disclosure indices may have some issues such as scoring and treating non-disclosed items. Therefore, they suggested a few steps to improve the reliability of a disclosure index which are considered in this study.

In the first step, the final disclosure index was subject to review by three accounting specialists, one of whom had done his PhD degree in disclosure and transparency recently, and other two who were accountants in the LSM. These reviews resulted in adding four items and eliminating seven items. The second step was reading the annual reports three times; the first reading familiarized the researcher with the firm's business and activities and helped the researcher to decide whether index items were relevant to the firm, while the second reading was performed to score the index, and the third to ensure no mistakes existed in the consistency of the score. The final step was concerned with piloting the disclosure index where a sample of forty annual reports were analysed to measure the disclosure level.

5.5.2.5 Measurement of Independent Variables

The current study investigates corporate disclosure practices of Libyan firms through two streams. The first stream focuses on the quality of disclosed information in CARs from the perceptions of the preparers and users of those reports, while the other stream reveals the quantity of disclosed information represented by disclosure practices and the factors that might influence those practices such as corporate governance attributes, ownership structure, and firms' characteristics. Following the recent direction taken in relevant disclosure studies, from the content analysis of CARs this study investigates the relationship between corporate governance and ownership structure and the extent of disclosure. In addition to corporate governance characteristics and ownership structure variables, firm characteristics are used as control variables in this relationship with the level of disclosure in the annual reports of Libyan firms. Table 5-6 provides a summary of the definition and measurement of the variables used in this study.

The independent variables in this content analysis are classified into three groups. The first group is related to corporate governance attributes, namely: board size, CEO duality in position, board composition, frequency of meetings and the existence of an audit committee. The second group is associated with ownership structure variables, namely: foreign ownership, government ownership, institutional ownership and director ownership. With regard to firm characteristics as the third group, structure, performance and market related variables are included as control variables. These variables are firm size, age, gearing, profitability, liquidity, listing status, industry type and auditor type.

Table 5-6 Definition and measurement of variables

Abbreviated name	Full name	Description	Predicted sign	Data source
Dependent variable				
Index	Comprehensiveness of disclosure	Percentage of overall applicable disclosure items (108 items)		Annual reports
Independent variables				
BoardS	Board size	The number of board members	?	Board of directors' report
DualP	Duality in position	Dummy variable; 1 if company's CEO Chief Executive Officer serves as a board chairman, 0 otherwise	–	Board of directors' report
BoCo	Board composition	Ratio of the number of non-executive directors to the total number of directors	+	Board of directors' report
FreMee	Frequency of meetings	Number of board meetings during the year	+	Board of directors' report
AuCo	Audit committee	Dummy variable; 1 if an audit committee exists, 0 otherwise	+	Board of directors' report
ForOwn	Foreign ownership	Foreign ownership to total owners' ratio	+	Ownership structure information
GovOwn	Government ownership	Government ownership to total owners' ratio	?	Ownership structure information
InstOwn	Institutional ownership	Institutional ownership to total owners' ratio	+	Ownership structure information
DirOwn	Director ownership	The percentage of shares outstanding held by the board of directors	-	Ownership structure information
Control variable				
FS	Firm size	Company size is measured by the natural logarithm of total assets	+	Annual report: Financial statements
FA	Firm age	Number of years since foundation	+	Annual report: Financial statements
Gearing	Gearing	Gearing measured by the ratio of total debt to equity	+	Annual report: Financial statements
Prof	Profitability	Return on equity = net profit/total shareholders' equity	+	Annual report: Financial statements
Liq	Liquidity	Measured as the ratio of a company's current assets to current liabilities	+	Annual report: Financial statements
List	Listing status	1 if the company is listed and 0 otherwise	+	General information
IndTyp	Industry type	1 = Financial (banks or insurance), 0 = Non-financial (manufacturing or service	+	General information
AudTyp	Auditor type	1 = a company audited by local auditor with international affiliation (Big Four), 0 = a company audited by local auditor without international affiliation	+	Auditor report
YD	Year	Dummies for each of the five years 2006 - 2010		Annual report

Variables are defined as follows: *Index* is the comprehensiveness of disclosure level (108 items); *BoardS* is the board size; *DualP* is the role duality of the CEO; *BoCo* is the board composition; *FreMee* is the frequency of meetings; *AuCo* is the auditor committee; *ForOwn* is foreign ownership; *InstOwn* is institutional ownership; *GovOwn* is government ownership; *DirOwn* is director ownership; *FS* is firm size; *FA* is firm age; *Gearing* is gearing; *Prof* is profitability; *Liq* is liquidity; *Lis* is listing status; *IndTyp* is industry type, *AudTyp* is auditor type and *YD* is the year.

5.5.2.6 The Sample of CARs of Libyan Companies

Secondary data is drawn from the annual reports of Libyan companies. Since this research aims to examine the association between corporate governance characteristics and ownership structure and the extent of disclosure in Libyan companies' annual reports, a disclosure index was developed to measure disclosure level. In order to provide a comprehensive overview of corporate reporting behaviour in the Libyan context, the annual reports of three sectors namely; banks, manufacturing and services were collected. The rationale behind this is that these are the dominant sectors "after the oil and gas sector" in the Libyan economy in terms of their contribution to the total gross domestic product. The oil and gas sector was excluded as most of the companies operating in this sector are either foreign companies or partners of foreign companies with more advanced accounting and reporting practices. The current study focuses on the big firms in the Libyan market based on number of employees (The Ministry of Commerce – Libya). According to the Libyan Ministry of Commerce and the State Audit Bureau, number of employees is the criterion for the classification for companies' size, and big companies are those with 500 employees and more. The reason behind choosing big companies in Libya is that these big companies provide complete annual reports CARs, whereas medium and small companies provide only financial statements. Because financial statements provide information solely about financial activities of a company, an annual report on the other hand contains much more than financial statements. As the current study aims to investigate the impact of corporate governance mechanisms and ownership structure on comprehensiveness of disclosure in the annual reports of Libyan firms, data regarding corporate governance and ownership variables is not available in the financial statements, which let the study to focus only on the annual reports (CARs) of the sampled big listed and non-listed companies. Therefore, all of the sampled listed and non-listed companies in the current study have 500 or more employees.

Annual reports for five years (2006-2010) were collected personally from the LSM, company websites, Audit Bureau, and Tax Authority. Out of 28 listed companies in the LSM, the annual reports of 22 companies were obtained, while the annual reports of 23 of the big non-listed companies were obtained based on the classification of the Audit Bureau and the Ministry of Commerce. A study sample was drawn from both listed (98 reports) and non-listed (95 reports) firms. The sample of non-listed firms was selected from data obtained from the Audit Bureau and the Ministry of Commerce based on number of employees. The period of 2006-2010 was selected due to the following reasons. Firstly, 2006 is chosen because it witnessed the emergence of the LSM. Secondly, 2010 is selected as it was the last year that annual reports were available at time of data collection, this was due to the Libyan uprising which started in 2011, making annual reports from 2011 onwards unavailable. A total of 211 annual reports were collected with 193 (65 financial and 128 non-financial) usable annual reports. The annual reports of listed firms were obtained easily from the LSM, while for the non-listed firms the researcher had to visit each firm personally to collect the annual reports of those firms and distribute two copies of the questionnaire personally. In addition, the listed firms were visited to check how similar their annual reports obtained from the LSM were to those at the firms' headquarters, and to hand out two copies of the questionnaire. This collection of the annual reports of Libyan firms took place between April and June 2014.

5.6 Statistical Tests and Analysis

This section aims to provide a brief outline of the statistical techniques that were employed to analyse the obtained data. The employed techniques are classified into two groups according to the used research instruments (questionnaire and content analysis). In reference to the study's objective, the questionnaire instrument was developed to achieve objectives 1, 2 and 3, while the disclosure index instrument was constructed for the objectives 4, 5, 6 and 7. Therefore, to achieve the first three objectives of this study, the next chapter (6) provides the descriptive and inferential analyses of the questionnaire survey and a discussion of the findings of the questionnaire. With regard to objectives 4, 5, 6 and 7, Chapter Seven provides the descriptive and statistical analyses for estimating the relationships among the study's variables.

5.6.1 Tests and Analyses of the Questionnaire

This section outlines the set of statistical analyses and tests that were used in analysing the questionnaire survey. There are two broad procedures for statistical tests, parametric and non-parametric. The choice between the two types relies on the data and the essential assumptions of the tests. According to Field (2013), there are four essential conditions determining the parametric notion, namely normality, homogeneity', interval and independent. For data to be parametric, it should be normally distributed; homogeneous not change systematically; based on an interval scale and independent if the data is from different subjects.

If any of these assumptions was not met, for whatever reason, a parametric test could not be employed, however, a non-parametric test can be used instead depending on the related study objective. However, Field (2013) argues that non-parametric tests are not as powerful as parametric tests and highlights the misleading results of using parametric tests with non-parametric data. As the response data of this study was not normal, a non-parametric analysis was employed comprehensively to achieve objectives 1 and 2 of the study. As an example, to analyse participants' responses across the user groups to evaluate the significance of differences in the sample means, the Kruskal-Wallis H test is the non-parametric version of the parametric one-way ANOVA test. The Kruskal-Wallis H test was employed with a conventional 5% confidence level. Any significant value for the Kruskal-Wallis H statistic indicates that there is a difference between at least one of the groups' means and at least one of the others.

5.6.2 Tests and Analyses of the Disclosure Content Analysis

There are a number of statistical techniques that could be employed to analyse data and test research hypotheses. Previous studies have used univariate and multivariate analysis techniques to examine the association between firm specific-characteristics (independent variables) and the level of disclosure (dependent variable) (e. g. Adelopo, 2011; Aljifri, 2008; Aljifri et al., 2014; Alsaeed, 2006; Cooke, 1989a; Hossain & Hammami, 2009; Hossain et al., 1994; Lopes & Rodrigues, 2007; Omar & Simon, 2011; Owusu-Ansah, 1998). In addition, recently, univariate and multivariate analysis techniques have been widely employed to test the proposed association between firms' corporate governance characteristics and ownership structure (explanatory variables) and corporate disclosure behaviour in annual reports (dependent variable) (Alhazaimeh et al., 2014; e. g. Elshandidy et al., 2013; Fathi, 2013; Gisbert & Navallas, 2013; Khiari, 2013; Ntim et al., 2013; Qu et al., 2013; Samaha et al., 2015; Wang & Hussainey, 2013).

In this study, univariate and multivariate statistical analysis techniques are used to investigate the association between corporate governance variables, ownership structure variables, firm characteristics and the level of disclosure in Libyan firms' annual reports. To achieve the third objective of the research, Chapter Seven provides a descriptive analysis of the results of the index over the five years. It starts by assessing the reliability and validity of the disclosure index, followed by analysing the comprehensive disclosure level then the categories of the disclosure index. Regarding the association between determinants of corporate disclosure and the extent of disclosure, an Ordinary Least Squares (OLS) regression analysis is considered as a common statistical technique used in the relevant disclosure literature (e. g. Beattie et al., 2004; Katmon & Farooque, 2015; Lang & Lundholm, 1993; Maffei et al., 2014; Ntim et al., 2012; Samaha et al., 2012; Sharma, 2014; Wang & Hussainey, 2013).

Univariate analysis: the univariate analysis was performed by using a T-test and Mann Whitney test for categorical independent variables and calculating Pearson and Spearman correlation coefficients for continuous independent variables.

Multivariate analysis: the multivariate analysis was employed using a multiple regression model. Similarly to the questionnaire analysis techniques, there are two types of tests that can be used, namely parametric and non-parametric. In order for a decision to be made regarding which type to use, some assumptions must be tested. These assumptions must be satisfied to use parametric techniques, otherwise non-parametric techniques are the alternative (Field, 2013). The regression assumptions that must be satisfied to justify employing the parametric tests are linearity; normality of the error distribution; homoscedasticity; and independence of error terms. In addition to this, there should be no perfect multicollinearity (Gujarati & Porter, 2009).

5.6.2.1 Regression Models

In the current study, a linear-multiple regression OLS was employed to examine the association between the independent variables of corporate governance attributes and ownership structure and the dependent variable of corporate disclosure in the Libyan context. The following model has been employed to investigate the relationship between corporate disclosure behaviour and each of corporate governance, ownership structure, and firm characteristics:

$$Comprehensiveness\ of\ disclosure = \beta 0 + \beta 1 BoardS + \beta 2 DualP + \beta 3 BoCo + \beta 4 FreMee + \beta 5 AuCo + \beta 6 ForOwn + \beta 7 InstOwn + \beta 8 GovOwn + \beta 9 DirOwn + \beta 10 FS + \beta 11 FA + \beta 12 Gearing + \beta 13 Prof + \beta 14 Liq + \beta 15 Lis + \beta 16 IndTyp + \beta 17 AudTyp + \beta 18 Year + e.$$

where,

Comprehensiveness of disclosure is the index score; β0 is the constant term; BoardS is the board size; DualP is the role duality; BoCo is the board composition; FreMee is the frequency of meetings; AuCo is the auditor committee; ForOwn is foreign ownership; InstOwn is institutional ownership; GovOwn is government ownership; DirOwn is director ownership; FS is firm size; FA is firm age; Prof is profitability; Liq is liquidity; Lis is listing status; IndTyp is industry type; AudTyp is auditor type, YD is the year and e is the error term.

5.6.2.2 Additional Analyses

A number of additional analyses were conducted to check the sensitivity of the data and the robustness of the results. Firstly, two-stage least squares (2SLS) was employed to check for any potential endogeneity. In addition, two regression models were employed by splitting the sample into listed and non-listed companies. Finally, to detect the presence of non-linear relationships between the explanatory variables and the extent of corporate disclosure, this study re-estimated the scored disclosure level by including the squared values of *BoardS2*, *ForOwn2*, *GovOwn2*, *InstOwn2* and *DirOwn2*.

5.7 Conclusion

This chapter has discussed the methodology adopted and research methods used to achieve the research objectives and answer the research questions of this study. It has discussed the research approach adopted and the methods applied to carry out the empirical part of this study, also, data collection procedures were explained in detail. The construction of the research instrument, the questionnaire survey and the disclosure index were also discussed. This study is carried out based on a positivistic philosophy adopting a deductive paradigm in which the researcher went through five sequential stages, starting by deducing hypotheses from theories; articulating the hypotheses in operational and measurable terms; testing the hypotheses; investigating the specific outcomes and results (conform or reject the theory); and finally justifiable modification of the theory if necessary. The main aim of this study is to explore both; (1) the perceptions regarding and (2) the nature and determinants of corporate disclosure behaviour in the annual reports of listed and non-listed firms in Libya where there is a lack of such prior disclosure studies.

To cope with the aim of the study, the deductive approach is adopted starting with developing hypotheses based on a multi-theoretical framework, as indicated in Chapter Three. Therefore, the study is classified as a quantitative study using a questionnaire survey and a self-constructed disclosure index (un-weighted & weighted).

Chapter 6

The Perceptions of Preparers and Users of the Usefulness of CARs in Libya

6.1 Introduction

One of the key objectives of this study is to explore empirically users' and preparers' views regarding the usefulness of the corporate information provided in the CARs of Libyan companies for the purpose of decision-making. This investigation is conducted in light of the recent transformation of the Libyan economy from a socialist economy to a market oriented economy, the emergence of the LSM, and more recently, the political changes that took place in 2011. In order to achieve this objective, a questionnaire survey was conducted and personally distributed to a sample of 311 respondents including seven groups of users of CARs as well as a group of preparers as discussed in the previous chapter (Five). This chapter starts by presenting the results of the initial analysis of the questionnaire responses, including the response rate for both the overall sample and each group of the respondents. A more detailed analysis of the collected data is undertaken, discussed, and reported later in this chapter. For the purposes of this analysis, the present chapter includes the descriptive and inferential analyses and the findings related to the questionnaire. In addition, this chapter aims to investigate whether there are any significant differences between the respondent groups regarding their perceptions of the usefulness of the information provided in the CARs of Libyan companies.

The data presented in the current chapter is based on a questionnaire survey, which again reflects the decision-usefulness perspective of the first part of this study, which was sent to eight key groups: individual investors; institutional investors; financial analysts; senior bankers; legal accountants and auditors; academics; tax officers and accountants. This chapter provides a full descriptive analysis of the data and examines differences in the perceptions of the respondent groups about corporate disclosure practices in Libyan firms' annual reports. The descriptive statistics depend mainly on percentages, means, and standard deviation, while the inferential analysis is presented using non-parametric tests such as the Kruskal-Wallis H Test and the Mann-Whitney U Test. The reasons behind using non-parametric statistics, and these tests in particular, were presented in the previous chapter. These statistical tests were utilised to test for any significant differences between the groups of the overall sample and between preparers and users. Furthermore, the results of the present study are discussed with the results of related parts of similar studies carried out previously.

The remainder of this chapter is organised as follows. Section 6.2 describes the various respondent groups in terms of their general and demographic information, section 6.3 is devoted to an investigation of the importance of sources of corporate information and sections of CARs in Libya, section 6.4 presents the findings on the use and usefulness of the information provided in CARs. The following section 6.5 presents the results of the qualitative characteristics of accounting information from the respondents' perceptions, while section 6.6 examines the sufficiency of the information presented in the annual reports of Libyan firms. Section 6.7 presents the results and discussion of the key empirical findings of the descriptive and inferential analyses of the respondents' perceptions regarding the usefulness of information provided in the CARs of Libyan firms, and finally, section 6.8 provides a summary of the chapter.

6.2 The Profile of Respondents

In part 1 of the questionnaire, questions 1.1–1.7, respondents were asked to answer questions designed to elicit general and demographic information. Questions in part 1 of the questionnaire aimed to collect information about respondents regarding their category (preparer or user), role, use of CARs, experience, qualification, gender and age.

According to their main role, respondents were collected into eight groups, namely: individual investors, institutional investors, financial analysts, senior bankers, legal accountants and auditors, academics, tax officers and preparers (financial directors & accountants). Table 6-1 provides a summary of the responses to part 1 of the questionnaire.

Table 6-1 The profile of respondents

	Respondent groups								Whole sample
	Ind	Inst	FA	SB	Laa	Aca	TO	Acc	
Sample size									
Distributed	30	35	30	30	32	29	30	95	311
Returned	13	18	15	14	21	18	18	48	165
Percentage	43.3	51.4	50	46.7	65.6	62	60	50.5	58.8
Percentage of total	7.9	10.9	9.1	8.5	12.7	10.9	10.9	29.1	100
Experience (years) %									
Less than 1	7.7	5.6	6.7	0	0	0	0	4.2	3.0
1-5	7.7	11.1	0	7.1	4.8	11.1	11.1	8.3	7.9
5-10	23.1	16.7	13.3	7.1	4.8	5.6	11.1	10.4	10.9
10-15	15.4	16.7	20.0	28.6	23.8	11.1	11.1	22.9	19.4
15-20	7.7	27.8	46.7	28.6	38.1	55.6	44.4	22.9	32.7
20-25	30.8	16.7	6.7	14.3	23.8	11.1	16.7	25.0	19.4
Over 25	7.7	5.6	6.7	14.3	4.8	5.6	5.6	6.3	6.7
Qualifications %									
Secondary school	46.2	0	0	0	0	0	0	2.1	4.2
Bachelor	30.8	33.3	33.3	14.3	23.8	11.1	50.0	31.3	29.1
Diploma	15.4	27.8	0	7.1	4.8	11.1	5.6	10.4	10.3
MSc	0	33.3	53.3	28.6	42.9	33.3	27.8	37.5	33.9
PhD	7.7	5.6	13.3	50.0	28.6	44.4	16.7	18.8	22.4
Country of study									
USA	7.7	0	13.3	7.1	4.8	11.1	0	4.2	5.5
UK	15.4	5.6	6.7	21.4	9.5	22.2	0	12.5	11.5
Libya	76.9	77.8	53.3	42.9	38.1	27.8	72.2	52.1	53.9
Arab countries	0	0	6.7	7.1	14.3	16.7	16.7	10.4	9.7
Others	0	16.8	20.0	21.4	33.3	22.2	11.1	20.8	19.4
Subject %									
Accounting & finance	15.4	77.8	66.7	85.7	85.7	77.8	66.7	87.5	75.2
Economics	15.4	5.6	13.3	0	9.5	11.1	16.7	4.2	8.5
Business	7.7	16.7	20.0	7.1	4.8	11.1	16.7	6.3	10.3
Others	61.5	0	0	7.1	0	0	0	2.1	6.1
Professional qualification									
None	9	13	13	10	19	13	13	28	118
ACCA	0	2	1	0	0	1	0	9	13
Other	4	3	1	4	2	4	5	11	34
Gender %									
Male	92.3	77.8	80.0	78.6	90.5	77.8	72.2	77.1	80.0
Female	7.7	22.2	20.0	21.4	9.5	22.2	27.8	22.9	20.0
Age % (years)									
Under 25	0	0	0	0	0	0	0	0	0
25 to 30	0	0	0	7.1	4.8	5.6	5.6	6.3	4.2
30 to 35	15.4	16.7	20.0	7.1	14.3	22.2	38.9	12.5	17.6
35 to 40	15.4	33.3	20.0	21.4	42.9	11.1	22.2	27.1	25.5
40 to 45	30.8	38.9	40.0	35.7	33.3	44.4	27.8	33.3	35.2
45 to 50	30.8	11.1	20.0	28.6	4.8	16.7	5.6	20.8	17.0
Over 50	7.7	0	0	0	0	0	0	0	0.6

Ind = individual investors; Inst = institutional investors; FA = financial analysts; SB = senior bankers; Laa = legal accountants & auditors; Aca = academics; TO = tax officers; Acc = accountants

6.2.1 The Response Rate

Table 6-1 shows the number of usable questionnaires for each group of the respondents representing a response rate of 58.8% based on the 311 questionnaires distributed. As can be seen from the table above, of the 165 usable questionnaires, 13 respondents (7.9%) were individual investors, 18 respondents (10.9%) were institutional investors, 15 respondents (9.1%) were financial analysts, 14 respondents (8.5%) were senior bankers, 21 respondents (12.7%) were legal accountants and auditors, 18 respondents (10.9%) were academics and researchers and 18 respondents (10.9%) were tax officers, while 48 respondents were preparers represented by financial directors and accountants who are in charge of preparing annual reports of Libyan firms (29.1%).

6.2.2 Experience

According to their years of experience, respondents were grouped into seven groups: “less than 1 year”, “from 1 to 5 years”, “from 5 to 10 years”, “from 10 to 15 years”, “from 15 to 20 years”, “from 20 to 25 years”, and “over 25 years”. Table 6-1 shows that nearly a third of the respondents (33%) had over 15 years of experience; 19.4% had between 20 and 25 years of experience; 19.4% had between 10 and 15 years of experience; 10.9% had between 5 and 10 years of experience; 7.9% had between 1 and 5 years of experience; 6.7% had more than 25 years of experience; and 3% of the respondents had less than one year of experience.

6.2.3 Qualifications

In accordance with the highest level of education, Table 6-1 illustrates that the respondents as a whole are perceived to be well educated, with 33.9% holding a Master’s degree, while respondents were nearly equally distributed between two of the educational categories “Bachelor degree” 29.1% and “Doctorate degree” 22%, and 10.3% of the respondents holding Diploma. Only 4.2% of the respondents held only secondary school qualifications.

Regarding the respondents’ place of study, Table 6-1 shows the distribution of respondents according to their place of study. As shown in the table above, the vast majority of the respondents obtained their highest qualification in Libya with an average of nearly 54%, while 9.7% of respondents were educated in Arab countries such as Egypt, Jordon and Syria. As can be seen also from the table, other countries such as Indonesia, Malaysia, Serbia, Australia and Turkey were the places where 19.4% of respondents studied their highest qualifications. In addition, 11.5% of the respondents received their highest qualification in the UK, while 5.5% were educated in the USA. With regard to the respondents' subject of qualification, as can be seen from the Table 6-1, three quarters of the respondents (75.2%) had their qualifications in accounting and finance, while business and economics came next scoring 10.3% and 8.5% respectively. The rest of the respondents (6.1%) had their qualifications in other subjects. With regard to professional qualifications, out of 48 respondents representing the preparers group in Libya, only 9 accountants had ACCA (Association of Chartered Certified Accountants) and 11 accountants had another professional qualification. This result indicates that there is a lack of professionally recognised qualified accountants in Libya.

6.2.4 Gender and Age

With regard to gender and according to Table 6-1, the vast majority of the respondents were male representing 80% of the respondents, with only 20% of the respondents being female. With regard to age, respondents were asked to place themselves in one of seven groups. The results reported in Table 6-1 show that the majority of respondents (35.2%) were between 40 and 45 years old, with 25.5 % aged between 35 and 40 years old and 17.6 % aged between 30 and 35 years old. Only 17% of the respondents were aged between 45 and 50 years old, while 4.2% of the respondents were aged between 25 and 30 years old and 0.6% over 50 years, with no respondents aged under 25 years old.

6.3 Validity and Reliability of the Questionnaire

Validity is concerned with the ability of a measurement instrument to measure what it is intended to measure (Sekaran, 2003). Therefore, the validity of the questionnaire survey in the current study was achieved via stages that were followed to enable the preparation of valid and reliable questions for the questionnaire (see sections 5.5.1.1 & 5.5.1.2). In addition, with regard to the reliability of the questionnaire survey, Cronbach's Alpha is considered as the most commonly used test to assess internal consistency (Bryman & Bell, 2003). The value of the Cronbach's Alpha "internal consistency" ranges between one and zero; the higher the Cronbach's alpha is, the more reliable the measure. The literature suggests that 0.70 is an acceptable level (Bryman & Bell, 2003, 2011; Rosenthal & Rosnow, 1991).

The Cronbach's Alpha "internal consistency" was tested for each question group of the questionnaire. Table 6-2 below shows the results of measuring the reliability of the questionnaire instrument. The table illustrates that the Cronbach's Alpha ranged between 0.708 for the scale used to capture the need for additional information in CARs, to 0.854 for the qualitative characteristics of accounting information. These results indicate an acceptable degree of reliability for the questionnaire instrument.

Table 6-2 Summary of Cronbach's Alpha test for the questionnaire

Q: No	Construct	Number of items	Cronbach's Alpha
Q: 2.1	Sources of corporate information	8	0.737
Q: 2.2	Importance of sections of CARs	7	0.742
Q: 3.2	Reading of sections of CARs	7	0.744
Q: 3.3	Understandability of sections of CARs	8	0.749
Q: 3.4	Usefulness of information in CARs	8	0.790
Q: 3.5	Issues influencing the use of CARs	7	0.798
Q: 4.1	Qualitative characteristics of accounting information	6	0.854
Q: 5.2	Factors influencing corporate reporting practices	9	0.833
Q: 5.3	Obstacles restricting the disclosure level in CARs	5	0.720
Q: 5.4	Additional information in CARs	9	0.708

6.4 The Importance of Sources of Corporate Information and Sections of CARs

6.4.1 The Primary Sources of Corporate Information

As one of the main objectives of this research is to identify the level of importance of different sources of corporate information, this research study attempts to identify the status of CARs among other available sources in the Libyan context. Prior research studies reported that users of information utilize different sources of information to assist them in their decision-making. In order to achieve the objective above, in question 2.1 the respondents were asked to rank their perceptions regarding the importance of each of eight sources of corporate information using a seven-point Likert scale "1 not important at all; 2 not important; 3 slightly not important; 4 neutral; 5 slightly important; 6 important; 7 extremely important". The corporate information sources presented to the respondents were; CARs; interim reports; advice of stockbrokers; financial newspapers or magazines; government publications and statistics; direct contact with the company's management; market rumours; and internet.

This section is divided into two parts. The first part is a descriptive attempt to identify the status of CARs among other available sources of information. In order to answer the question; ‘Where do CARs stand in relation to other sources of financial information?’, a descriptive analysis using mean and standard deviation was used to identify the rank of importance for each source of corporate information for the whole sample of the study (see Table 6-3). The second part is an inferential analysis which aims to detect any significant differences between respondent groups regarding their perceptions towards sources of information by applying the Kruskal-Wallis Test and Mann-Whitney U test depending on the number of independent groups that are under comparison. In order to test for any significant difference between respondent groups, the following null and sub-hypotheses were formulated to underpin the analysis of the importance of sources of corporate information:

H_{q1}: There are no significant differences among the respondent groups regarding their perceptions of the importance they attach to sources of corporate information.

$H_{q1.1}$: There are no significant differences between the user groups as whole and the preparers regarding their perceptions of the importance they attach to sources of corporate information.

6.4.1.1 Descriptive Analysis

Table 6-3 below reports the results for the above question for the overall sample using the percentage, the mean rank and the standard deviation. An inspection of Table 6-3 shows that according to the mean score and the standard deviation of each source, CARs was ranked as the most important source of corporate information with a total mean score of 5.98 and standard deviation of 1.09. The second most important source of information was “Interim reports” scoring a mean of 5.53 with a standard deviation of 1.06. The reason behind this importance may be that the interim reports are perceived as part of the CARs that are produced periodically every four months.

Table 6-3 Descriptive statistics of the importance of sources of corporate information for the overall sample

Group of respondent		Sources of information							
		CARs	IR	AdS	FNM	GPS	DCM	MR	Int
Individual investors	Mean	**5.53**	5.07	4.61	4.46	3.84	4.92	4.23	4.76
	Median	6.000	5.000	4.000	5.000	4.000	5.000	4.000	5.000
	Ranking	**1**	2	5	6	8	3	7	4
	Std. Deviation	0.877	0.954	1.120	0.967	0.800	0.759	1.165	1.165
Institutional investors	Mean	**5.50**	5.27	5.16	4.77	4.38	4.77	4.11	4.88
	Median	6.000	5.500	5.000	5.000	5.000	5.000	4.000	5.000
	Ranking	**1**	2	3	5	7	6	8	4
	Std. Deviation	0.707	0.894	1.150	0.878	1.036	0.942	0.963	0.963
Financial analysts	Mean	**6.00**	5.33	4.26	4.60	3.86	4.66	4.20	5.13
	Median	6.000	5.000	4.000	5.000	4.000	5.000	4.000	6.000
	Ranking	**1**	2	6	5	8	4	7	3
	Std. Deviation	0.925	0.617	0.703	1.055	0.915	0.975	0.941	1.245
Senior bankers	Mean	**6.14**	5.57	4.35	4.71	4.14	4.50	4.64	4.71
	Median	6.000	6.000	4.000	5.000	4.000	4.500	5.000	5.000
	Ranking	**1**	2	7	3	8	6	5	4
	Std. Deviation	0.864	0.851	0.841	0.994	0.864	0.759	1.081	1.138
Legal accountants & auditors	Mean	**6.19**	5.66	4.95	4.76	4.42	4.61	4.33	4.57
	Median	6.000	6.000	5.000	5.000	4.000	5.000	4.000	4.000
	Ranking	**1**	2	3	4	7	5	8	6
	Std. Deviation	0.749	0.795	0.864	0.995	0.810	1.203	1.110	1.028
Academics	Mean	**6.55**	6.05	5.72	5.55	5.05	4.66	4.66	4.83
	Median	7.000	6.000	5.500	6.000	5.000	5.000	5.000	4.500
	Ranking	**1**	2	3	4	5	7	8	6
	Std. Deviation	0.783	1.109	0.826	0.983	0.639	0.970	1.028	1.150
Tax officers	Mean	**6.16**	5.88	4.88	5.16	4.77	4.83	4.38	4.88
	Median	6.000	6.000	5.000	5.000	5.000	5.000	5.000	5.000
	Ranking	**1**	2	5	3	7	6	8	4
	Std. Deviation	0.923	0.963	1.182	0.985	0.878	0.923	0.849	1.078
Overall user groups	Mean	**6.03**	5.58	4.89	4.88	4.40	4.70	4.36	4.82
	Median	6.000	6.000	5.000	5.000	4.000	5.000	5.000	5.000
	Ranking	**1**	2	3	4	7	6	8	5
	Std. Deviation	0.880	0.930	1.053	1.015	0.929	0.947	1.013	1.087
Accountants (preparers)	Mean	**5.85**	5.41	4.83	5.00	4.54	4.64	4.37	4.58
	Median	6.000	6.000	5.000	5.000	4.000	5.000	4.500	5.000
	Ranking	**1**	2	4	3	7	5	8	6
	Std. Deviation	1.501	1.334	0.907	1.051	0.874	1.211	1.160	1.182
Total	Mean	**5.98**	5.53	4.87	4.92	4.44	4.69	4.36	4.75
	Median	6.000	6.000	5.000	5.000	4.000	5.000	5.000	5.000
	Ranking	**1**	2	4	3	7	6	8	5
	Std. Deviation	1.095	1.062	1.010	1.024	0.912	1.027	1.054	1.117

CARs = Corporate annual reports; IR = Interim reports; AdS = Advice of stockbrokers; FNM = Financial newspapers or magazines; GPS = Government publications & statistics; DCM = Direct contact with the company's management; MR = Market rumours; Int = Internet.

The next sources were "financial newspapers or magazines" and "advice of stockbrokers" as they received a mean of 4.92 with a standard deviation of 1.02 and a mean score of 4.87 with a standard deviation of 1.01 respectively. With regard to the rank of the importance of financial newspapers and magazines as a source of corporate information, in Libya, in contrast with ten years ago, the Libyan economy became open for foreign investments with the emergence of a number of newspapers and magazines such as the one issued by the LSM (namely *Almoasher*).

The fifth most important source of corporate information was “internet” with a mean score of 4.75 and standard deviation of 1.11. This may be because of the weak technology and internet in Libya as a developing country which influenced users’ reliance on internet as a source of corporate information. The next source was “direct contact with the company’s management”, which received a mean of 4.69 with a standard deviation of 1.02. This result is expected due to the nature of the Libyan environment and culture where personal relations are a significant factor.

The last two sources of corporate information were “government publications and statistics” and “market rumours”. “Government publications and statistics” was ranked as the seventh most important source, receiving a mean of 4.44 and standard deviation of 0.91. In Libya, this source is important since the Libyan government showed its intention and desire to transfer the economy from a socialist economy to market oriented economy. Although the Libyan community is a collective society and depends greatly on personal relations, which may prevent users from having an equal chance to access the information about a company, a variety of initiatives have been put in place by the Libyan authorities such as the release of the government plans for expansion and development through periodic publications and statistics. Repeatedly, this result is expected due to the fact that although the Libyan government at that time was in the process of liberalising the economy, the media was still controlled by the state with a lack of specialised business magazines and newspapers. In this study, respondents ranked “market rumours” as the least important source of information receiving a mean of 4.36, with a standard deviation of 1.05.

As can be seen from Table 6-3, similarly, the user groups as a whole perceive CARs as the most important source of information with a mean score of 6.03. The seven user groups gave the highest mean score to this source of information. Table 6-3 also illustrates that the highest mean score for CARs was obtained by academics (6.55), who are more aware of the importance of CARs as a source of information based on their qualifications and knowledge of corporate reporting. The following highest means scores for the annual report were from legal accountants and auditors and tax officers (6.19 and 6.16

respectively). This evidence is consistent with the assumption that accountants, auditors, tax officers and any other groups associated with the preparation of CARs consider the annual report as the most important source of information.

Consistent with the overall findings for all respondents, all ranks of the sources of information were largely in the same order except for “advice of stockbrokers” and “financial newspapers or magazines”, where “advice of stockbrokers” was ranked as the third most important source of information by users while it was the fourth for the overall respondents by preparers.

Although the findings of this study come in line consistently with a number of previous studies in developed countries such as Anderson (1981) and Epstein and Pava (1993), and developing countries such as Alrazeen (1999); Almahmoud (2000); Kamal et al. (2003); Mirshekary and Saudagaran (2005); and Kribat et al. (2013) who reported CARs as the most important source of information, the results of this study are not in line with the findings of other previous studies who found that CARs were less important than other sources (Anderson & Epstein, 1995; Courtis, 1982; Lee & Tweedie, 1975; Mohd. Ghazali, 2010).

A firm can communicate with its stakeholders in a number of ways such as communicating through CARs, newspapers, websites and other agencies (Qu et al., 2013; Wen & Philomena, 2006). In this regard, in this study preparers were involved to determine their perceptions regarding corporate reporting practices in Libya as an attempt to fill the communication gap between preparers and users in the Libyan context (Anura De & Kathy, 2010; Ho & Kar Shun, 2001; Ho & Wong, 2003). As part of the respondents’ groups, preparers were represented by financial directors and accountants and were asked to rank the perceived importance of the eight sources of corporate information.

As can be seen from Table 6-3, the preparers group as a whole perceive “CARs” as the primary source of information with a mean score of 5.85 followed by “interim reports” receiving a mean score of 5.41. Inconsistent with the user groups, “financial newspapers or magazines” were considered as the third most important source with a mean score of 5.00. Also, inconsistent with the user groups, the preparers’ group ranked the advice of stockbrokers as the fourth most important source of information with a mean of 4.83. The next two sources were “direct contact with the company’s management” and “internet” as they received means of 4.64 and 4.58 respectively. The seventh most important source of information was “government publications and statistics” with a mean of 4.54. The least important source of information from the perceptions of the preparers’ group was “market rumours” receiving the lowest mean of 4.37.

In addition, although a chance was given to respondents to identify and rank any other sources of information that can be used as source of corporate information from their perspective and that had specifically not been mentioned in the question, unfortunately very limited sources were identified with no rank given regarding the level of importance for example friends and relatives, the LSM and Privatisation and Investment Board PIB in Libya. In the light of the above results, the answer to the question, ‘How do the CARs stand in relation to other sources of financial information?’, is that the CARs were ranked as the most important among the various sources of corporate information. These results indicate that respondents’ groups rely mainly on CARs of Libyan companies to make their investment decisions or recommendations. The reason behind this could be that CARs in the Libyan context provide useful information that is not available in other sources of corporate information, or because of the limit of other sources of financial information in the Libyan market.

6.4.1.2 Inferential Analysis

6.4.1.2.1 Overall Respondent Groups

In order to test the hypothesis H_{q1}, the Kruskal-Wallis Test was run to detect for any significant differences among the respondents groups regarding their perceptions of the importance of the various sources of corporate information. Table 6-4 below shows that there are statistically significant differences in perceptions and attitudes regarding four sources, namely; “CARs”, “interim reports”, “advice of stockbrokers” and “Government publications and statistics” as the probability values of these sources were significant ($p < 0.05$) (0.006, 0.028, 0.001 and 0.002 respectively). On the other hand, there were no statistically significant differences in the perceptions of respondent groups for the other four sources; “financial newspapers or magazines”, “direct contact with the company’s management”, “market rumours” and “internet”, which had probability values of 0.099, 0.955, 0.709 and 0.749 respectively (> 0.50).

Table 6-4 Kruskal-Wallis test results for differences among the overall sample regarding the importance of sources of financial information

	Test Statistics[a,b]							
	CAR	IR	AdS	FNM	GPS	DCM	MR	Int
Chi-Square	19.868	15.749	24.872	12.044	22.848	2.084	4.596	4.265
df	7	7	7	7	7	7	7	7
Asymp. Sig.	.006	.028	.001	.099	.002	.955	.709	.749
∞ = 0.05	S	S	S	NS	S	NS	NS	NS

S = Significant / NS = Not Significant

a. Kruskal Wallis Test

b. Grouping Variable: Role of respondent

CAR = Corporate annual report; IR = Interim reports; AdS = Advice of stockbrokers; FNM = Financial newspapers or magazines; GPS = Government publications & statistics; DCM = Direct contact with the company's management; MR = Market rumours; Int = Internet.

The above results in Table 6-4 indicate that there are significant differences in perceptions of four sources and conversely for the other four sources. Correspondingly, it is possible to accept and reject the null hypothesis H_{q1} at the same time depending on the source in question. Generally speaking, the null hypothesis H_{q1} is rejected *"There are no significant differences among the respondents groups regarding their perceptions of the importance they attach to sources of financial information"*.

6.4.1.2.2 The Level of Consensus between Users and Preparers

The Mann-Whitney test as the non-parametric alternative to the independent samples T-test was employed to test for any significant differences between the users and preparers regarding their perceptions of the importance of the eight sources of information. Table 6-5 below reports the results of this test. It illustrates that for "CARs" there is no statistically significant difference between the users and preparers. Also, the table reports that there are no significant differences for any of the other seven sources of information as all probability values are non-significant (>0.05).

In light of the above obtained results from the Mann-Whitney test, no significant differences were reported between the users and preparers of CARs about their perceptions regarding the sources of information. Therefore, the hypothesis $H_{q1.1}$ *"There are no significant differences among the preparers groups regarding their perceptions of the importance they attach to sources of corporate information"* could not be rejected.

Table 6-5 Mann-Whitney U test results for differences between the user groups and preparers regarding importance of sources of financial information

	Test Statistics[a]							
	CAR	IR	AdS	FNM	GPS	DCM	MR	Int
Mann-Whitney U	2685.5	2774.5	2749.5	2606.0	2643.0	2749.5	2711.5	2505.5
Wilcoxon W	9588.5	3950.5	3925.5	9509.0	9546.0	9652.5	9614.5	3681.5
Z	-.467	-.127	-.221	-.756	-.624	-.221	-.362	-1.123
Asymp. Sig. (2-tailed)	.640	.899	.825	.450	.533	.825	.717	.261
∞ = 0.05	NS	NS	NS	NS	NS	NS	NS	NS

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User
CAR = Corporate annual report; IR = Interim reports; AdS = Advice of stockbrokers; FNM = Financial newspapers or magazines; GPS = Government publications & statistics; DCM = Direct contact with the company's management; MR = Market rumours; Int = Internet.

6.4.2 The Importance of Sections of CARs

In order to answer the question: 'What is the most important section of the CARs of Libyan firms for the respondents?', in question 2.2 of the questionnaire, the respondents were asked to rank the importance of seven sections of the annual report. A seven-point Likert scale was used, ranging from "1" meaning not important at all to "7" meaning extremely important. In addition, to address if there were any significant differences between the perceptions of the respondent groups regarding the importance of the sections of CARs, the following hypotheses were tested:

H_{q2}: *There are no significant differences among the respondent groups regarding the importance they attach to sections of CARs.*

$H_{q2.1}$: *There are no significant differences between the user groups as a whole and the preparers regarding the importance they attach to sections of CARs.*

6.4.2.1 Descriptive Analysis

This section aims to identify the level of importance for each section of CARs from the perceptions of the overall respondent groups. The results illustrated in Table 6-6 using the mean and standard deviations are used to show how the answers are scattered around the mean. Table 6-6 shows the mean and the standard deviation for each section of CARs. As can be seen from the mean score of each section in Table 6-6, respondents ranked the "balance sheet" as the most important section, receiving a mean score of 6.10 with the lowest standard deviation of 0.680 providing evidence of the high level of agreement regarding the importance of this section.

Table 6-6 Descriptive statistics of the importance of sections of CARs for the overall sample

Group of respondent		sections of annual reports						
		IS	BS	CFS	SCE	DR	AR	NA
Individual investor	Mean	**5.6923**	5.4923	5.1538	4.3923	4.6923	5.3077	2.6154
	Median	6.0000	6.0000	5.0000	5.0000	5.0000	6.0000	3.0000
	Ranking	**1**	2	4	6	5	3	7
	Std. Deviation	0.6304	0.9303	1.3445	1.0415	1.0315	1.1821	.86972
Institutional investor	Mean	5.3333	**5.5556**	5.5556	4.6111	4.2778	5.0556	3.0000
	Median	6.0000	6.0000	6.0000	5.0000	4.0000	6.0000	3.0000
	Ranking	3	**1**	2	5	6	4	7
	Std. Deviation	0.8401	0.7038	0.7847	0.9164	0.8947	1.2589	1.0289
Financial analysts	Mean	**6.2000**	5.9333	5.3333	4.6000	4.9333	5.2667	2.8000
	Median	6.0000	6.0000	5.0000	4.0000	5.0000	6.0000	3.0000
	Ranking	**1**	2	3	6	5	4	7
	Std. Deviation	0.4140	0.5936	0.8997	1.1832	0.5936	1.3870	.77460
Senior banker	Mean	6.0714	**6.1429**	5.5714	5.3571	4.8571	5.5714	4.1429
	Median	6.0000	6.0000	5.5000	5.5000	5.0000	5.5000	4.0000
	Ranking	2	**1**	3	5	6	4	7
	Std. Deviation	0.4746	0.3631	0.6462	0.7449	1.0994	1.0163	1.0271
Legal accountant & auditor	Mean	**6.0952**	6.0952	5.4286	5.3810	5.6190	5.7619	4.0952
	Median	6.0000	6.0000	5.0000	5.0000	6.0000	6.0000	4.0000
	Ranking	**1**	2	5	6	3	4	7
	Std. Deviation	0.5389	0.6248	0.7464	0.8047	0.6690	1.2611	1.3749
Academic (researcher)	Mean	6.0556	**6.1667**	5.4444	5.7222	5.2222	5.5000	4.1111
	Median	6.0000	6.0000	5.0000	6.0000	5.0000	5.5000	4.0000
	Ranking	2	**1**	5	3	6	4	7
	Std. Deviation	0.5393	0.5145	0.7047	0.5745	0.9428	0.8574	1.1318
Tax officer	Mean	6.1111	**6.1667**	4.9444	5.4444	5.0556	5.5000	4.2222
	Median	6.0000	6.0000	5.0000	6.0000	5.0000	6.0000	4.0000
	Ranking	2	**1**	6	4	5	3	7
	Std. Deviation	0.5829	0.7859	0.6391	0.9835	0.8726	1.3826	0.8782
Total (user groups)	Mean	5.9402	**5.9744**	5.3504	5.1453	4.9829	5.4359	3.6239
	Median	6.0000	6.0000	5.0000	5.0000	5.0000	6.0000	4.0000
	Ranking	2	**1**	4	5	6	3	7
	Std. Deviation	0.6471	0.6625	0.8233	0.9761	0.9467	1.1990	1.2157
Accountant	Mean	6.3750	**6.4375**	5.4583	5.6042	5.5000	5.8542	4.7708
	Median	6.0000	6.5000	5.0000	6.0000	6.0000	6.0000	5.0000
	Ranking	2	**1**	6	4	5	3	7
	Std. Deviation	0.6724	0.6156	0.8240	0.9618	1.0314	0.9450	1.1893
Total	Mean	6.0667	**6.1091**	5.3818	5.2788	5.1333	5.5576	3.9576
	Median	6.0000	6.0000	5.0000	5.0000	5.0000	6.0000	4.0000
	Ranking	2	**1**	4	5	6	3	7
	Std. Deviation	0.6819	0.6809	0.8224	0.9913	0.9971	1.1441	1.3129

IS = income statement; BS = balance sheet: CFS = cash flow statement: SCE = statement of changes in equity: DR = directors' report: AR = auditors' report: NA = notes to the accounts (disclosure notes).

Moreover, the second most important section ranked by respondents was "income statement" with a mean score of 6.06, while the third important section was "auditor's report" scoring a mean of 5.55. It is worth noting that none of the respondents ranked these first three important sections as not important at all or not important. Relating to the task of this section, respondents ranked "cash flow statement" and "statement of changes in equity" as the fourth and fifth most important with a mean score of 5.38 and 5.27 respectively.

Although none of the respondents ranked "directors' report" as not important at all, or even not important, it was ranked as the sixth most important section of CARs with a mean score of 5.13. This may be related to the fact that although it may consist of non-financial information about the year and about the future in general, in Libya as a developing country, such reports only intend to provide a summary of the company's achievements during the last period and do not provide as much indication about the future as those of developed countries. The last section ranked by the respondents was "notes to the accounts" with the lowest mean score of 3.95.

The table above indicates a surprising difference associated with preparers' perceptions regarding the importance of three sections of CARs namely "statement of changes in equity", "directors' report" and "cash flow statement". The preparers considered the "statement of changes in equity" as the fourth most important section, while it is considered as the fifth from the perception of the user groups in general.

Generally speaking, the results reported above in Table 6-6 are not surprising, as the first two most important sections "balance sheet" and "income statement" are broadly considered as being the foundation of CARs, particularly in developing countries such as Libya where the regulatory framework for financial reporting is not as advanced as in other countries. Furthermore, according to the ASB (1999), financial statements are considered the primary means of communicating accounting information about a firm to stakeholders. For instance, the income statement was ranked the most important section of CARs, and can provide users with information regarding financial performance during a given year that can be used to assess the implications for future decisions. With regard to the second most important section "balance sheet", this provides users with information that enables them to evaluate the financial position of an entity. For instance, users of balance sheets are interested in information relevant to types, amounts and depreciation of assets. This may be because of the fact that income statements and balance sheets are very popular in the Libyan market and the users have more experience regarding these statements.

6.4.2.2 Inferential Analysis

6.4.2.2.1 Overall Respondent Groups

This section aims to answer the following question: Are there any significant differences among respondents' choices of answers on perceptions of the importance of sections of CARs?. The above question can be answered by testing the following hypothesis:

H_{q2}: There are no significant differences among the respondent groups regarding their perceptions of the importance they attach to sections of CARs.

The Kruskal-Wallis test has been used to assess if any one choice of answer was favoured significantly more than others. Table 6-7 below illustrates the results of this test. As the probability values of five sections out of seven (income statement, balance sheet, statement of changes in equity, directors' report and notes to accounts) are significant (< 0.05), it is possible to state that respondents' perceptions were not "equally distributed" among the choices of answers of perceptions of the importance of each section of CARs. As a result, the answer to the question stated earlier is that there are significant differences in respondents' choices of answers on the perceptions of the importance of various sections of CARs. Consequently, according to the above results, the hypothesis H_{q2}: *"There are no significant differences among the respondent groups regarding the importance they attach to sections of CARs"*; would be rejected.

Table 6-7 Kruskal-Wallis test for the differences among the overall sample regarding the importance of sections of CARs

Test Statistics[a,b]	IS	BS	CFS	SCE	DR	AR	NA
Chi-Square	30.399	31.288	8.508	27.858	29.204	7.515	56.086
df	7	7	7	7	7	7	7
Asymp. Sig.	.000	.000	.290	.000	.000	.377	.000
∞ = 0.05	S	S	NS	S	S	NS	S

S = Significant / NS = Not Significant

a. Kruskal Wallis Test

b. Grouping Variable: Role of respondent

IS = income statement; BS = balance sheet: CFS = cash flow statement: SCE = statement of changes in equity: DR = directors' report: AR = auditors' report: NA = notes to the accounts (disclosure notes).

6.4.2.2.2 The Level of Consensus between Users and Preparers

The Mann-Whitney test as a non-parametric alternative to the independent samples T-test was employed to test for significant differences between the users and preparers regarding their perceptions of the importance of seven sections of corporate annual reports. Table 6-8 illustrates that there is no significant difference in perceptions between users and preparers for the cash flow statement, while for the rest of the sections of CARs there are statistically significant differences between the users and preparers as all probability values are significant (<0.05).

Table 6-8 Mann-Whitney U test results for differences between the user groups and preparers regarding the importance of sections of CARs

Test Statistics[a]	IS	BS	CFS	SCE	DR	AR	NA
Mann-Whitney U	1861.50	1786.50	2660.50	2110.50	1992.50	2295.50	1453.500
Wilcoxon W	8764.50	8689.50	9563.50	9013.50	8895.50	9198.50	8356.500
Z	-3.942	-4.282	-.573	-2.631	-3.065	-1.916	-4.991
Asymp. Sig. (2-tailed)	.000	.000	.566	.009	.002	.055	.000
∞ = 0.05	S	S	NS	S	S	S	S

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User
IS = income statement; BS = balance sheet: CFS = cash flow statement: SCE = statement of changes in equity: DR = directors' report: AR = auditors' report: NA = notes to the accounts (disclosure notes).

In the light of the above obtained results from the Mann-Whitney test, for six out of seven sections, significant differences were reported between the users and preparers about their perceptions regarding the importance of sections of CARs. Therefore, the hypothesis $H_{q2.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding the importance they attach to sections of CARs"* is not supported.

6.5 The Use and Usefulness of the Information Provided in CARs

6.5.1 The Frequency of Use of CARs

This section seeks to identify how often respondents use CARs as a basis for decision making. In question 3.1 of the questionnaire, the respondents were asked to indicate how often they use CARs as a basis for their decision making. Seven options were offered for respondents to choose, ranging from "never / rarely in less than 10% of the chances when I could have / occasionally, in about 30% of the chances when I could have / sometimes, in about 50% of the chances when I could have / frequently, in about 70% of the chances when I could have / usually, in about 90% of the chances I could have/ always".

Since this question seeks to determine how often respondent groups use CARs as a basis for decision making, the results presented in Table 6-9 indicate that none of the respondent groups never used CARs for their decision making. Out of the user groups, only senior bankers (SB) and academics (Aca) rarely use CARs with 7.1% and 11.1% respectively.

With regard to the preparers, only 6.5% rarely use CARs when they make decisions. For individual investors, about 61% use CARs frequently and usually with 30.8% for each. 27.8% of institutional investors use CARs frequently and 22.2% use CARs sometimes. Approximately 33.3% of financial analysts use CARs sometimes followed by 33.3% of them using CARs usually. 50% of senior bankers use CARs frequently when making decisions. Nearly 44.5% of academics use CARs frequently, while 38.9% of tax officers use CARs frequently. For preparers, 29% use CARs frequently. As can be seen from Table 6-9, the majority of the respondent groups use CARs frequently for their decision making.

Table 6-9 Descriptive statistics of respondents' groups usage of CARs

Respondents	Never	Rarely	Occasionally	Sometimes	Frequently	Usually	Always	Total	Mean	Median	Std. Deviation
	%	%	%	%	%	%	%	%			
Ind	0	0	15.4	7.7	30.8	30.8	15.4	100	5.23	5.000	1.30
Inst	0	0	16.7	22.2	27.8	16.7	16.7	100	4.94	5.000	1.34
FA	0	0	6.7	33.3	20.0	33.3	6.7	100	5.00	5.000	1.13
SB	0	7.1	7.1	7.1	50.0	21.4	7.1	100	4.92	5.000	1.26
Laa	0	0	4.8	19.0	33.3	33.3	9.5	100	5.23	5.000	1.04
Aca	0	11.1	5.6	5.6	44.4	27.8	5.6	100	4.88	5.000	1.36
TO	0	0	11.1	22.2	38.9	16.7	11.1	100	4.94	5.000	1.16
Acc	0	6.5	12.9	12.9	29.0	19.4	19.4	100	5.00	5.000	1.50
Overall	0	3	9.1	15.8	34.5	26.1	11.5	100	5.06	5.000	5.00

Ind = individual investors; Inst = institutional investors; FA = financial analysts; SB = senior bankers; Laa = legal accountants & auditors; Aca = academics; TO = tax officers; Acc = accountants.

6.5.2 Reading of Sections of CARs

This section seeks to identify how often users and preparers read the sections of CARs when making decisions. The respondents were asked in question 3.2 of the questionnaire to indicate how often they read the sections contained in CARs when making decisions, using the same Likert scale.

In addition, to address if there are any significant differences in the perceptions of the respondent groups regarding their reading to sections of CARs, the following hypotheses were formulated:

H_{q3}: There are no significant differences among respondent groups regarding their reading of various sections of CARs.

$H_{q3.1}$: There are no significant differences between the user groups as whole and the preparers regarding their reading of various sections of CARs.

6.5.2.1 Descriptive Analysis

Table 6-10 shows how often different groups read sections of CARs for decision making purposes. The results indicate that more than 80% of the user groups regularly use income statement, balance sheet, cash flow statement, statement of changes in equity and auditors' report for making decisions, while 70% read the directors' report and around 36% read notes to the accounts (disclosure notes) when using CARs for decision making purposes.

Table 6-10 Descriptive statistics of the level of reading of sections of CARs

Section	Never	Rarely	Occasionally	Sometimes	Frequently	Usually	Always	Total	Mean	Median	Std. Deviation
	%	%	%	%	%	%	%	%			
Income statement	0	0	0	1.8	7.9	63.6	26.7	100	6.15	6.000	0.63
Balance sheet	0	0	1.2	0	13.3	52.1	33.3	100	6.16	6.000	0.74
Cash flow statement	0	0.6	1.2	10.3	41.8	38.8	7.3	100	5.38	5.000	0.85
Statement of changes in equity	0	1.2	3.0	12.1	27.9	41.2	14.5	100	5.48	6.000	1.05
Directors' report	0	0	6.1	19.4	36.4	30.3	7.9	100	5.14	5.000	1.01
Auditors' report	0	0.6	7.3	12.1	24.8	37.6	17.6	100	5.44	6.000	1.16
Notes to the accounts (disclosure notes)	3.0	11.5	25.5	22.4	25.5	11.5	0.6	100	3.92	4.000	1.32

6.5.2.2 Inferential Analysis

6.5.2.2.1 Overall Respondent Groups

In order to answer the following question: 'Are there any significant differences among respondents' choices of answers on how often do user-groups read the sections of CARs?', the following hypothesis is tested:

H_{q3}: There are no significant differences among respondent groups regarding their reading of various sections of CARs.

The results of the Kruskal-Wallis test in Table 6-11 show statistically significant differences at the 5% level for all seven levels of the frequency tested. Therefore, the hypothesis H_{q3} that *"there are no significant differences among respondent groups regarding their reading of various sections of CARs"* is not supported. Respondent groups read sections of CARs with different levels of frequency.

Table 6-11 Kruskal-Wallis test for the differences among the overall sample regarding the reading of sections of CARs

Test Statistics[a,b]	IS	BS	CFS	SCE	DR	AR	NA
Chi-Square	39.524	30.596	18.830	52.536	38.030	16.821	48.737
df	8	8	8	8	8	8	8
Asymp. Sig.	.000	.000	.016	.000	.000	.032	.000
∞ = 0.05	S	S	S	S	S	S	S

S = Significant / NS = Not Significant
a. Kruskal Wallis Test
b. Grouping Variable: Role of respondent
IS = income statement; BS = balance sheet: CFS = cash flow statement: SCE = statement of changes in equity: DR = directors' report: AR = auditors' report: NA = notes to the accounts (disclosure notes).

6.5.2.2.2 The Level of Consensus between Users and Preparers

The results of the Mann-Whitney test in Table 6-12 illustrate that there is no significant difference between users and preparers in their reading of sections of CARs for the auditor's report, while for the rest of the sections of the annual reports there are statistically significant differences between the users and preparers as all probability values are significant (<0.05). Therefore, based on the results presented in Table 6-12, the Mann-Whitney test shows that, for six out of seven sections, significant differences were reported between the users and preparers about their reading of sections of CARs. Therefore, the hypothesis $H_{q3.1}$ *"there are no significant differences between the user groups as whole and the preparers regarding their reading of various sections of CARs"* is not supported.

Table 6-12 Mann-Whitney U test results for the differences between the user groups and preparers regarding the reading of sections of CARs

Test Statistics[a]	IS	BS	CFS	SCE	DR	AR	NA
Mann-Whitney U	1720.0	1810.5	2229.0	2041.0	1657.0	2517.0	1449.0
Wilcoxon W	8623.0	8713.5	9132.0	8944.0	8560.0	9420.0	8352.0
Z	-4.591	-3.954	-2.231	-2.895	-4.314	-1.086	-4.995
Asymp. Sig. (2-tailed)	.000	.000	.026	.004	.000	.277	.000
∞ = 0.05	S	S	S	S	S	NS	S

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User
IS = income statement; BS = balance sheet: CFS = cash flow statement: SCE = statement of changes in equity: DR = directors' report: AR = auditors' report: NA = notes to the accounts (disclosure notes).

6.5.3 Understandability of Sections of CARs

One of the main objectives of this study is to investigate how easy the information in sections of CARs is to understand. In question 3.3, the respondents were asked to indicate to what extent they find information in CARs understandable when making decisions. A seven-point Likert scale was used, ranging from "1" meaning not understandable at all to "7" meaning totally understandable. In addition, to address if there were any significant differences between the perceptions of the respondent groups regarding the understandability of information in sections of CARs, the following hypotheses were tested:

H_{q4}: There are no significant differences among respondent groups regarding their perceptions of the understandability of various sections of CARs.

$H_{q4.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the understandability of various sections of CARs.

6.5.3.1 Descriptive Analysis

As can be seen from Table 6-13, all respondent groups ranked the income statement and balance sheet as the most understandable sections of Libyan firms' CARs, as they received the highest mean across all groups with scores of 5.9 and 5.9 respectively. This confirms the justification that income statements and balance sheet are very popular in the Libyan context and the users have more experience with these statements. The respondents also ranked the auditor's reports and cash flow statement as the third and fourth most understandable sections with mean scores of 5.3 and 5.3 respectively, followed by the statement of changes in equity and directors' report receiving mean scores of 5.2 and 5.1. Notes to the accounts were ranked as the least understandable section with a score mean of 4.4.

However, the perceptions of users and preparers contradict, in that while user groups rank the cash flow statement and the auditor's reports as the third and fourth most understandable sections with mean scores of 5.2 and 5.1 respectively, the preparers' group ranks the auditor's report and statement of changes in equity as the third and fourth most understandable sections with mean score of 5.8 and 5.7 respectively.

Table 6-13 Descriptive statistics of respondents' understandability of sections of CARs

Group of respondent		Section IS	BS	CFS	SCE	DR	AR	NA
Individual investor	Mean	5.6154	5.1538	3.9231	3.9231	4.6154	5.0000	3.3077
	Median	6.0000	5.0000	4.0000	4.0000	5.0000	5.0000	3.0000
	Ranking	**1**	2	6	5	4	3	7
	Std. Deviation	0.5063	0.6884	1.2557	1.1875	1.0439	1.2247	1.2506
Institutional investor	Mean	5.1111	5.7778	5.1111	4.3889	4.6111	4.8333	3.6667
	Median	5.0000	6.0000	5.0000	4.0000	5.0000	5.0000	3.0000
	Ranking	2	**1**	3	6	5	4	7
	Std. Deviation	0.6764	0.4277	0.9002	0.6978	0.8498	1.2004	1.4950
Financial analyst	Mean	6.0000	5.6667	5.5333	4.9333	4.9333	5.0000	4.1333
	Median	6.0000	6.0000	6.0000	5.0000	5.0000	5.0000	4.0000
	Ranking	**1**	2	3	6	5	4	7
	Std. Deviation	0.3779	0.6172	0.6399	1.2228	0.7037	1.1338	1.3557
Senior banker	Mean	5.9286	5.8286	5.4286	5.1429	5.2143	5.2857	4.5000
	Median	6.0000	6.0000	6.0000	5.0000	5.0000	5.5000	4.5000
	Ranking	**1**	2	3	6	5	4	7
	Std. Deviation	0.4746	0.4846	0.7559	0.8644	0.8017	1.2043	0.9405
Legal accountant & auditor	Mean	5.9048	5.8571	5.5238	5.4286	5.0952	5.6667	4.2381
	Median	6.0000	6.0000	5.0000	6.0000	5.0000	6.0000	4.0000
	Ranking	**1**	2	3	5	6	4	7
	Std. Deviation	0.5389	0.5732	0.9283	0.9258	1.1791	1.1105	0.9436
Academic (researcher)	Mean	6.0556	6.1667	5.5000	5.7778	5.0000	4.9444	4.7778
	Median	6.0000	6.0000	5.0000	6.0000	5.0000	5.0000	5.0000
	Ranking	2	**1**	4	3	5	6	7
	Std. Deviation	0.5393	0.5145	0.7859	0.6467	1.0289	1.4337	0.7320
Tax officer	Mean	6.0000	5.8889	5.3889	5.3889	5.1667	5.4444	4.3333
	Median	6.0000	6.0000	5.0000	6.0000	5.0000	5.5000	4.0000
	Ranking	**1**	2	5	4	6	3	7
	Std. Deviation	0.7669	0.8323	0.9164	0.8498	0.7859	1.0416	0.6859
Total (user groups)	Mean	5.8034	5.7044	5.2479	5.0513	4.9573	5.1880	4.1624
	Median	6.0000	6.0000	5.0000	5.0000	5.0000	4.0000	5.0000
	Ranking	**1**	2	3	5	6	4	7
	Std. Deviation	0.6464	0.7384	0.9991	1.0654	0.9413	1.2029	1.1443
Preparers	Mean	6.1875	6.2917	5.5833	5.7917	5.6875	5.8542	4.9792
	Median	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	5.0000
	Ranking	**1**	2	6	4	5	3	7
	Std. Deviation	0.6733	0.7707	0.7672	0.9666	1.0550	1.0913	1.1758
Total	Mean	5.9152	5.9055	5.3455	5.2667	5.1697	5.3818	4.4000
	Median	6.0000	6.0000	5.0000	6.0000	5.0000	6.0000	5.0000
	Ranking	**1**	2	4	5	6	3	7
	Std. Deviation	0.6754	0.7178	0.9477	1.0883	1.0278	1.2070	1.2087

IS = income statement; BS = balance sheet: CFS = cash flow statement: SCE = statement of changes in equity: DR = directors' report: AR = auditors' report: NA = notes to the accounts (disclosure notes).

6.5.3.2 Inferential Analysis

6.5.3.2.1 Overall Respondent Groups

This section aims to answer the following question: 'Are there any significant differences among respondent groups regarding the understandability of the information in sections of CARs?'. The above question is answered by testing the following hypothesis:

H_{q4}: There are no significant differences among respondent groups regarding their perceptions of the understandability of various sections of CARs.

Table 6-14 below, shows that the results of the Kruskal-Wallis test reveal that there are statistically significant differences in the mean scores of understanding the sections of the annual report. Therefore, the hypothesis H_{q4} is rejected for the eight sections of CARs.

Table 6-14 Kruskal-Wallis test for the differences among the overall sample regarding the understandability of various sections of CARs

Test Statistics[a,b]	IS	BS	CFS	SCE	DR	AR	NA
Chi-Square	37.990	32.566	21.780	50.314	21.121	17.904	29.544
df	7	7	7	7	7	7	7
Asymp. Sig.	.000	.000	.003	.000	.004	.012	.000
∞ = 0.05	S	S	S	S	S	S	S

S = Significant / NS = Not Significant
a. Kruskal Wallis Test
b. Grouping Variable: Role of respondent
IS = income statement; BS = balance sheet: CFS = cash flow statement: SCE = statement of changes in equity: DR = directors' report: AR = auditors' report: NA = notes to the accounts (disclosure notes).

6.5.3.2.2 The Level of Consensus between Users and Preparers

The results of the Mann-Whitney test in Table 6-15 show that there are statistically significant differences in perceptions between users and preparers as all probability values are significant (<0.05). Therefore, based on the results presented in the table below from the Mann-Whitney test, significant differences are reported between the users and preparers about their perceptions regarding the understandability of the information provided in sections of the CARs of Libyan firms. Therefore, the hypothesis $H_{q4.1}$ *"there are no significant differences between the user groups as whole and the preparers regarding their perceptions of the understandability of various sections of CARs"* cannot be supported.

Table 6-15 Mann-Whitney U test results for the differences between the user groups and preparers regarding the understandability of various sections of CARs

Test Statistics[a]	IS	BS	CFS	SCE	DR	AR	NA
Mann-Whitney U	2012.0	1766.0	2302.5	1684.5	1751.0	1880.0	1694.0
Wilcoxon W	8915.0	8669.0	9205.50	8587.50	8654.0	8783.0	8597.0
Z	-3.309	-4.158	-1.939	-4.265	-3.952	-3.454	-4.144
Asymp. Sig. (2-tailed)	.001	.000	.052	.000	.000	.001	.000
∞ = 0.05	S	S	S	S	S	S	S

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User
IS = income statement; BS = balance sheet: CFS = cash flow statement: SCE = statement of changes in equity: DR = directors' report: AR = auditors' report: NA = notes to the accounts (disclosure notes).

6.5.4 The Usefulness of Information in CARs

Sterling (1972) states that the main objective of corporate reporting is to provide useful information to users. Furthermore, Zairi and Letza (1994) argue that the drive behind CARs is to convey useful information to those who have an existing or potential interest in the firm. In question 3.4, user groups as well as preparers were given eight statements and were asked to specify their level of agreement with each statement. A seven-point Likert scale was used, ranging from "1" meaning strongly disagree to "7" meaning strongly agree. In addition, to address if there were any significant differences between the perceptions of the respondent groups regarding the usefulness of the information provided in sections of CARs, the following hypotheses were tested:

H_{q5}: There are no significant differences among respondent groups regarding their perceptions of the usefulness of the information included in CARs.

$H_{q5.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the usefulness of the information included in CARs.

6.5.4.1 Descriptive Analysis

As shown in Table 6-16 below, all eight respondent groups assigned an average usefulness mean above 4.50 to each of the given eight statements, indicating a strong agreement regarding the usefulness of information disclosed in the CARs of Libyan firms. They seem to have a preference for using corporate information for monitoring investment (mean of 4.96).The table also shows that using corporate information for assessing the cash flow came second in importance, whilst using it for making investment decisions came third. Comparing a company's performance came the fourth in importance with a mean score of 4.65 followed by predicting profit and return (mean of 4.64), while making comparisons with other companies came the last in importance when seeking information from CARs.

Table 6-16 Respondents' perceptions on the usefulness of information disclosed in CARs

The corporate annual reports are useful in the following ways:	Strongly disagree	Disagree	Somewhat disagree	Neither agree or disagree	Somewhat agree	Agree	Strongly agree	Total	Mean	Median	Std. Deviation	Ranking
	%	%	%	%	%	%	%	%				
Help investors in making investment decision.	0	0	17.6	15.8	48.5	17.6	0.6	100	4.67	5.000	0.98	3
Help investors to monitor their investments.	0	0	6.1	27.3	30.9	35.2	06	100	4.96	5.000	0.94	1
Help investors to assess the cash flow.	0	1.8	12.1	25.5	40.0	18.8	1.8	100	4.69	5.000	1.03	2
Help investors to predict profits and return.	0	2.4	11.5	27.3	37.6	20.0	1.2	100	4.64	5.000	1.04	5
Help investors to evaluate managerial effectiveness.	0	1.8	23.0	15.2	43.0	13.9	3.0	100	4.53	5.000	1.13	7
Help investors to formulate forecasts of performance.	1.2	3.6	10.9	27.9	36.4	17.6	2.4	100	4.56	5.000	1.15	6
Help investors to compare company's performance.	0	3.0	7.9	30.3	40.6	15.8	2.4	100	4.65	5.000	1.01	4
Help investors to make comparison.	0	7.9	12.1	19.4	44.2	15.2	1.2	100	4.50	5.000	1.16	8

6.5.4.2 Inferential Analysis

6.5.4.2.1 Overall Respondent Groups

This section aims to answer the following question: 'Are there any significant differences among respondent groups regarding their perceptions of the usefulness of the information included in CARs?'. The above question can be answered by testing the following hypothesis:

H_{q5}: There are no significant differences among respondent groups regarding their perceptions of the usefulness of the information included in CARs.

Table 6-17 below shows that the results of the Kruskal-Wallis test reveal that the respondent groups differ statistically in their perceptions of the importance of using corporate information for all the statements except for evaluating managerial effectiveness.

Therefore, it is possible to reject the hypothesis H_{q5} for the usefulness of information provided in CARs.

Table 6-17 Kruskal-Wallis test for differences among the overall sample regarding the usefulness of accounting information contained in CARs

Test Statistics[a,b]								
	Help investors in making investment decision	Help investors to monitor their investments	Help investors to assess the cash flow	Help investors to predict profits and return	Help investors to evaluate managerial effectiveness	Help investors to formulate forecasts of performance	Help investors to compare company's performance	Help investors to make comparison
Chi-Square	37.593	26.535	18.543	27.925	13.936	22.265	26.264	28.827
df	7	7	7	7	7	7	7	7
Asymp. Sig.	.000	.001	.018	.000	.083	.004	.001	.000
∞ = 0.05	S	S	S	S	NS	S	S	S

S = Significant / NS = Not Significant
a. Kruskal Wallis Test
b. Grouping Variable: Role of respondent

6.5.4.2.2 The Level of Consensus between Users and Preparers

The results of the Mann-Whitney test in Table 6-18 indicate that there are statistically significant differences in perceptions between users and preparers regarding five statements of the usefulness of information, as their probability values are significant (<0.05). With regard to the other three statements, no statistical differences were documented between users and preparers as their probability values are non-significant (>0.05). Therefore, based on the results presented in the table below, significant differences are reported between the users and preparers about their perceptions regarding the usefulness of the information provided in the CARs of Libyan firms. Therefore, the hypothesis $H_{q5.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the usefulness of the information included in CARs"* is not supported.

Table 6-18 Mann-Whitney U test results for the differences between the user groups and preparers regarding the usefulness of accounting information contained in CARs

Test Statistics[a]	Help investors in making investment decision	Help investors to monitor their investments	Help investors to assess the cash flow	Help investors to predict profits and return	Help investors to evaluate managerial effectiveness	Help investors to formulate forecasts of performance	Help investors to compare company's performance	Help investors to make comparison
Mann-Whitney U	2112.0	2336.0	2145.5	2489.5	2435.0	2151.5	2218.5	2228.0
Wilcoxon W	9015.0	9239.0	9048.5	9392.5	9338.0	9054.5	9121.5	9131.0
Z	-2.675	-1.779	-2.490	-1.193	-1.409	-2.451	-2.228	-2.193
Asymp. Sig. (2-tailed)	.007	.075	.013	.233	.159	.014	.026	.028
∞ = 0.05	S	NS	S	NS	NS	S	S	S

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User

6.5.5 Issues Influencing the Use of CARs

Several factors seem to restrict the use of CARs, such as a delay in publishing annual reports, the difficulty of obtaining them and the lack of trust in the information provided. This section aims to identify how significant each one of the seven factors listed in the questionnaire are in influencing the use of CARs when making decisions. Respondents were asked in question 3.5 to indicate how significantly these factors restricted their use CARs. A seven-point Likert scale was used, ranging from "1" meaning not significant at all to "7" meaning very significant. In addition, to address if there were any significant differences between the perceptions of the respondent groups regarding issues restricting the use of CARs, the following hypotheses were tested:

H_{q6}: There are no significant differences among respondent groups regarding their perceptions of the issues influencing the use of CARs.

$H_{q6.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the issues influencing the use of CARs.

6.5.5.1 Descriptive Analysis

Table 6-19 shows that the delay in publishing annual reports was viewed by the vast majority of respondents (mean of 5.94) as the prime factor restricting the use of annual reports in Libya, followed by a lack of trust in information with a mean score of 5.75. Within the Libyan context, Libyan firms are required to publish their annual reports with 120 days of the end of the financial year. This delay in publishing annual reports is considered as an obstacle for users to access information and makes their investment decisions. The lack of unified accounting and reporting standards, and lack of adequate information were ranked as the third and fourth most limiting factors by the respondents with mean scores of 5.69 and 5.61 respectively. A lack of access (mean of 5.04) and qualified auditors (mean of 4.87) were classified as fifth and sixth in significance in their influence on respondents' use of CARs. Finally, a lack of professional accountants was considered as the least significant factor in restricting the use of CARs with the lowest mean score of 4.76. Furthermore, Table 6-19 illustrates that more than 80% of the respondents rank the delay in publishing annual reports as a significant factor restricting the use of CARs followed by the lack of trust in information provided in the CARs of Libyan firms with 65% of the respondents.

Table 6-19 Descriptive statistics of the factors influencing the use of CARs

Issues:	Not significant at all	Insignificant	Slightly insignificant	Neutral	Slightly significant	Significant	Very significant	Total	Mean	Median	Std. Deviation	Ranking
	%	%	%	%	%	%	%	%				
Delay in publishing annual reports	0	0	3.0	5.5	7.9	61.2	22.4	100	5.94	6.000	0.89	1
Lack of trust in information	0.6	0	3.6	4.8	24.8	42.4	23.6	100	5.75	6.000	1.05	2
Lack of adequate information	0	4.2	1.2	9.7	23.6	35.8	25.5	100	5.61	6.000	1.23	4
Lack of unified accounting and reporting standards	0.6	1.2	1.8	17.0	18.2	26.1	35.2	100	5.69	6.000	1.28	3
Lack of qualified auditors	0	1.8	3.0	30.9	39.4	19.4	5.5	100	4.87	5.000	0.99	6
Lack of access	0	2.4	4.8	27.3	25.5	31.5	8.5	100	5.04	5.000	1.16	5
Lack of professional accountants	0	1.8	1.2	35.2	44.2	15.8	1.8	100	4.76	5.000	0.86	7

6.5.5.2 Inferential Analysis

6.5.5.2.1 Overall Respondent Groups

This section seeks to answer the following question: 'Are there any significant differences among respondent groups regarding their perceptions of the factors influencing the use of CARs?'. The above question can be answered by testing the following hypothesis:

H_{q6}: There are no significant differences among respondent groups regarding their perceptions of the issues influencing the use of CARs.

In order to test the hypothesis H_{q6}, the Kruskal-Wallis Test was run to detect for any significant differences among the respondent groups regarding their perceptions of factors restricting the use of CARs. Table 6-20 below, shows that there are no statistically significant differences in perceptions and attitudes regarding the factors that might restrict the use of CARs (except for the lack of unified accounting and reporting standards (0.025) (<0.05)) when making decisions, as the probability values of these six factors were not significant (>0.50) (0.101, 0.152, 0.384, 0.605, 0.507 and 0.953 respectively). Therefore, generally speaking, the hypothesis H_{q6} that *"there are no significant differences among respondent groups regarding their perceptions of the issues influencing the use of CARs"* is not supported.

Table 6-20 Kruskal-Wallis test for the differences among the overall sample regarding the factors influencing the use of CARs

Test Statistics[a,b]							
	Delay in publishing annual reports	Lack of trust in information	Lack of adequate information	Lack of unified accounting and reporting standards	Lack of qualified auditors	Lack of access	Lack of professional accountants
Chi-Square	11.974	10.715	7.447	16.032	5.450	6.281	2.115
df	7	7	7	7	7	7	7
Asymp. Sig.	.101	.152	.384	.025	.605	.507	.953
∞ = 0.05	NS	NS	NS	S	NS	NS	NS

S = Significant / NS = Not Significant
a. Kruskal Wallis Test
b. Grouping Variable: Role of respondent

6.5.5.2.2 The Level of Consensus between Users and Preparers

The results of the Mann-Whitney test in Table 6-21 indicate that there are no statistically significant differences in perceptions between users and preparers regarding the seven factors that might restrict the use of CARs when making decisions, as the probability values of these factors were not significant (>0.50) (0.573, 0.401, 0764, 0.175, 0.679, 0.226 and 0.230 respectively). Therefore, based on the results presented in the table below, no significant differences are reported between the users and preparers regarding their perceptions of the significance of the seven factors that might restrict the use of CARs. Therefore, the hypothesis $H_{q6.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the issues influencing the use of CARs"* is accepted.

Table 6-21 Mann-Whitney U test results for the differences between the user groups and preparers regarding the factors influencing the use of CARs

Test Statistics[a]							
	Delay in publishing annual reports	Lack of trust in information	Lack of adequate information	Lack of unified accounting and reporting standards	Lack of qualified auditors	Lack of access	Lack of professional accountants
Mann-Whitney U	2671.0	2586.50	2727.50	2443.50	2698.50	2482.50	2496.50
Wilcoxon W	9574.0	9489.50	3903.50	3619.50	9601.50	3658.50	9399.50
Z	-.564	-.840	-.301	-1.358	-.414	-1.210	-1.201
Asymp. Sig. (2-tailed)	.573	.401	.764	.175	.679	.226	.230
∞ = 0.05	NS	NS	NS	NS	NS	NS	NS

S = Significant / NS = Not Significant

a. Grouping Variable: Preparer or User

6.6 Qualitative Characteristics of Accounting Information (QCOAI)

In section 4 of the questionnaire, in question 4.1, respondents were asked about the extent of their agreement about the relative importance that they attach to each qualitative characteristic as defined by the IASB Conceptual Framework to evaluate the usefulness of financial information provided in CARs. They were also asked, in question 4.2, about the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs. In question 4.1 and 4.2, a seven-point Likert scale was used, ranging from “1” meaning not important at all to “7” meaning extremely important for question 4.1, and “1” meaning never to “7” meaning every time for question 4.2.

In addition, to address if there were any significant differences between the perceptions of the respondent groups regarding these two questions, the following hypotheses were tested:

H_{q7}: *There are no significant differences among respondents groups regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs.*

$H_{q7.1}$: *There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs.*

H_{q8}: *There are no significant differences among respondent groups regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs.*

$H_{q8.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs.

6.6.1 Descriptive Analysis

This section is dedicated to investigating respondents' perceptions of the importance attached to each of the selected characteristics. Table 6-22 below reveals that according to both the percentage and the mean score of each characteristic, all of the six selected characteristics are perceived to be important or extremely important characteristics, in slightly different degrees, since between 80% of the respondents as a whole chose the answers 'important' or 'very important' for each characteristic, and the mean score for each one, which confirms this result, was between 5.95 and 6.23. The table shows that none of the respondents rated the six characteristics as not important at all or not important.

Table 6-22 Descriptive statistics of the suitability of the selected set of QCOAI

Characteristics:	Not important at all	Not important	Slightly not important	Neutral	Slightly important	Important	Extremely important	Total	Mean	Median	Std. Deviation	Ranking
	%	%	%	%	%	%	%	%				
Relevance	0	0	0	1.2	20.0	44.8	33.9	100	6.11	6.000	0.76	5
Faithful Representation	0	0	0	1.2	12.1	52.1	34.5	100	6.20	6.000	0.69	2
Comparability	0	0	0	5.5	13.3	44.8	36.4	100	6.12	6.000	0.83	4
Verifiability	0	0	0.6	3.0	14.5	46.7	35.2	100	6.13	6.000	0.81	3
Timeliness	0	0	0	4.8	10.9	40.6	43.6	100	6.23	6.000	0.83	1
Understandability	0	0	1.2	7.9	18.2	40.0	32.7	100	5.95	6.000	0.96	6

An inspection of Table 6-22 shows that according to the mean score and the standard deviation of each characteristic, "timeliness" was ranked as the most important attribute of corporate information with a total mean score of 6.23 and standard deviation of 0.83. The second most important characteristic of corporate information was "faithful representation" scoring a mean of 6.20 with a standard deviation of 0.69. The next characteristics were "verifiability" and "comparability" as they received a mean of 6.13 and standard deviation of 0.81, and a mean score of 6.12 with a standard deviation of 0.83 respectively. With regard to the importance of “relevance” and “understandability”, these were ranked as the fifth and sixth in importance with mean scores of 6.11 and 5.95 respectively. The above results suggest that respondents as a whole perceived all the selected characteristics as important characteristics in the evaluation of the usefulness of information presented in CARs. These results are expected because the selected characteristics, many of which were adopted from the Conceptual Framework and by studies prepared by important accounting bodies or by individual academics, heighten the usefulness of financial information.

Table 6-23 Descriptive statistics of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs

Characteristics:	Never	Rarely	Occasionally	Sometimes	Frequently	Usually	Every time	Total	Mean	Median	Std. Deviation	Ranking
	%	%	%	%	%	%	%	%				
Relevance	0	0	24.8	34.5	32.1	8.5	0	100	4.24	4.000	0.92	5
Faithful Representation	0	0	5.5	29.7	41.2	22.4	1.2	100	4.84	5.000	0.87	1
Comparability	0	3.6	17.6	21.8	36.4	17.0	3.6	100	4.55	5.000	1.17	3
Verifiability	0	2.4	15.2	17.0	43.6	19.4	2.4	100	4.69	5.000	1.09	2
Timeliness	0	4.8	16.4	21.2	35.2	19.4	3.0	100	4.56	5.000	1.20	4
Understandability	0	4.8	20.6	37.6	27.3	7.9	1.8	100	4.18	4.000	1.06	6

With regard to the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs, Table 6-23 above shows that according to both the percentage and the mean score of each characteristic, information disclosed in CARs of Libyan companies are perceived to frequently meet the six characteristics, in slightly varying degrees. The table shows that none of the respondents rated the information in CARs of Libyan firms as failing to meet any of the six characteristics. Inspection of Table 6-23 also shows that according to the mean score and the standard deviation of each characteristic, faithful representation was ranked as the highest attribute to be met by corporate information with a total mean score of 4.84 and standard deviation of 0.87. The second characteristic that met by corporate information was “verifiability” scoring a mean of 4.69 with a standard deviation of 1.09. The third and fourth characteristics that corporate information meets are “comparability” and "timeliness" as they received a mean of 4.55 with a standard deviation of 1.17 and a mean score of 4.56 with a standard deviation of 1.20 respectively. With regard to relevance and understandability, they were ranked as the fifth and sixth in corporate information ability to meet these characteristics with a mean score of 4.24 and 4.18 respectively. These results suggest that as a whole sample, to some extent, current available information fails to meet the six specified characteristics which are used when evaluating the usefulness of this information.

6.6.2 Inferential Analysis

6.6.2.1 Overall Respondent Groups

In order to test hypothesis H_{q7}, the Kruskal-Wallis Test was employed to detect for any significant differences among the respondent groups regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs. Table 6-24 below shows that there are statistically significant differences in perceptions and attitudes of the six characteristics specified by the Conceptual Framework of the IASB as the probability values of these attributes were significant ($p<0.05$) (0.000, 0.000, 0.000, 0.002, 0.000 and 0.000 respectively). The results reported in Table 6-24 suggest that there are significant differences among respondent groups regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs. Therefore, the hypothesis H_{q7} is rejected.

Table 6-24 Kruskal-Wallis test for the differences among the overall sample regarding the suitability of the selected set of QCOAI

Test Statistics[a,b]						
	Relevance	Faithful Representation	Comparability	Verifiability	Timeliness	Understandability
Chi-Square	40.970	28.180	32.893	22.404	29.375	26.979
df	7	7	7	7	7	7
Asymp. Sig.	.000	.000	.000	.002	.000	.000
∞ = 0.05	S	S	S	S	S	S

S = Significant / NS = Not Significant
a. Kruskal Wallis Test
b. Grouping Variable: Role of respondent

With regard to the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs, hypothesis H_{q8} was tested using the Kruskal-Wallis Test to examine for any significant differences among the respondent groups. Table 6-25 below illustrates that there are statistically significant differences in the perceptions and attitudes of the respondents' groups regarding the extent to which the current available information meet each qualitative characteristic, as the probability values of these attributes were significant ($p<0.05$) (0.000 for all characteristics). The results reported in Table 6-25 suggest that there are significant differences among respondents groups regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in the CARs of Libyan firms. Therefore, the hypothesis H_{q8} is also rejected.

Table 6-25 Kruskal-Wallis test for differences among the overall sample regarding the extent to which the current available information meet the qualitative characteristics

Test Statistics[a,b]						
	Relevance	Faithful Representation	Comparability	Verifiability	Timeliness	Understandability
Chi-Square	67.831	55.613	29.673	36.002	45.341	28.612
df	7	7	7	7	7	7
Asymp. Sig.	.000	.000	.000	.000	.000	.000
∞ = 0.05	S	S	S	S	S	S

S = Significant / NS = Not Significant
a. Kruskal Wallis Test
b. Grouping Variable: Role of respondent

6.6.2.2 The Level of Consensus between Users and Preparers

The Mann-Whitney test was employed to test for any significant differences between the users and preparers regarding their perceptions of the suitability of the selected set of QCOAI. Table 6-26 below illustrates that there are statistically significant differences between the users and preparers regarding only two characteristics "verifiability" and "understandability" as the probability values of these two attributes were significant ($p<0.05$) (0.014 & 0.013). On the other hand, the table reports that there are no significant differences for the other four characteristics as their probability values are non-significant ($p>0.05$) (0.060, 0.102, 0.199 and 0.079). In light of the obtained results from the Mann-Whitney test, there are significant differences between the user groups as a whole and the preparers regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs. Therefore, the hypothesis $H_{q7.1}$ could not be accepted.

Table 6-26 Mann-Whitney U test results for differences between the user groups and preparers regarding the suitability of the selected set of QCOAI

Test Statistics[a]	Relevance	Faithful Representation	Comparability	Verifiability	Timeliness	Understandability
Mann-Whitney U	2322.0	2396.50	2476.0	2178.0	2356.50	2155.0
Wilcoxon W	9225.0	9299.50	9379.0	9081.0	9259.50	9058.0
Z	-1.877	-1.635	-1.285	-2.449	-1.758	-2.477
Asymp. Sig. (2-tailed)	.060	.102	.199	.014	.079	.013
∞ = 0.05	NS	NS	NS	S	NS	S

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User

With regard to hypothesis $H_{q8.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs"*, The Mann-Whitney Test was conducted to examine for any significant differences between the users and preparers regarding their perceptions of the extent to which the current available information meet each of the six qualitative characteristics.

The results of the Mann-Whitney test in Table 6-27 show that there are statistically significant differences in perceptions between users and preparers regarding the extent to which the current available information meet the qualitative characteristics, as all probability values are significant ($p<0.05$) (0.000, 0.026, 0.012, 0.021, 0.035 and 0.009). Therefore, the hypothesis $H_{q8.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs"* is rejected.

Table 6-27 Mann-Whitney U test results for differences between the user groups and preparers regarding the extent to which the current available information meet the qualitative characteristics

Test Statistics[a]	Relevance	Faithful Representation	Comparability	Verifiability	Timeliness	Understandability
Mann-Whitney U	1753.00	2221.00	2132.00	2198.00	2239.00	2113.00
Wilcoxon W	8656.00	9124.00	9035.00	9101.00	9142.00	9016.00
Z	-3.968	-2.229	-2.513	-2.305	-2.111	-2.603
Asymp. Sig. (2-tailed)	.000	.026	.012	.021	.035	.009
∞ = 0.05	S	S	S	S	S	S

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User

6.7 Satisfaction with Information Disclosed in CARs

6.7.1 The Degree of Adequacy of Current Information Disclosure in CARs

In order to examine the sufficiency of the information in the annual reports of Libyan firms for the respondents groups, in question 5.1 of the questionnaire the respondents were asked to indicate the degree of adequacy of the current disclosure of information in CARs of Libyan firms with regard to their decision making, using a seven-point Likert scale where 1 referred to “totally inadequate” and 7 to “very adequate”.

The survey data in Table 6-28 show that 69.2% of the overall group respondents considered that the adequacy of disclosure in the annual reports of Libyan firms was adequate with a mean of 5.80, while 19.2% of the overall group respondents considered that the adequacy as “very adequate”. On the other hand, only 6.4% of all respondents perceived that the information provided by annual reports was “inadequate”, while 11.5% of respondents viewed it as “slightly inadequate”. In addition, none of the respondents considered the disclosure to be “totally inadequate”. 76.9% of individual investors view information provided in CARs of Libyan firms as adequate “slightly adequate” and “adequate”, while 64.4% of institutional investors view it as adequate “slightly adequate”, “adequate” and “very adequate”. On the other hand, the majority of financial analysts, senior bankers, legal accountants and auditors, tax officers and accountants (>65%) viewed the information in CARs of Libyan firms as adequate. The respondents’ views regarding the adequacy of current disclosure practices can be related to the simplicity of the decision making process and economy in Libya.

Table 6-28 Descriptive statistics of adequacy of current information disclosure in CARs

Respondents	Totally inadequate	Inadequate	Slightly inadequate	Neutral	Slightly adequate	Adequate	Very adequate	Total	Mean	Median	Std. Deviation
	%	%	%	%	%	%	%	%			
Ind	0	0	7.7	15.4	23.1	53.8	0	100	5.53	3.000	0.96
Inst	0	8.9	16.7	10	22.2	31.1	11.1	100	5.38	3.000	1.57
FA	0	6.7	20.0	6.7	26.7	26.7	13.3	100	4.93	5.000	1.48
SB	0	0	14.3	14.3	27.1	30	14.3	100	5.00	5.000	1.46
Laa	0	9.5	4.8	13.3	23.8	24.8	23.8	100	5.76	4.000	1.22
Aca	0	11.1	11.1	22.2	11.1	11.1	33.3	100	4.44	3.000	1.46
TO	0	17.8	12.2	5.6	13.3	25.6	25.6	100	5.50	3.000	1.50
Acc	0	6.3	5	14.6	21.3	28.8	24.2	100	5.06	4.000	1.56
Overall	0	6.4	11.5	12.8	21	29	19.2	100	5.80	4.000	1.40

Ind = individual investors; Inst = institutional investors; FA = financial analysts; SB = senior bankers; Laa = legal accountants & auditors; Aca = academics; TO = tax officers; Acc = accountants

6.7.2 Factors Influencing Corporate Reporting Practices

There are several factors that influence corporate reporting practices in a country, such as regulations and professional bodies. This section aims to identify how significant the nine factors listed in the questionnaire are in affecting corporate reporting practices in Libya. Respondents were asked in question 5.2 to indicate how significantly these factors can affect corporate reporting practices in Libyan firms. A seven-point Likert scale was used, ranging from "1" meaning not significant at all to "7" meaning very significant. In addition, to address if there were any significant differences between the perceptions of the respondent groups regarding the factors influencing corporate reporting practices, the following hypotheses were tested:

H_{q9}: There are no significant differences among respondent groups regarding their perceptions of the factors influencing corporate reporting practices.

$H_{q9.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the factors influencing corporate reporting practices.

6.7.2.1 Descriptive Analysis

Table 6-29 shows that Income Tax Law (ITL) was viewed by the vast majority of respondents (mean of 6.03) as the prime factor affecting corporate reporting practices in Libya, followed by the Commercial Code (LCC) with a mean score of 6.01.

Recommendations of auditors and Banking Law (BL) were ranked as the third and fourth factors by the respondents with mean scores of 5.64 and 5.40 respectively. Interpreting this finding with reference to the Libyan context goes back to Chapter 2 with regard to the role of government regulations (ITL, LCC and BL) in ruling the accounting profession due to the absence of a uniform set of reporting standards. The LSM (mean of 4.78) and the need for equity or loan finance (mean of 4.56) were classified as the fifth and sixth in significance for their influence on corporate reporting practices in Libya. Competitors in peer industries or markets was ranked by respondents as the seventh in significance in influencing corporate reporting practices (mean of 4.54), followed by recommendations by academics with a mean score of 4.48. Finally, IASB was the last influential factor in significance with the lowest mean score of 4.46. Table 6-29 also illustrates that more than 80% of the respondents ranked ITL, LCC and BL as significant factors in influencing corporate reporting practices.

Table 6-29 Descriptive statistics of the factors influencing corporate reporting practices

Factors:	Not significant at all	Insignificant	Slightly insignificant	Neutral	Slightly significant	Significant	Very significant	Total	Mean	Median	Std. Deviation	Ranking
	%	%	%	%	%	%	%	%				
Income Tax Law	0.6	1.2	1.2	5.5	6.7	52.1	32.7	100	6.03	6.000	1.03	1
Commercial Code	0.6	1.2	2.4	4.8	10.3	44.2	36.4	100	6.01	6.000	1.10	2
Banking Law	0	1.2	3.0	12.1	32.7	39.4	11.5	100	5.40	6.000	1.02	4
Recommendations by auditors	0	0.6	3.0	14.5	21.8	32.7	27.3	100	5.64	6.000	1.15	3
Libyan Stock Market	0.6	0	4.8	35.8	38.2	14.5	6.1	100	4.78	5.000	0.99	5
IASB	0.6	2.4	15.8	30.9	33.9	13.9	2.4	100	4.46	5.000	1.10	9
The need for equity or loan finance	0.6	2.4	13.9	29.1	33.9	17.0	3.0	100	4.56	5.000	1.12	6
Competitors in peer industries or markets	0	5.5	7.9	34.5	32.1	18.8	1.2	100	4.54	5.000	1.09	7
Recommendations by academics	0.6	3.0	10.9	34.5	37.6	10.3	3.0	100	4.48	5.000	1.05	8

6.7.2.2 Inferential Analysis

6.7.2.2.1 Overall Respondent Groups

This section aims to answer the following question: ‘Are there any significant differences among respondent groups regarding their perceptions of the factors influencing corporate reporting practices in Libya?'. The above question can be answered by testing the following hypothesis:

H_{q9}: There are no significant differences among respondent groups regarding their perceptions of the factors influencing corporate reporting practices.

In order to test the hypothesis H_{q9}, the Kruskal-Wallis Test was employed to detect for any significant differences among the respondent groups regarding their perceptions of the factors influencing corporate reporting practices. Table 6-30 below shows that there are no statistically significant differences in perceptions and attitudes regarding the factors that might influence corporate reporting practices when making decisions as the probability values of these six factors were not significant ($p>0.05$) (0.081, 0.073, 0.575, 0.229, 0.333, 0.276, 0.819 and 0.176 respectively). The only exception was recommendations by auditors (0.014) ($p<0.05$). Therefore, generally speaking, the hypothesis H_{q9} that *"there are no significant differences among respondent groups regarding their perceptions of the factors influencing corporate reporting practices"* is not supported.

Table 6-30 Kruskal-Wallis test for the differences among the overall sample regarding the factors influencing corporate reporting practices

Test Statistics[a,b]	Income Tax Law	Commercial Code	Banking Law	Recommendations by auditors	Libyan Stock Market	International Accounting Standards Board	Need for equity or loan finance	Competitors in market	Recommendations by academics
Chi-Square	12.647	12.967	5.702	17.617	9.341	7.990	8.686	3.651	10.230
df	7	7	7	7	7	7	7	7	7
Asymp. Sig.	.081	.073	.575	.014	.229	.333	.276	.819	.176
∞ = 0.05	NS	NS	NS	S	NS	NS	NS	NS	NS

S = Significant / NS = Not Significant
a. Kruskal Wallis Test
b. Grouping Variable: Role of respondent

6.7.2.2.2 The Level of Consensus between Users and Preparers

The results of the Mann-Whitney test presented in Table 6-31 indicate that there are no statistically significant differences in perceptions between users and preparers regarding the nine factors that might influence the corporate reporting practices of Libyan firms as the probability values of these factors were not significant ($p>0.05$) (0.135, 0.256, 0387, 0.622, 0.320, 0.213, 0.880, 0.722 and 0.937 respectively). Therefore, based on the results presented in the table below, no significant differences are reported between the users and preparers about their perceptions regarding the significance of the nine factors that might have an impact on corporate reporting practices. Therefore, the hypothesis $H_{q9.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the factors influencing corporate reporting practices"* is supported.

Table 6-31 Mann-Whitney U test results for the differences between the user groups and preparers regarding the factors influencing corporate reporting practices

Test Statistics[a]	Income Tax Law	Commercial Code	Banking Law	Recommendations by auditors	Libyan Stock Market	International Accounting Standards Board	Need for equity or loan finance	Competitors in market	Recommendations by academics
Mann-Whitney U	2430.5	2513.5	2579.0	2675.50	2545.0	2474.0	2767.5	2713.0	2787.00
Wilcoxon W	9333.50	9416.50	9482.00	9578.500	3721.50	9377.00	3943.50	9616.00	3963.000
Z	-1.493	-1.137	-.866	-.493	-.995	-1.246	-.151	-.356	-.079
Asymp. Sig. (2-tailed)	.135	.256	.387	.622	.320	.213	.880	.722	.937
∞ = 0.05	NS	NS	NS	NS	NS	NS	NS	NS	NS

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User

6.7.3 Obstacles Restricting the Disclosure Level in CARs

In order to answer the question: 'What are the obstacles restricting the disclosure level in CARs of Libyan firms from the respondents' perspective?'. The respondents were asked in question 5.3 of the questionnaire to indicate how significant the five listed obstacles were in restricting the disclosure level in CARs of Libyan firms. A seven-point Likert scale was used, ranging from "1" meaning not significant at all to "7" meaning very significant. In addition, to address if there were any significant differences in perceptions between the respondent groups regarding the significance of these obstacles, the following hypotheses were tested:

H_{q10}: There are no significant differences among respondent groups regarding their perceptions of the obstacles restricting the disclosure level in CARs.

$H_{q10.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the obstacles restricting the disclosure level in CARs.

6.7.3.1 Descriptive Analysis

As can be seen from Table 6-32, a lack of reporting standards and accepted accounting principles was ranked by the vast majority of respondents as the prime obstacle restricting the extent of disclosure (mean of 5.93), followed by the lack of knowledge of external users' needs with a mean score of 5.92. Ineffective monitoring body and the fear of misuse of extra published information by users or competitors were ranked as the third and fourth obstacle in significance by the respondents with a mean score of 5.55 and 5.00 respectively. Finally, the expenses of preparing and publishing (mean of 4.70) was viewed as the least significant in its influence on the level of disclosure in CARs. Table 6-32 also shows that all of the five obstacles listed in the questionnaire that are expected to be associated with the level of disclosure were ranked as significant by more than 50% of each respondent group.

Table 6-32 Descriptive statistics of the obstacles restricting the disclosure level in CARs

Obstacles:	Not significant at all	Insignificant	Slightly insignificant	Neutral	Slightly significant	Significant	Very significant	Total	Mean	Median	Std. Deviation	Ranking
	%	%	%	%	%	%	%	%				
Lack of knowledge of external users' needs	0	0.6	0.6	6.7	15.8	50.9	25.5	100	5.92	6.000	0.91	2
Lack of reporting standards and accepted accounting principles	0.6	1.8	4.2	3.6	18.8	29.1	41.8	100	5.93	6.000	1.25	1
Fear of misuse of extra published information by users or competitors	0	3.0	1.8	27.9	35.8	22.4	9.1	100	5.00	5.000	1.10	4
Ineffective monitoring body	0	0.6	4.8	17.6	17.0	35.2	24.8	100	5.55	6.000	1.21	3
Expenses of preparing and publishing information	0.6	2.4	3.6	38.8	33.3	15.8	5.5	100	4.70	5.000	1.07	5

6.7.3.2 Inferential Analysis

6.7.3.2.1 Overall Respondent Groups

This section aims to answer the following question: 'Are there any significant differences among respondent groups regarding the obstacles restricting the disclosure level in CARs of Libyan firms?'. The above question was answered by testing the following hypothesis: H_{q10} *"there are no significant differences among respondent groups regarding their perceptions of the obstacles restricting the disclosure level in CARs"*. In order to test the hypothesis H_{q10}, the Kruskal-Wallis Test was used to test for any significant differences among the respondent groups regarding their perceptions of the obstacles restricting the disclosure level in CARs. Table 6-33 below shows that there are no statistically significant differences in the perceptions and attitudes of respondent groups regarding obstacles that might restrict the disclosure level in CARs as the probability values of these five expected obstacles were not significant ($p>0.05$) (0.111, 0.118, 0.175, 0.100 and 0.708 respectively). Therefore, generally speaking, the hypothesis H_{q10} is supported.

Table 6-33 Kruskal-Wallis test for differences among the overall sample regarding the obstacles restricting the disclosure level in CARs

	Test Statistics[a,b]				
	Lack of knowledge of external users' needs	Lack of reporting principles	Fear of misuse	Ineffective monitoring body	Expense of preparing and publishing information
Chi-Square	11.688	11.518	10.250	12.025	4.605
df	7	7	7	7	7
Asymp. Sig.	.111	.118	.175	.100	.708
∞ = 0.05	NS	NS	NS	NS	NS

S = Significant / NS = Not Significant
a. Kruskal Wallis Test
b. Grouping Variable: Role of respondent

6.7.3.2.2 The Level of Consensus between Users and Preparers

The results of the Mann-Whitney test in Table 6-34 indicate that there are statistically significant differences in perceptions between users and preparers regarding only two of the obstacles "lack of reporting principles and accounting standards" and "fear of misuse" which were expected to restrict the disclosure level of CARs, as the probability values of these two variables are significant ($p<0.05$) (0.055 and 0.043 respectively). Therefore, based on the results presented in Table 6-34 below, there are significant differences between the users and preparers about their perceptions regarding the obstacles restricting the disclosure level in CARs. Therefore, the hypothesis $H_{q10.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the obstacles restricting the disclosure level in CARs"* cannot be supported.

Table 6-34 Mann-Whitney U test results for the differences between the user groups and preparers regarding the obstacles restricting the disclosure level in CARs

Test Statistics[a]					
	Lack of knowledge of external users' needs	Lack of accounting and reporting standards	Fear of misuse	Ineffective monitoring body	Expense of preparing and publishing information
Mann-Whitney U	2607.00	2302.00	2268.00	2613.00	2354.00
Wilcoxon W	9510.00	9205.00	9171.00	9516.00	9257.00
Z	-.783	-1.918	-2.019	-.725	-1.716
Asymp. Sig. (2-tailed)	.433	.055	.043	.468	.086
∞ = 0.05	NS	S	S	NS	NS

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User

6.7.4 Additional Information in CARs

To answer the following question: 'Do respondents demand additional information in the annual reports of Libyan firms?', the respondents were asked in question 5.4 of the questionnaire to indicate to what extent they would like additional information to be available in CARs for decision making purposes using a seven-point Likert scale ranging from "1" meaning not important at all to "7" meaning extremely important. In addition, to address if there were any significant differences between the perceptions of respondent groups regarding the need for additional information in the annual reports of Libyan firms, the following hypotheses were developed:

H_{q11}: There are no significant differences among respondent groups regarding their perceptions of the need for additional information in CARs.

$H_{q11.1}$: There are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the need for additional information in CARs.

6.7.4.1 Descriptive Analysis

As can be seen from Table 6-35, the first group in the list was future prospects with a mean score of 6.29, followed by income statement information with a mean score of 6.24. The third information category in the list that the respondents wanted additional information from was the balance sheet with a mean score of 6.18. The table also shows that additional corporate governance information came fourth in importance (mean score of 6.12), whilst accounting policies came fifth (mean score of 6.01). Management information was ranked as the sixth in importance with a mean score of 5.77, followed by cash flow statement (mean of 5.47). Furthermore, the respondents gave the least relative importance for additional information to company operations and social responsibility, with mean scores of 5.24 and 4.07 respectively. The table below also illustrates that the majority of the respondents considered additional information in the nine categories as important for helping them in their decision making.

Table 6-35 Descriptive statistics of the need for additional information in CARs

Additional information in: (category)	Not important at all	Not important	Slightly not important	Neutral	Slightly important	Important	Extremely important	Total	Mean	Median	Std. Deviation	Ranking
	%	%	%	%	%	%	%	%				
Management information	0	0.6	0	4.8	20.6	63.6	10.3	100	5.77	6.000	0.74	6
Corporate governance	0	0	0	1.2	17.0	50.3	31.5	100	6.12	6.000	0.72	4
Accounting policies	0	0	0	2.4	26.1	38.8	32.7	100	6.01	6.000	0.82	5
Future prospects	0	0	0	3.6	13.3	33.3	49.7	100	6.29	6.000	0.83	1
Balance Sheet	0	0	1.2	6.1	13.3	32.1	47.3	100	6.18	6.000	0.96	3
Income Statement	0	0	0.6	3.0	13.9	35.8	46.7	100	6.24	6.000	0.85	2
Cash Flow Statement	0	0	4.2	8.5	37.0	36.4	13.9	100	5.47	6.000	0.97	7
Company operations	0	1.2	3.0	13.9	4.24	30.3	9.1	100	5.24	5.000	0.99	8
Social responsibility	3.6	13.3	20.6	24.8	13.3	20.6	3.6	100	4.07	4.000	1.53	9

6.7.4.2 Inferential Analysis

6.7.4.2.1 Overall Respondent Groups

In this section, the following hypothesis is tested to investigate if there are any significant differences among the respondent groups regarding their perceptions of the need for additional information in different categories of corporate information.

H_{q11}: There are no significant differences among respondent groups regarding their perceptions of the need for additional information in CARs.

Therefore, the Kruskal-Wallis Test was used to test for any statistically significant differences in the means attached by different respondent groups. Table 6-36 indicates that there are significant differences in the mean of the relative importance of additional information in the nine listed information categories, except for company operations ($p>0.05$) (0.839), as the probability values of the eight groups were significant ($p<0.05$) (0.005, 0.000, 0.000, 0.000, 0.000, 0.000, 0.002 and 0.000 respectively). Therefore, generally speaking, the hypothesis H_{q11} above is rejected.

Table 6-36 Kruskal-Wallis test for the differences among the overall sample regarding the need for additional information in CARs

Test Statistics[a,b]									
	Management information	Corporate governance	Accounting policies	Future prospects	Balance Sheet disaggregation	Income Statement disaggregation	Cash Flow Statement disaggregation	Company operations	Social responsibility
Chi-Square	20.334	35.636	39.146	31.661	44.426	54.972	23.208	3.467	45.615
df	7	7	7	7	7	7	7	7	7
Asymp. Sig.	.005	.000	.000	.000	.000	.000	.002	.839	.000
∞ = 0.05	S	S	S	S	S	S	S	NS	S

S = Significant / NS = Not Significant
a. Kruskal Wallis Test
b. Grouping Variable: Role of respondent

6.7.4.2.2 The Level of Consensus between Users and Preparers

The results of the Mann-Whitney test in Table 6-37 reveal that there are statistically significant differences between the perceptions of users and preparers regarding four information categories “corporate governance”, “balance sheet disaggregation”, “income statement disaggregation” and “corporate social responsibility” as the probability values of these categories are significant ($p<0.05$) (0.057, 0.001, 0.000 and 0.000 respectively). With regard to the other five information categories “management information”, “accounting policies”, “future prospects”, “cash flow statement disaggregation” and “company operations”, no statistical differences were found between users and preparers as their probability values are non-significant ($p>0.05$). Therefore, based on the results presented in the table below, there are significant differences between the users and preparers about their perceptions regarding the need for additional information in the proposed information categories. Therefore, the hypothesis $H_{q11.1}$ *“there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the need for additional information in CARs”* cannot be supported.

Table 6-37 Mann-Whitney U test results for the differences between the user groups and preparers regarding the need for additional information in CARs

Test Statistics[a]									
	Management information	Corporate governance	Accounting policies	Future prospects	Balance Sheet disaggregation	Income Statement disaggregation	Cash Flow Statement disaggregation	Company operations	Social responsibility
Mann-Whitney U	2418.5	2322.0	2443.50	2447.0	1962.0	1621.0	2352.0	2648.5	1497.0
Wilcoxon W	9321.5	9225.0	9346.50	9350.0	8865.0	8524.0	9255.0	3824.5	8400.0
Z	-1.633	-1.906	-1.387	-1.415	-3.276	-4.619	-1.726	-.606	-4.795
Asymp. Sig. (2-tailed)	.102	.057	.165	.157	.001	.000	.084	.545	.000
∞ = 0.05	NS	S	NS	NS	S	S	NS	NS	S

S = Significant / NS = Not Significant
a. Grouping Variable: Preparer or User

6.8 Discussion

In the previous sections, an analysis of data related to the respondents' perceptions of different aspects of the use and usefulness of information in the CARs of Libyan firms was presented. In this section, the results of the present study are discussed and compared with those of other related studies. The rationale behind this comparison is to reveal similarities and differences between the respondents' perceptions in this study regarding various aspects of corporate reporting practices in Libya and the perceptions of respondents from other countries.

As shown in Table 6-1, more than 75% of the respondents have more than ten years' experience. Most of the respondents (96%) had a bachelor or higher degree, and nearly half of the respondents were equipped with degrees awarded by Libyan universities. The respondents' most common majors in university were accounting and finance, economics, or business (more than 90%). The respondents were predominantly male (80%), indicating a low participation of females in Libya. More than 75% were aged 35 years or above.

The importance of sources of corporate information and sections of CARs in Libya:

The survey of the literature (see Chapter Four) showed that some studies have been accomplished in this area either in developed or developing countries. The current study might differ from those studies in the quality and quantity of corporate information due to corporate reporting practices in Libya, the population from which the samples were drawn (preparers vs users), the methodology used to carry out the study (primary and secondary data), and the time or place where they were accomplished. As can be seen from Table 6-3, “CARs” were ranked as the most important source of corporate information by both preparers and user-groups. This finding of the current study is consistent with a number of previous studies in developing countries such as Abu-Nassar and Rutherford (1996), Alrazeen (1999), Naser and Nuseibeh (2003), Naser et al. (2003), Mirshekary and Saudagaran (2005), Alattar and Al-Khater (2007), Zoysa and Rudkin (2010) and Alzarouni et al. (2011), and in developed countries such as Anderson (1981), Epstein and Pava (1993) who found that CARs were the most important source of information for making decisions. The above result suggests that users’ perceptions of the importance of CARs in Jordan by Abu-Nassar and Rutherford (1996); Saudi Arabia by Naser and Nuseibeh (2003); and UAE by Alzarouni et al. (2011) are similar to those in Libya. However, this result is not in line with the findings of several other previous studies such as Baker and Haslem (1973); Lee and Tweedie (1975); Courtis (1982); Anderson and Epstein (1995); Bartlett and Chandler (1997); and Chen et al. (2013) who found that CARs were perceived as having less importance.

Also, the findings suggest that regarding the related question “Are there any significant differences between respondent groups in general and between the user groups as a whole and the preparers regarding their perceptions of the importance they attach to sources of corporate information?”, the findings of hypotheses H_{q1} and $H_{q1.1}$ were mixed. With regard to differences between respondent groups, the results of the Kruskal-Wallis test reveal that there are significant differences between respondent groups regarding their perceptions of the importance they attach to sources of corporate information. Therefore, the hypothesis H_{q1} was rejected. Conversely, the results of the Mann-Whitney test report that there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the importance they attach to sources of corporate information. Thus, the hypothesis $H_{q1.1}$ was accepted.

The annual report was divided into seven sections and the respondents were asked to specify to what extent these sections are important when making decisions. As can be seen from Table 6-6, the seven sections of the annual report were all perceived to be important for both preparers and users in Libya, suggesting that all the sections are relevant for decision making purposes with the balance sheet being of the most importance. This finding is in line with most studies in the literature focusing on developed countries (Anderson, 1998; Chang & Most, 1981; Ho & Kar Shun, 2001) and developing countries

(Abu-Nassar & Rutherford, 1995; Anura De & Kathy, 2010) concluding that both the balance sheet and income statement are the most important sections in annual reports. In addition, regarding the statistical differences, the results of both the Kruskal-Wallis test and the Mann-Whitney test in Table 6-6 and 6-7 reveal that there are significant differences between respondent groups in general, and between the user groups as a whole and the preparers regarding the importance they attach to sections of CARs. As a result, the hypotheses H_{q2} and $H_{q2.1}$ were rejected.

The use and usefulness of the information provided in CARs:

The degree of use of annual reports varies between users. While some individuals or organizations use CARs quite frequently, others use them less often. In this regard, the respondents were asked to indicate how often they used CARs for making decisions by ticking one of seven possible frequencies given in the questionnaire. As can be seen from Tables 6-9, 6-10 and 6-13, the proportion of respondents using annual reports very frequently (frequently/usually/always) was 72.1%. Conversely, the less-frequent users (rarely/occasionally/sometimes) were 27.9%. This suggests that the annual report is an indispensable tool for both preparers and users in Libya, in line with their ranking as the primary source of information for decision making.

With regards to issues influencing the use of CARs, Table 6-19 shows that a delay in publishing annual reports was viewed by the vast majority of respondents as the prime factor restricting the use of annual reports in Libya, followed by the lack of trust in information. Lack of unified accounting and reporting standards and lack of adequate information were ranked as the third and fourth most limiting factors by the respondents. Lack of access and qualified auditors were classified as fifth and sixth in significance in their influence on respondents' use of CARs. Finally, a lack of professional accountants was considered as the least significant factor in restricting the use of CARs with the lowest mean score. Furthermore, Table 6-19 illustrates that more than 80% of the respondents rank a delay in publishing annual reports as a significant factor restricting the use of CARs followed by the lack of trust in information provided in CARs of Libyan firms with 65% of the respondents. These findings of the issues restricting the use of CARs in the Libyan context are consistent with the findings of Mirshekary and Saudagaran (2005) and Alzarouni et al. (2011).

With regard to the statistical differences in the perceptions of respondent groups about the use and usefulness of the information provided in CARs, the results of both the Kruskal-Wallis test and the Mann-Whitney test reveal that hypotheses H_{q3} *"there are no significant differences among respondent groups regarding their perceptions of the reading of various sections of CARs"* and $H_{q3.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the reading of various sections of CARs"* were not supported. In addition, with regard to respondents' perceptions regarding the understandability of various sections of CARs, hypotheses H_{q4} *"there are no significant differences among respondent groups regarding their perceptions of the understandability of various sections of CARs"* and $H_{q4.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the understandability of various sections of CARs"* were also rejected.

Consistent with the above hypotheses, hypotheses H_{q5} *"there are no significant differences among respondent groups regarding their perceptions of the usefulness of the information included in CARs"* and $H_{q5.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the usefulness of the information included in CARs"* were rejected too. Hypotheses H_{q6} *"there are no significant differences among respondent groups regarding their perceptions of the issues influencing the use of CARs"* was rejected, while $H_{q6.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the issues influencing the use of CARs"* was supported. This can be related to the fact that issues influencing the use of CARs such as delay in publishing annual reports, lack of trust in information and a lack of unified accounting and reporting standards are well known as challenging obstacles for users of CARs in the Libyan context.

***Qualitative characteristics of accounting information*:**

In section 6.5, an analysis of data related to the respondents' perceptions of the importance attached to each of the QCOAI was presented. In the present section, the discussion is dedicated to discussing the results of this section of the current study and those of similar sections in other related studies. Previous related studies differ from the current one in the time and the place where they were conducted and the population from which the sample was drawn.

The results reported in Table 6-22 in section 6.5.1 suggest that the respondents as a whole sample perceived all of the selected six characteristics as important in the evaluation of the usefulness of financial information presented in CARs. These results are expected because the selected characteristics, many of which were adopted from the Conceptual Framework and from earlier studies prepared by important accounting bodies or by individual academics, heighten the usefulness of financial information. In general, timeliness and faithful representation are considered as very important when making decisions.

Timeliness being the highest characteristic in ranking is consistent with the findings of Abu-Nassar and Rutherford (1996) and Naser et al. (2003) as the second most importance characteristic. On the other hand, it received a moderate ranking, as the seventh characteristic, in Stamp (1982) study, while it was ranked as the ninth, a low ranking, in Joyce et al. (1982). The results indicated that Libyan companies have a delay in publishing their annual reports "timeliness". Question 4.1 of the questionnaire focused attention on six other important characteristics of usefulness of information in the annual reports. It is obvious from Table 6-22 that the respondents, generally, ranked all those characteristics between "important" and "extremely important" in relation to Libyan companies. Understandability, which received relatively the lowest ranking in the present study with a mean score of 5.95, was ranked as the third by Joyce et al. (1982), and thirteenth by Stamp (1982). With regard to the perceived importance of QCOAI, there are differences in the perceived importance of most QCOAI between the respondent groups in the current study. However, for the level of consensus between users and preparers regarding the suitability of the selected set of QCOAI, the results indicate that there is complete agreement between the eight groups regarding the rankings given to the six characteristics, namely, relevance, faithful representation, comparability, verifiability, timeliness and understandability.

In order to answer the related question "Are there any significant differences between respondent groups in general and between the user groups as a whole and the preparers regarding their perceptions of QCOAI to evaluate the usefulness of financial information provided in CARs?", the Kruskal-Wallis test and the Mann-Whitney test were used to detect for differences in the respondents' perceptions.

With regard to differences between respondent groups regarding the suitability of the selected set of QCOAI, Tables 6-24 and 6-26 reveal that hypotheses H_{q7} *"there are no* *significant differences among respondent groups regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs"* and $H_{q7.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the suitability of the selected set of QCOAI to evaluate the usefulness of financial information provided in CARs"* could not be supported. Similarly, respondents' perceptions regarding the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs were tested using hypotheses H_{q8} and $H_{q8.1}$. Tables 6-25 and 6-27 reported that hypotheses H_{q8} *"there are no significant differences among respondent groups regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs"* and $H_{q8.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the extent to which the current available information meet each qualitative characteristic when evaluating the usefulness of information appearing in CARs"* were rejected.

***Satisfaction with information supplied in CARs*:**

This section discusses the findings of questions 5.1, 5.2, 5.3 and 5.4 of the questionnaire to evaluate the adequacy of information in the annual reports published by Libyan companies. Firstly, the results suggested that the target groups in this study believed that the information in annual reports of Libyan firms was adequate, with a mean of 5.80. On the other hand, just 11.5% of respondents considered that the information in the annual reports of Libyan firms was slightly inadequate. Only 6.4% of all respondents perceived that the information provided by annual reports was inadequate. In addition, none of the respondents considered the disclosure in annual reports of Libyan firms to be totally inadequate. More than 75% of individual investors viewed the information provided in the CARs of Libyan firms as adequate, while 64% of institutional investors viewed it as adequate. On the other hand, the majority of financial analysts, senior bankers legal accountants and auditors, tax officers and accountants (>65%) viewed the information in the CARs of Libyan firms as adequate. Generally speaking, the respondents considered corporate information to be adequate for their decision-making purposes. This finding is supported by the findings from the extent of disclosure in Chapter Seven, sections 7.3.1, in which the CARs of Libyan firms demonstrated a high level of disclosure. However, delays in publishing annual reports and a lack of trust in information are considered as the prime factors restricting the use of annual reports in Libya, which may assume that the annual reports of Libya are rich in information, but are either not available to users on time or lack the users' trust and confidence.

Secondly, with regard to factors influencing corporate reporting practices in Libya, as can be seen in Table 6-29 the ITL and the LCC were ranked as the main factors influencing corporate reporting practices in Libya, followed by recommendations by auditors and the BL. This finding supports the argument stated in Chapter Two by Nassr and Simon (2004), Kribat et al. (2013) and El-Firjani et al. (2014) regarding the impact of government legislation and laws on accounting practices as a result of the absence of a uniform set of accounting practices in the country. The LSM was classified as fifth in significance in its impact on corporate reporting practices of Libyan firms. In addition, the need for equity or loan finance was classified as the sixth in significance in influencing corporate reporting practices of Libyan firms, which enables firms to access additional resources (De Villiers & van Staden, 2006). Table 6-29 also illustrates that more than 80% of the respondents rank the ITL, LCC and BL as significant factors in influencing corporate reporting practices.

In Table 6-32, the current study finds that the lack of reporting standards and accepted accounting principles was ranked by the vast majority of respondents as the main obstacle restricting disclosure in annual reports, followed by the lack of knowledge of external users' needs. One of the contributions of this study is to fill the communication gap between preparers and users of CARs by investigating their perceptions regarding CARs to shrink this gap within the Libyan context and bring together the perceptions of both preparers and users for a better corporate information environment. An ineffective monitoring body was ranked as the third obstacle in significance by the respondents. This also supported the argument in Chapter Two regarding the absence of an accounting regulatory body. Generally speaking, all of the five obstacles listed in the questionnaire that are expected to be associated with the level of disclosure in the Libyan context were ranked as significant by more than 60% of each respondent group.

Regarding the statistical differences, the results of both the Kruskal-Wallis test and the Mann-Whitney test in Tables 6-30 and 6-31 revealed that the hypotheses H_{q9} *"there are no* *significant differences among respondent groups regarding their perceptions of the factors influencing corporate reporting practices"* and $H_{q9.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the factors influencing corporate reporting practices"* were not supported.

In Question 5.3 of the questionnaire the respondents were asked to indicate how significant five obstacles were in restricting the disclosure levels in the CARs of Libyan firms. Table 6-32 revealed that a lack of reporting standards and accepted accounting principles was ranked by the vast majority of respondents as the main obstacle restricting the extent of disclosure in annual reports, followed by the lack of knowledge of external users' needs. An ineffective monitoring body, and the fear of users or competitors misusing extra published information were ranked as the third and fourth obstacle in significance by the respondents. Finally, the expense of preparing and publishing came last in significance in its influence on the level of disclosure in the CARs of Libyan firms. Table 6-31 also shows that all of the five obstacles listed in the questionnaire that are expected to be associated with the level of disclosure in the Libyan context were ranked as significant by more than 60% of each respondent group.

Regarding the statistical differences, the results of both the Kruskal-Wallis test and the Mann-Whitney test in Table 6-33 and 6-34 were mixed. The results of the Kruskal-Wallis test revealed that, H_{q10} *"there are no significant differences among respondent groups regarding their perceptions of the obstacles restricting the disclosure level in CARs"* was supported, while the Mann-Whitney test reported that $H_{q10.1}$ *"there are no significant differences between the user groups as a whole and the preparers regarding their perceptions of the obstacles restricting the disclosure level in CARs"* was rejected.

In order to examine the perception of user groups about additional disclosure in the annual reports of Libyan companies, respondents were asked to rate the need for additional disclosure items in nine information groups, namely: management information, corporate governance, accounting policies, future prospects, balance sheet, income statement, cash flow statement, company operations and social responsibility. The results of the questionnaire suggest that all respondent groups wished to have additional disclosure of information in the annual reports of Libyan companies to assist them in their decision making. This result is consistent with the results of Chang and Most (1985) and Rawy and

Hull (2003). Future information was ranked as the first category in need of additional information, followed by income statement information and thirdly balance sheet information. Table 6.34 indicates that additional corporate governance information came fourth in importance, whilst accounting policies came fifth. Management information was ranked as the sixth in importance followed by cash flow statement. Generally speaking, more than 90% of the respondents considered additional information in the nine groups as important for helping them to improve the accuracy of their decision making. Regarding the statistical differences, the results of both the Kruskal-Wallis test and the Mann-Whitney test revealed that there are significant differences between respondent groups in general and between the user groups as a whole and the preparers regarding their perceptions of the need for additional information in CARs. Therefore, the hypotheses H_{q11} and $H_{q11.1}$ were rejected.

6.9 Conclusion

The main aim of this chapter is to examine the usefulness of corporate information published by Libyan companies. Seven user groups as well as preparers were selected to respond to the questionnaire survey in order to elicit their perceptions about the usefulness and some other aspects of CARs. This chapter provides the analysis, findings, and discussion of the questionnaire survey. Descriptive statistics and non-parametric tests were used to analyse respondents' perceptions regarding the use and usefulness of information disclosed in the CARs of Libyan firms. The descriptive statistics depend mainly on the percentage, the mean, and the standard deviation, while the inferential analysis is presented using some non-parametric tests such as the Kruskal-Wallis H Test and the Mann-Whitney U Test. These statistical tests were utilised to test for any significant differences in the overall sample and between preparers and users.

To sum up, this subsection provides a summary of the outcomes of the research's questionnaire survey. The main finding shows that CARs are considered as the most important source of corporate information of Libyan firms. Users rely heavily on the information made directly available by the company concerned in its annual report. In addition, the balance sheet and income statement are the most important sections in annual reports for the respondent groups. With regard to respondents' use of CARs, the annual report is an indispensable tool for both preparers and users in Libya, in line with their ranking ahead as the primary source of information for decision making. With regards to issues influencing the use of CARs, the delay in publishing annual reports was viewed by the vast majority of respondents as the prime factor restricting the use of annual reports in Libya, followed by the lack of trust in information and the lack of unified accounting and reporting standards.

Furthermore, respondents as a whole sample perceived all the selected six characteristics as important characteristics in the evaluation of the usefulness of financial information presented in CARs. Timeliness was ranked as the most important attribute of corporate information followed by faithful representation. With regard to respondents' satisfaction with the level of information disclosed in CARs, respondents demonstrated that they considered the disclosure in annual reports of Libyan firms to be adequate. With regard to factors influencing corporate reporting practices in Libya, the ITL and the LCC were ranked as the main factors influencing corporate reporting practices in Libya followed by recommendations by auditors and the BL.

In addition, a lack of reporting standards and accepted accounting principles was ranked by the vast majority of respondents as the main obstacle restricting the extent of disclosure in annual reports, followed by the lack of knowledge of external users' needs. With regard to the perception of user groups about additional disclosure in the annual reports of Libyan companies, respondents ranked future information as the most useful area which needed more additional information, followed by income statement information and balance sheet information. Regarding the statistical differences between the respondents' perceptions, significant differences were found between respondent groups regarding their perceptions of the investigated aspect of the use and the usefulness of information disclosed in CARs of Libyan firms.

As this chapter reports that CARs are perceived as the most important source of corporate information of Libyan firms, the next chapter focuses on the extent and determinants of disclosure in CARs of Libyan listed and non-listed companies.

Chapter 7

Corporate Disclosure Practices in Annual Reports of Libyan Firms

7.1 Introduction

As indicated in the methodology chapter, a comprehensive self-constructed index was developed in this study to measure the level of corporate disclosure. The self-constructed index consists of 108 information items that are expected to be disclosed in the annual reports of Libyan firms (See Appendix 3). The current chapter deals with the fourth, fifth, sixth and seventh objectives of the current study:

- To investigate the comprehensiveness of corporate disclosure in Libyan companies' annual reports.
- To examine the impact of corporate governance mechanisms on the extent of corporate disclosure in the annual reports of Libyan companies.
- To examine the impact of the ownership structure on the extent of corporate disclosure in the annual reports of Libyan companies.
- To examine the influence of corporate characteristics on the level of corporate disclosure in the annual reports of Libyan companies.

This chapter aims to achieve these objectives through a detailed analysis of the results of the employed index. It starts by analysing the comprehensive disclosure level *"Index"*, moving to its categories. As one of the objectives of this research study is to examine the determinants of corporate disclosure practices of Libyan companies, this chapter aims to examine the research hypotheses related to corporate governance attributes, ownership structure and corporate characteristics.

The remainder of this chapter is organised as follows. The first section 7.2 deals with the reliability and validity of the employed disclosure index. Section 7.3 deals with the descriptive statistics for the extent of overall comprehensive disclosure and its developments over a period of five years (2006-2010). Section 7.3 also presents the level as well as the trend of comprehensive disclosure over the period of 2006 to 2010. The following section 7.4 presents the univariate analysis, the regression diagnostics, and the multivariate analysis employed in the current study. Section 7.5 presents the key empirical findings and discussion of the employed univariate and the multivariate analyses regarding the hypotheses related to the level of disclosure. Additional analyses are conducted in section 7.6 to check the sensitivity and robustness of the results. Finally, section 7.7 provides a summary and conclusion of the chapter.

7.2 Reliability and Validity of the Disclosure Index

According to Marston and Shrives (1991) there are two criteria related to the methodology used in a research study that need to be considered when evaluating researcher-constructed quality composite indices. These criteria are the reliability and validity of the self-constructed disclosure index.

7.2.1 Reliability

The reliability of a measurement tool can be explained as the consistency and stability with which the tool is intended to measure. One should also evaluate the appropriateness of a measurement instrument. The term ‘consistency’ refers to how well the items in a measurement tool fairly measure a concept. The concept ‘stability’ refers to a measurement tool’s ability to report similar results after a period of time with low vulnerability to changes in the situation. According to Carmines and Zeller (1979, p. 11), reliability can be defined as *“the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials”*. Another definition was suggested by McKinnon (1988, p. 36) defined reliability as *“the question of whether the researcher is obtaining data on which she or he can rely”*. There are a variety of tests for reliability such as test retest and internal consistency test (Hassan & Marston, 2010; Sekaran, 2003).

Test retest reliability: each report was read three times. In the first round the annual reports were read to familiarize the researcher with the firm’s business and activities and help him to decide the relevance of index items to the firm. The disclosure index was piloted with a sample of 40 annual reports to check the reliability of the index. The second time, the annual reports were read to score the comprehensive index. Attention was paid to the applicability of the index items to firms according to their activities. The final reading was to ensure there were no mistakes in scoring the index.

Investigating the five-year period can enhance the reliability of the employed disclosure index. For consistency, the entire sample of annual reports was carefully read to identify any non-applicable items included in the index. The second reading was performed to identify the allocated score for each company year by year. The cross review technique was followed to ensure high accuracy of the results by scoring the annual reports for the first two years (2006 & 2007) and re-examining the annual report of 2006. This allows for some time between the first and the second examination. This was repeated with the years 2007 and 2008 which were re-reviewed after scoring the index for the years 2008 and 2009.

Internal consistency reliability: In order to measure reliability, in various cases it is not practical to ask the same question to respondents on different occasions, an alternative method was developed and widely used as an excellent technique for assessing the reliability of a measure. This method is known as internal consistency (Abouserie, 1992; Carmines & Zeller, 1979). The Cronbach's alpha is perceived as the most popular and reliable test for internal consistency. Cronbach's alpha "reliability coefficient" demonstrates how well the data items in a variable are positively correlated. In other words, it presents the average of correlations among the items used to measure the variable. The value of the Coefficient alpha ranges between zero and one, as the higher the Cronbach's alpha is, the more reliable the measure. Although, the acceptable level of reliability suggested in the literature is .70 as the minimum acceptable level, some studies quoted a score of .80 or above as preferred (Botosan, 1997; Carmines & Zeller, 1979; Jones & Shoemaker, 1994). Consistent with prior disclosure studies that used Cronbach's alpha, such as Hassan et al. (2006), Fathi (2013) and Elshandidy et al. (2013), this research study employs Cronbach's alpha as a reliability measure. The Cronbach's alpha for the comprehensive disclosure index is shown below. Table 7-1 illustrates the reliability of the sub-groups and as whole.

As indicated in Table 7-1 Cronbach's alpha for the comprehensiveness of corporate disclosure *"Index"* is approximately 81%. This result indicates a high degree of reliability for the comprehensive index.

Table 7-1 Summary of Cronbach's Alpha test for the disclosure index

Group	No of items	Group test correlation	Cronbach's alpha	Alpha if group deleted
General information	12	.791		.753
Corporate governance information	13	.760		.762
Accounting policies information	12	.529		.793
Balance sheet information	33	.622		.843
Income statement information	15	.616	.811	.782
Cash flow statement information	6	.376		.808
Notes information	7	.451		.803
Corporate social responsibility information	5	.611		.787
Future prospects information	5	.469		.805
Comprehensive disclosure	108		.811	

7.2.2 Validity

McKinnon (1988, p. 36) defines validity as *"the question of whether the researcher is studying the phenomenon she or he purports to be studying"*, while Carmines and Zeller (1979, p. 17) describes it as *"the extent to which any measuring instrument measures what it is intended to measure"*. Validity refers to the ability of the used tool or technique to measure what it intends to measure. There are three types of validity, namely: content validity, criterion-related validity and construct validity (Hassan & Marston, 2010; Sekaran, 2003). The main task of content validity is to make sure the measurement instrument or technique consists of an illustrative and adequate set of items that represent the targeted concept. Content validity can be tested in different ways, such as careful review of the concept research based on a panel of judges driven from the literature review. With regard to criterion related validity, the measure takes into consideration a criterion that helps to predict differences between individuals. Hassan et al. (2006) argue that criterion related validity is not suitable to validate a measure in social science. The third method of validity is construct validity, this type of validity focuses on comparing the obtained results from a measure with the theoretical expectations surrounding the designed test. In other words, it focuses on how consistent the obtained results are with the empirical and theoretical literature (Sekaran, 2003).

According to Sekaran (2003), correlation analysis is perceived as a way to test the validity of a construct. Prior disclosure studies have used correlation coefficients to assess the validity of disclosure indices to measure the disclosure level (see, Cheng & Courtenay, 2006; Hussainey, 2004). Furthermore, and consistent with disclosure studies, the correlation between disclosure scores and the significant predictive variables is one of the more practical ways to validate the disclosure index (e. g. Botosan, 1997; Cheng & Courtenay, 2006; Hussainey, 2004). In line with these studies, both the correlation analysis of the comprehensive disclosure index score and its sub-groups, and the correlation between disclosure index scores and significant predictive variables are conducted as shown in Table 7-2 and 7-3.

As can be seen from Table 7-3, it shows how well the sub-groups of the scores of the comprehensive index are correlated. The results presented in Table 7-3 also illustrate that the sub-groups of the index are correlated with each other. This was supported by Botosan (1997) and Cheng and Courtenay (2006) when they argued that companies' strategies for disclosure take similar trends over disclosure categories. The above results obtained from the correlation tests, can confirm that the developed index consistently measure the comprehensiveness of corporate disclosure in the Libyan firms' annual reports.

Table 7-2 Correlation analysis of comprehensive disclosure scores

	Index	**GI**	**CGI**	**API**	**BSI**	**ISI**	**CFI**	**NI**	**CSRI**	**FPI**
Index	1									
GI	.847** .823**	1								
CGI	.825** .801**	.748** .722**	1							
API	.622** .640**	.390** .411**	.359** .370**	1						
BSI	.820** .810**	.755** .725**	.762** .773**	.297** .323**	1					
ISI	.697** .724**	.552** .570**	.483** .491**	.516** .529**	.393** .447**	1				
CFI	.469** .495**	.203** .237**	.170* .206**	.513** .513**	.098 .142*	.350** .356**	1			
NI	.534** .563**	.290** .304**	.243** .272**	.418** .513**	.184* .248**	.522** .525**	.531** .527**	1		
CSRI	.685** .703**	.491** .509**	.439** .435**	.463** .473**	.381** .398**	.426** .434**	.560** .573**	.477** .492**	1	
FPI	.521** .537**	.374** .371**	.373** .377**	.366** .378**	.241** .275**	.370** .387**	.392** .344**	.408** .391**	.493** .495**	1

***. Correlation is significant at the 0.01 level (2-tailed).*
**. Correlation is significant at the 0.05 level (2-tailed).*
Index = comprehensive disclosure; GI = general information; CGI = corporate governance information; API = accounting policies information; BSI = balance sheet information; ISI = income statement information; CFI = cash flow statement information; NI = notes information; CSRI = corporate social responsibility information; FPI = future prospects information.

In addition to this, a correlation analysis was conducted between the extent of disclosure *"Index"* and the key firm attributes that were reported in the literature to be significantly correlated with the extent of *disclosure*. The literature regarding corporate disclosure identified firm size and listing status as key factors in predicting disclosure level. Furthermore, Kribat et al. (2013) found that profitability was positively associated with the disclosure level in the annual reports of Libyan financial firms. Therefore, to ensure the validity of the developed comprehensive disclosure index, a correlation analysis was conducted between the extent of disclosure *"Index"* and three firm attributes (firm size, listing status and profitability). Table 7.3 below illustrates the results obtained from Pearson and Spearman coefficients.

Based on the results obtained from the reliability and validity of the disclosure index, it is clearly reported that the comprehensive disclosure index has shown a considerable level of reliability and validity, which allows us to proceed with the empirical analysis of this research study.

Table 7-3 Correlation between overall comprehensive disclosure and firm characteristics

		firm size	listing status	profitability
Index	Pearson	.375**	.631**	.527**
	Spearman's rho	.284**	.637**	.480**

***. Correlation is significant at the 0.01 level (2-tailed).*

7.3 Descriptive Statistics

In order to capture the comprehensive level of disclosure in Libyan firms' annual reports, a disclosure index was developed consisting of a total of 108 items. To recap, the comprehensive index items were classified into nine groups. Using this disclosure index, a sample of 193 annual reports for the years 2006, 2007, 2008, 2009 and 2010, have been analysed. The sample of 193 annual reports were collected from three sector banks, manufacturers and services that dominate the Libyan economy excluding the oil and gas sector. The rationale behind excluding this sector was because the majority of companies operating in this sector are either foreign companies or in joint venture with foreign companies which are more advanced in their reporting practices compared with the sample sectors of this study. The captured extent of disclosure during the sample years illustrates the trend of corporate disclosure practices in Libyan firms' annual reports.

To start the analysis, Table 7-4 below illustrates the descriptive statistics of the level of disclosure for each year and for the five years all together. The table reveals that the mean overall score of the *Indext* over the five years is about 65%. This average indicates a moderate extent of disclosure that is not expected in a developing country with an emerging stock market. In such a country, this average is considered good based on the nature and the absence of strong enforcement to disclose.

Table 7-4 Descriptive statistics of comprehensive disclosure by year

Year of report	N	Minimum	Maximum	Mean	Median	S.D.
2006	29	0.59	0.66	0.5856	0.5833	0.0254
2007	35	0.60	0.70	0.6159	0.6111	0.0410
2008	42	0.60	0.72	0.6398	0.6398	0.0483
2009	43	0.61	0.77	0.6759	0.6667	0.0476
2010	44	0.64	0.85	0.7098	0.6991	0.0438
Pooled	193	0.59	0.85	0.6513	0.6481	0.0604

Table 7-4 also shows that the extent of comprehensive disclosure *"Index"* over the five years has a convergent range with a minimum disclosure score of 59% for the year 2006 and maximum of 85% for the year 2010. This convergent range of disclosure is observed in each year of the five years. The minimum score of the index score improved from 59% in 2006 to 64% in 2010 which still an under 10% increase. While the maximum score of the index exceeded an increase of 10% from 66% in 2006 to 85% in 2010. The maximum score of the employed index has increased gradually over the five years from 66% in 2006 to 85% in 2010. These results show the consistency in the level of corporate disclosure practices in the annual reports of the Libyan firms.

Table 7-4 indicates that the extent of comprehensive disclosure in the annual reports of the Libyan firms is 65% with a minimum score of 59% and a maximum score of 85% out of 108 information items included in the comprehensive disclosure index. This extent of disclosure score is higher compared with the findings of Kribat et al. (2013) who reported a low level of disclosure in annual reports of Libyan financial firms. The evident increase in disclosure level in this study clearly shows the impact of the LSM on disclosure practices in the country. Surprisingly, the average level of disclosur (65%) is high compared with other previous studies (Adelopo, 2011; Hossain & Hammami, 2009; Madi et al., 2014; Omar & Simon, 2011). There has been a steady increase in corporate disclosures over time, consistent with previous studies (Omar & Simon, 2011). This steady increase is also reported in Kribat et al. (2013) focusing on Libyan banks.

Table 7-5 below shows that the mean of the comprehensive disclosure index score in the financial sector is higher, at 69%, than in the manufacturing and services sector with 53%.

As indicated before, this can be explained by the nature and advancement of the financial sector in Libya. In addition, the analysis of *Index* scores suggests that the extent of disclosure by Libyan firms has increased noticeably during the five years studied (see Figure 7.1).

Table 7-5 Descriptive statistics of comprehensive disclosure by industry type

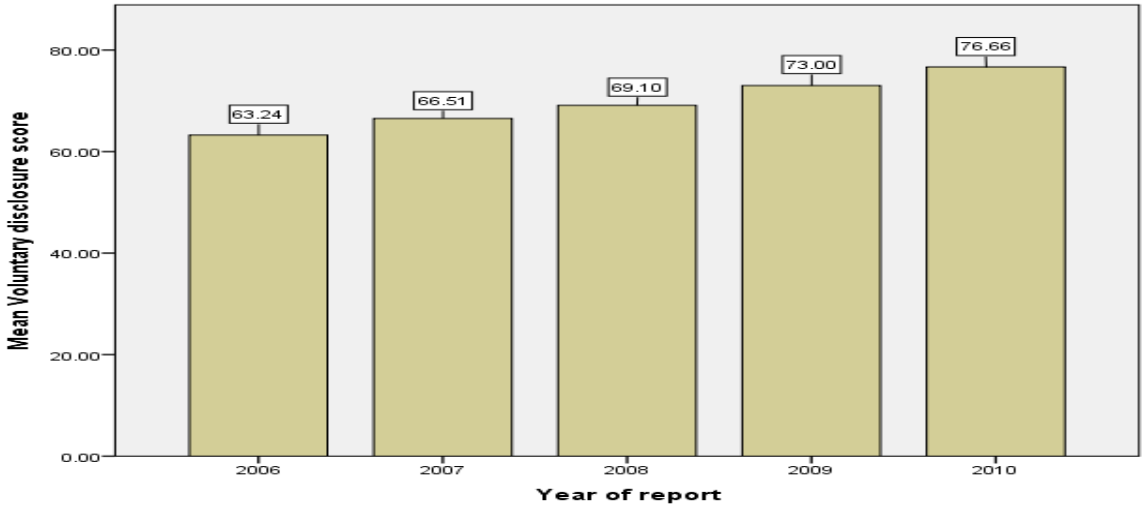
Industry type	N	Minimum	Maximum	Mean	Median	S.D.
Financial (banks & insurance)	65	0.61	0.85	0.6939	0.7037	0.0616
Manufacturing	65	0.59	0.74	0.6302	0.6296	0.0503
Services	63	0.60	0.71	0.6292	0.6296	0.0436
Pooled	193	0.59	0.85	0.6513	0.6481	0.0604

With regard to the extent of comprehensive disclosure *"Index"* of listed and non-listed firms, Table 7-6 below shows the descriptive statistics for the five years' level of disclosure for listed and non-listed companies. The mean column in Table 7-6 illustrates the overall mean of *Index* for each of the five years. The table shows that the level of average disclosure *"Index"* for listed companies is approximately 69% with a minimum score of 60% and maximum score of 85%. For non-listed companies the level of average disclosure is approximately 61% with a minimum score of 59% and a maximum score of 70%. As can be seen from the overall mean of disclosur *"Index"* of listed and non-listed companies, listed companies disclose more information than non-listed companies. The table also shows that the mean of *Index* scores of listed companies has increased dramatically between 2006 and 2010 more than those non-listed companies during the same period, which may be related to the role of the LSM in improving the level of corporate disclosure of listed companies.

Table 7-6 Descriptive statistics of comprehensive disclosure of listed and non-listed companies

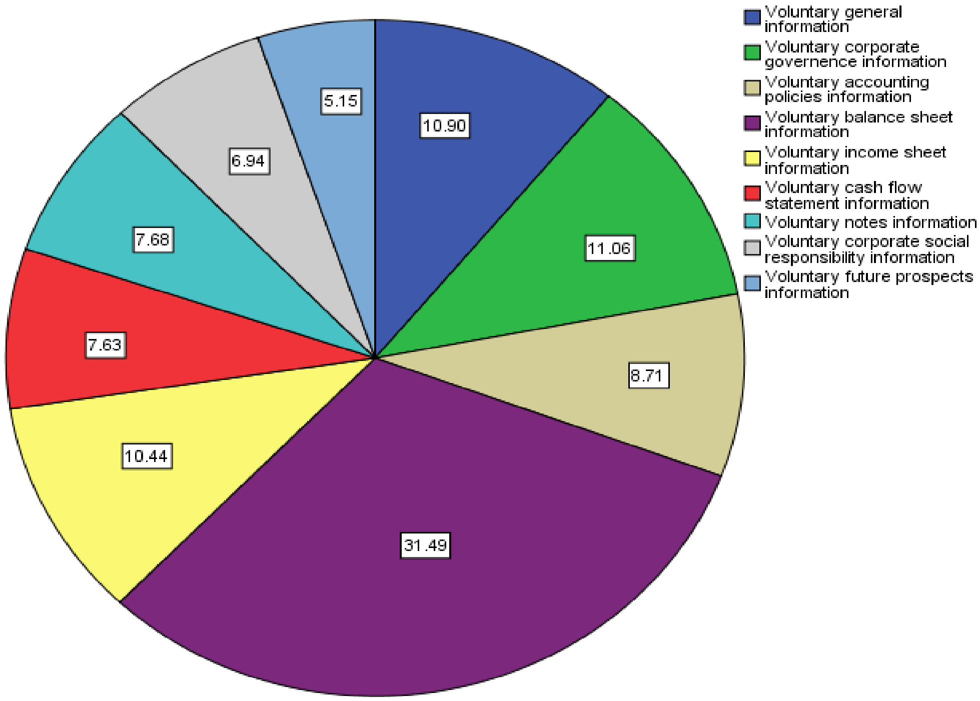
Year	Listed						Non-listed					
	N	Mini	Max	Mean	Median	S.D.	N	Mini	Max	Mean	Median	S.D.
2006	5	0.60	0.66	0.5981	0.5926	0.0373	24	0.59	0.63	0.5829	0.5833	0.0224
2007	9	0.60	0.70	0.6502	0.6481	0.0357	26	0.59	0.68	0.6040	0.6019	0.0362
2008	23	0.61	0.75	0.6638	0.6574	0.0466	19	0.60	0.67	0.6106	0.6204	0.0318
2009	27	0.62	0.79	0.6996	0.6944	0.0424	16	0.62	0.67	0.6360	0.6389	0.0231
2010	34	0.64	0.85	0.7195	0.7176	0.0451	10	0.66	0.70	0.6769	0.6759	0.0134
Pooled	98	0.60	0.85	0.6884	0.6944	0.0538	95	0.59	0.70	0.6131	0.6111	0.0393

Figure 7-1 The extent of comprehensive disclosure during the five-year period (2006-2010)



As can be seen from Figure 7.2 below, the pie chart illustrates the contribution of the different categories of information to the comprehensive disclosure index score. The chart shows that the balance sheet items group occupies the largest proportion of the employed comprehensive index with the biggest portion of 31.49%. Corporate governance information, income statement information and general information categories, have the second, third and the fourth largest portions with contributions of 11.06%, 10.90% and 10.44% to the employed index respectively. The portions of accounting policies information, notes information and cash flow statement categories are the fifth, sixth and seventh portions with contributions of 8.71%, 7.68%, and 7.63% respectively. The lowest two proportions are the corporate social responsibility information and future prospectus information categories, with contributions of 6.94% and 5.15% to the comprehensive index respectively. The low level of future information disclosure can be related to the cultural impact in developing countries (Zarzeski, 1996).

Figure 7-2 Extent of comprehensive disclosure categories of the five years



7.3.1 The Extent and Trends of Comprehensive Disclosure Categories

This section aims to show the variation in the categories of corporate disclosure over the period of the study. It also analyses the level in line with the trends of each of those categories. To achieve this aim, Table 7-7 illustrates the average mean for each category over the five years (2006-2010). The rationale behind this analysis is to provide an overview to the disclosure behaviour of Libyan companies. Table 7-7, reveals a gradual increase in the average mean for the nine information categories. Nevertheless, this gradual increase varies among the nine information categories. For instance, while the increase in corporate governance information was 1.97%, 1.1%, 3.12% and 3.67% for the years 2007, 2008, 2009 and 2010, the increasing rate in the notes to financial statements information was 4.43%, 6.12%, 4.18% and 2% for the same years.

Table 7-7 The extent of comprehensive disclosure in each category

Category	2006	2007	2008	2009	2010	Pooled
General information	0.5718	0.5976	0.6150	0.6647	0.7140	0.6390
Corporate governance information	0.5517	0.5714	0.5824	0.6136	0.6503	0.5982
Accounting policies information	0.4684	0.4666	0.4881	0.5368	0.5700	0.5107
Balance sheet information	0.6196	0.6580	0.6645	0.6836	0.7100	0.6712
Income statement information	0.4344	0.4514	0.4809	0.5147	0.5393	0.4894
Cash flow statement information	0.7873	0.8333	0.8849	0.9340	0.9848	0.8946
Notes to the financial statements	0.6699	0.7142	0.7754	0.8172	0.8376	0.7720
CSR information	0.8206	0.8857	0.9333	0.9002	0.8500	0.8818
Future prospectus	0.6206	0.6742	0.7333	0.7627	0.7863	0.7243

For the year 2006, the highest score was obtained for the category of social responsibility information with approximately 82%, followed by cash flow statement items (79%), notes to the financial statements information (67%), future information (62%), balance sheet information (62%), general information (57%), corporate governance information (55%), accounting policies information (47%) and income statement information (43%). These scores are similar for the years 2007 and 2008. However, a little change can be seen in the years 2009 and 2010 where cash flow statement information has the highest portions (93% and 98% respectively) followed by social responsibility information (90% and 85% respectively).

Figure 7-3 The extent of comprehensive disclosure categories by year

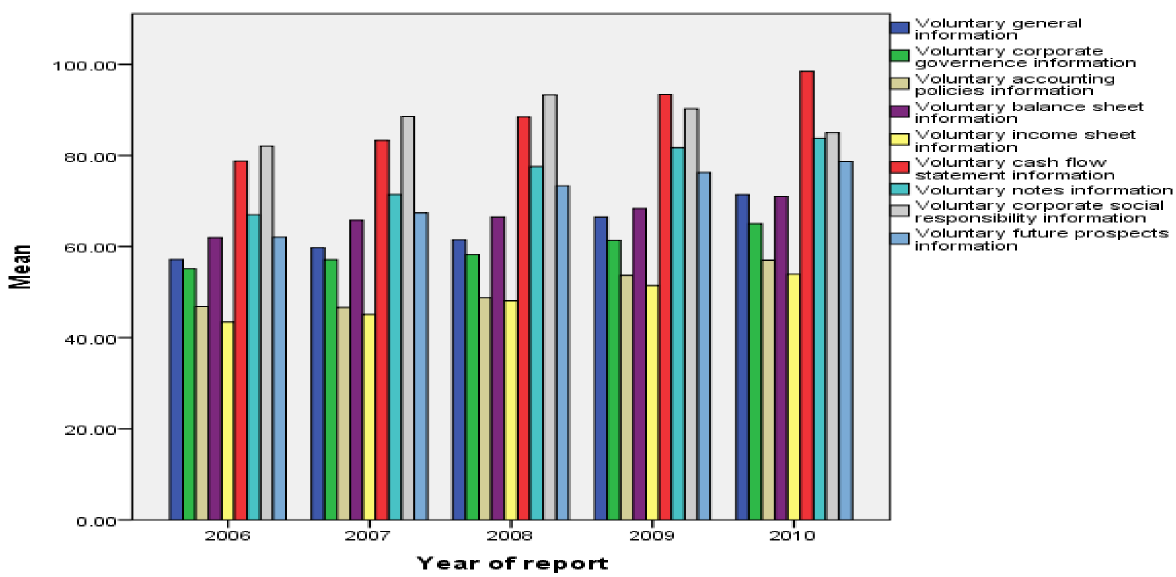


Figure 7-3 above is a bar chart of the nine information groups over the five years. As can be seen from Figure 7-4, there is consistency in the level of disclosure *"Index"* over the five years. Although there is a continuous increase in each category, a decrease can be seen in social responsibility information in 2009 and 2010. This can be seen as an indication of the Libyan companies' ability to manage their voluntary disclosure practices. Furthermore, the increase in the extent of disclosure in Libyan companies during the five years is driven by the increasing information needs of different stakeholders.

In this regard, Libya firms with foreign ownership are expected to be more familiar with good practice of corporate governance as well as the disclosure patterns of developed countries, as foreign ownership ranges from 0% to 75% with an overall mean of 23% for the sampled firms. Therefore, such firms may work as a benchmark for explaining corporate disclosure practices. The following sections examine the association of such variables with the corporate disclosure practices of Libyan firms.

Table 7-8 categorises the disclosure of individual items into the frequency distribution. The table shows that there is an improvement in the disclosure level in 2008, 2009 and 2010. The number of items with average percentage of disclosure dropped and the number of items with a high percentage of disclosure increased substantially. Some items achieved a high percentage of disclosure of over 70% in 2008, 2009 and 2010. In 2010, general information items were disclosed by more than 90 percent of the sampled firms. In addition, cash flow statement information, notes to the financial statements and CSR information were disclosed by more than 80% of the sampled Libyan companies (Table 7-7). This indicates a very high level of disclosure for these categories. On the other hand, no item has percentage of disclosure above 70 percent in 2006 and 2007. Furthermore, no item has percentage of disclosure less than 60% in 2007, 2008, 2009 and 2010.

Table 7-8 Frequency distribution of the disclosure of individual items

Percentage of	Number of items in the index				
disclosure	2006	2007	2008	2009	2010
Above 90%	--	--	--	--	--
80% - 90%	--	--	--	--	30
70% - 80%	--	--	66	72	49
60% - 70%	60	108	42	36	29
50% - 60%	48	--	--	--	--
40% - 50%	--	--	--	--	--
30% - 40%	--	--	--	--	--
20% - 30%	--	--	--	--	--
10% - 20	--	--	--	--	--
0% - 10%	--	--	--	--	--
Total	108	108	108	108	108

7.4 Statistical Analysis

This part deals with the fourth research question of the current study, the factors affecting corporate disclosure practices in Libyan firms' annual reports. In other words, this part aims to investigate the determinants of corporate disclosure behaviour. Precisely, this section seeks to test the research hypotheses in relation to corporate governance attributes, ownership structure, and firm characteristics. This inferential part begins with a descriptive analysis of the study's variables followed by a univariate analysis, multivariate analysis and ending up with a discussion of the results related to the hypotheses related to the disclosure level.

7.4.1 Descriptive Statistics of Regression Variables

Table 7-9 below presents the descriptive statistics for the independent variables. As can be seen in the table below, the overall mean of board size is about 8 members with a maximum of 14 members and minimum of 3 members. With regard to the duality in position, approximately 36% of the CEOs of the sample companies serve as the board chairman of their companies. In addition, it is notable that the average of the proportion of non-executive directors is about 15%. It ranges from 0 to 43%, which may reflect the vital role that non-executive directors can play on the board, and raise a question about board effectiveness in such an environment where some companies do not have non-executive directors in their boards. The table also shows that the mean number of meetings is about 6 meetings with a minimum of 3 meetings and maximum of 12 meetings, and approximately 54% of the sample firms have an audit committee.

Regarding ownership structure, there is a wide range for each of the four variables, the average of foreign ownership is approximately 23% and ranges between 0 to 75%, institutional ownership has a mean of 30% and ranges from 0 to 75%, the mean government ownership is about 31% and ranges from 0 to 100% and director ownership has a mean of 34% and ranges from 0 to 46%.

Table 7-9 Descriptive statistics for regression variables

Variable	N	Minimum	Maximum	Mean	Median	Std. Deviation	Skewness	Kurtosis
Board size	193	3.00	14.00	8.0466	8.000	2.4479	0.326	-0.463
Duality in position	193	0.00	1.00	0.3575	.0000	0.4805	0.599	-1.658
Board composition	193	0.00	0.43	0.1518	16.66	0.1164	0.037	-1.052
Frequency of meetings	193	3.00	12.00	6.2073	6.000	1.5905	0.432	0.085
Existence of audit committee	193	0.00	1.00	0.5389	1.000	0.4997	-0.157	-1.996
Foreign ownership	193	0.00	0.75	0.2316	25.000	0.1973	0.407	-0.626
Government ownership	193	0.00	1	0.3145	25.000	0.2504	0.402	-0.615
Institutional ownership	193	0.00	0.75	0.2985	30.000	0.2023	0.544	-0.079
Director ownership	193	0.00	0.46	0.3415	27.000	0.2845	0.446	-0.967
Firm size	193	34.856	986.754	237.36	12347	217.212	0.724	-0.466
Firm age	193	7.00	39.00	0.2235	23.00	7.8501	0.094	-1.070
Gearing	193	0.12	0.54	0.3251	33.40	0.755	0.012	-0.294
Profitability	193	0.22	0.51	0.4109	40.10	0.956	0.379	-0.135
Liquidity	193	0.04	0.45	0.2548	25.15	0.996	-0.140	-0.636
Listing status	193	0.00	1.00	0.5078	1.000	0.5012	-0.031	-2.020
Industry type	193	0.00	1.00	0.3368	.0000	0.4738	0.696	-1.531
Auditor type	193	0.00	1.00	0.5233	1.000	0.5007	-0.094	-2.012

In addition, the eight firm characteristics, namely: firm size, age, gearing, profitability, liquidity, listing status, industry type and auditor type, have wide ranges. The average firm size measured by the natural log of total assets is 237.36 million Libyan Dinar (LYD) ranging widely from 34.856 to 986.754 million LYD. The skewness of firm size is alleviated by utilizing a natural logarithm of size in the regression analysis, in line with prior studies (e. g. Glaum & Street, 2003; Hossain & Hammami, 2009). Firm age ranges from 7 years to 39 years with a mean score of 22 years. Gearing ranges widely from 12% to 54% with an average of 32.51%. Also, profitability measured by Return on Equity (ROE) ranges from 22% to 51% with a mean of 41%, and the overall liquidity (current ratio) is 25.5%. Table 7-9 also shows that approximately 50% of the sample companies are listed on the LSM. With regard to the industry type, 34% of the chosen sample are financial firms while 66% are non-financial firms (manufacturing and services), and the annual reports of 52% of our sampled firms are audited by big audit 4 firms with an international affiliation with foreign auditing firms. As can be seen from the table above, all of the independent variables are not highly skewed which means that these variables are normally distributed. However, Table 7-9 indicates that the data might have some extreme amounts (outliers) that should be taken into consideration when analysing data and interpreting results. This issue is explained later in this chapter in examining the regression assumptions.

7.4.2 Univariate Analysis (Correlation Analysis)

This section presents the results of univariate analysis. Results are shown by reference to the comprehensiveness of corporate disclosure *"Index"*.

7.4.2.1 Continuous Independent Variables

This section seeks to examine the correlation between each of the continuous independent variables and the level of corporate disclosure as the dependent variable. In the current study, Pearson and Spearman's rank correlation were used as parametric and non-parametric tests to examine the association between each explanatory variable and the dependent variable. The correlation coefficients based on the actual data are presented in Table 7-10.

Table 7-10 below illustrates that the Pearson correlation coefficients indicate that eight variables are significantly correlated with the extent of disclosure *"Index"*. These variables are corporate governance variables: board size, board composition, and frequency of meetings; ownership related variables: foreign and government ownership; and company's characteristics: firm size, gearing, profitability, and liquidity. Except for liquidity at a 5% significance level, these variables are revealed to be significantly correlated with comprehensiveness of corporate disclosure in Libyan firms' annual reports at a 1% significance level. Furthermore, Spearman's rank correlation coefficients confirm the results obtained from the Pearson test with regard to all variables except for liquidity where it is not found to be significantly associated with the extent of disclosure.

Table 7-10 Correlation coefficients between the continuous independent variables and the extent of disclosure

Variable	Index	
	Pearson	Spearman's Rank
Board size	0.273**	0.305**
Board composition	0.282**	0.276**
Frequency of meetings	0.387**	0.370**
Foreign ownership	0.204**	0.243**
Institutional ownership	0.002	-0.015
Government ownership	-0.392**	-0.398**
Director ownership	0.019	0.083
Firm size	0.375**	0.284**
Firm age	0.109	0.118
Gearing	0.267**	0.278**
Profitability	0.527**	0.480**
Liquidity	-0.143*	-0.092

***. Correlation is significant at the 0.01 level (2-tailed).*
**. Correlation is significant at the 0.05 level (2-tailed).*

These findings suggest that companies with a high level of disclosure tend to have a big board size, and/or high proportion of non-executive directors, and/or high number of board meetings. The findings also suggest that companies with a higher proportion of foreign ownership disclose more information and the opposite for government ownership.

With regard to corporate characteristics, Table 7-10 indicates that firm size, gearing, and profitability are found to be significantly associated at a 1% significance level with the extent of disclosure. These significant correlations were supported by the findings of Spearman's rank correlation coefficients.

7.4.2.2 Categorical (Nominal) Independent Variables

To examine the relationship between the categorical explanatory variables and the dependent variable in this study, two statistical tests were used in which the T test represents the parametric test and the Mann Whitney test represents the non-parametric test. The results of both tests for the relationship between the five dummy independent variables and the extent of corporate disclosure are presented in Table 7-11. The results identify significant differences at the 1% level in the means of the extent of disclosure between groups in each of the categorical explanatory variables. Identical results are obtained from both parametric (T test) and non-parametric (Mann Whitney) tests.

Table 7-11 T test and Mann Whitney test for categorical independent variables

T test				
Variable			***Un-weighted index*** t-value	Sig
Duality in position	Yes	69	2.997	.003
	No	124		
Existence of audit committee	Yes	104	5.888	.000
	No	89		
Listing status	Yes	98	11.065	.000
	No	95		
Industry type	F	65	8.049	.000
	N/F	128		
Auditor type	Big	101	13.810	.000
	Sml	92		
Mann Whitney test				
Variable			***Un-weighted index*** Z-value	Prob.
Duality in position	Yes	69	-3.404	.001
	No	124		
Existence of audit committee	Yes	104	-5.449	.000
	No	89		
Listing status	Yes	98	-8.747	.000
	No	95		
Industry type	F	65	-6.515	.000
	N/F	128		
Auditor type	Big	101	-10.077	.000
	Sml	92		

In relation to the two categorical variables of corporate governance characteristics, Table 7-11 shows that the results of the T test and Mann Whitney test indicate that a significant difference is found between the mean of the level of comprehensive disclosure with role duality, and one of companies without role duality, companies with audit committees and the one of companies without an audit committee. This means that role duality and the existence of an audit committee are significant variables in predicting the extent of corporate disclosure. Regarding the company characteristics, as shown in Table 7-11 both parametric and non-parametric tests (T test & Mann Whitney test) indicate that the extent of comprehensive disclosure of Libyan firms which are listed in the LSM, financial, and audited by big audit firms is significantly higher than those which are non-listed in the LSM, non-financial and audited by non-big audit firms. This means that listed companies are familiar with the advanced disclosure practices required in the LSM. Furthermore, the result of auditor type supports the argument of the impact of the big audit firms on companies' behaviour when disclosing information.

Furthermore, a correlation matrix of the study's variables was employed. From an overall view of comprehensive corporate disclosure in the Libyan context, Table 7-12 shows that all corporate governance variables, foreign ownership, government ownership, firm size, gearing, profitability, listing status, industry type and auditor type are linked to the extent of comprehensive disclosure *"Index"*. All these explanatory variables are significantly and positively correlated with comprehensiveness of corporate disclosure except role duality and government ownership. The univariate analysis supports the hypotheses H_{d1} (*BoardS*), H_{d2} (*FreMee*), and H_{d3} (*AuCo*). These findings of correlations (H_{d1}, H_{d2}, & H_{d3}) are compatible with previous studies (Barako et al., 2006; Ntim et al., 2013; Samaha et al., 2012). On the other hand, role duality (*DualP*) and government ownership (*GovOwn*) are negatively correlated with the disclosure level. The finding of (*DualP*) is consistent with Samaha et al. (2012) and Wang and Hussainey (2013), and (*GovOwn*) agrees with Ebrahim and Fattah (2015) and Dam and Scholtens (2012).

Table 7-12 Correlations matrix of all variables

	Index	BoardS	DualP	BoCo	FreMee	AuCo	ForOwn	GovOwn	InstOwn	DirOwn	FS	FA	Gearing	Prof	Liq	List	IndTyp	AudTyp
Index	1.000																	
BoardS	.301**	1.000																
DualP	-.246**	-.172*	1.000															
BoCo	.277**	.124	-.032	1.000														
FreMee	.377**	.304**	-.147*	.192**	1.000													
AuCo	.393**	.064	-.112	.135	.244**	1.000												
ForOwn	.245**	-.030	-.077	.018	.022	.127	1.000											
GovOwn	-.397**	-.170*	.107	-.072	-.168*	-.109	-.441**	1.000										
InstOwn	-.022	.043	.040	-.192**	.060	-.116	-.315**	-.320**	1.000									
DirOwn	.073	.103	-.030	.424**	.086	.029	.153*	-.276**	-.025	1.000								
FS	.293**	.040	-.131	.068	.158*	.248**	.319**	-.001	-.196**	-.251**	1.000							
FA	.110	-.117	-.029	.220**	-.054	-.081	.056	-.166*	.007	.228**	.097	1.000						
Gearing	.275**	.105	-.038	.100	.166*	.011	.099	.020	-.323**	-.119	.331**	-.072	1.000					
Prof	.489**	.233**	-.215**	.142*	.065	.267**	.216**	-.226**	-.056	-.035	.268**	.056	.061	1.000				
Liq	-.109	-.089	.023	.082	-.108	-.041	-.070	.063	-.110	.187**	-.124	.148*	-.137	-.156*	1.000			
List	.631**	.440**	-.304**	.285**	.278**	.150*	.162*	-.450**	-.034	.189**	.120	.012	.266**	.342**	-.146*	1.000		
IndTyp	.470**	.231**	-.074	-.027	-.007	.109	.108	-.084	-.067	-.259**	.309**	-.119	.301**	.437**	-.518**	.373**	1.000	
AudTyp	.727**	.398**	-.327**	.303**	.362**	.220**	.243**	-.473**	.069	.153*	.180*	.108	.190**	.403**	-.130	.720**	.285**	1.000

*Notation: *, ** significant at the 0.05 and 0.01 levels (2−tailed) respectively. Variables are defined as follows: Index is the comprehensiveness of disclosure level (108 items); β0 is the constant term; BoardS is the board size; DualP is the role duality; BoCo is the board composition; FreMee is the frequency of meetings; AuCo is the auditor committee; ForOwn is foreign ownership; InstOwn is institutional ownership; GovOwn is government ownership; DirOwn is director ownership; FS is firm size; FA is firm age; Prof is profitability; Liq is liquidity; Lis is listing status; IndTyp is industry type and AudTyp is auditor type.*

In summary, the univariate analysis shows consistency in terms of the direction of the relationship between each variable and the extent of comprehensive corporate disclosure *"Index"*. The results indicate the existence of positive associations between corporate disclosure and board size, duality in position, board composition, frequency of meetings, existence of an audit committee, foreign ownership, government ownership, firm size, gearing, profitability, listing status, industry type and auditor type, whereas institutional ownership, director ownership, firm age and liquidity show no significant association with the disclosure scores. Government ownership is negatively associated with corporate disclosure scores. The univariate analysis provides evidence of the association between a large number of the independent explanatory variables and corporate disclosure practices as a dependent variable. As discussed in Chapter Four, this type of analysis has been employed by a number of prior disclosure studies. Nevertheless, the univariate analysis cannot reflect the interrelationships among these variables in explaining variation in corporate disclosure. Therefore, a multivariate analysis can take this process a step further, as it is capable of handling several explanatory variables simultaneously. Most of the previous disclosure studies employed both univariate and multivariate analyses. In the following section, a multivariate analysis through a multiple regression model is employed to provide an explanation of the variation in the extent of corporate disclosure in Libyan listed and non-listed companies' annual reports.

7.4.3 Multivariate Analysis

Univariate analysis concentrates solely on correlation analysis, meaning that it is only the degree of association between variables that is examined, not any directional influence of the independent variables. It involves one explanatory variable at a time, rather than being a multivariable approach that allows the simultaneous impact of different variables to be considered and investigates the data on a time series basis. To deal with these three issues, a multivariate analysis was undertaken. A multivariate analysis is used to analyse multivariate data that consists of observations on several different variables for a number of individuals. Regression analysis is considered as one of the most common statistical techniques used in the disclosure literature. It is used to explain changes in the dependent variable values through changes in the values of independent variables (e. g. Chatfield &

Collins, 1980; Cooke, 1998; Ebrahim & Fattah, 2015; Elshandidy et al., 2013; Hair, 2010; Ntim et al., 2013).

Any relationship between the independent variables and dependent variable takes different patterns, classified as either linear or non-linear. Multiple regression is the model where the analysis intends to investigate the association between two or more explanatory "independent" variables and one dependent variable. Since the aim of this study is to investigate the association between comprehensiveness of corporate disclosure practices in the annual reports of Libyan firms as a dependent variable, and a number of explanatory variables; corporate governance variables, ownership variables and firm characteristics as independent variables, multiple regression model was considered to be relevant to the current study. As a starting point, choosing the right relationship form between independents and dependent is a key element in employing the right model, depending on whether this relationship is linear or non-linear. Because the relationship between our dependent and independents was found to be linear, a multiple linear regression model is employed.

Consistent with prior disclosure studies, and according to Hutcheson and Sofroniou (1999), for models that have dummy and continuous variables, the Ordinary Least Squares (OLS) regression is perceived as the most powerful technique. In order to employ the OLS, there are a number of assumptions that must be satisfied. These assumptions are tested through a diagnostic analysis in the following section.

7.4.3.1 Regression Model Assumptions

In disclosure studies, data screening is considered an important part of data analysis, in which a researcher can check the impact of distribution problems, linearity, and outliers before deciding the appropriate statistical analysis technique. The assumptions of multiple regression analysis are an essential part in determining the relevant regression model. These assumptions involve a linear relationship between the dependent and independent variables, normality of the residual terms, uncorrelated residual terms, constant in the variance of the residual terms (homoscedasticity) and no perfect multicollinearity between explanatory variables. Any violated assumption of these four assumptions can lead the results of regression model to be inefficient or misleading and seriously biased. By estimating the values of the dependent variable when running the multiple linear regression, model diagnostics can be performed to check the assumptions of the OLS linear regression model.

- **Checking linearity**

Linearity refers to the linear relationship between dependent and independent variables. Linearity occurs when no obvious clustering of positive or negative residuals exists. This assumption can be checked by looking at the plot(s) of the residuals versus the independent variable values. In addition, plotting each independent variable against the dependent variable can be used to investigate linearity to appreciate how well the fitted regression line represents its proposed relationship (Cooke, 1998). The diagnostic graphs show that (see Appendix 4-1) no clustering of positive or negative residuals exists in the relationship between the independent variables and the dependent variable showing an obvious linear relationship with the dependent variable *"Index"*. As a result, the linearity assumption between the independent variables and the dependent variable was satisfied for the OLS.

- **Checking normality of residuals**

Normality of residuals is a necessary assumption for the OLS. For data to be normally distributed, errors (residuals) should be normally distributed. There are two methods to check normality: graphical methods and numerical methods. In this study, to ensure high level of accuracy, these two methods have been used as follows.

Graphical Methods

Q-Q plot, P-P plot and Histogram are the most common used plots to check the normality assumption. Using SPSS, Appendices 4-1, 4-2 and 4-3 present the normal probability plot of regression standardised residuals, and the scatterplot of the regression standardised residual against the predicted value and Histograms. As can be seen from the figure's scatterplot, the residuals appear to be randomly scattered around a horizontal line through zero and the observations are clustered around a straight line in the normal probability plot. As can be seen in the graphs, linearity, normality and homoscedasticity are satisfied.

Numerical Methods

There are a variety of numerical methods to check the normality assumption. Normality can be investigated statistically by using Skewness[2] and Kurtosis[3] value tests. In order for values of Skewness and Kurtosis to confirm a normal distribution, they must be in range of -1 to +1 and -3 to +3 respectively (Hair, 2003). The skewness and kurtosis test is considered a common valid normality test. Therefore, the Shapiro-Wilk test and Skewness and Kurtosis tests were used for both the residuals and the dependent variable. The numerical results of the two methods are presented in Table 7-13. It illustrates that the values of Skewness as well as Kurtosis for all variables falling within the accepted range confirming the normality assumption.

Table 7-13 Skewness/Kurtosis tests for Normality

Variable	Skewness	Kurtosis
Index	0.303	-0.717

Both graphical and numerical methods, report the same result, indicating that errors are normally distributed. Although, the dependent variable is normally distributed, Cooke (1998) argues that the majority of disclosure studies aim to provide an explanation of the variation in corporate disclosure practices among sampled firms rather than predicting the level of disclosure (Cooke, 1998).

- **Checking homoscedasticity of residuals**

Homoscedasticity is another key assumption for the multivariate OLS model, which refers to the homogeneity of the variance of the residuals. In other words, it represents how constant the variance of the error terms is for each observation. The assumption of homoscedasticity can be violated either by no normality of one of the variables or by the fact that a single variable is linked to some transformation of the other (Field, 2009). This assumption can be checked by graphical and numerical methods. The graphical method can be applied by plotting the residuals against the fitted (predicted) values. In order for the multivariate OLS model to fit properly, the residual errors should be equally distributed about zero when plotted against the fitted values of disclosure and against each

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[2] Skewness measures the departure from a symmetrical distribution. A negatively skewed distribution occurs when the tail stretches to the left (smaller values), while a positive one occurs if the tail stretches to the right (larger values) (Hair, 2003).

[3] Kurtosis measures the peakedness or flatness of a distribution. The distribution is too peaked when there are large positive values, whereas it is too flat if there are large negative values (Hair, 2003)

independent variable. As can be seen from the scatterplots in Appendix 4-1, a greater number of points lie above the reference line than below, but a number of the points below the line represent a greater magnitude of residual error.

In sum, the assumptions of normality, linearity, and homoscedasticity have been widely checked by examining the scatterplots of standardized residuals by standardized predicted values (Tabachnick & Fidell, 2007). As can be seen in Appendix 4-1 the scatterplots show no failure of normality, no clear evidence for non-lineararity and also no obvious evidence of the existence of heteroscedasticity.

- **Checking for multicollinearity**

Multicollinearity is an important issue that should be taken into consideration before performing the OLS regression model. Multicollinearity is a problem that occurs when a linear relationship exists between two or more independent variables. In other words, a multicollinearity issue arises when there is a high degree of correlation among independent variables. It becomes difficult to distinguish between the individual impacts of independent variables when multicollinearity exists, and therefore OLS estimators may be biased (O'brien, 2007). Garson (2012) argues that high multicollinearity leads to large standard errors, large confidence intervals, and diminished power. There are two common methods used in disclosure studies to test for the existence of multicollinearity between independent variables, namely correlation coefficients and variance inflation factors (VIF) with tolerance values. Both of these methods are employed in this study to check if there is multicollinearity between the explanatory variables.

Table 7-14 below presents the VIF and tolerance coefficients of each independent variable. In addition, correlation coefficients (Pearson and Spearman) for the independent variables are presented earlier in Tables 7-12.

Table 7-14 Multicollinearity test results (VIF)

Variable	VIF	Tolerance
Board size	1.364	0.733
Duality in position	1.215	0.823
Board composition	1.698	0.589
Frequency of meetings	1.398	0.715
Existence of audit committee	1.332	0.751
Foreign ownership	2.411	0.415
Institutional ownership	2.517	0.397
Government ownership	3.177	0.315
Director ownership	1.800	0.556
Firm size	2.042	0.490
Firm age	1.296	0.771
Gearing	1.541	0.649
Profitability	1.765	0.567
Liquidity	1.663	0.601
Listing status	2.865	0.349
Industry type	2.499	0.400
Auditor type	3.141	0.318
Mean VIF	1.983	

VIF = variance inflation factor

Gujarati and Porter (2009) argue that the VIF is a problem if its value is above 10. Others argue that the value of VIF becomes a serious problem when it exceeds 5. However, in Table 7-14 results for the multicollinearity test don't show a problem as the maximum VIP of 3.177 and a mean VIP of 1.983. Therefore, the results of the VIP indicate that there is no multicollinearity between the explanatory variables. Furthermore, the correlation matrix is considered as a powerful tool for investigating the relationship between the explanatory variables. Researchers have different views regarding the correlation percentage where some of them consider 0.7 as serious correlation such as Tabachnick and Fidell (2012), while others consider 0.8 as the cut-off point for correlation such as Alsaeed (2006). Table 7-12 illustrates the results of the correlation coefficients of the parametric test Pearson and non-parametric test Spearman. The reported results in Table 7-12 confirm the results of the VIF regarding the correlation between the explanatory variables. The correlation coefficients of all explanatory variables are less than 0.42 and this was supported by the results of Spearman’s rank correlation. Therefore, the results conclude that there is no potential multicollinearity problem in the data.

- **Outliers**

In any data set, there may be some observations that are inconsistent with other observations; i.e. outliers; and could affect the results of regression analysis. It is essential to screen the data set for any potential unusual observations and observe their differences. These unusual observations can be outliers. The emergence of outliers is related to the variation in the size of the sampled firms. As can be seen in Table 7.9, the minimum value of firm size is 34.856 and the maximum value is 986.754 indicating a wide variation in the size of the sampled firms leading to outliers in the firm size variable (*FS*). These extreme values can lead to bias in the findings of the multivariate analysis and can potentially violate the Ordinary Least Squares (OLS) assumptions (Ntim et al., 2012a). In order to deal with these outliers, the outliers of the firm size were alleviated by utilizing the natural logarithm of size in the regression analysis, in line with prior studies (e. g. Glaum & Street, 2003; Hossain & Hammami, 2009).

7.4.3.2 Regression Diagnostic Summary

Based on the results of the above diagnostic tests, it can be concluded that our data meets the OLS assumptions. The results report a linear relationship for all explanatory variables with the dependent variable. Furthermore, it is reported that data is normally distributed in the current study, and the homoscedasticity assumption was satisfied. In addition, no multicollinearity problem between the explanatory variables was detected according to the results of VIF and correlation coefficients.

7.4.3.3 The Regression Models

A linear-multiple regression OLS is employed to examine the association between the independent variables of corporate governance attributes and ownership structure, and the dependent variable of corporate disclosure practices in Libyan firms’ annual reports. The estimated regression model is presented as follows:

$$\textit{Comprehensiveness of disclosure} = \beta 0 + \beta 1 BoardS + \beta 2 DualP + \beta 3 BoCo + \beta 4 FreMee + \beta 5 AuCo + \beta 6 ForOwn + \beta 7 InstOwn + \beta 8 GovOwn + \beta 9 DirOwn + \beta 10 FS + \beta 11 FA + \beta 12 Gearing + \beta 13 Prof + \beta 14 Liq + \beta 15 Lis + \beta 16 IndTyp + \beta 17 AudTyp + \beta 18 Year + e.$$

where,

Comprehensiveness of disclosure is the overall score of the index; *β0* is the constant term; *BoardS* is the board size; *DualP* is the role duality; *BoCo* is the board composition; *FreMee* is the frequency of meetings; *AuCo* is the auditor committee; *ForOwn* is foreign ownership; *InstOwn* is institutional ownership; *GovOwn* is government ownership; *DirOwn* is director ownership; *FS* is firm size; *FA* is firm age; *Prof* is profitability; *Liq* is liquidity; *Lis* is listing status; *IndTyp* is industry type; *AudTyp* is auditor type, *YD* is the year and e is the error term.

7.4.3.4 OLS Regression Analysis

To recap, one of the objectives of the current study is to investigate the factors (corporate governance attributes, ownership structure variables and firm characteristics) that affect corporate comprehensive disclosure practices in the annual reports of Libyan firms. To achieve this objective, a multiple linear regression OLS is employed to examine if there is an association between the explanatory variables and the level of disclosure. The regression results are presented in Table 7-15. The table presents the results of the regression analysis of the determinants of corporate disclosure. In addition, this section attempts to examine the extent to which the reported results by the un-weighted index are robust to the weighted index.

The results presented in Table 7-15 show that approximately 85% of the variation in the disclosure index between the sampled companies can be explained by the nine independent variables with the inclusion of eight firm characteristics as control variables included in the employed model. In social science research, this result is considered highly acceptable above 20% (Abd-Elsalam & Weetman, 2003; Aljifri et al., 2014; Anderson et al., 1993). Also, this result is considered favourable compared with similar studies applying disclosure indices such as Haniffa and Cooke (2002) at 46%, Akhtaruddin (2005) at 56% and Samaha et al. (2012) at 62%.

Table 7-15 Regression analysis of the determinants of corporate disclosure

Variable construct	Un-weighted index		Weighted index	
	Coefficients	**P-value**	**Coefficients**	**P-value**
Corporate governance variables				
BoardS	-.059	**.079***	-.067	**.084***
DualP	.051	.101	.057	.118
BoCo	-.076	**.038****	-.048	.264
FreMee	.140	**.000*****	.126	**.002*****
AuCo	.113	**.001*****	.090	**.020****
Ownership structure variables				
ForOwn	-.012	.803	.072	.164
GovOwn	-.056	.211	-.024	.646
InstOwn	-.017	.737	.036	.546
DirOwn	.024	.524	.038	.394
Control variables				
FS	.114	**.007*****	.025	.593
FA	.055	**.088***	.059	.122
Gear	-.005	.877	.011	.793
Prof	.020	.594	.005	.904
Liq	.114	**.002*****	.117	**.007*****
List	.118	**.014****	.095	**.090***
IndTyp	.512	**.000*****	.279	**.000*****
AudTyp	.081	.225	.170	**.004*****
YD2006	.153	.002***	.153	.005***
YD2007	-.039	.791	-.079	.620
YD2008	.068	.673	.017	.920
YD2009	.208	.229	.143	.449
YD2010	.411	.020**	.334	.082*
Std. error	.02345		.02510	
Durbin-Watson	1.666		1.632	
F-value	48.069		33.785	
R^2. Adj	0.849		0.790	
N	193		193	

Notation: The table above provides OLS for each type of disclosure for the three models.
T-Statistics are in parenthesis. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. Coefficients are in front of parenthesis. Variables are defined as follows: Index is the comprehensiveness of disclosure level (108 items); β0 is the constant term; BoardS is the board size; DualP is the role duality; BoCo is the board composition; FreMee is the frequency of meetings; AuCo is the auditor committee; ForOwn is foreign ownership; InstOwn is institutional ownership; GovOwn is government ownership; DirOwn is director ownership; FS is firm size; FA is firm age; Prof is profitability; Liq is liquidity; Lis is listing status; IndTyp is industry type; AudTyp is auditor type and YD is the year dummy variable. The sample consists of 193 observations.

The results obtained from the weighted index confirm those reported by the un-weighted index in Table 7-15. Board size (BoardS), frequency of meetings (FreMee) and audit committee (AuCo) are statistically significant with comprehensiveness of disclosure. With regard to ownership variables, the results in Table 7-15 also confirm the primary results reported by the un-weighted index with no evidence of association (apart from observable minor sensitivities in the magnitude of the coefficients). This suggests that our evidence is largely robust to sub-group estimations.

7.4.3.5 Regression Models for Listed and Non-Listed Companies

Two regression models are employed by splitting our sample into listed and non-listed companies. Table 7-16 shows that for listed companies, consistent with our primary findings in Table 7-15, board size (*BoardS*) is negatively and statistically significant with the level of disclosure at the 5% level. The frequency of board meetings (*FreMee*) and audit committee (*AuCo*) are found to be positively and statistically significant with the level of disclosure at the 1% level, the same as those reported in Table 7-16. With regard to non-listed companies, board composition (*BoCo*) and frequency of meetings (*FreMee*) are statistically significant with the level of disclosre at the 1% and 5% levels, negatively and positively, respectively. For ownership variables, noticeably, the results presented in Table 7-16 are generally similar to those presented by OLS in Table 7-15, where no evidence of association is found.

Table 7-16 Results of the regression model for listed and non-listed companies

Variable construct	Listed *Index* Coefficients	P-value	Non-listed *Index* Coefficients	P-value
Governance variables				
BoardS	-.102	.024**	-.050	.469
DualP	.149	.001***	-.072	.338
BoCo	-.022	.650	-.195	.027**
FreMee	.178	.000***	.157	.038**
AuCo	.148	.002***	.136	.074*
Ownership variables				
ForOwn	-.060	.273	.083	.495
GovOwn	-.049	.452	-.077	.481
InstOwn	-.008	.896	.025	.837
DirOwn	.068	.261	.084	.312
Control variables				
FS	.093	.144	.095	.249
FA	.084	.058**	.062	.418
Gearing	.066	.185	-.022	.770
Prof	.093	.083*	-.100	.198
Liq	.121	.031**	.138	.105
IndTyp	.575	.000***	.370	.000***
AudTyp	.150	.002***	.175	.043**
YD	Included		Included	
Durbin-Watson	2.059		1.848	
F-value	33.259		8.619	
R. ²Adj	0.869		0.630	
N	*98*		*95*	

Notation: variables are defined as follows: Listed is regression model for listed companies; Non-listed is regression model for non-listed companies; Index is the comprehensiveness of disclosure level (108 items); β0 is the constant term; BoardS is the board size; DualP is the role duality; BoCo is the board composition; FreMee is the frequency of meetings; AuCo is the auditor committee; ForOwn is foreign ownership; InstOwn is institutional ownership; GovOwn is government ownership; DirOwn is director ownership; FS is firm size; FA is firm age; Prof is profitability; Liq is liquidity; Lis is listing status; IndTyp is industry type and AudTyp is auditor type.

7.5 Findings and Discussion of Statistical Results

This section discusses the results of the statistical analyses to examine the determinants of corporate disclosure behaviour in the annual reports of Libyan firms. The results are discussed by testing the relevant developed hypotheses earlier in the methodology chapter. The discussion starts firstly with the corporate governance variables, followed by ownership structure variables and then firm characteristics. Table 7-15 presents a comparison of the results of the two employed OLS regression models (un-weighted and wieighted). The results for each explanatory variable are discussed below.

7.5.1 Corporate Governance Variables

Five characteristics of corporate governance have been investigated in this study employing both univariate and multivariate analyses. Generally speaking, the results indicate that corporate governance variables are associated with the level of disclosure.

Board Size

Consistent with the univariate analysis, Table 7-15 indicates that for board size, with both of the un-weighted and weighted index the coefficient estimate on *BoardS* is negative and statistically significant with comprehensiveness of disclosure at the 5% level. As such, based on this empirical finding we accept hypothesis H_{d1} that there is a significant association between borad size and the level of disclosure in the annual reports of Libyan firms. This finding provides evidence that small boards of directors are more effective, and supports the findings of Yermack (1996), this is also consistent with the findings reported by Byard et al. (2006). However, other researchers found no association between board size and the level of disclosure such as Arcay and Muiño (2005); Cheng and Courtenay (2006); Prado-Lorenzo and Garcia-Sanchez (2010) and Alhazaimeh et al. (2014). Conversely, this finding contradicts the findings of Beasley (1996); Laksmana (2008); Abeysekera (2010); Hidalgo et al. (2011); Ntim et al. (2013); Allegrini and Greco (2013); Albitar (2015); Al-Bassam et al. (2015) and Samaha et al. (2015) who reported a significant and positive association between board size and the extent of disclosure. Theoretically, this is consistent with the predictions of agency theory, which suggests that larger boards are associated with poor communication, co-ordination and free-riding problems, often leading to poor monitoring of corporate executives and thereby impacting negatively on corporate disclosures. It is, however, not compatible with the predictions of resource dependence and stakeholder theories, which suggest that larger boards are likely to engage in higher levels of disclosure because of the greater stakeholder pressure that is often associated with larger boards.

The explanation of this negative association may be related to board effectiveness, leading members to be less motivated to take part in decision making, which logically leads to a low level of disclosure (Herman, 1981). Therefore, members in large groups are less motivated and satisfied because of the lack of participation usually observed in large decision making groups. As a result of this, large boards are less involved in strategic decision making in which disclosure policy is an essential part (Goodstein et al., 1994).

Duality in Position

Table 7-15 indicates that different results are found between the univariate and multivariate analyses regarding the direction and the significance of the relationship between the duality in position of the CEO (*DualP)* and the level of comprehensive disclosure. The findings of the univariate analysis indicate a positive significant association between *DualP* and the dependent variable, while the multiple regression technique OLS (un-weighted & weighted) reports no association between *DualP* and comprehensiveness of disclosure. This result suggests that the separation between the CEO and the chairman in Libyan firms cannot be used to explain the variation in the level of disclosure in the annual reports of the Libyan firms. As indicated before (Table 7-9), in the Libyan context role duality is not a dominant form, as only 36% of the sampled companies have role duality. In the Libyan context, the LCC discusses this issue in Article 180 and does not ban role duality.

In relation to the theoretical underpinnings, this finding is not compatible with agency, stakeholder theories and resource-dependence theory, which assume that duality in the position of the CEO can have a negative impact on corporate performance and disclosure as stated above in the development of the hypothesis. This result is in line with Arcay and Muiño (2005), Ghazali and Weetman (2006), Cheng and Courtenay (2006), Barako et al. (2006) and Liu (2015) who found a lack of a significant association between *DualP* and the level of disclosure. On the other hand, this finding is not consistent with the findings of Haniffa and Cooke (2002); Gul and Leung (2004); Li et al. (2008) and Allegrini and Greco (2013) who found a significant negative association between the level of disclosure and role duality.

Board Composition

The statistical technique OLS employed in the multivariate analysis confirms the parametric and non-parametric tests in the univariate analysis regarding the significant association between the board composition *BoCo* and disclosure level, but in a negative direction. This conflict of findings between the univariate and multivariate analysis was observed in a number of disclosure studies and was related to the impact of other variables in the model (Hossain et al., 1994). The findings of the OLS propose that the level of disclosure decreases with the increase in percentage of non-executive directors on the board. Table 7-15 shows that while the results of the un-weighted index reports a significant negative association between *BoCo* and the level of disclosure, the weighted index reports a negative association but insignificant between *BoCo* and the level of disclosure. Table 7-15 indicates that the coefficient estimate on *BoCo* is negative and statistically significant with the level of disclosure at the 5% level.

This negative association contradicts the theoretical underpinnings driven from agency, stakeholder and legitimacy theory. This contradiction may be related to the cultural influence in such countries where appointing independent non-executive directors relies heavily on the social environment. This result is consistent with findings in Singapore, Kenya, New Zealand and India by Eng and Mak (2003); Barako et al. (2006); Chapple and Truong (2015) and Madhani (2015) respectively. In contrast with our finding, a significant positive relationship between the extent of corporate disclosure in annual reports and the proportion of non-executive directors has been documented in previous studies (e. g. Adams & Hossain, 1998; Chen & Jaggi, 2000; Cheng & Courtenay, 2006; Huafang & Jianguo, 2007; Lim et al., 2007; Liu, 2015; Patelli & Prencipe, 2007; Samaha et al., 2015; Wang & Hussainey, 2013), and an insignificant association was reported by Aljifri et al. (2014).

In the Libyan context, shareholders or the chairman of the board are in charge of selecting members of the board. Because non-executive directors may know each other as well as knowing the directors of the firm before appointment, thus, their independence is questionable regarding their intention to provide a high level of disclosure and transparency (Crowther & Jatana, 2005). Furthermore, this kind of director selection may have a negative impact on the directors, causing them to work for the interest of shareholders or other parties who appoint them, rather than all stakeholders (Eng & Mak, 2003). In a developing country with an emerging capital market, the above finding confirms the above arguments.

Frequency of Meetings

Both univariate and multivariate analyses indicate that the frequency of board meetings *FreMee* is a significant variable. Table 7-15 reveals that both univariate and multivariate techniques are consistent with regard to the positive and significant association of the frequency of board meetings *FreMee* with comprehensiveness of disclosure at the 1% level. The frequency of board meetings positively and significantly influences the level of disclosure in Libyan firm's annual reports. As anticipated, this finding lends support to hypothesis H_{d2}. Theoretically, this is in line with the positive prediction which suggests that a higher frequency of board meetings contributes to improvements in the quality of managerial monitoring, leading to a positive influence on corporate performance. This finding is consistent with previous studies such as Barros et al. (2013) and Brick and Chidambaran (2010). This result supports the idea that frequent board meetings are a pledge to continuously share information with managers. A sufficient number of board meetings can lead to monitoring effectiveness and pressuring management to improve their disclosure decisions. With reference to the Libyan context, although the LCC does not specify the number of board members, this is left to each company's General Assembly, the board, which has to be headed by a Libyan, is required to meet at least once every two months within the company after working hours (Articles 35 and 38).

Existence of Audit Committee

As shown in Table 7-15 both univariate and multivariate analyses indicate that there is a positive significant association between the existence of an audit committee *AuCo* and the comprehensive disclosure level under both of the un-weighted and weighted index. Using the employed OLS in the current study, the existence of an audit committee *AuCo* is positively and significantly associated with the level of disclosure at the 1% and 5% level respectively.

As indicated before in Table 7-9, although in the Libyan environment the law does not require an audit committee or any other committee, approximately 54% of the sampled companies have an audit committee. The results indicate that companies with a voluntary audit committee *AuCo* are more likely to have more disclosure. Therefore, the finding supports and accepts hypothesis H_{d3}. Theoretically, this finding supports the prediction of agency theory, which assumes that the existence of an audit committee helps firms to reduce agency costs, particularly if it is dominated by non-executive directors. Our findings regarding the role of the audit committee in explaining the extent of disclosure are consistent with Ho and Shun (2001); Barako et al. (2006); O'Sullivan et al. (2008); Hoitash et al. (2009); Persons (2009); Al-Shammari and Al-Sultan (2010); Samaha and Dahawy (2011); and Samaha et al. (2015). However, this finding contradicts Samaha (2010), and some other studies did not find such an association, such as Allegrini and Greco (2013) and Mangena and Pike (2005).

7.5.2 Ownership Structure

The separation between ownership and management opens the door for conflict between the agent and the principal (agency problem), in which this conflict will increase with widely held firms (Fama & Jensen, 1983). In order to alleviate the seriousness of such a conflict, the management uses disclosure and transparency to alleviate the problem. From the managers' perspective, disclosing more voluntary information can be seen as a signal to the principal about the firm performance. In other words, the extent of disclosure, particularly voluntary disclosure, is expected to increase in widely held firms. Different aspects of the ownership structure have different directions of association with the extent of corporate disclosure. In other words, ownership holders may represent a key stakeholder who has power, and consequently mangers may employ several methods other than disclosure to satisfy the owners. Table 7-15 presents the results of the four ownership aspects included in the current study: foreign ownership, government ownership, institutional ownership and director ownership under both the un-weighted and weighted index. The following sections discuss the results of each aspect.

Foreign Ownership

Table 7-15 shows that different results are revealed between the univariate and multivariate analyses about the direction and significance of the relationship between foreign ownership *ForOwn* and the comprehensive disclosure level. While the findings of the univariate analysis report a positive and significant association, the multivariate OLS analysis shows no relationship between the percentage of foreign ownership and the dependent variable (un-weighted & weighted). The statistical results show that foreign ownership is associated with the level of disclosure in the annual reports of Libyan firms, with the coefficient of -.012 and .072 for the un-weighted and weighted index respectively. This suggests that foreign investors have no influence on the disclosure practices of Libyan firms. However, as indicated before, this conflict in findings can be related to the overlap between variables in the model (Hossain et al., 1994). This empirical result does not coincide with agency theory explanations. Theoretically, the finding related to foreign ownership contradicts the agency theory perspective, which suggests that ownership becomes dispersed as a result of an increase in the number of shareholders, in which foreign investors are important shareholders, leading to an increase in the demands for more information disclosure.

This result indicates that foreign ownership has no relationship with higher or lower levels of overall disclosure in the annual reports of Libyan firms. This result can be explained by the unfamiliarity of Libyan accountants with Western disclosure patterns and the informational needs of foreign investors. This can be clearly seen from the absence of a uniform set of accepted accounting standards in the Libyan context and the inflow of foreign capital in the Libyan market, particularly after the start of the government privatisation programme. Our argument regarding this point is supported by stakeholder theory, in which companies should be aware of, and comply with, the information needs of different stakeholders. This result is in line with the findings of Hossain et al. (1994); Said et al. (2009); and Aljifri et al. (2014), and contradicts the finding of Singhvi (1968), Haniffa and Cooke (2002), Naser et al. (2002), Barako et al. (2006), Huafang and Jianguo (2007), Qu et al. (2013), Alhazaimeh et al. (2014) and Liu (2015) who reported evidence of a positive significant association between foreign ownership and corporate disclosure behaviour.

Government Ownership

The multivariate OLS analysis provides a different result from the univariate analysis regarding government ownership (*GovOwn*). Under both indices in Table 7-15, while the univariate analysis indicates a negative association between *GovOwn* and the corporate disclosure, the employed multivariate OLS analysis reports no association between *GovOwn* and the level of disclosure. The regression coefficient for the government ownership variable is -.056 and -.024 and negative respectively. The finding of the multivariate OLS analysis indicates that government ownership does not influence companies' decisions regarding the disclosure of more information. In sum, the regression results rejected the expected significant association between government ownership and the level of disclosure in Libyan companies' annual reports. This finding is consistent with the argument that firms with higher state ownership can easily obtain funding from the government, so these firms attract investors with less incentive to disclose more information.

In sum, the regression results confirm a negative but insignificant association between government ownership and disclosure behaviour in the annual reports of Libyan companies. This finding is in line with the evidence provided by Ghazali and Weetman (2006); Liu (2015) and Madhani (2016) who reported an insignificant association between government ownership and the extent of disclosure. However, our result contradicts the results of Makhija and Patton (2004); Eng and Mak (2003); Ghazali (2007); Said et al. (2009); Alhazaimeh et al. (2014) and Al-Bassam et al. (2015) who found a significant positive association between governmental ownership and the extent of disclosure.

Institutional Ownership

As indicated in Table 7-15, the multivariate analysis reports identical results to the univariate analysis regarding the influence of institutional ownership (*InstOwn*) on the extent of corporate disclosure in the annual reports of Libyan firms. The findings of the multivariate analysis under both the un-weighted and weighted index indicate an insignificant association between the percentage of institutional ownership and the overall disclosure level. The regression coefficient for the institutional ownership variable is -.017 and .036 respectively. This finding indicates that the percentage of shares owned by institutional investors have no impact on comprehensiveness of disclosure. Theoretically, this finding contradicts the agency, stakeholders and legitimacy theories, which all agree that managers disclose more information to meet the informational needs of institutional shareholders as influential stakeholders (stakeholder theory) and gain their support to justify their continued stewardship.

Empirically, this result of the insignificance of institutional ownership in explaining disclosure in annual reports is consistent with the finding of Schadéwitz and Blevins (1998) who documented a negative association between institutional ownership and the dependent variable (comprehensiveness of disclosure). In contrast, this finding contradicts with the findings reported by Barako et al. (2006); Guan et al. (2007) and Al-Bassam et al. (2015) who reported a positive association between institutional ownership and the extent of voluntary disclosure, and the insignificant positive association found by Fathi (2013) and Wang and Hussainey (2013). The non-significant association between institutional ownership and the extent of corporate disclosure in the current study may be attributed to the accessibility of information that institutional investors have through their representative on the board.

Director Ownership

There is a need to align the interests of outside directors with those of shareholders, which can strengthen directors' critical assessment of the performance and reliability of the process of preparing financial statements (Jensen, 2010). Because outside directors tend to have a smaller equity position than other directors, they are more likely to be aligned with management and less with shareholders. Both bivariate and multivariate analyses provide identical results regarding the relationship between director ownership (*DirOwn*) and the extent of corporate disclosure. As can be seen from Table 7-15, the percentage of *DirOwn* was found to have no association with the level of disclosure. The regression coefficient for the director ownership variable is .024, .038 and positive for the un-weighted and weighted index respectively. This agreement between the results of the univariate and multivariate methods indicates that there is no relationship between the percentage of director ownership and disclosure behaviour of Libyan firms.

This finding does not support the prediction of agency theory which postulates that firms with a higher proportion of director ownership are associated with less information asymmetry between the agent and the principal. This is consistent with the findings of Nekhili et al. (2012) who did not find any significant relationship between the proportion of shares held by directors or managers, and the level of R&D voluntary disclosure. In contrast, Beasley (1996), Gelb (2000); Nagar et al. (2003); Eng and Mak (2003); Leung and Horwitz (2004); and Ghazali and Weetman (2006) reported a negative relationship between the proportion of shares held by directors and the extent of corporate disclosure.

As a result, the statistical results of the multivariate analysis do not lend support to the hypothesis H_{d4} regarding the significant association between the ownership structure of Libyan firms and their extent of disclosure.

7.5.3 Firm-Specific Characteristics

In prior studies, firm characteristics have been the main investigated determinants of corporate disclosure. This section discusses the results of the bivariate and multivariate analyses related to the chosen firm characteristics included in the current study. Table 7-15 summarizes the statistical results of the employed OLS on firm characteristics. The univariate and multivariate results indicate that company specific characteristics are significantly associated with the level of disclosure in the case of Libyan companies, including liquidity, listing and industry type, while gearing and profitability are not significant in the multivariate analysis.

Firm Size

Although the univariate analysis Pearson and Spearman correlation matrix results show that firm size (*FS*) has a positive correlation with the level of disclosure, the results of the OLS regression model as presented in Table 7-15 show that, while there is a significant and positive association between the size of Libyan firms measured by total assets and the level of disclosure under the un-weighted index, there is no association between the size of Libyan firms and the level of disclosure under the weighted index. The regression coefficient for the predictor variable *FS* is .114 and .025 for the indices respectively. This evidence of a lack of a significant relationship between firm size and the extent of disclosure is arguably surprising. However, firm size can be influenced from two directions; whilst larger firms are expected to face a greater demand for information, investors in smaller firms may face relatively greater problems relating to information asymmetry and thus require higher levels of disclosure to mitigate the agency problem (Burton & Power, 2003). The result presented in Table 7-15 is consistent with Firth (1980) and Roberts (1992), and the contra-directional effects cancelling each other out when overall disclosure level is the focus, as in the current case. Another explanation of this is that there is an indirect relationship between firm size and corporate disclosure practices, as Grüning (2007) found that firm size is mediated by cross listing. Our finding of no association between firm size and the disclosure level is not in line with the findings of Ferguson et al. (2002); Haniffa and Cooke (2002); Eng and Mak (2003); Ghazali and Weetman (2006); Barako. (2007); Soliman (2013); Aljifri et al. (2014); Dembo and Rasaratnam (2014); Albitar (2015) and Khlif and Hussainey (2016) who report a positive impact of firm size on corporate disclosure. Of direct relevance to the current study and the Libyan context, Kribat et al. (2013) found a negative association between Libyan bank size and the extent of disclosure.

Firm Age

Although the Pearson and Spearman correlation matrix results indicate that firm age (*FA*) has no correlation with the disclosure level, the results of the OLS regression model as presented in Table 7-15 show a relationship between firm age and disclosure level (un-weighted) but this is insignificant at the 10% level with the coefficient for the predictor variable FA at .055, and no association under the weighted index with the coefficient for the predictor variable *FA* at .059. This suggests that the comprehensive level of disclosure is not influenced by the age of the firm or the number of years it has been in business. This finding of the current study is consistent with Akhtaruddin (2005); Hossain and Reaz (2007); Hossain (2008); Hossain and Hammami (2009) and Soliman (2013) who concluded that firm age is not statistically significant in explaining the extent of disclosure. However, this finding of no association between firm age and the level of disclosure is not in line with the finding of Albitar (2015).

Gearing

Once again, disagreement exists among the univariate and multivariate analyses regarding the association between gearing and the extent of disclosure. Table 7-15 indicates that the results of the employed OLS reveal no association between gearing measured by the ratio of total debt to equity and the disclosure level in the annual reports of Libyan companies (un-weighted & weighted), while the univariate analysis shows the opposite. This finding contradicts the findings of Malone et al. (1993); Hossain et al. (1995); and Naser et al. (2002) who reported a positive association between gearing and the level of disclosure, but is in line with the findings of Chow and Wong (1987); Raffournier (1995); Haniffa and Cooke (2002); and Ghazali and Weetman (2006) who found an insignificant association between the gearing ratio and the extent of disclosure.

Profitability

Profitability has been found to be one of the significant determinants of corporate disclosure behaviour. Although the Pearson and Spearman correlation matrix results indicate that firm profitability measured by return on equity (*ROE*) is significantly and positively related with the level of disclosure, the results of the OLS regression model as presented in Table 7-15 show that under both indices there is no association between firm profitability (*Prof*) and the level of disclosure. The finding of the current study is consistent with the findings of Hossain and Taylor (2007) who reported an insignificant association between profitability and the extent of corporate disclosure in the annual reports of Bangladeshi companies. Furthermore, other researchers such as Meek et al. (1995); Raffournier (1995); Leventis and Weetman (2004); and Hossain and Hammami (2009) concluded that there is no relationship between profitability and the extent of corporate disclosure. However, our finding regarding profitability is not consistent with signalling theory or some empirical evidence such as Haniffa and Cooke (2002); Ghazali and Weetman (2006); Soliman (2013); Albitar (2015) and Khlif and Hussainey (2016) who reported a positive relationship between profitability and corporate disclosure. Conversely, other empirical studies found a negative association between profitability and disclosure level (e. g. Aljifri et al., 2014; Chen & Jaggi, 2000; Inchausti, 1997; Olusegun & Naser, 1995).

Liquidity

Another difference between the univariate and multivariate analyses was related to the liquidity (*Liq*) variable. The results of the univariate analysis indicated that there is no correlation between *Liq*, measured by the ratio of a company's current assets to its current liabilities, and comprehensiveness of disclosure. In contrast, the employed multivariate analysis OLS in Table 7-15 reported that there is a positive and significant association between the liquidity ratio and the extent of disclosure at the 1% level under both of the un-weighted and weighted indices. The regression coefficient for the liquidity ratio variable is .114 and .117 for the un-weighted and weighted indices respectively. In addition, Grüning (2007) relates this to the interrelated impact of firm characteristics on disclosure. Therefore, according to the results of the OLS, the results indicate a significant positive association between liquidity and the level of disclosure in the annual reports of Libyan firms.

This result concurs with the findings of Camfferman and Cooke (2002) who reported that the liquidity of Dutch firms is positively and significantly related to the extent of disclosure while the relationship is insignificantly negatively correlated with respect to the UK firms. However, the finding contradicts the findings of Wallace et al. (1994) and Naser et al. (2002) who found a negative relationship between liquidity and the level of disclosure, and Barako et al. (2006); Alsaeed (2006); Agyei-Mensah (2012); and Aljifri et al. (2014) who reported that liquidity is not a significant influential factor on the level of corporate disclosure in Kenya, Saudi Arabia, Ghana and UAE respectively.

Listing Status

As indicated in Table 7-15, the multivariate analysis reports identical results with the univariate analysis regarding the influence of listing status (*List*) on the extent of corporate disclosure in the annual reports of Libyan firms. The findings of the multivariate analysis indicate a significant and positive association between the listing status and the level of disclosure at the 1% and 5% level for the un-weighted and weighted indices respectively. The regression coefficient for the listing status variable is .118 and .095 respectively. Therefore, based on the results of the statistical analysis OLS, the results indicate a significant positive association between listing status and the level of disclosure in the annual reports of Libyan companies. This finding indicates that firms listed in the LSM disclose more information than non-listed firms. This result is in line with prior empirical studies which have illustrated that there is a positive association between listing status and disclosure levels (e. g. Aljifri et al., 2014; Cooke, 1991, 1992; Hossain et al., 1995; Inchausti, 1997; Lopes & Rodrigues, 2007; Malone et al., 1993; Omar & Simon, 2011; Singhvi & Desai, 1971). However, this result contradicts the findings of Buzby (1975); Olusegun and Naser (1995); and Dahawy (2009) who found no significant positive association between listing status and the extent of information disclosure in CARs. Obviously, this variation may be caused by listed firms' requirement to comply with certain disclosure regulations imposed by the LSM. Another possible reason for this variation, however, is that listed firms may voluntarily raise their disclosure levels so as to make stock market-based funding more likely and less costly.

Industry Type

Consistent with the results of univariate analysis, the multivariate analysis indicates that the coefficient estimate on industry type (*IndTyp*) is positively and statistically associated with the level of disclosure at the 1% level with a coefficient of .512 and .279 for the un-weighted and weighted indices respectively. As indicated in Table 7-15, the employed OLS indicates that industry membership has a significant impact on the level of disclosure. In other words, the results of the employed OLS indicate that financial firms disclose more information than non-financial firms (manufacturing & services). This finding indicates that there is a significant difference between comprehensiveness of disclosure in the annual reports of the financial firms (banks) and non-financial firms in Libya. This finding is expected based on the development and advancement of the financial sector in Libya compared with the other investigated sectors. In addition, generally the financial sector is found to be associated with a high level of disclosure. This result is consistent with the findings of Cooke (1992); Haniffa and Cooke (2005); Aljifri (2008); Aljifri et al. (2014); and Muttakin and Khan (2014) who found a significant relationship between the sector type and the level of disclosure. The finding of the current study contradicts the findings of Raffournier (1995) and Eng and Mak (2003) who reported empirical evidence of non-significant association between the explanatory variable (*IndTyp*) and disclosure level.

Auditor Type

The results from both univariate and multivariate analyses show an association between auditor type (*AudTyp*) and the level of disclosure. Auditor type was found to have a significant association, at the 5% level, with the coefficient of .170 with the weighted index, while no association was found between the independent variable (*AudTyp*) and the un-weighted index. It is worth observing here that the average of firms audited by big auditing firms increased from about 10.3% in 2006 to 47.2% in 2010. The non-significance of auditor type in explaining variation in corporate disclosure is consistent with a considerable number of prior studies (e. g. Barako et al., 2006; Camfferman & Cooke, 2002; Chen & Jaggi, 2000; Haniffa & Cooke, 2002; Hossain et al., 1995; Malone et al., 1993; Wallace et al., 1994). However, Olusegun and Naser (1995); Inchausti (1997); Hossain and Taylor (2007) and Al-Bassam et al. (2015) found a significant association between type of auditor and the extent of corporate disclosure.

7.6 Additional Analysis

A large number of recent studies addressing the concerns of endogeneity in the accounting and finance literature are highlighting this issue for further investigation (Brown et al., 2011; Chenhall & Moers, 2007; Gippel et al., 2015; Larcker & Rusticus, 2007; Van Lent, 2007). Although the issue of endogeneity has been identified as a problem in causal inference research, many researchers either do not know about, or simply ignore, the issue. Ignoring the issue of endogeneity may lead to misleading judgements about the validity of empirical testing of models, and furthermore, the power of research theories is more keenly scrutinized and tested. There is still a debate regarding the problem of how to deal with endogeneity. While Chenhall and Moers (2007) and Larcker and Rusticus (2007) claim the theory development to be critical, Van Lent (2007) argues that the theory has never been complete, and good instruments are hard to find, therefore there is little researchers can do to mitigate endogeneity.

As it has been reported above in section 7.4.4, the results reported in Table 7-15 ignore the existence of a possible endogeneity problem and interdependences among possible alternative corporate governance and ownership structure variables. Therefore, this section attempts to examine the extent to which the reported results in Table 7-15 are robust to the existence of potential endogeneities. As Larcker and Rusticus (2007) suggested, initially consideration was given to the use of a relevant and rigorous theoretical underpinning in Chapter Three for the purpose of specifying the endogenous (dependent) and exogenous (independent) variables within the structural equations, where the theoretical links between the dependent and independent variables were discussed. The rationale behind the need to investigate the problem of endogeneity is that potential variables being dropped down, measurement errors, equilibrium conditions and simultaneity or potential reverse causation could potentially cause a problem of endogeneity. As, Larcker and Rusticus (2007) state, the reason why endogeneity may be a problem needs to explicitly justified. In addition, in Chapter Three, the current study adopts a multi-theoretical perspective in which theories may conflict leading to a higher chance of endogeneity existing.

Based on the justifications above, and consistent with the suggestions of Larcker and Rusticus (2007), the current study employs various alternative measures to mitigate the problem of endogeneity, including estimating: (1) a two-stage least squares model; and (2) the comprehensive disclosure level, by including the squared values.

In the following sections a number of additional analyses including the Two-Stage Least Squares (2SLS) and Non-linearity model (NLM) were employed to check the robustness of our results reported above by the OLS and to check for endogeneity and non-linearity. The next section discusses the results based on estimating a two-stage least squares (2SLS) model. Finally, a Non-linearity model was employed to detect the presence of non-linear relationships between corporate governance variables and ownership variables and the extent of corporate disclosure.

7.6.1 Results of the Re-Estimated Two-Stage Least Squares 2SLS

This section reports the results of a two-stage least squares (2SLS) model. A 2SLS model is employed to check for any potential endogeneity. To ensure that the 2SLS model was appropriate, the researcher first regressed the unstandardized predicted values against the unstandardized residuals to check any potential correlation. The researcher employed the predicted parts as instruments and re-estimated the primary equation. No evidence was found of a significant correlation between the unstandardized predicted values and the unstandardized residuals. The results of 2SLS are presented in Table 7-17. The results indicate that board variables (*BoardS*, *DualP*, *BoCo*, and *FreMee*) are statistically significant with comprehensiveness of disclosure. With regard to ownership variables, the results in Table 7-17 are surprising contradicting with the primary results reported in Table 7-15 with evidence of significant association at the 1% level between *ForOwn*, *GovOwn*, *InstOwn*, and *DirOwn* with the level of disclosure.

Table 7-17 Results of the estimated Two-Stage Least Squares 2SLS

Variable construct	**2SLS** *Un-weighted Index* Coefficients	P-value
Governance variables		
BoardS	-1.283	.021**
DualP	-5.093	.025**
BoCo	.316	.059**
FreMee	-1.828	.055**
AuCo	.125	.502
Ownership variables		
ForOwn	-1.180	.019**
GovOwn	-.325	.000***
InstOwn	1.082	.045**
DirOwn	3.383	.033**
Control variables		
FS	1.658	.058**
FA	-1.581	.054**
Gearing	1.459	.020**
Prof	-1.203	.010**
Liq	-.520	.154
List	-2.579	.030**
IndTyp	2.372	.002***
AudTyp	-2.069	.032**
YD	Included	
Durbin-Watson	1.701	
F-value	49.408	
R^2. Adj	0.841	
N	*193*	

Notation: variables are defined as follows: 2SLS is two-stage least squares; Index is the comprehensiveness of disclosure level (108 items); β0 is the constant term; BoardS is the board size; DualP is the role duality; BoCo is the board composition; FreMee is the frequency of meetings; AuCo is the auditor committee; ForOwn is foreign ownership; InstOwn is institutional ownership; GovOwn is government ownership; DirOwn is director ownership; FS is firm size; FA is firm age; Prof is profitability; Liq is liquidity; Lis is listing status; IndTyp is industry type and AudTyp is auditor type.

7.6.2 Results of the Non-Linearity Model

Previous studies argued that there is a non-linear relationship between board characteristics and ownership variables and corporate disclosure practices (Elmagrhi et al., 2016; Guest, 2009; Sun et al., 2015). To detect the presence of non-linear relationships between corporate board size and ownership variables and the extent of corporate disclosure, this model re-estimates the level of disclosure by including the squared values of $BoardS^2$, $ForOwn^2$, $GovOwn^2$, $InstOwn^2$ and $DirOwn^2$. Table 7-18 presents the results of the non-linear model (NLM). The coefficients on $BoardS^2$, $GovOwn^2$, and $InstOwn^2$ are statistically insignificant. However, the coefficients on $ForOwn^2$ and $DirOwn^2$ are significant, indicating evidence of non-linearity between these two variables and the dependent variable. The findings of the remaining variables are still the same as our findings in Table 7-15 (apart from observable minor sensitivities in the magnitude of the coefficients). As a result, these findings support the probability of the presence of a non-linear link between $ForOwn^2$ and $DirOwn^2$ and the extent of disclosure.

Table 7-18 Results of the re-estimated non-linearity model (*NLM*)

Variable construct	***Un-weighted Index***	
	Coefficients	P-value
Governance variables		
BoardS	.148	.543
BoardS^2	-.220	.364
DualP	.025	.480
BoCo	-.109	.009***
FreMee	.126	.001***
AuCo	.109	.003***
Ownership variables		
ForOwn	-.161	.170
ForOwn^2	.188	.094*
GovOwn	-.146	.219
GovOwn^2	.141	.183
InstOwn	-.026	.805
InstOwn^2	.075	.444
DirOwn	.269	.066*
DirOwn^2	-.254	.088*
Control variables		
FS	.080	.101
FA	.042	.251
Gearing	.038	.353
Prof	.047	.266
Liq	.181	.000***
List	.161	.003***
IndTyp	.429	.000***
AudTyp	.182	.001***
YD	Included	
Durbin-Watson	1.781	
F-value	34.299	
R^2 Adj	0.818	
N	*193*	

Notation: variables are defined as follows: NLM is non-linear model re-estimated by including the squared values of BoardS, ForOwn, GovOwn, InstOwn and DirOwn; Index is the comprehensiveness of disclosure level (108 items); β0 is the constant term; Boards is the board size; DualP is the role duality; BoCo is the board composition; FreMee is the frequency of meetings; AuCo is the auditor committee; ForOwn is foreign ownership; InstOwn is institutional ownership; GovOwn is government ownership; DirOwn is director ownership; FS is firm size; FA is firm age; Prof is profitability; Liq is liquidity; Lis is listing status; IndTyp is industry type and AudTyp is auditor type.

7.7 Conclusion

To recap, the aim of this chapter is: to empirically investigate the extent and trends of corporate disclosure behaviour of Libyan listed and non-listed companies during the period 2006-2010 in their annual reports; and to examine if there is an association between variables related to corporate governance characteristics, ownership structure, corporate characteristics and corporate disclosure behaviour. The results of the descriptive analysis showed that the extent of comprehensive disclosure is a relatively high 65% with an approximate range from 55% to 79%.

In the current study, bivariate and multivariate analyses were used to analyse the data obtained from the annual reports of Libyan listed and non-listed firms. In the bivariate analysis, correlation coefficients and parametric and non-parametric tests were conducted to test the relationship between each of the continuous variables and the dependent variable. Furthermore, the T test and Mann Whitney test were employed as parametric and non-parametric tests to investigate the correlation between each of the nominal independent variables and the dependent variable. Thereafter, regression analyses were employed as a multivariate analysis. The data was inspected to check the assumptions of the regression model "regression diagnostic" to choose the relevant statistical technique. No case of assumption violation was detected in this study. Thus, an Ordinary Least Squares (OLS) regression was used to examine the association between the dependent variable and the explanatory variables (corporate governance aspects, ownership structure and corporate characteristics). In addition, the data was split into two groups based on the companies' listing statuses. An OLS regression model was employed for each group to examine any differences in the results between listed and non-listed companies. This further analysis aimed to study the relationship between the determinants of corporate disclosure (*corporate governance, ownership structure and firm characteristics*) and the corporate disclosure behaviour of Libyan firms.

With regard to the explanatory power of the model to explain the corporate disclosure behaviour of Libyan firms, the result (Adj. R2) was 85%. The findings of the empirical section in this chapter conclude that the disclosure level in the annual reports of Libyan companies over the examined period can be explained by a number of corporate governance variables. Out of the five corporate governance variables included in the current study, only duality in position of CEO (*DualP*) and board composition (*BoCo*) were found to be insignificant in explaining the comprehensive disclosure level.

Regarding ownership structure variables, although in the univariate analysis, of the four ownership variables, *ForOwn* and *GovOwn* were significant at the 1% and 5% levels with the comprehensive disclosure level, in the multivariate analysis, none of the ownership variables was significant in explaining the extent of disclosure. With regard to the explanatory power of the corporate characteristics variables, the multivariate regression analysis reported that liquidity (*Liq*), listing status (*List*) and industry type (*IndTyp*) have a positive impact on the disclosure level,. Firm age (*FA*) and auditor type (*AudTyp*) were concluded to have an impact at the 10% level on the disclosure level.

In addition, the study contributes to the area of corporate disclosure behaviour by conducting additional analyses to check the robustness of the results and findings, and to check for the robustness of the findings and the issues of endogeneity and non-linearity. An instrumental variable was developed using an alternative weighted index, and a two-stage least squares model was employed to check for any potential endogeneity. The results found that there is no problem of endogeneity. Furthermore, to detect the presence of non-linear relationships between the independent variables and the extent of corporate disclosure, this study re-estimates the *the level of comprehensive disclosure* by including the squared values of $BoardS^2$, $ForOwn^2$, $GovOwn^2$, $InstOwn^2$ and $DirOwn^2$. The results of the additional analyses are to some extent similar to the primary results of the employed OLS. The study concludes that there were only three variables which could explain the comprehensive disclosure level.

Chapter 8

Conclusions, Limitations and Recommendations

8.1 Introduction

This research study comprises of two main missions. The first one empirically examines users' and preparers' perceptions of the usefulness of corporate information provided in the CARs of Libyan companies for the purpose of decision-making by employing a questionnaire survey. While the second examines the extent of disclosure in the annual reports of Libyan listed and non-listed companies and examines the impact of corporate governance mechanisms, ownership structure, and corporate characteristics on the extent of disclosure.

This chapter is devoted to discussing the conclusions, limitations and recommendations of the thesis. Firstly, it summarises the research objectives, questions and methodology. Secondly, the chapter summarises the research findings. In this regard, the research findings are based on: the questionnaire; the disclosure index; and on the robustness/sensitivity analyses. Thirdly, the chapter discusses the research empirical contributions, followed by the research limitations. Finally, the chapter summarises the policy implications of the research findings, and identifies potential avenues for future research and improvements.

The remainder of the chapter is divided into five main sections. Section 8.2 presents a summary of research objectives, questions and methodology. Section 8.3 summarises the research findings and potential implications, while the contributions of the current study are summarized in Section 8.4. Section 8.5 discusses the limitations of the study. Section 8.6 provides a summary of policy implications and suggestions for further research and improvements.

8.2 Summary of Research Objectives, Questions and Methodology

As it discussed in Chapters One and Two, historically, Libya's economic model has predominantly been a socialist or a state controlled economy. The economy has been largely influenced by the country's socialist philosophy in terms of the ownership of businesses and the controlling of business objectives. For a period of time, Libyan firms were predominantly owned by the state, and organised and run by government agencies. As a result of the state socialist philosophy and despite the government attempts to drive the economy from a socialist formulation to a market-oriented economy, Libyan companies as public enterprises were very sensitive to any changes in the government's policies regarding economic, political and social issues (Almehdi, 1997). This has forced the Libyan companies to update their corporate reporting practices to comply with the new changes in the Libyan environment in terms of the information needs of the new investors who entered the Libyan market as a result of the government's plan to open the country for foreign capital, such as the launch of the LSM in 2006. Arguably, this requires the Libyan laws and regulations comply with these changes to enhance the quality and quantity of information for decision-making purposes. As corporate information is vital for investors' decision making, reporting regulations as well as the corporate governance framework are unique in their impact on corporate reporting practices and information in the Libyan context.

These issues together raise two critical questions. The first important question is: what are the perceptions and attitudes of preparers and users regarding the quality of the information provided in CARs in Libya?. The second crucial question is: what is the quantity of the information provided in companies' annual reports and what are the determinants that influence the level of disclosure in the CARs of Libyan companies?. The main aim of the current research study is to explore both: (1) the perceptions regarding and (2) the nature and determinants of corporate disclosure practices in Libyan companies' annual reports.

This aim was divided into seven objectives as follows:

- To investigate the usefulness of corporate annual reports in Libya from the perspective of preparers and users, and their attitudes regarding the different aspects of corporate reporting.
- To analyse different interested parties' perceptions and attitudes regarding the adequacy of current disclosure in the annual reports of Libyan companies, the factors expected to influence the disclosure level, and users' need for additional information.
- To identify whether there are any significant differences among respondent groups regarding their perceptions of the usefulness of the information provided in corporate annual reports.
- To investigate the extent of disclosure in Libyan companies' annual reports.

- To examine the impact of corporate governance mechanisms on the extent of disclosure in the annual reports of Libyan companies.
- To examine the impact of Libyan companies' ownership structure on the extent of disclosure in their annual reports.
- To examine the impact of corporate characteristics on the extent of disclosure in the annual reports of Libyan companies.

The questions below are set to achieve the objectives above:

- What are the perceptions and attitudes of preparers and users regarding the usefulness of the information provided in the CARs in Libya?
- What is the degree of adequacy and what are the factors affecting the current disclosure of information in the published CARs of Libyan companies?
- Are there any significant differences among respondent groups regarding their perceptions of the usefulness of the information provided in corporate annual reports?
- What is the extent of disclosure in Libyan companies' annual reports?
- Do corporate governance mechanisms have any influence on the extent of disclosure in the annual reports of Libyan companies?
- Do ownership structure aspects have any influence on the extent of disclosure in the annual reports of Libyan companies?
- Do corporate-specific characteristics have any influence on the extent of disclosure in the annual reports of Libyan companies?

8.3 Summary of Research Findings and Implications

8.3.1 Findings Based on the Questionnaire Survey

In this section of the chapter, a summary of the questionnaire's findings, in addition to the conclusions, is presented. The data analysis of the questionnaire survey presented earlier in Chapter six is the basis of the following findings. The presentation of the summarised findings and the conclusions of the questionnaire survey are presented as follows:

- A major finding is that CARs are perceived as the most important source of corporate information by both users and preparers in Libya, followed by interim reports. Financial newspapers or magazines are considered as the third most important source, while the advice of stockbrokers and the Internet are the fourth and fifth most important sources of corporate information respectively. Market rumours are ranked as the least important source of information.

- There was a clear finding that the Balance Sheet is considered to be the most important section among the various sections of CARs. The Income Statement is considered as the second most important section, while the Auditors' Report and Cash Flow Statements are the third and fourth most important sections of CARs respectively. On the other hand, the findings indicated that Notes to Accounts and the Directors' Report are perceived as the least important sections.
- The majority of the respondent groups use CARs frequently for their decision making.
- More than 80% of the user-groups regularly turn to sections of CARs for making decisions, while only around 36% read the notes to the accounts (disclosure notes) when using CARs for decision making purposes.
- The respondents ranked Income Statement and Balance Sheet as the most understandable sections of Libyan firms' annual reports.
- The respondents have a preference for using corporate information to obtain primary information for monitoring investments, using accounting information for assessing the cash flow came second in importance, whilst using it for making investment decisions came third.
- The delay in publishing CARs is viewed by the vast majority of respondents as the prime factor restricting their use in Libya, followed by the lack of trust in information. The lack of unified accounting and reporting standards and a lack of adequate information are ranked as the third and fourth limiting factors by the respondents respectively.
- None of the respondents rated the six qualitative characteristics as not important at all or not important. Timeliness is ranked as the most important attribute of corporate information, followed by faithful representation. The next characteristics are verifiability and comparability respectively. Relevance and understandability are ranked as the final two in importance respectively.

- The respondents considered the information disclosed in the annual reports of Libyan firms as adequate.
- LCC and ITL are viewed by the vast majority of respondents as the prime factors affecting corporate reporting practices in Libya. Recommendations by auditors and BL are ranked as the third and fourth factors by the respondents respectively. The LSM and the need for equity or loan finance are ranked as fifth and sixth in significance in their influence on the corporate reporting practices of Libyan firms.
- The lack of reporting standards and accepted accounting principles is perceived by the vast majority of respondents as the prime obstacle restricting the level of disclosure followed by the lack of knowledge of external users' needs. An ineffective monitoring body and the fear of the misuse of extra published information by users or competitors are ranked as the third and fourth most significant obstacles by the respondents respectively. Finally, the expenses of preparing and publishing are viewed as the last in significance in their influence on the level of disclosure in the CARs of Libyan firms.
- More than 90% of the respondents consider additional information in the nine information categories to be beneficial for helping them in their decision making. Future information was perceived as the category most needing more information to be published, followed by the income statement and balance sheet.
- Generally speaking, the findings also indicated that there were statistically significant differences in perceptions among the user groups, and between users and preparers regarding the use and usefulness of CARs in Libya.

8.3.2 Findings Based on the Disclosure Index

In general, in the current study, our analyses of the secondary data are informed by a number of theoretical perspectives, including agency, resource dependence, legitimacy and stakeholder theories. This distinguishes the study from many of the existing studies that are either largely descriptive or informed by a single theoretical perspective. In addition, distinct from most prior studies, the employed analyses cover both listed and non-listed firms, and thereby allow the researcher to provide new empirical insights related to the disclosure behaviour of both listed and non-listed firms. Based on a sample of 193 annual reports of listed and non-listed companies, and a checklist of 108 items, the results provide a mix of significant and insignificant associations between the study's explanatory variables and the corporate reporting behaviour of Libyan firms. The study found a gradual increase in the level of disclosure and its categories over the examined period (2006-2010) which was expected, as the country is in transition to becoming a market economy.

The statistical results indicate that corporate governance characteristics do influence the comprehensive disclosure level in the annual reports of Libyan companies. Of the five board characteristics examined in the current study, three variables were found to be associated with the comprehensive disclosure level in CARs; two positively and one negatively. Board size is found to have a significant negative association with the extent of disclosure. Conversely, the frequency of board meetings and the existence of an audit committee are found to be positively associated with the level of disclosure. On the other hand, the findings indicate that duality in the position of the CEO and board composition are not related to the comprehensive level of disclosure.

Regarding ownership structure variables, although in the univariate analysis, of the four ownership variables, foreign (*ForOwn*) and government ownership (*GovOwn*) were significant variables at the 1% and 5% levels with the disclosure level, in the multivariate analysis, none of the ownership variables is found to be significant in explaining the extent of disclosure.

8.3.3 Findings Based on the Robustness/Sensitivity Analyses

As discussed in Chapter Five and reported in Chapter Seven in Section 7.6, three main robustness or sensitivity analyses were conducted to address potential endogeneity and non-linearity problems. The rationale behind the sensitivity or robustness analyses has been to ascertain the extent to which the primary results reported in the multivariate analysis OLS in Chapter Seven are robust or sensitive to alternative empirical and theoretical explanations, as well as estimations. These analyses include estimating: an instrumental variable model (the weighted disclosure index); a two stage least squares 2SLS model; and a non-linearity NLM model. Firstly, the presence of potential endogeneity problems among the corporate governance variables is further addressed by using two-stage least squares (2SLS). The results indicate that board variables (*BoardS*, *DualP*, *BoCo*, & *FreMee*) are statistically significant with comprehensiveness of disclosure. With regard to ownership variables, the results are surprising contradicting with the primary results reported by the OLS with evidence of significant association at the 1% level between *ForOwn*, *GovOwn*, *InstOwn*, and *DirOwn* with the level of disclosure.

Finally, a re-estimated model was carried out by including the squared values of $BoardS^2$, $ForOwn^2$, $GovOwn^2$, $InstOwn^2$ and $DirOwn^2$ to detect the presence of non-linear relationships between corporate governance and ownership variables and the extent of corporate disclosure. The coefficients on the squared variables are statistically insignificant. The findings are still the same as those reported by the primary findings of the OLS in Table 7-15 (apart from observable minor sensitivities in the magnitude of the coefficients).

8.4 Research Contribution

To the best of the researcher's knowledge, there has been no empirical investigation in Libya regarding both the usefulness of corporate information provided in CARs under the recent changes in the Libyan context and the empirical evidence of corporate disclosure in the country. In meeting its objectives, the current study has made some particular contributions. The current study contributes to the corporate reporting literature in general and corporate governance and disclosure literature in particular as follows:

- The findings of the current study provide empirical evidence of the usefulness of corporate information provided in the CARs of Libyan firms after the emergence of the LSM.
- This study presented and tested the suitability of a set of QCOAI presented in the Conceptual Framework of the IASB to be adopted in evaluating the usefulness of corporate information in CARs. This may help both preparers of corporate annual reports and regulators of accounting practice in improving corporate reporting practices in Libya.
- The study empirically investigated users' perceptions of the qualitative characteristics of corporate information provided in the annual reports of Libyan companies. This investigation may draw the attention of both the preparers and regulators to deficiencies in the corporate reports and then help alleviate such issues.
- This study also contributes to the literature directly by addressing the research questions to a broader range of stakeholders than any prior study, which have

typically focused on just one stakeholder group, and obtain their explicit perceptions.

- Some comparisons have been presented between the results of the current study and relevant sections in other similar studies, whether other developing countries (Jordan, Saudi Arabia, Sri Lanka and Iran) or in developed countries (Australia, New Zealand, the UK, and the US).

- The empirical evidence presented in this study regarding the usefulness of corporate information may help regulators to identify which information items should be made mandatory and voluntary.

- This study is considered to be one of the few studies that investigates the perceptions of both the preparers and users of CARs in an attempt to fill the communication gap between the two groups, and to the best of our knowledge, is the first study in Libya.

- This study also contributes to the literature directly by using both primary and secondary data to evaluate the quality and the quantity of corporate reporting practices.

- This study contributes to the existing literature by providing new empirical evidence of comprehensiveness of disclosure practices from the North African region in general and Arab countries in particular which have been subjected to only a limited number of studies.

- The current study provides up-to-date evidence of the relationship between corporate governance characteristics and ownership structure and disclosure practices from a developing country with an emerging capital market. Interestingly, ownership structure has no influence on corporate disclosure practices.

- The current study also provides a list of comprehensive disclosure items to the LSM that can be used to rank companies in terms of their disclosure practices and information transparency.

- This study contributes to the existence literature by providing evidence of corporate reporting practices in an economy that is in transition from a socialist to a market-oriented economy.

8.5 Research Limitations

Like all studies, the current research has some limitations that need to be acknowledged and taken into consideration when evaluating the findings of the study. These limitations are summarized below:

First, the empirical findings in Chapters Six are based on the perceptions of a specific number of groups of preparers and users of Libyan companies' annual reports. Those targeted groups for the surveys are by no means the entirety of either population however, and overgeneralisation is a danger when drawing conclusions from this type of analysis. Second, the findings of the current study are based on three sectors (financial, manufacturing and services). While this choice was carefully made, given the importance of these sectors to the recent changes in the Libyan market, the issue of the extent of generalizability again arises and needs to be acknowledged. An expansion of the analysis into other sectors such as petroleum and food sectors will clearly be required to gain a comprehensive picture of corporate reporting practices in Libya. Third, one of the limitations of this study is that Libyan companies' online disclosure was not examined. This kind of disclosure will become an important topic in future research highlighting the need for investigating such disclosure in Libya as a developing country where the internet is considered to be a priority for economic development and internationalisation.

Furthermore and fourth, the current study is dedicated to focussing only on the annual reports of Libyan companies, which future research could expand in order to investigate disclosure practices through other channels (e. g. prospectus, journals, newspapers, press coverage, government publications, Central Bank of Libya's reports, interviews with officials, seminars, etc.). Fifth, the period of time covered in the current study coincided with the political changes started in 2011. While the findings provide important insights for both regulators of and investors in the Libyan market, there was not time to investigate whether these changes have an impact on the disclosure behaviour of Libyan companies (and perceptions thereof). Sixth, the current study employed two research techniques: a questionnaire survey and content analysis. However, further empirical research could obviously be carried out by adopting more in-depth qualitative techniques such as interviews.

Seventh, in the current study, a self-constructed index was developed to capture the comprehensiveness of disclosure applying both un-weighted and weighted techniques.

Although a number of steps were followed to reduce subjectivity in selecting information items for the index, it cannot be argued that the employed index is free from subjectivity, as the selection of items for inclusion in the disclosure checklist was not tested on professionals or other groups as some researchers have done (e. g. Akhtaruddin, 2005; Barako., 2007; Kribat et al., 2013) due to the time constraints involved. However, the index was constructed based on relevant prior literature and applied carefully in the Libyan context. Therefore, the employed index is believed to be suitable for the aim of this research study.

Eight, the study was carried out focusing on a single country. While the circumstances in the Libyan context highlight the importance of the current study, this uniqueness obviously limits the generalizability of the findings. For this reason, more work on North Africa in general and developing countries in particular is needed. While it is recognised that every research has some limitations, it is nonetheless believed that the findings of this research study contribute significantly to knowledge. Being the first study of its kind in Libya it is deliberately exploratory in nature employing two methods to examine corporate reporting practices in Libya. It offers a useful insight into the disclosure practices of Libyan listed and non-listed companies and provides a starting point for future research that might deal with on-going changes in the Libyan context that are likely to reverberate for many years to come.

Finally, one of the limitations of this study is that for the analysis across sub-samples of listed and non-listed firms the number of observations compared to the number of variables is relatively low which leads to decreases the degrees of freedom substantially and thus the validity of the results. Another limitation of the current study can be stated on its opportunity to transform the scores of the disclosure index as suggested by Cooke (1998) such as rank regression and performed by Abdullah, M. et al. (2015). However, the normal scores of the disclosure index have a number of benefits over Rank Regression (including: (1) normally distributed dependent variable implies the same property for the distribution of the errors (2) the significance tests are meaningful and have greater power than when using ranks (3) the coefficients obtained when using the normal scores approach are more meaningful than for Rank Regression) (Cooke, 1998).

8.6 Policy Implications and Avenues for Future Research and Improvements

8.6.1 Implications

This research study aims to explore the nature of corporate disclosure practices in Libyan companies' annual reports, and to show whether there are variations in the quality and quantity of corporate information available in the Libyan context. Accordingly, this study focuses on the existing literature on the effect of corporate governance mechanisms, ownership structure and corporate characteristics on corporate reporting practices. Several implications can be drawn from the findings of the current study as follows:

- The findings of the current study should be of potential interest to policy makers, investors and professionals as the current study focuses on users' perceptions regarding the usefulness of corporate information.
- The study's findings provide existing and potential investors with information regarding the quality as well as the quantity of corporate information for their decision-making purposes.
- The current study reveals the findings that highlight the effect of corporate governance, ownership structure and company attributes on the extent of corporate disclosure.
- The study's findings have practical implications for companies needing to satisfy the informational needs of shareholders and stakeholders. The more shareholders or 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.
- The findings of this study should be of interest to those who are concerned with governmental accounting and reporting issues, especially those who participate in the standard setting process.
- The findings of the current study enable investors to improve their process of decision-making. Measuring the different aspects of corporate reporting in general, and disclosure in particular, allows investors to be aware of a company's management's capacity to manipulate conflicts of interest for opportunistic

purposes, as well as to evaluate the reliability of financial and non-financial information.

- The findings of the current study might also be of immense help to the regulatory bodies in Libya to facilitate effective corporate governance practices such as improving transparency and disclosure in Libya through the adoption of a CG code.
- The findings are also beneficial to Libyan authorities and the LSM, enabling these bodies to evaluate the current disclosure requirements and principals, in which such regulations and codes should be amended based on evidence from empirical studies such as evidence offered by this research.

8.6.2 Avenues for Future Research and Improvements

The findings, in line with the limitations of the current research, together suggest some new opportunities concerning disclosure literature. Some suggestions for future research are presented as follows:

Firstly, future research could start by considering other means of corporate disclosure such as the corporate website. In this respect, the association between the level of disclosure in CARs and the corporate website can be examined, and whether both of these channels have the same determinants can be investigated. Secondly, future research could be replicated by applying a different research paradigm, benefiting from both qualitative and quantitative techniques. Also, triangulation can be an option to broaden our understanding of corporate disclosure and reporting practices in Libya.

Thirdly, future research could focus on a specific type of disclosure such as social and environmental reporting, forward-looking information, risk disclosure, or corporate governance disclosure. Future research in Libya could extend the sample size, as the sample size of this study was limited by data availability and the constraints of manual data collection. A comparative study with other countries in the region, with alternative or more advanced accounting and governance practices would provide an opportunity for further research. As a number of Libya’s neighbouring countries were also affected by the 2011 ‘Arab Spring’ further research could compare Libya with other countries’ disclosure practices before and after this pivotal period in the region. These suggestions offer a useful insight into the disclosure practices of Libyan firms and provide a starting point for future research, which might be necessary to deal with on-going changes that are likely to reverberate for many years to come.

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Appendices

Appendix 1: The Questionnaire Survey

Appendix 1-1: The English Version of the Questionnaire Survey

Questionnaire Survey

Dear Participant,

I am a Ph.D. student at the University of Huddersfield, UK, currently preparing my doctoral thesis entitled:

"An evaluation of corporate reporting practices in developing countries: empirical evidence from Listed and non-listed Libyan companies"

This research aims to investigate the perceptions and attitudes of preparers and users of corporate annual reports in an emerging economy (Libya). This survey is an important part of the research; therefore, your valuable cooperation and participation in answering this questionnaire will be greatly appreciated. I would be most thankful if you could spare some time to complete the enclosed questionnaire, which aims to explore the usefulness of information provided in corporate annual reports in Libya for different user groups, and also investigates to what extent the current applied accounting practices satisfy the information needs of those user groups. The questionnaire has been carefully designed for this study and is developed based on the current knowledge in this field, including recent empirical studies in both developed and developing countries.

All responses will be used for the purposes of this research only and will be treated confidentially. Anonymity of respondents is also guaranteed unless you want a copy of research results.

Should you need further information or clarification regarding this research study, please do not hesitate to contact me or my Director of Studies at the addresses below.

Thank you for your co-operation in completing this questionnaire.

Yours Sincerely

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Glossary of terms: qualitative characteristics

The terms defined below are quoted from the Conceptual Framework of the International Accounting Standards Board released (IASB) in 2010 to assist respondents understand the survey's questions to ensure accurate answers.

- **Relevance**: is capable of making a difference in the decisions made by users. Financial information is capable of making a difference in decisions if it has:
  - I. Predictive value, if it can be used as an input to processes employed by users to predict future outcomes.
  - II. Confirmatory value, if it provides feedback about (confirms or changes) previous evaluations.

- **Faithful representation**: it is complete, natural and free from material error, and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent.

- **Comparability**: is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items.

- **Verifiability**: helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

- **Timeliness**: means having information available to decision-makers in time to be capable of influencing their decisions. Generally, the older the information is the less useful it is.

- **Understandability**: classifying, characterizing, and presenting information clearly and concisely makes it understandable.

Section 1: General Information

This part aims to obtain general information about respondents with regard to their main job, experience, qualification, gender and age.

(For questions 1.1 to 1.6 below please tick [✓] for the relevant answers to indicate)

1.1 How would you categorise yourself?

[ ] Preparer of corporate annual reports (go to 1.3)   [ ] User of corporate annual reports

1.2 Role: Please indicate which is the primary role you are usually in when you make a decision about a company	
[ ] Individual Investor	[ ] Institutional Investor
[ ] Financial Analyst	[ ] Stockbroker
[ ] Senior Banker	[ ] Legal accountant & auditor
[ ] Academic (researcher)	[ ] Tax Officer

1.3 Do you use corporate annual reports?	
Yes:	[ ]
If, No: Please ignore questions (3.1 / 3.2 / 3.3 / 3.4 / 5.4)	[ ]

1.4 Experience with corporate annual reports:

Less than 1 year	1 year to less than 5 years	5 years to less than 10 years	10 years to less than 15 years	15 years to less than 20 years	20 years to less than 25 years	25 years or more
[ ]	**[ ]**	[ ]	[ ]	[ ]	[ ]	[ ]

1.5 Qualification:

What is your highest academic qualification?	…….............	Place of study	....
Subject: Please state the major subject of your degree?			
Accounting & finance	[ ]	Economics	[ ]
Business studies	[ ]	Other; please state..	

Do you have any professional qualifications? If yes, please specify;

.... ……………………………………..

…………………………………….. ……………………………………..

1.6 Gender:			
Male	[ ]	Female	[ ]

1.7 Age

Under 25 years	25 to 30 years	30 to 35 years	35 to 40 years	40 to 45 years	45 to 50 years	Over 50 years
[ ]	**[ ]**	[ ]	[ ]	[ ]	[ ]	[ ]

Section 2: The importance of sources of corporate information and sections of corporate annual reports in Libya.

This part aims to identify the importance of each source of information listed below and to identify the importance of each section of corporate annual reports for the purposes of decision-making.

(For questions 2.1 & 2.2 below please circle the relevant answers to indicate)

2.1 - Using the 7-point Likert scale, how do you rate the importance of the following sources of corporate information for the purposes of decision-making?

1	2	3	4	5	6	7
Not important at all	Not important	Slightly not important	Neutral	Slightly important	Important	Extremely important

Code	Sources of Information (Items)	Rank of Importance						
2.1.1	Corporate annual reports	1	2	3	4	5	6	7
2.1.2	Interim reports	1	2	3	4	5	6	7
2.1.3	Advice of stockbrokers	1	2	3	4	5	6	7
2.1.4	Financial newspapers or magazines	1	2	3	4	5	6	7
2.1.5	Government publications and statistics	1	2	3	4	5	6	7
2.1.6	Direct contact with the company's management	1	2	3	4	5	6	7
2.1.7	Market rumours	1	2	3	4	5	6	7
2.1.8	Internet	1	2	3	4	5	6	7
2.1.9	Other (please identify) ………………………………	1	2	3	4	5	6	7

2.2 - Using the 7-point Likert scale, how do you rate the importance of sections in corporate annual reports to make decisions about companies in Libya?

1	2	3	4	5	6	7
Not important at all	Not important	Slightly not important	Neutral	Slightly important	Important	Extremely important

Code	Sections of the Annual Report (items)	Level of Importance						
2.2.1	Income statement	1	2	3	4	5	6	7
2.2.2	Balance sheet	1	2	3	4	5	6	7
2.2.3	Cash flow statement	1	2	3	4	5	6	7
2.2.4	Statement of changes in equity	1	2	3	4	5	6	7
2.2.5	Directors' report	1	2	3	4	5	6	7
2.2.6	Auditors' report	1	2	3	4	5	6	7
2.2.7	Notes to the accounts (disclosure notes)	1	2	3	4	5	6	7

Section 3: The use and usefulness of the information provided in corporate annual reports

(For questions 3.1 below please tick [✓] for the relevant answers to indicate)

3.1 - Using the 7-point Likert scale, please indicate how often do you use corporate annual reports as a basis for decision making? (Rarely, in less than 10% of the chances when I could have / Occasionally, in about 30% of the chances when I could have / Sometimes, in about 50% of the chances when I could have / Frequently, in about 70% of the chances when I could have / Usually, in about 90% of the chances I could have).

1	2	3	4	5	6	7
Never	Rarely	Occasionally	Sometimes	Frequently	Usually	Always
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

(For questions 3.2 to 3.5 below please circle the relevant answers to indicate)

3.2 - Using the 7-point Likert scale, please indicate how often do you read the following sections contained in the corporate annual reports when making decisions? (Rarely, in less than 10% of the chances when I could have / Occasionally, in about 30% of the chances when I could have / Sometimes, in about 50% of the chances when I could have / Frequently, in about 70% of the chances when I could have / Usually, in about 90% of the chances I could have).

1	2	3	4	5	6	7
Never	Rarely	Occasionally	Sometimes	Frequently	Usually	Always

Code	Sections	Extent of Reading						
3.2.1	Income statement	1	2	3	4	5	6	7
3.2.2	Balance sheet	1	2	3	4	5	6	7
3.2.3	Cash flow statement	1	2	3	4	5	6	7
3.2.4	Statement of changes in equity	1	2	3	4	5	6	7
3.2.5	Directors' report	1	2	3	4	5	6	7
3.2.6	Auditors' report	1	2	3	4	5	6	7
3.2.7	Notes to the accounts (disclosure notes)	1	2	3	4	5	6	7

3.3 - Using the 7-point Likert scale, to what extent do you find the corporate annual report sections of companies in Libya understandable?

1	2	3	4	5	6	7
Not understandable at all	Not understandable	Slightly not understandable	Neutral	Slightly understandable	Understandable	Totally understandable

Code	Items	Level of Understandability						
3.3.1	Income statement	1	2	3	4	5	6	7
3.3.2	Balance sheet	1	2	3	4	5	6	7
3.3.3	Cash flow statement	1	2	3	4	5	6	7
3.3.4	Statement of changes in equity	1	2	3	4	5	6	7
3.3.5	Directors' report	1	2	3	4	5	6	7
3.3.6	Auditor's report	1	2	3	4	5	6	7
3.3.7	Notes to the accounts (disclosure notes)	1	2	3	4	5	6	7
3.3.8	Accounting policies	1	2	3	4	5	6	7

3.4 - Using the 7-point Likert scale, to what extent do you agree or disagree with the following statement with regard to the usefulness of the information provided in corporate annual reports?
"The corporate annual reports are useful in the following ways":

1	2	3	4	5	6	7
Strongly disagree	Disagree	Somewhat disagree	Neither agree or disagree	Somewhat agree	Agree	Strongly agree

Code	Statement;	Level of Agreement						
3.4.1	They provide information to help investors in making new investment decisions.	1	2	3	4	5	6	7
3.4.2	They provide information to help investors to monitor their investments.	1	2	3	4	5	6	7
3.4.3	They provide information to assess the cash flow of the company.	1	2	3	4	5	6	7
3.4.4	They provide information to predict profits and return on the share price.	1	2	3	4	5	6	7
3.4.5	They provide information to evaluate managerial effectiveness.	1	2	3	4	5	6	7
3.4.6	They provide information to formulate forecasts about future performance.	1	2	3	4	5	6	7
3.4.7	They help investors to compare company's performance over time.	1	2	3	4	5	6	7
3.4.8	They help investors to make comparison	1	2	3	4	5	6	7

	between company's performances with other companies' performance within a single industry.							
2.4.9	Other (please identify) ……………………….	1	2	3	4	5	6	7

3.5 - Using the 7-point Likert scale, how significant do you find the following to be when using corporate annual reports in Libya?

1	2	3	4	5	6	7
Not significant at all	Insignificant	Slightly insignificant	Neutral	Slightly significant	Significant	Very significant

Code	Problem	Level of Significance						
3.5.1	Delay in publishing annual reports	1	2	3	4	5	6	7
3.5.2	Lack of trust in information	1	2	3	4	5	6	7
3.5.3	Lack of adequate information	1	2	3	4	5	6	7
3.5.4	Lack of unified accounting and reporting standards	1	2	3	4	5	6	7
3.5.5	Lack of qualified auditors	1	2	3	4	5	6	7
3.5.6	Lack of access	1	2	3	4	5	6	7
3.5.7	Lack of professional accountants	1	2	3	4	5	6	7
3.5.8	Other problems …………………………..	1	2	3	4	5	6	7

Section 4: Qualitative Characteristics of Accounting Information

This part aims to identify your opinions regarding the qualitative characteristics as defined in the glossary of accounting information to evaluate the usefulness of information provided in corporate annual reports, and to identify the importance of each characteristic.

(For questions 4.1 & 4.2 below please circle the relevant answers to indicate)

4.1 - Using the 7-point Likert scale, when evaluating the usefulness of information appearing in corporate annual reports, what is the relative importance that you give to each qualitative characteristic as defined by The Conceptual Framework of the IASB (2010)?

1	2	3	4	5	6	7
Not important at all	Not important	Slightly not important	Neutral	Slightly important	Important	Extremely important

Code	Characteristic	Level of Importance						
4.1.1	Relevance	1	2	3	4	5	6	7
4.1.2	Faithful Representation	1	2	3	4	5	6	7
4.1.3	Comparability	1	2	3	4	5	6	7
4.1.4	Verifiability	1	2	3	4	5	6	7
4.1.5	Timeliness	1	2	3	4	5	6	7
4.1.6	Understandibility	1	2	3	4	5	6	7

4.2 - Using the 7-point Likert scale, to what extent does the current available information meet each qualitative characteristic listed below when evaluating the usefulness of information appearing in corporate annual reports in Libya?						
1 Never	2 Rarely	3 Occasionally	4 Sometimes	5 Frequently	6 Usually	7 Every time

Code	Characteristic	Extent						
4.2.1	Relevance	1	2	3	4	5	6	7
4.2.2	Faithful Representation	1	2	3	4	5	6	7
4.2.3	Comparability	1	2	3	4	5	6	7
4.2.4	Verifiability	1	2	3	4	5	6	7
4.2.5	Timeliness	1	2	3	4	5	6	7
4.2.6	Understandibility	1	2	3	4	5	6	7

Section 5: Satisfaction with information supplied in corporate annual reports

The aim of this part is to obtain your opinion regarding the adequacy of information and their impact on the usefulness of corporate annual reports for decision-making.

(For question 5.1 below please tick [✓] for the relevant answers to indicate)

5.1 – Based on your experience, with regard to your decision making, what is the degree of adequacy of the current disclosure of information in corporate annual reports in Libya?						
1 Totally inadequate	2 Inadequate	3 Slightly inadequate	4 Neutral	5 Slightly adequate	6 Adequate	7 Very adequate
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

(For questions 5.2 to 5.4 below please circle the relevant answers to indicate)

5.2 - Using the 7-point Likert scale, indicate the importance of the following factors which influence corporate financial reporting practices in Libya.						
1 Not significant at all	2 Insignificant	3 Slightly insignificant	4 Neutral	5 Slightly significant	6 Significant	7 Very significant

Code	Factor	Level of Significance						
5.2.1	Income Tax Law	1	2	3	4	5	6	7
5.2.2	Commercial Code	1	2	3	4	5	6	7
5.2.3	Banking Law	1	2	3	4	5	6	7
5.2.4	Recommendations by auditors	1	2	3	4	5	6	7
5.2.5	Libyan Stock Market	1	2	3	4	5	6	7
5.2.6	IASB	1	2	3	4	5	6	7
5.2.7	The need for equity or loan finance	1	2	3	4	5	6	7
5.2.8	Competitors in peer industry or market	1	2	3	4	5	6	7
5.2.9	Recommendations by academics	1	2	3	4	5	6	7
5.2.10	Others (please identify) …………………………………………	1	2	3	4	5	6	7
5.2.11	…………………………………………	1	2	3	4	5	6	7

5.3 - Using the 7-point Likert scale, how significant do you consider the following obstacles are in restricting the disclosure level in corporate annual reports in Libya?

1	2	3	4	5	6	7
Not significant at all	Insignificant	Slightly insignificant	Neutral	Slightly significant	Significant	Very significant

Code	Problem	Level of Significance						
5.3.1	Lack of knowledge of external users' needs	1	2	3	4	5	6	7
5.3.2	Lack of reporting standards and accepted accounting principles	1	2	3	4	5	6	7
5.3.3	Fear of misuse of extra published information by users or competitors	1	2	3	4	5	6	7
5.3.4	Ineffective monitoring body	1	2	3	4	5	6	7
5.3.5	Expense of preparing and publishing information	1	2	3	4	5	6	7
	Others (please identify)							
5.3.6	....	1	2	3	4	5	6	7
5.3.7	....	1	2	3	4	5	6	7

5.4 - Using the 7-point Likert scale, to what extent would you like additional information to be available in corporate annual reports for decision making?

1	2	3	4	5	6	7
Not important at all	Not important	Slightly not important	Neutral	Slightly important	Important	Extremely important

Code	Category;	Level of Importance						
5.4.1	Management information	1	2	3	4	5	6	7
5.4.2	Corporate governance	1	2	3	4	5	6	7
5.4.3	Accounting policies	1	2	3	4	5	6	7
5.4.4	Future prospects	1	2	3	4	5	6	7
5.4.5	Balance Sheet disaggregation	1	2	3	4	5	6	7
5.4.6	Income Statement disaggregation	1	2	3	4	5	6	7
5.4.7	Cash Flow Statement disaggregation	1	2	3	4	5	6	7
5.4.8	Company operations	1	2	3	4	5	6	7
5.4.9	Social responsibility	1	2	3	4	5	6	7
	Other information							
5.4.10	....	1	2	3	4	5	6	7
5.4.11	....	1	2	3	4	5	6	7

Thank you for your assistance in completing this questionnaire

Please tick [✓] below
- if you want to receive a copy of the aggregated results of this study [ ]
- if you would be willing to be interviewed about the issues raised in this questionnaire [ ]

Please provide contact details:
Institution's name: ....
Your name: ....
Telephone number: ....
Email address: ....

Thank you very much for your assistance in completing this questionnaire. We would appreciate any comments or suggestions you may consider appropriate to make in respect of any issue mentioned in the questionnaire. You may use the space below, or use a separate sheet and return it with the completed questionnaire or separately.

....
....
....
....
....
....
....

Thank you very much for your co-operation

The Researcher

Appendix 1-2: The Arabic Version of the Questionnaire Survey

University of HUDDERSFIELD
Inspiring tomorrow's professionals

استمارة استقصاء

عزيزي المشارك

أنا طالب دكتوراه في جامعة هدرسفيلد بالمملكة المتحدة، وأعد حاليا أطروحة دكتوراه بعنوان:

" تقييم ممارسات تقارير الشركات في البلدان النامية : دراسة عملية على الشركات الليبية المدرجة وغير المدرجة"

ويهدف هذا البحث إلى توضيح تصورات ومواقف كل من معدي ومستخدمي التقارير المالية السنوية للشركات في السوق الليبي. يعتبر هذا الأستبيان جزء مهم من البحث لأستكمال متطلبات الإجازة الدقيقة الدكتوراه، وبالتالي تعاونك ومشاركتك في تعبئة هذا الأستبيان سيكون ذو قيمة عالية لتحقيق أهداف هذا البحث. سأكون في غاية الامتنان إن استطعتم تخصيص بعض الوقت لإستكمال الأستبيان المرفق، و الذى يهدف الى توضيح مدئ فائدة المعلومات المقدمة في التقارير المالية السنوية للشركات في ليبيا من وجهة نظر المعديين و المستخدمين، و أيضا التحقق من مدئ تلبية الممارسات المحاسبية المطبقة حاليا لإحتياجات تلك المجموعات من المعلومات.

وقد تم تصميم الاستبيان بعناية لهذه الدراسة وهو قائم على اساس المعرفة المحاسبية في هذا المجال، بما فى ذلك الدراسة التجريبية الاخيرة في كل من البلدان المتقدمة و النامية.

علما بأن الاجابات المتحصل عليها بواسطة هذا الأستبيان سوف تحاط بسرية تامة و ستستخدم فقط لأغراض هذا البحث ولن يسمح لأي طرف ثالث بالأطلاع عليها لأي غرض وتحت أي ظرف. وأخير اذا احتجت الى أي معلومات أو ايضاحات اضافية تتعلق بهذا البحث, فلا تتردد فى الأتصال و ذلك على العنوان المبين أدناه.

وشكرا جزيلا على تعاونك معنا لانجاز هذا البحث

مع خالص التقدير و فائق الاحترام

عبدالرحمن خيري النبشة
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مصطلحات: الخصائص النوعية للمعلومات

المصطلحات المعرفة أدناه مقتبسة من الإطار المفاهيمي لمجلس معايير المحاسبة الدولية الصادر سنة 2010 لمساعدة المشاركين في هذا الاستبيان على فهم الأسئلة و اعطاء إجابات دقيقة.

- **ذات علاقة (ملائمة):** هي مقدرة المعلومات على التأثير في قرارات مستخدميها. ولكي تكون هذه المعلومات قادرة على التأثير يشترط فيها أن يتوفر فيها مايلي:

قيمة تنبؤية: وهي القيمة التي يتم توظيفها من قبل المستخدمين كمدخل لعمليات التنبؤ بنتائج أو مخرجات مستقبلية.

قيمة تأكيدية: إذا أنها توفر تغذية رجعية معلوماتيه حول (تؤكد أو تغير) التقييمات السابقة.

- **الموثوقية أو امكانية الأعتماد عليها:** نوعية المعلومات التي تثبت (تؤكد) أن تلك المعلومات خالية من الخطأ ومن التحيز و أنها تعرض بصدق مايجب عليها عرضه أو تقديمه بدرجة معقولة.

- **المقارنة:** أن المعلومات تمكن مستخدميها من إجراء المقارنات مع الوحدات المماثلة، أو خلال الفترات الزمنية المختلفة لنفس الوحدة.

- **القابلية للتحقق:** تساعد المستخدمين من التأكد من أن المعلومات تمثل بأمانة الظواهر الاقتصادية الرامية لتمثيلها. تلك الخاصية التى تمكن أشخاص مؤهلين يعمل كل منهم مستقل عن الاخر للحصول على نفس المقاييس أو النتائج من فحص و دراسة بيانات او سجلات معينة.

- **التوقيت المناسب:** توافر المعلومات لمستخدميها فى وقت حاجتهم اليها و بدون تأخير، وذلك حتى قبل أن تفقد مقدرتها على التأثير. عموما، كلما كانت المعلومات اقدم كانت أقل فائدة لمستخدميها.

- **القابلية للفهم:** تلك الخاصية التي تمكن المستخدمين من تصنيف وتوصيف، وتقديم المعلومات بوضوح ودقة مما يجعلها سهلة الفهم.

الجزء (1) :- معلومات عامة

يهدف هذا الجزء إلى الحصول على معلومات عامة حول المشاركين فيما يتعلق بالوظيفة الأساسية, الخبرة, المؤهل, الجنس و العمر.

من فضلك أجب عن الأسئلة من 1.1 إلى 6.1 بوضع [√] أمام الإجابة المناسبة.

1.1 كيف يمكنك تصنيف نفسك فيما يتعلق بالتقارير السنوية للشركات			
معد للتقارير المالية (اذهب الى سؤال 3.1)	[ ]	مستخدم للقوائم المالية	[ ]

2.1 طبيعة عملك : يرجى الإشارة الئ الدور الأساسي الذي عادة ما تكون فيه عند اتخاذ قرار حول شركة ما	
[ ] مستثمر فردي	[ ] موظف في مؤسسة استثمارية
[ ] محلل مالي	[ ] موظف في شركة وساطة
[ ] موظف مصرفي بقسم الأئتمان و القروض	[ ] محاسب و مراجع قانوني
[ ] باحث اكاديمي	[ ] موظف ضرائب

3.1 هل تستخدم التقارير السنوية للشركات	
نعم	[ ]
إذا كانت الأجابة **لا**، الرجاء تجاهل الأسئلة التالية (1.3 / 2.3 / 3.3 / 3.4 / 4.5)	[ ]

4.1 الخبرة : من فضلك حدد عدد سنوات خبرتك بالتقارير السنوية للشركات						
أقل من سنة	من 1-5 سنوات	أكثر من 5-10 سنوات	أكثر من 10-15 سنة	أكثر من 15-20 سنة	أكثر من 20-25 سنة	أكثر من 25 سنة
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

5.1 المؤهل العلمي و المهني			
ماهو أعلئ مؤهل أكاديمي تحمله؟..		مكان الدراسة	....
التخصص: من فضلك أذكر التخصص.			
محاسبة & مالية	[ ]	أقتصاد	[ ]
تجارة	[ ]	أخرئ (الرجاء التحديد)	
هل لديك اي شهادات مهنية؟..			
(من فضلك أذكرها)..			

6.1 الجنس			
ذكر	[ ]	أنثى	[ ]

أقل من 25 سنة	25-30 سنة	30-35 سنة	35-40 سنة	40-45 سنة	45-50 سنة	أكبر من 50 سنة
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

الجزء (2) :- أهمية مصادر المعلومات وأقسام التقارير السنوية للشركات

يهدف هذا الجزء إلى التعرف على أهمية كل مصدر من مصادر المعلومات المذكورة أدناه من وجهة نظرك، كما يسعى أيضا إلى تحديد الأهمية اللتي يحظى بها كل جزء من أجزاء التقارير السنوية للشركات لأغراض عملية صنع القرارات.

(من فضلك أجب عن الأسئلة 1.2 و 2.2 أدناه بوضع دائرة حول الإجابات المناسبة)

1.2 باستخدام مقياس من 7 نقاط، كيف تقيم أهمية مصادر المعلومات التالية لأغراض صنع القرارات؟

1	2	3	4	5	6	7
غير مهم اطلاقاً	غير مهم	غير مهم بعض الشئ	محايد	مهم بعض الشئ	مهم	في غاية الأهمية

الكود	مصادر المعلومات (وحدات)	مدئ الأهمية						
1.1.2	التقارير السنوية للشركات	1	2	3	4	5	6	7
2.1.2	التقارير الربع سنوية	1	2	3	4	5	6	7
3.1.2	نصائح السماسرة	1	2	3	4	5	6	7
4.1.2	النشرات أو المجلات المالية	1	2	3	4	5	6	7
5.1.2	الأصدارات والأحصاءات الحكومية	1	2	3	4	5	6	7
6.1.2	الاتصال المباشر بالشركة	1	2	3	4	5	6	7
7.1.2	شائعات السوق	1	2	3	4	5	6	7
8.1.2	الأنترنث	1	2	3	4	5	6	7
9.1.2	أخرئ (الرجاء التحديد)	1	2	3	4	5	6	7

2.2 باستخدام مقياس من 7 نقاط، كيف تقيم أهمية أجزاء التقرير السنوي لاتخاذ أي قرارات فيما يتعلق بالشركات في ليبيا؟

1	2	3	4	5	6	7
غير مهم اطلاقاً	غير مهم	غير مهم بعض الشئ	محايد	مهم بعض الشئ	مهم	في غاية الأهمية

الكود	أجزاء التقرير السنوي (البنود)	مدئ الأهمية						
1.2.2	قائمة الأرباح و الخسائر (قائمة الدخل)	1	2	3	4	5	6	7
2.2.2	الميزانية العمومية (قائمة المركز المالي)	1	2	3	4	5	6	7
3.2.2	قائمة التدفقات النقدية	1	2	3	4	5	6	7
4.2.2	قائمة التغيرات في حقوق المساهميين	1	2	3	4	5	6	7
5.2.2	تقرير مجلس الأدارة	1	2	3	4	5	6	7
6.2.2	تقرير المراجع الخارجي	1	2	3	4	5	6	7
7.2.2	الملاحظات و الهوامش (الايضاحات) الملحقة بالقوائم المالية	1	2	3	4	5	6	7

الجزء (3): مدى استخدام وفائدة المعلومات المقدمة في التقارير السنوية للشركات

(من فضلك ضع علامة [√]أمام الاجابة المناسبة)

1.3 باستخدام مقياس من 7 نقاط، إلى أي مدى تستخدم التقارير السنوية للشركات كأساس لأتخاذ القرارات ؟
(نادرا، أقل من 10٪ من فرص الاستخدام / أحيانا، في حوالي 30٪ من فرص الاستخدام / بشكل متكرر، في حوالي 50٪ من فرص الاستخدام / عادة، في حوالي 70٪ من فرص الاستخدام / غالبا، في حوالي 90٪ من فرص الاستخدام)

1	2	3	4	5	6	7
لا تستخدم إطلاقا	نادرا ما تستخدم	تستخدم أحيانا	تستخدم بشكل متكرر	عادة ماتستخدم	غالبا ماتستخدم	تستخدم دائما
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

(من فضلك أجب عن الأسئلة من 2.3 إلى 5.3 أدناه بوضع دائرة حول الإجابات المناسبة)

2.3 باستخدام مقياس من 7 نقاط، إلى أي مدى تقرأ الأجزاء التالية الواردة في التقرير السنوي للشركات عند عملية اتخاذ القرارات؟ (نادرا، أقل من 10٪ من فرص القراءة / أحيانا، في حوالي 30٪ من فرص القراءة / بشكل متكرر، في حوالي 50٪ من فرص القراءة / عادة، في حوالي 70٪ من فرص القراءة / غالبا، في حوالي 90٪ من فرص القراءة)

1	2	3	4	5	6	7
لا تقرأ إطلاقا	نادرا ما تقرأ	تقرأ أحيانا	تفرأ بشكل متكرر	عادة ما تقرأ	غالبا ما تقرأ	تقرأ دائما

الكود	أجزاء التقرير السنوي (البنود)	مدى القراءة						
1.2.3	قائمة الأرباح و الخسائر (قائمة الدخل)	1	2	3	4	5	6	7
2.2.3	الميزانية العمومية (قائمة المركز المالي)	1	2	3	4	5	6	7
3.2.3	قائمة التدفقات النقدية	1	2	3	4	5	6	7
4.2.3	قائمة التغيرات في حقوق المساهميين	1	2	3	4	5	6	7
5.2.3	تقرير مجلس الأدارة	1	2	3	4	5	6	7
6.2.3	تقرير المراجع الخارجي	1	2	3	4	5	6	7
7.2.3	الملاحظات و الهوامش (الايضاحات) الملحقة بالقوائم المالية	1	2	3	4	5	6	7

3.3 باستخدام مقياس من 7 نقاط، إلى أي مدى تجد أجزاء التقرير المالي السنوي للشركات في ليبيا مفهومة؟

1	2	3	4	5	6	7
غير مفهومة على الاطلاق	غير مفهومة	غير مفهومة بعض الشئ	محايد	مفهومة بعض الشئ	مفهومة	مفهومة جدا

الكود	أجزاء التقرير السنوي (البنود)	مدى الفهم						
1.3.3	قائمة الأرباح و الخسائر (قائمة الدخل)	1	2	3	4	5	6	7
2.3.3	الميزانية العمومية (قائمة المركز المالي)	1	2	3	4	5	6	7
3.3.3	قائمة التدفقات النقدية	1	2	3	4	5	6	7
4.3.3	بيان الأرباح المحتجزة	1	2	3	4	5	6	7
5.3.3	تقرير مجلس الأدارة	1	2	3	4	5	6	7
6.3.3	تقرير المراجع الخارجي	1	2	3	4	5	6	7
7.3.3	الملاحظات و الهوامش (الايضاحات) الملحقة بالقوائم المالية	1	2	3	4	5	6	7
8.3.3	السياسات المحاسبية	1	2	3	4	5	6	7

4.3 باستخدام مقياس من 7 نقاط، باستخدام مقياس من 7 نقاط، إلى أي مدى توافق أو لا توافق على أن التقارير المالية السنوية للشركات في ليبيا تكون مفيدة في كل حالة من الحالات الاتية؟

1	2	3	4	5	6	7
لا أوافق بشدة	لا أوافق	لا أوافق إلى حد ما	محايد	أوافق إلى حد ما	أوافق	أوافق بشدة

الكود	البيان	مدئ الموافقة						
1.4.3	أنها توفر معلومات لمساعدة المستثمرين في اتخاذ قرارات استثمارية جديدة	1	2	3	4	5	6	7
2.4.3	أنها توفر معلومات لمساعدة المستثمرين لمراقبة استثماراته	1	2	3	4	5	6	7
3.4.3	أنها توفر معلومات لتقييم التدفقات النقدية للشركة	1	2	3	4	5	6	7
4.4.3	أنها توفر المعلومات للتنبؤ بالأرباح والعائد على سعر السهم	1	2	3	4	5	6	7
5.4.3	أنها توفر معلومات لتقييم الفعالية الإدارية	1	2	3	4	5	6	7
6.4.3	أنها توفر معلومات لصياغة التوقعات حول الأداء المستقبلي	1	2	3	4	5	6	7
7.4.3	أنها تساعد المستثمرين على مقارنة أداء الشركة مع مرور الوقت	1	2	3	4	5	6	7
8.4.3	أنها تساعد المستثمرين في المقارنة بين أداء الشركة مع أداء الشركات الأخرى ضمن نفس المجال	1	2	3	4	5	6	7
9.4.2	أخرئ (الرجاء التحديد)	1	2	3	4	5	6	7
10.4.2	....	1	2	3	4	5	6	7

5.3 باستخدام مقياس من 7 نقاط، ما مدى أهمية المحددات المدرجة أدناه عند استخدامك للتقارير السنوية للشركات في ليبيا ؟							
	1 غير مهم على الاطلاق	2 غير مهم	3 غير مهم بعض الشئ	4 محايد	5 مهم بعض الشئ	6 مهم	7 في غاية الأهمية
الكود	المشكلة	مدئ الأهمية					
1.5.3	التأخير في نشر التقارير السنوية	1	2	3	4	5	6	7
2.5.3	انعدام الثقة في المعلومات	1	2	3	4	5	6	7
3.5.3	عدم وجود معلومات كافية	1	2	3	4	5	6	7
4.5.3	عدم وجود معايير محاسبة موحدة	1	2	3	4	5	6	7
5.5.3	قلة المدققين المؤهلين	1	2	3	4	5	6	7
6.5.3	عدم القدرة على الوصول الى هذه التقارير	1	2	3	4	5	6	7
7.5.3	قلة المحاسبين المهنيين	1	2	3	4	5	6	7
8.5.3	مشاكل أخرى (الرجاء التحديد)	1	2	3	4	5	6	7

الجزء (4): الخصائص النوعية للمعلومات المحاسبية

يهدف هذا الجزء إلى التعرف على آرائكم فيما يتعلق بمدئ ملائمة الخصائص النوعية للمعلومات المحاسبية كما هي معرفة في بند المصطلحات فى المقدمة المستخدمة لتقييم مدى فائدة هذه المعلومات المقدمة في التقارير السنوية للشركات وكذلك تحديد الأهمية التي تحظى بها كل خاصية من وجهة نظركم.

(من فضلك أجب عن الأسئلة 1.4 و 2.4 أدناه بوضع دائرة حول الإجابات المناسبة)

1.4 باستخدام مقياس من 7 نقاط، عند تقييمك لفائدة المعلومات الواردة في التقارير السنوية للشركات, ما هي الأهمية النسبية التي تعطيها لكل خاصية من الخصائص النوعية أدناه كما هي معرفة في الاطار المفاهيمي لمجلس معايير المحاسبة الدولية 2010 ؟								
	1 غير مهم على الاطلاق	2 غير مهم	3 غير مهم بعض الشئ	4 محايد	5 مهم بعض الشئ	6 مهم	7 في غاية الأهمية	
الكود	الخاصية	مدى الأهمية						
1.1.4	ذات علاقة (ملائمة)	1	2	3	4	5	6	7
2.1.4	الموثوقية أو امكانية الأعتماد عليها	1	2	3	4	5	6	7
3.1.4	امكانية المقارنة	1	2	3	4	5	6	7
4.1.4	القابلية للتحقق	1	2	3	4	5	6	7
5.1.4	التوقيت المناسب	1	2	3	4	5	6	7
6.1.4	القابلية للفهم	1	2	3	4	5	6	7

2.4 باستخدام مقياس من 7 نقاط، إلى أي مدى تجد المعلومات المتوفرة حاليا تلبي الخصائص النوعية المذكورة أدناه عند تقييمك لفائدة المعلومات الواردة في التقارير السنوية للشركات في ليبيا؟								
	1 لا تلبي إطلاقا	2 نادرا ما تلبي	3 تلبي أحيانا	4 تلبي بشكل متكرر	5 عادة ما تلبي	6 غالبا ما تلبي	7 تلبي دائما	
الكود	الخاصية	مدى الأهمية						
1.2.4	ذات علاقة (ملائمة)	1	2	3	4	5	6	7
2.2.4	الموثوقية أو امكانية الأعتماد عليها	1	2	3	4	5	6	7
3.2.4	امكانية المقارنة	1	2	3	4	5	6	7
4.2.4	القابلية للتحقق	1	2	3	4	5	6	7
5.2.4	التوقيت المناسب	1	2	3	4	5	6	7
6.2.4	القابلية للفهم	1	2	3	4	5	6	7

الجزء (5): <u>مدئ الرضا على المعلومات المقدمة في التقارير السنوية للشركات</u>

يهدف هذا الجزء للحصول على رأيك بخصوص مدى كفاية المعلومات المالية وتأثيرها على فائدة التقارير السنوية للشركات لأغراض اتخاذ القرارات.

(من فضلك ضع علامة [√]أمام الاجابة المناسبة)

1.5 باستخدام مقياس من 7 نقاط، بناءً على خبرتك. ما هي درجة كفاية الإفصاح الحالي للمعلومات في التقارير السنوية المنشورة للشركات الليبية؟

1	2	3	4	5	6	7
غير كافية على الاطلاق	غير كافية	غير كافية بعض الشئ	محايد	كافية بعض الشئ	كافية	كافية جدا
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

(من فضلك أجب عن الأسئلة من 2.5 إلى 4.5 أدناه بوضع دائرة حول الإجابات المناسبة)

2.5 باستخدام مقياس من 7 نقاط، من فضلك يرجى الإشارة إلى مدى أهمية العوامل المدرجة أدناه المتوقعة أن تؤثر على ممارسات إعداد التقارير المالية في ليبيا ؟

1	2	3	4	5	6	7
غير مهم على الاطلاق	غير مهم	غير مهم بعض الشئ	محايد	مهم بعض الشئ	مهم	في غاية الأهمية

الكود	العوامل	مدئ الأهمية						
1.2.5	قانون ضرائب الدخل	1	2	3	4	5	6	7
2.2.5	القانون التجاري الليبي	1	2	3	4	5	6	7
3.2.5	قانون المصارف الليبي	1	2	3	4	5	6	7
4.2.5	مقترحات مراجعي الحسابات	1	2	3	4	5	6	7
5.2.5	سوق الأوراق المالية الليبي	1	2	3	4	5	6	7
6.2.5	لجنة معايير المحاسبة الدولية	1	2	3	4	5	6	7
7.2.5	الحاجة إلى القروض و التمويل	1	2	3	4	5	6	7
8.2.5	المنافسين في مجال العمل أو السوق	1	2	3	4	5	6	7
9.2.5	المقترحات من قبل الأكاديميين	1	2	3	4	5	6	7
10.2.5	عوامل أخرى (الرجاء التحديد)	1	2	3	4	5	6	7
11.2.5	....	1	2	3	4	5	6	7

3.5 باستخدام مقياس من 7 نقاط، الى أي مدئ تعتبر العقبات التالية تقيد أو تعيق مستوى الإفصاح في التقارير السنوية للشركات في ليبيا؟

1	2	3	4	5	6	7
غير مهم على الاطلاق	غير مهم	غير مهم بعض الشئ	محايد	مهم بعض الشئ	مهم	في غاية الأهمية

الكود	المشكلة	مدئ الأهمية						
1.3.5	عدم معرفة حاجة المستخدمين الخارجيين من المعلومات	1	2	3	4	5	6	7
2.3.5	عدم وجود معايير افصاح ومبادئ محاسبية مقبولة	1	2	3	4	5	6	7
3.3.5	الخوف من سوء استخدام المعلومات الأضافية المنشورة من قبل المستخدمين أو المنافسين	1	2	3	4	5	6	7
4.3.5	هيئات رقابية غير فعالة	1	2	3	4	5	6	7
5.3.5	مصاريف أعداد و نشر هذه المعلومات	1	2	3	4	5	6	7
6.3.5	عوامل أخرى (الرجاء التحديد)	1	2	3	4	5	6	7
7.3.5	....	1	2	3	4	5	6	7

4.5 باستخدام مقياس من 7 نقاط، إلى أي مدى ينبغي ان تتضمن التقارير السنوية للشركات في ليبيا على المعلومات الإضافية التالية لاتخاذ القرارات؟

1	2	3	4	5	6	7
غير مهم على الاطلاق	غير مهم	غير مهم بعض الشئ	محايد	مهم بعض الشئ	مهم	في غاية الأهمية

الكود	الفئة	مدى الأهمية						
1.4.5	معلومات أدارية	1	2	3	4	5	6	7
2.4.5	معلومات حوكمة الشركات	1	2	3	4	5	6	7
3.4.5	معلومات السياسات المحاسبية	1	2	3	4	5	6	7
4.4.5	معلومات مستقبلية	1	2	3	4	5	6	7
5.4.5	معلومات الميزانية العمومية (قائمة المركز المالي)	1	2	3	4	5	6	7
6.4.5	معلومات قائمة الأرباح و الخسائر (قائمة الدخل)	1	2	3	4	5	6	7
7.4.5	معلومات قائمة التدفقات النقدية	1	2	3	4	5	6	7
8.4.5	معلومات حول عمليات الشركة	1	2	3	4	5	6	7
9.4.5	معلومات حول المسؤولية الاجتماعية	1	2	3	4	5	6	7
10.4.5	أخرئ (الرجاء التحديد)	1	2	3	4	5	6	7
11.4.5	....	1	2	3	4	5	6	7

شكراً لك على مساعدتك في ملء هذا الأستبيان

. يرجى وضع علامة [√] أدناه:
- إذا كنت ترغب في الحصول على نسخة من النتائج المجمعة من هذه الدراسة [ ]
- إذا كنت على استعداد لإجراء مقابلة مع الباحث حول القضايا التي أثيرت في هذا الاستبيان [ ]

الرجاء تزويد البيانات أدناه:
اسم المؤسسة:..
أسمك:...
رقم هاتفك:...
بريدك الالكترونى:..

شكرا جزيلاً لمساعدتك في ملء هذا الاستبيان. كما نرحب بأي ملاحظات أو إقتراحات تود أن تبديها حول أي قضية ذكرت فى هذا الاستبيان. كما يمكنك إستخدام الجزء المخصص أدناه، أو استخدام صفحة اخرئ اضافية وإرفاقها مع الاستبيان.
....
....
....
....
....
....

Appendix 2: The Respondents of the Questionnaire Survey

Appendix 2-1: Institutional Investors

- Sahara Bank;
- Wahda Bank;
- National Commerce Bank;
- Auma Bank;
- Jomhuria Bank;
- Commerce & Development Bank;
- Saving & Real-Estate Investment Bank;
- National Banking Corporation;
- United Insurance Company;
- Libyan Insurance Company;
- Sahara Insurance Company;
- Libyan Arab Foreign Investment Company;
- Libyan Arab African Investment Company;
- Azzawiya Real-Estate Investment Company;
- National Investment Company;
- Social Pension Fund; and
- The Libyan Stock Market (LSM).

Appendix 2-2: Libyan Banks

- Central Bank of Libya;
- Bank of Commerce and Development;
- Jumhouria Bank;
- Sahara Bank;
- Umma Bank;
- Wahda Bank;
- National Commercial Bank;
- National Banking Corporation;
- Alejmaa Alarabi Bank;
- Agricultural Bank; and
- Aman Bank for Commerce and Investment.

Appendix 2-3: Libyan Universities

- Benghazi University
- Tripoli University
- Sebha University
- Omar Almukhtar University

- Azzawya University
- Misrata University
- Sirt University
- Aljabel Algharbi University
- Al-Mergib University
- Alzzaytuna University
- Libyan Academy
- Asmarya University for Islamic Sciences

Appendix 3: The Comprehensive Disclosure Index

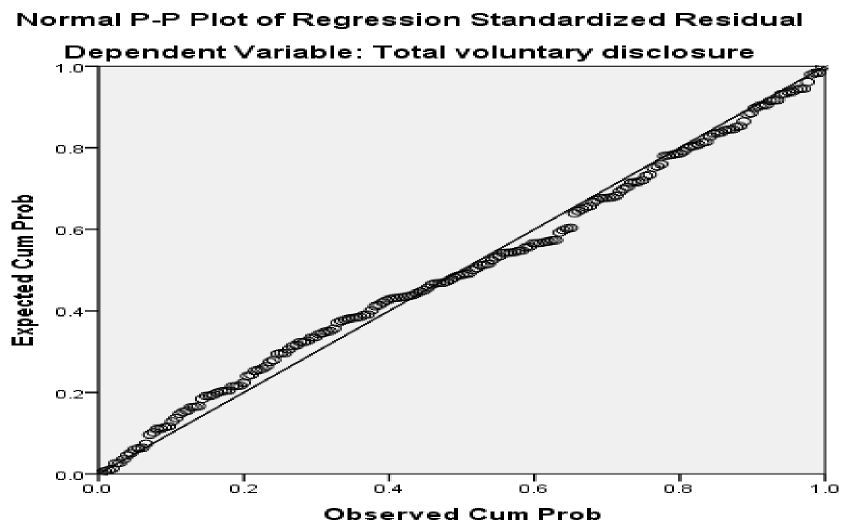
No	Information item	Score
	General information	
1-	Brief history of the firm	0-1
2-	Description of organizational structure	0-1
3-	Firm address/telephone/fax/Email	0-1
4-	Firm Website address	0-1
5-	Purpose of the firm's activity and vision	0-1
6-	Date and details of establishment	0-1
7-	General outlook of business activities	0-1
8-	List of branches location	0-1
9-	The period covered by financial statement.	0-1
10-	Comparative financial statements	0-1
11-	The currency used for the preparation of financial statements	0-1
12-	firm plans for the following years and future capital expenditures	0-1
	Corporate governance	
13-	List of board members	0-1
14-	Board member qualifications and experience	0-1
15-	Duties of board of members	0-1
16-	Information about changes in board members	0-1
17-	Classification of managers as executive or outsider	0-1
18-	Number of board of members meetings held and date	0-1
19-	Number of shares held by members of the board	0-1
20-	Compensation policy for top management.	0-1
21-	Information on audit committee and its members	0-1
22-	Composition of board of directors: executives and non-executives	0-1
23-	Number of employees	0-1
24-	Chairman’s statement	0-1
25-	External auditors’ report	0-1
	Accounting policies	
26-	Compliance with IASs	0-1
27-	Accounting valuation (historical, current or replacement cost)	0-1
28-	Foreign currency transactions, translation and differences treatment	0-1
29-	Events after the balance sheet date	0-1
30-	Revenue recognition	0-1
31-	Valuation of property, plant and equipment and depreciation	0-1
32-	Inventory physical count and valuation	0-1
33-	Research and development costs	0-1
34-	Treatment of other intangible assets	0-1
35-	Tax treatment	0-1
36-	Long-term contracts	0-1
37-	Changes in accounting policies and reasons	0-1
	Balance sheet	
38-	Assets and liabilities grouped according to their nature	0-1
39-	Assets and liabilities listed in order of their liquidity	0-1
40-	Assets and liabilities should not be offset	0-1
41-	Cash	0-1
42-	Investments	0-1
43-	Accumulated depreciation for each item of fixed assets	0-1
44-	Proportion of fixed assets leased	0-1
45-	Schedule of movement in fixed assets	0-1
46-	Amount of Intangible assets	0-1
47-	Investments in projects under construction	0-1
48-	Market values of investments	0-1
49-	Total value of current assets	0-1
50-	Total value of inventories	0-1

51-	Market value of inventories	0-1
52-	Breakdown of inventories	0-1
53-	Market values of marketable securities	0-1
54-	Balances of receivables	0-1
55-	Breakdown of receivables into trade and others	0-1
56-	Bank balance	0-1
57-	Bank balance breakdown (current and deposit)	0-1
58-	Liabilities order	0-1
59-	Liabilities classification	0-1
60-	Total value of loans and long term Liabilities	0-1
61-	Total value of current Liabilities	0-1
62-	Classified current liabilities	0-1
63-	Tax liabilities	0-1
64-	Instalments of long term loans payable	0-1
65-	Dividends Payable	0-1
66-	Accrued expenses	0-1
67-	Stockholders' equity	0-1
68-	Issued capital	0-1
69-	Legal reserve and other reserves	0-1
70-	Retained earnings	0-1
	Income statement	
71-	Revenue of the ordinary activity	0-1
72-	Non–operating revenues and gains	0-1
73-	Analysis of costs	0-1
74-	Operating profit or loss	0-1
75-	Finance costs	0-1
76-	Profit or loss from ordinary activities before tax	0-1
77-	Income tax expense	0-1
78-	Net profit or loss for the period	0-1
79-	The amount of dividends per share	0-1
80-	Fundamental errors and how it is treated	0-1
81-	Effect of significant changes in accounting policies	0-1
82-	Capital transactions with owners: issues and purchase of own shares	0-1
83-	Distributions to owners (e. g. dividends)	0-1
84-	The number of shares authorized and breakdown into paid and not paid	0-1
85-	Percentage of equity owned by management	0-1
	Cash flow statement	
86-	The main items of cash inflows	0-1
87-	The main items of cash outflows	0-1
88-	Cash flows from/for investment activities	0-1
89-	Net cash inflow from operating activities	0-1
90-	Adjusted by non–cash transactions (depreciation)	0-1
91-	Cash flows from and to finance activities	0-1
	Notes to the financial statements	
92-	Balances with local and foreign banks	0-1
93-	Local investment	0-1
94-	Loans and facilities after deducting provisions	0-1
95-	Debtors and other debtor accounts	0-1
96-	Fixed assets after deducting depreciation	0-1
97-	Buildings under construction	0-1
98-	Customer deposits	0-1
	CSR information	
99-	Environmental information	0-1
100-	Community involvement	0-1
101-	Charitable donations and sponsorship	0-1
102-	Health and safety information	0-1
103-	Award/ ratings received and attempts to get or sustain it	0-1
	Future prospects	

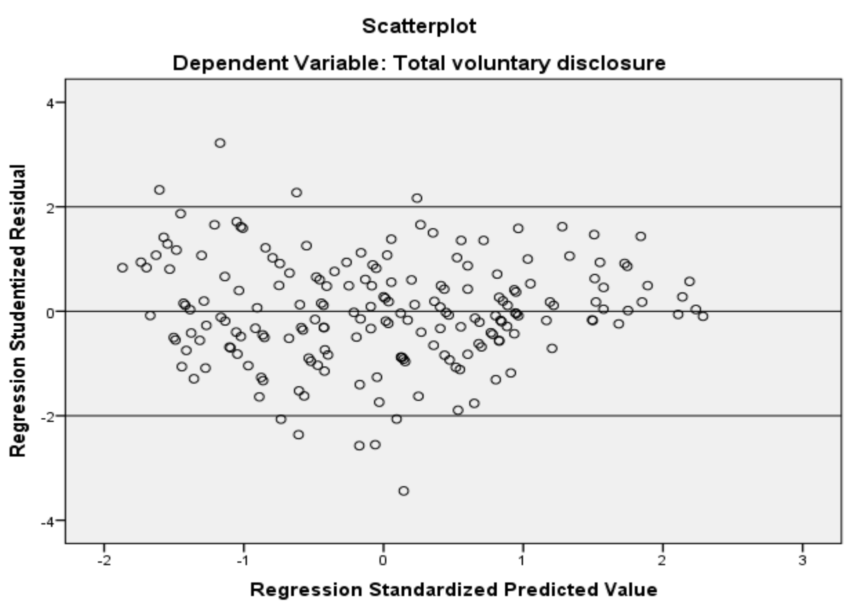
104-	Discussion of future industry trend	0-1
105-	New developments	0-1
106-	Forecast of earnings/profits	0-1
107-	Forecast of cash flows	0-1
108-	Future risks and firm opportunities	0-1
Total	Potential Score	108

Appendix 4: P-P Plots, Scatterplots and Histograms of the Regression Standardized Residuals

Appendix 4-1: Plots of the Regression Standardised Residuals



Appendix 4-2: Scatterplots of the Regression Standardised Residuals



Appendix 4-3: Histograms of the Regression Standardized Residuals