

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

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ABSTRACT

The aim of study is to examine and explore the perceptions and attitudes of preparers of accounts about Libyan banks' financial disclosure practices. The data analysis in the present study is based on a questionnaire survey. The results illustrate that the Libyan banks comply reasonably well with existing mandatory disclosure requirements. All the preparer groups questioned are quite satisfied with the quality and the quantity of the existing financial disclosure in Libyan banks' annual reports both in absolute terms and especially relative to other sectors. Encouragingly, it appears that the development of the Libyan stock market is seen as overwhelmingly positive in terms of financial reporting in the banking industry.

KEYWORDS

Libya Banks; Preparers; Disclosure; Financial Reports.

1. INTRODUCTION

Disclosure is "the communication of economic information, whether financial or non-financial, quantitative or qualitative relating to an enterprise's financial position and performance" (Owusu-Ansah, 1998, p. 608). There are many avenues in addition to the annual report that can be used by entities to disclose financial information (e.g., prospectus, interim report, press coverage, journals, newspapers, government publications, interviews with officials, seminars), but the annual report is the only document produced regularly to comply with mandatory requirements and -more importantly- is central to the organisation's construction of its own external image (Gray et al., 1995). Thus, annual reports are perceived as a very important medium for communication of corporate information (Lee and Tweedie, 1975). This study considers the perceptions of preparers of annual reports about the financial information disclosed in Libyan banks' annual reports.

2. PROBLEM OF THE RESEARCH

In addition to the need for evidence on disclosure practices in the global banking sector, the focus on Libya is particularly timely, as the nation is undergoing a series of major economic and market reforms including liberalisation, privatisation and stock market development programmes. The underlying aim of these reforms is to enhance economic performance and efficiency and create an attractive investment climate that encourages both domestic and foreign investment. The literature on the attitudes and perceptions of preparers of annual reports is sparse and to date has focused largely on developed countries (for example, Chandra, 1974; Chandra and Greenball, 1977). While the literature on users' perceptions of annual reports in emerging economics has developed over the last twenty or so years (Wallace, 1988; Solas and Ibrahim, 1992), the literature on preparers' perceptions in such nations has only grown to its current -limited- extent (e.g. Abu-Nassar and Rutherford, 1995; Ho and Wong, 2003). Therefore, the main questions are:

- 1- What are the perceptions of preparers of annual reports about the financial disclosure in the Libyan banks?
- 2- Are there any significant differences among preparers of annual reports in terms of perceptions about financial disclosure in Libyan banks' annual reports?

3. OBJECTIVES OF THE RESEARCH

The main aim of this study is to study and explore the perceptions and attitudes of preparers of accounts about Libyan banks' financial disclosure practices.

4. SIGNIFICANCE OF THE RESEARCH

The timeliness of this study, in terms of Libyan economic/political changes, enhances its likely importance to Libyan accounting standard-setting bodies and other relevant law makers, in evaluating the preparers' perceptions of current financial disclosure practices. In addition, this study also has a special importance because it is, to the best of this researcher's knowledge, the first specific investigation of the financial disclosure practices of Libyan banks. No attempt has been made to date to evaluate the perceptions and opinions of preparers of annual reports about Libyan banks' financial disclosure. More generally, this study will also provide a rich description of the present status of financial disclosure not just in Libya, but by expanding the limited literature on financial accounting in the North African region as a whole.

5. LITERATURE REVIEW

Chandra (1974) examined the extent of consensus between public accountants and security analysts and found that there was no consensus between accountants and financial analysts in terms of the information items' role as factors in equity investment decisions. The paper suggested several possible explanations for the lack of consensus: (i) A lack of communication between the users and preparers of the information; (ii) A time lag between what the users requirements and the preparers' delivery; and (iii) Accountants' tendency to comply with the traditional order, instead of experimenting with new ideas and methods of identifying users changing information needs.

Chandra and Greesball (1977) investigated the needs of information of managers (who were divided into preparers of annual reports and users) and security analysts in an attempt to explain management's reluctance to disclose on 'value of information' grounds. The findings of study revealed that managers as preparers differed significantly in terms of the perceived value of the information items from security analysts for 46 out of the 58 items, while managers as users differed from security analysts for 41 items. In contrast, managers as preparers and as users differed from each other for only 22 items. The latter result revealed that managers as preparers did not consider the information more valuable than they did as users.

Abu-Nassar and Rutherford (1995) who investigated the perceptions of preparers of external financial reports in Jordan. The findings of the study revealed three main results. First, preparer groups considered the directors and management of the company to be the most important users of annual reports, while the finance director was regarded as the most important influence on the preparation of financial reports. Second, the most important factor influencing accounting policy choice and disclosure was found to be the Companies Act followed by proposals from auditors and tax authorities. Third, the expenses involved in preparing information were considered to be the most significant cost of disclosure, whilst competitive disadvantage and disadvantage in collective bargaining processes were regarded as being of less importance.

Ho and Wong (2003) to explore the perceptions of preparers of annual reports of Hong Kong listed companies about a variety of reporting and disclosure issues. The results revealed that institutional shareholders were perceived as the most important users of Hong Kong companies' annual reports. The findings also revealed that the CFOs or finance directors were regarded as the most influential group affecting corporate disclosure policies. In terms of major external bodies, the Hong Kong Exchange (HKEx) was perceived to have the most important influence on the corporate disclosure policy.

6. RESEARCH METHODOLOGY

This study was carried out via a questionnaire survey. A questionnaire survey is used to examine the opinions of preparers of annual reports in order to evaluate and investigate perceptions of Libyan banks' financial disclosure practices. The preparer groups who are targeted by the questionnaire survey are: general managers; deputy general managers; managers of accounting departments; and accountants. Table 1 outlines the distribution numbers and response rates for the questionnaires as well as the rate of response for each group and for the whole sample.

TABLE 1: QUESTIONNAIRE DISTRIBUTION AND RESPONSE RATES OF THE QUESTIONNAIRES

Preparers	Distribution Number	Responses	Rate of Response
General managers	10	7	70%
Deputies of general managers	10	6	60%
Managers of accounting departments	20	12	60%
Accountants	35	29	82.8%
Total	75	54	72%

The questionnaire was divided into two main parts. The majority of questions were designed to ask respondents to record their perceptions according to a five-point Likert scale. To obtain a score for these questions, the mean score was calculated. In addition, the views of the four groups of preparers were compared using Kruskal-Wallis H statistics.

7. RESEARCH HYPOTHESES

This study seeks to test the following null hypotheses:

- H1: There is no significant difference among the groups of preparers about the degree of Libyan banks' compliance with existing mandatory disclosure requirements.
- H2: There is no significant difference among the preparer groups in terms of perceptions of the quality and quantity of financial disclosure in Libyan banks' annual reports.
- H3: There is no significant difference among the groups of preparers in terms of the quality and quantity of financial disclosure in Libyan banks' annual reports relative to other sectors.
- H4: There is no significant difference among the groups of preparers about the importance of the LSM's role regarding Libyan banks' financial disclosure practices.
- H5: There is no significant difference among the preparers of accounts about the effects of recent economic reforms on financial disclosure practices in Libyan banks' annual reports.
- H6: There is no significant difference among the groups of preparers about the normative statements regarding financial disclosure practices within Libyan banks' annual reports.

8. EMPIRICAL RESULTS

The Profile of the Preparers

In Section 1 of the questionnaire, respondents were asked several questions regarding their occupations, age, experience, qualifications, educational level and place of study. It is generally considered to be useful to have an overall idea of the socio-economic and demographic characteristics which might provide insights regarding the source of diversity in a sample of questionnaire responses.

The first part of Section 1 dealt with the broad issue of preparers' occupation. An inspection of Table 2, which summarises these results, reflects the targeting of four specific types of preparers, (based upon differences in the likely nature and extent of involvement in the preparation of Libyan banks' annual reports), i.e. general managers, deputy general managers, managers of accounting departments and accountants.

TABLE 2: THE PERSONAL PROFILE OF TARGET PREPARER GROUPS

Description	Preparer-groups				Whole sample
	General managers	Deputy general managers	Managers of accounting departments	Accountants	
Sample size					
Count	7	6	12	29	54
Percentage	13	11.1	22.2	53.7	100
Age (years)%					
22-25	-	-	-	24.1	13.0
26-35	-	-	25.0	41.4	27.8
36-45	28.6	33.3	16.7	20.7	22.2
Over 45	71.4	66.7	58.3	13.8	37.0
Experience (years) %					
Less than 1	-	16.7	-	10.3	7.4
1-5	-	-	16.7	41.4	25.9
5-10	-	33.3	16.7	20.7	18.5
10-15	14.3	-	-	3.4	3.7
Over 15	85.7	50.0	66.7	24.1	44.4
Professional Qualification %					
Yes	71.4	83.3	91.7	89.7	87.0
No	28.6	16.7	8.3	10.3	13.0
Level of Education %					
Diploma	28.6	33.3	25.0	37.9	33.3
Bachelors Degree	57.1	50.0	66.7	44.8	51.9
Masters Degree	-	-	-	13.8	7.4
PhD	-	-	-	-	-
Other (Advanced Diploma)	14.3	16.7	8.3	3.4	7.4
Place of Study %					
Libya	85.7	100.0	91.7	93.1	92.6
Other Arabic Country	14.3	-	8.3	3.4	5.6
UK	-	-	-	-	-
USA	-	-	-	3.4	1.9

Note: this table details the numbers of respondents in each of the four preparer groups both in total and when disaggregated on various characteristics.

The table illustrates the distribution of the respondents across the four groups. Of the 54 respondents, 7 (13%) were general managers, 6 (11%) were deputy general managers, 12 (22%) were managers of accounting departments and the remaining 29 (53%) represented accountants. As can be seen from Table 2, most of the respondents (37%) were older than 45, with 27.8% aged between 26 and 35 years old and 22.2% between 36 and 45. These averages mask some variability across the sample; for example, amongst the accountants, less than 14% were in the oldest group, compared with more than 70% of general managers. These, and other differences outlined below, illustrate the importance of identifying groups of respondents rather than assuming that the sample are homogeneous both in background and likely response to the questionnaire. With regard to time spent in current position, Table 2 reveals that 44.4% of the participants had more than 15 years of experience, while only 7.4% of participants reported having been in place less than one year. Twenty five per cent of participants had experience of between 1-5 years; 18.5% had between 5-10 years and the remaining 3.7% of participants had experience spanning 10-15 years. Again, the accountants appear to be markedly different from the rest of the sample, in this case with untypically low levels of experience. With regard to qualifications, inspection of Table 2 indicates that 87% of the whole sample of participants is professionally qualified in accountancy or finance, although the figures for individual groups ranged from 91.7% (for managers of accounting departments) to 71.4% (for general managers).

Table 2 also outlines the educational level of participants. More than half of the sample (51.9%) had been educated to Bachelor's degree level, while 7.4% had a Masters degree. This evidence suggests that the majority of participants might be characterised as well educated, when considered in conjunction with the findings that 33.3% of participants had a diploma and 7.4% an advanced diploma. For three of the four groups, none of the respondents had a Masters degree, but 13.8% of the accountants had gained such a qualification. This result might be explained on the grounds that Masters programmes have only recently been offered by Libyan universities and academies and some accountants have been taking these degrees to enhance their career prospects. Additionally, Libyan banks' management have provided encouragement and financial support to their younger employees to help with the attainment of higher degree certificates (e.g., Wahda Bank). In contrast, the remaining three groups are all managerial in nature and, as outlined earlier, are older and have been in place longer, suggesting that in terms of both time - and the need for rapid promotion - the level of higher degree qualifications are as might reasonably have been expected. Finally, Table 2 also demonstrates the distribution of participants according to their place of study. The vast majority of the sample (92.6%) completed their studies and obtained their higher degrees from Libya, while 5.6% of participants were educated in other Arab countries (Jordan or Egypt) with the remaining 1.9% having undertaken their studies in the USA; none of the respondents studied in the UK. This evidence might again be argued to be expected, since the vast majority of respondents have either diploma or Bachelor's degree (undergraduate level) and the Educational People's Committee¹ has not sent Libyan students abroad for undergraduate study since the 1980s.

The Degree of Libyan Banks' Compliance with Existing Mandatory Disclosure Requirements

One of the main objectives of the current study is to assess the degree of Libyan banks' compliance with mandatory disclosure requirements, it seems therefore to be essential to elicit the preparers' perceptions about the extent of Libyan banks' compliance with existing regulations. To achieve this purpose, the respondents were asked to state their views by using a five-point Likert scale, where 1 indicates "very poor" and 5 indicates "excellent". To compare the views of four groups of preparers, a Kruskal-Wallis test was used with the null hypothesis H1 underpinning the analysis on this occasion:

TABLE 3: PREPARERS' VIEWS ABOUT THE DEGREE OF LIBYAN BANKS' COMPLIANCE WITH LIBYAN DISCLOSURE REQUIREMENTS

	Preparer groups				Whole sample		
	GM	DGM	MAD	AC	Mean	SD	KWS p-value
The degree of Libyan banks' compliance with existing mandatory disclosure requirements	3.571	3.400	3.167	3.107	3.211	0.775	0.487

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; GM = General managers; DGM = Deputy general managers; MAD = Managers of accounting departments; AC = Accountants. Responses are based on a Likert scale where 1 = very poor and 5 = excellent.

Table 3 reveals that all the preparer groups generated mean responses about the midpoint of 3, but the overall average was just 3.211. Noticeable is the fact that the accountant-based groups (Managers of accounting department and accountants) provided less support for the notion of mandatory compliance than did the managerial groups (General managers and Deputy general managers); this suggests that those closer to the process have greater concerns in this aspect of disclosure than do the managers of Libyan banks. This (relative) degree of apparent concern is surprising, given the limited nature of the disclosure requirements required by the Libyan regulatory bodies and laws as well as the absence of local and international accounting standards (Abulkarim, 2005). However, an alternative explanation may lie in the likelihood of the managerial-based group being less familiar with statutory requirements than accountant-based groups. The perceptions of accountants-based group might more closely reflect the genuine extent of compliance with the rules and regulations.

The findings of Kruskal-Wallis test revealed that there was no significant difference among the four preparer groups in terms of the degree of Libyan banks' compliance with existing mandatory disclosure requirements, and the null hypothesis H1 cannot be rejected.

The Quality and Quantity of the Financial Disclosures in Libyan Banks' Annual Reports

This section of the questionnaire asked for views regarding the quality and quantity of financial disclosure in Libyan banks' annual reports. To accomplish this, the respondents were once again asked to indicate their views by using a five-point Likert scale.

TABLE 4: PREPARERS' VIEWS ABOUT THE QUALITY AND QUANTITY OF THE FINANCIAL DISCLOSURES IN LIBYAN BANKS' ANNUAL REPORTS

Attributes	Preparer-groups				Whole sample			
	GM	DGM	MAD	AC	Mean	R	SD	KWS p-value
Relevance of the information	3.571	3.600	3.000	3.500	3.404	1	1.089	0.515
Comparability of the information	3.286	3.400	2.917	3.357	3.250	2	1.026	0.745
Quantity of information	3.429	3.600	2.917	3.250	3.231	3	0.831	0.429
Reliability of the information	3.286	3.400	3.000	3.259	3.216	4	1.006	0.768
Materiality of the information	3.571	3.400	2.917	3.214	3.211	5	1.073	0.587
Understandability of the information	3.571	3.200	2.917	3.179	3.173	6	0.834	0.290

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; GM = General managers; DGM = Deputy general managers; MAD = Managers of accounting departments; AC = Accountants. Responses are based on a Likert scale where 1 = very poor and 5 = excellent.

The factors included in this section were drawn from the conceptual framework models of the world's leading accounting authorities. Table 4 indicates that in all cases, overall means were greater than 3, suggesting that respondents were reasonably satisfied with the financial disclosures in Libyan banks' annual reports. However, most of means were little more than 3.2; with the managers of accounting departments providing means of less than 3 for four out of six factors and exactly 3 for the other two. The managerial-based groups appeared to be more satisfied than the accountant-based groups with the quality and quantity of financial disclosures in Libyan banks' annual reports. This result is consistent with the evidence in Table 3 regarding compliance with mandatory requirements, and suggests a fundamental difference in perceptions between the two broad classes of preparers. Finally, inspection of Table 4 reveals that the Kruskal-Wallis test results indicated a degree of consensus on all six attributes across the four preparers. Therefore, the null hypothesis H2 cannot be rejected.

The Quality and Quantity of the Financial Disclosures in Libyan Banks' Annual Reports Relative to Other Sectors

Having examined a series of issues relating to the perception of Libyan banks' annual reporting, in absolute terms, the analysis switched to state of reporting in the sector relative to others. The respondents were therefore given a list of the same six attributes as in Table 4 but this time were asked to judge them.

¹ The Educational People's Committee is the body responsible for education programmes and for sending Libyan students to study outside the country. In 2006, it resumed sending Libyan students for undergraduate study abroad.

TABLE 5: PREPARERS' VIEWS ABOUT THE QUALITY AND QUANTITY OF THE FINANCIAL DISCLOSURES IN LIBYAN BANKS' ANNUAL REPORTS RELATIVE TO OTHER SECTORS

Attributes	Preparer groups				Whole sample			
	GM	DGM	MAD	AC	Mean	R	SD	KWS p-value
Comparability of the information	3.714	3.800	3.500	3.423	3.520	1	0.974	0.794
Quantity of information	3.571	4.000	3.667	3.357	3.519	2	0.918	0.533
Relevance of the information	3.571	4.000	3.454	3.214	3.392	3	1.060	0.361
Understandability of the information	3.714	4.000	3.333	3.214	3.385	4	0.911	0.189
Reliability of the information	3.429	3.600	3.417	3.200	3.326	5	0.922	0.743
Materiality of the information	3.286	3.800	2.917	3.423	3.320	6	0.978	0.247

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; GM = General Managers; DGM = Deputy general managers; MAD = Managers of accounting departments; AC = Accountants. Responses are based on a Likert scale where 1 = very poor and 5 = excellent.

Table 5 illustrates that the quality and quantity of financial disclosure in Libyan banks' annual reports were considered by respondents to be strong relative to other sectors, with an overall mean of 3.520 resulting. Not only is this average above the equivalent figure in Table 4 regarding the absolute qualities of banks' annual reports, but five of the six specific aspects exhibited higher means in Table 5 than in Table 4 (the exception related to relevance). The respondents gave the attribute of comparability the highest ranking, while materiality was given the lowest ranking. The first result might be expected since Libyan commercial banks are all subject to the same regulatory supervision and instructions of the Central Bank of Libya.

Table 5 also indicates that the respondents ranked quantity of the information in second position. This result probably reflect the fact that -in addition to general Commercial law-, the CBL has legal authority to request commercial banks to reveal additional information about their activity and internal operations during the year, in order to fulfil its remit regarding supervision and monitoring, other sectors are not subject to any such statutory power to release extra information. This result is consistent with earlier emerging result studies, by Al-Shayeb (2003) and Aljifri (2008) who found that UAE banking and insurance companies disclose more information than firms in other industries. However, a recent study by Brihesh (2006) found that the manufacturing sector in Libya discloses more information than does finance sector, although the finance sector reveals more than the services and construction sectors. As can be seen from Table 5, deputy general managers were more satisfied than the other three groups regarding the six aspects of banks' disclosure put to them, while the accountants assigned the lowest level of satisfaction in most cases. Nonetheless, the overall picture of a positive view of the relative strength of annual reports in the sector is clear.

Inspection of the final column in Table 5 reveals that, once again there was no statistically significant difference across the four groups of preparers. The results therefore do not support rejection of the null hypothesis H3.

The Importance of the Libyan Stock Market's Role Regarding Financial Disclosures Practices in Libyan Banks' Annual Reports

The newly established Libyan Stock Market (LSM) is expected to play an important role in improving financial disclosure practices in Libyan corporations. The respondents were therefore given with a list of potential aspects of such a role and asked to indicate the importance they attach to these.

TABLE 6: PREPARERS' VIEWS ABOUT THE IMPORTANCE OF THE LSM'S ROLE REGARDING LIBYAN BANKS' FINANCIAL DISCLOSURE PRACTICES

Potential Roles	Preparer groups				Whole sample			
	GM	DGM	MAD	AC	Mean	R	SD	KWS p-value
Ensuring banks publish their accounts in timely fashion	4.571	4.600	4.333	4.458	4.458	1	0.617	0.829
Ensuring banks comply with statutory requirements	4.143	4.600	4.500	4.500	4.456	2	0.690	0.459
Improving the understandability of the information	4.286	4.200	4.417	4.375	4.354	3	0.699	0.930
Encouraging Libyan banks to disclose more information	4.571	4.600	4.167	4.292	4.333	4	0.808	0.746
Improving the comparability of the information	4.286	4.000	4.417	4.333	4.312	5	0.776	0.937
Improving the reliability of the information	4.571	4.400	4.167	4.250	4.292	6	0.798	0.774
Improving the relevance of the information	4.286	4.400	4.417	4.208	4.292	7	0.771	0.675
Protecting the interests of investors and other users	4.286	4.800	4.333	4.087	4.255	8	0.793	0.337
Improving the materiality of the information	3.857	4.000	4.167	4.208	4.125	9	0.703	0.621

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; GM = general managers; DGM = Deputy general managers; MAD = managers of accounting departments; AC = accountants. Responses are based on a Likert scale where 1 = not important at all; 5 = very important.

Inspection of Table 6 indicates that the LSM is seen as having a widespread positive influence on annual reporting in the Libyan banking sector; all nine of the statements yielded whole sample means greater than 4. Ensuring banks publish their accounts in timely fashion was ranked by respondents as the most important role that the LSM is expected to play with an overall mean of 4.458, but followed closely by the function of ensuring banks comply with statutory requirements, with a mean of 4.456. The first result indicates that preparer groups regarded the delay in publishing annual reports as the most significant problem for users of Libyan banks' annual reports. To tackle this problem the LSM has made clear that they will force all listed companies including banks, to publish their annual reports by a specified time or be subjected to penalties. The result regarding compliance with mandated rules might also be argued to be as expected because all listed firms will have to comply with the LSM's statutory disclosure requirements in order to be listed on the LSM. As in most countries, including the UK and US, market rules tend to go beyond legal rules and thereby improve corporate governance levels via increased accountability (Solomon, 2007). Thus, the development of the LSM should in future lead to improvements to disclosure practices beyond simple compliance with legal statute.

Table 6 also indicates that a role for the LSM in "improving the understandability of the information" was ranked by respondents in third position. This finding may reflect the fact that stock exchange markets often issue publications (via leaflets, textbooks or on their websites) for their customers and clients for identifying and clarifying the meanings of technical accounting words and expressions to promote users knowledge and understanding, and to ensure proper usage of the information disclosed². The respondents considered improving the materiality of the financial information to be the least important potential role for the new exchange, but even here, then as 4.125.

The two managerial-based groups ranked "ensuring banks publish their accounts in timely fashion" and "encouraging Libyan banks to disclose more information" as the most important roles for the LSM, while the accountant-based groups considered the role of "ensuring banks comply with statutory requirements" to be the most important role. The latter result is consistent with the finding reported in Table 3 that the accountant-based groups were less satisfied about the level of Libyan banks' compliance with mandatory disclosure requirements; Therefore, these groups appear to be pinning a substantive degree of hope on the role of the LSM in ensuring compliance with reporting rules.

While accountants, and respondents as a whole, ranked the role of "protecting the interests of investors and other users" as the second least important for the new LSM, both managerial-based groups considered this to be much more important. This result might be explained on the grounds that managerial-based groups (75% of this group had more than 10 years of experience, while 14.3% of general managers had studied and attended a numbers of sessions in finance and accounting abroad³) might be more familiar with the role of a modern stock exchange in protecting the interests of finance providers than the accountant-based groups (more than 51% of whom had less than 10 years of experience).

Regarding the extent to which the differences among the four groups of preparers' answers were significant, the Kruskal-Wallis test again revealed that there was no significant difference among the groups of preparers' responses. Therefore, the results do not support rejection of the null hypothesis H4.

² For example, the LSM has issued publications on 'how to read financial statements', for more information visit <http://www.lsm.gov.ly/>.

³ The majority of these sessions were conducted in Egypt and Jordan where stock markets have been introduced recently and influenced the Libyan model.

The Potential Effects of Economic Reforms that are Expected on Financial Disclosure Practices in Libyan Banks' Annual Reports

Libya is currently undergoing a period of major economic reforms with liberalization and privatisation programs being introduced at a rapid pace. These are aimed at reducing government expenditure and inviting the private sector to take a more effective part in shaping the national economy. Potentially, these reforms may affect many operational aspects of the Libyan corporate sector including the nature of annual reporting. Therefore, this study attempts to identify the preparers' perceptions about specific potential effects of the economic changes on banks' disclosure practices. To achieve this, the respondents were presented a list of potential impacts of the reforms and asked to express the extent of their agreement with each one.

TABLE 7: THE POTENTIAL EFFECTS OF RECENT ECONOMIC REFORMS ON FINANCIAL DISCLOSURE PRACTICES IN LIBYAN BANKS' ANNUAL REPORTS

Statements	Preparer groups				Whole sample			
	GM	DGM	MAD	AC	Mean	R	SD	KWS p-value
The quantity of the information will rise	4.286	4.400	4.182	4.333	4.298	1	0.623	0.854
The reliability of the information will improve	4.286	4.600	4.182	4.208	4.255	2	0.607	0.568
The relevance of the information will improve	4.286	4.600	4.182	4.208	4.255	3	0.642	0.622
The compliance with regulatory requirements will improve	4.571	4.400	4.273	4.083	4.234	4	0.560	0.176
The comparability of the information will improve	4.286	4.400	4.091	4.208	4.213	5	0.623	0.825
The materiality of the information will improve	4.286	4.400	4.000	4.208	4.191	6	0.613	0.557
The understandability of the information will improve	4.286	4.600	4.182	4.042	4.170	7	0.701	0.402

Notes: R = Rank; SD = Standard Deviation; KWS: Kruskal-Wallis H significance level; GM: General manager; DGM: Deputy general manager; MAD: Manager accounts department; AC: Accountant. Responses are based on a Likert scale where 1 = strongly disagree; 5 = strongly agree.

As was the case with the LSM reforms analysed in Table 6, the evidence in Table 7 demonstrates respondents saw multifaceted positive impact of the changes at macro-economic level on-going in Libya at the time of the research the overall mean scores were above 4 in all cases. The statement that "the quantity of the information will rise" received the strongest support, with a mean of 4.298, while the view that "the understandability of the information will improve" generated the lowest mean of 4.170. This evidence differs somewhat from Table 6; although the role of the LSM in encouraging "more information" generated a similar mean in both cases, the LSM reforms were seen as having a stronger impact on 'understandability' than did the economic once (means of 4.354 versus 4.170). This result makes sense in terms of the micro-level exchange reforms having a relatively strong impact on the clarity of annual reports than broader macro-level changes.

In all cases, inspection of Table 7 demonstrates that the two managerial-based groups see a stronger impact stemming from the reforms than do the accountant-based groups. This contrasts with the pattern evident in Table 6 regarding the impact of the development of the LSM. For example, in terms of the understandability, comparability and materiality, Table 6 reveals that both accountant-based groups saw a stronger impact of the market changes than did the general managers and their deputies. While this evidence suggests that those closer to the generation of annual reports see the stock market's role as being relatively more important than do managers, the findings again point to an underlying difference in perception across the two broad types of preparers.

With regard to whether there are any significant differences across the preparer groups' responses, the Kruskal-Wallis test suggested that there no statistically significant differences exist at the 5% level, and so the null hypothesis H5 cannot be rejected.

Preparers' Views about Normative Statements Regarding Financial Disclosure Practices within Libyan Banks' Annual Reports

The final part of the questionnaire was designed to obtain respondents' views about ten statements regarding specific aspects of financial disclosure practices in Libyan banks' annual reports. These statements primarily related to a series of broad normative issues underlying the more detailed earlier questions. The statements were designed to capture views about a range of potentially critical propositions regarding disclosure practices that were asked about only indirectly elsewhere in the questionnaire.

TABLE 8: PREPARERS' VIEWS ABOUT A SET OF NORMATIVE STATEMENTS REGARDING FINANCIAL DISCLOSURE PRACTICES WITHIN LIBYAN BANKS' ANNUAL REPORTS

Statements	Preparer groups				Whole sample			
	GM	DGM	MAD	AC	Mean	R	SD	KWS p-value
Libyan banks' external auditors should be independent of management influence	4.857	4.200	4.818	4.640	4.667	1	0.595	0.484
The CBL should play a major role in monitoring the implementation of laws and regulations	4.286	4.800	4.636	4.520	4.542	2	0.651	0.740
The professional skills of financial statements' preparers need to be improved	4.286	4.400	4.636	4.520	4.500	3	0.505	0.513
All the annual reports should be prepared using the same accounting standards	4.429	4.400	4.636	4.360	4.437	4	0.649	0.739
IASs should be applied to the banking sector by the Libyan authorities	4.286	3.800	4.636	4.375	4.362	5	0.870	0.682
Financial disclosure practices need to be improved	4.286	4.400	4.636	4.240	4.354	6	0.564	0.277
The CBL should play a major role in regulating and observing the disclosures	4.143	4.200	4.273	4.375	4.298	7	0.976	0.934
Reports' content should be regulated and not left to the manager	3.714	4.000	4.000	4.500	4.213	8	0.998	0.138
All annual reports should be presented using a standard format	4.143	4.000	4.300	4.000	4.087	9	0.865	0.944
Annual report should be available publicly	3.714	2.600	4.454	3.792	3.808	10	1.076	0.036*

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; GM = general managers; DGM = Deputy general managers; MAD = managers of accounting departments; AC = accountant. Responses are based on a Likert scale where 1 = strongly disagree; 5 = strongly agree. A* indicates significance of the 5% level on the basis of a two-tailed test.

Table 8 indicates that the respondents either strongly agreed or agreed with all ten the listed normative statements regarding financial disclosure practices in Libyan banks' annual reports. The notion that Libyan banks' external auditors should be independent of management influence was given the highest of ranking by nearly all respondents, with a mean of 4.667; the exception was deputy general managers who favoured the statement that the CBL should play a major role in monitoring the implementation of laws and regulations. The result regarding auditors suggests that respondents see a need for robust external monitoring of reporting in the banking sector.

At the other extreme, the statement that "annual reports should be available publicly" generated the lowest mean of 3.808 (although managers of accounting departments ranked this statement in third position). This result suggests that preparers have only limited enthusiasm for releasing their banks' annual report to the public. However, Banking Law No. 1 of 2005 requires banks to display, -throughout the year and in an obvious place at its head office and at all of its branches-, a copy of its most recent, audited financial statements⁴. The accountant groups supported this statement more strongly than did the two managerial groups. This result might be explained on the grounds that 75% of the managerial-based respondents were appointed more than 10 years earlier, and may be still affected by the former situation in Libya (characterised by privacy) and laws⁵ which still did not require management to release its annual report to the public.

⁴ Banks are also required to publish these statements in a domestic newspaper (Article, 84).

⁵ Commercial Law does not require companies to provide their information to the public.

Also evident from Table 8, is a perception that “the professional skills of financial statements’ preparers need to be improved”, which yield a mean response of 4.5. This result indicates that preparer groups regarded a lack of professional or qualified accountants as the most significant factor restricting the quantity of disclosure in Libyan banks’ annual reports. Respondents appear to believe that to overcome this problem the Libyan authorities should take steps to improve the professional skills of financial statements’ preparers.

Table 8 also indicates that the accountant-based groups provided relatively more support for the notion that “IASs should be applied to the banking sector by the Libyan authorities”. This result suggests that those closest to financial reporting see tangible benefits from a movement to the IAS-regime, although the most striking evidence in this regard again relates to deputy general managers, who responded with a mean of 3.8 against a whole sample figure of 4.362. Clearly this group has an idiosyncratic perspective on the accounting process in the sector.

Notwithstanding the differences noted above, a Kruskal-Wallis test was conducted for each of the ten statements. Inspection of Table 8 suggests that there were significant differences among the respondents’ views. In relation to the statement that “annual reports should be available publicly”; thus the null hypothesis H_0 is rejected for this statement. As mentioned above, the main drivers of this difference are evidently the responses from the deputy general managers.

9. SUMMARY AND DISCUSSION

In general, respondents believed that Libyan banks comply reasonably well with existing mandatory disclosure requirements. All the preparer groups questioned are quite satisfied with the quality and the quantity of the existing financial disclosure in Libyan banks’ annual reports both in absolute terms and especially relative to other sectors. Encouragingly, it appears that the development of the Libyan stock market is seen as overwhelmingly positive in terms of financial reporting in the banking industry.

The questionnaire was administered to four preparer groups, two of these being managerial-based and two accountant-based, with the latter presented to be closer to the detailed preparation of the annual reports. It became increasingly evident that within both groups, perceptions were often similar, but across the groups (i.e. between managers and accountants) views regularly seemed to differ. To investigate this pattern more closely, Table 9 outlines eight areas where the differences across the two preparer classes were notably different.

TABLE 9: THE MAIN DIFFERENCES OF PERCEPTIONS BETWEEN MANAGERIAL-BASED AND ACCOUNTANT-BASED GROUPS

	Statement	Groups	
		Managerial-based	Accountant-based
1	the degree of Libyan banks’ compliance with mandatory disclosure requirements	Very good	Good
2	The quality and quantity of financial disclosure in Libyan banks’ annual reports	Very good	Good
3	The most important roles the LSM play regarding the financial disclosures practices	Ensuring banks publish their accounts in timely fashion and encouraging banks to disclose more information	Ensuring banks comply with statutory requirements

Inspection of Table 9 further reveals that, managerial-based groups were generally more satisfied than accountant-based groups about the degree of Libyan banks’ compliance with mandatory disclosure requirements and the quality and quantity of the financial disclosures in Libyan banks’ annual reports. This evidence can arguably be interpreted as suggesting that managerial-based groups’ perceptions reflect the point of view of managers who like to perceive his/her entity is performing well, in this case coming close to best practice in disclosure. It could be argued that the perceptions of accountant-based groups are more objective, and provide a more realistic reflection of the de-facto situation.

With regard to the roles that the LSM is expected to play concerning Libyan banks’ financial disclosures practices, managerial-based groups considered the role of ensuring timely publication of accounts and encouraging the disclosure of more information to be most important. This evidence could be interpreted in terms of the managerial-based groups having concerns about the delay in publishing annual reports, and thus believing that the main function of the LSM is ensuring that banks publish their accounts in a timely fashion and with extensive information content in order to reduce information asymmetry and attract cheap funding. The accountant-based groups, on the other hand, ranked the role of ensuring banks comply with statutory requirements first; this might reflect a lack of satisfaction among the accountant-based groups about the degree of Libyan banks’ compliance with mandatory disclosure requirements. This is consistent with the accountants seeing a major role for the LSM in terms of key qualities of reporting such as comparability and materiality. This evidence also fits with that reported in Table 8 where the accountants perceive relatively a strong impact on a lack of qualified professionals.

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