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الافتتاحية

مع إطلالة العدد الرابع من مجلتكم الناشئة "مجلة التربوي" نجدد العهد مع قراء المجلة الكرام بأن تكون دوما ملتزمة بنشر الجديد والمفيد والهادف من الأبحاث العلمية التربوية إيماننا منها بأن كلية التربية عبر منبرها المتمثل في مجلتها "التربوي" تعتبر قلعة ومنازة يشع نورها في ربوع بلادنا الحبيبة .

إن أعضاء هيئة التحرير بالمجلة ، وأسرة تدريس كلية التربية الخمس تتوجه بالشكر الجزيل لكل من أسهم ويسهم في مساعدة المجلة في تحقيق الهدف المنشود، وبخاصة الأساتذة الفضلاء الذين استقطعوا من وقتهم الثمين لقراءة البحوث فأفادوا الباحثين والمجلة بملاحظاتهم القيمة، التي تثري البحث، وترفع من قيمة المجلة في الأوساط العلمية .

ونحن إذ نسير في هذا الدرب يحدونا الأمل بأن نكون من الذين أسهموا في خلق الإنسان المؤمن والمربي الفاضل المتمسك بقيم الدين والأخلاق الكريمة .

هيئة التحرير



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Abstract

The results of the study reveal that all user groups satisfied with the quality and quantity of current financial disclosure in Libyan banks' annual reports, both in absolute terms and relative to other sectors. Although concern appears to exist about the current degree of compliance with mandatory requirements, the development of the LSM and recent economic reforms were both seen as likely to have a positive impact on this and other aspects of financial disclosure practices amongst Libyan banks. Finally, user groups particularly strong support to the notion that "Libyan banks' external auditors should be independent of management influence". This result might cast some doubt on external auditor's independence in Libya, particularly because the external auditors strongly supported this statement as did the general managers.

Keywords: financial disclosure; annual reports; annual reports' users; Libyan banks.

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). The importance of financial sectors for macro-economic fast development has been argued for and supported in the literature for many years. The recent global credit crisis has provided dramatic evidence that weaknesses in banking systems lead very quickly to deterioration in the real economy. Moreover, the banking industry also plays a key role in maintaining confidence in the financial system of a nation. Thus, there is extensive and widespread interest in the well-being of banks, with user groups needing relevant, reliable, understandable, material and comparable information that assists them in evaluating the financial position and performance of the banks for making decisions.

2-Research problem

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. Previously, the Libyan government had less reason to be concerned about

disclosure practices since it was both owner and management, and could in practice demand whatever information it needed; with privatisation, the owners -the shareholders- are not involved in management, yet are clearly likely to be enthusiastic to know about management's performance and the entity's results in a reliable way.

The privatisation programmes in developing nations are intended to be attractive to the investing public via appropriate disclosure practices and clear transparency emerging regarding the performance of the firms concerned (Al-Razeen and Karbhari, 2004). In addition, the success of the intended privatisation programme in attracting private investment will depend, among other things, on the usefulness and reliability of corporate information made available to the public. Therefore, studies that identify the needs and demands of the users will potentially help both regulatory authorities and the preparers of annual reports to improve disclosure in meaningful ways (Al-Razeen and Karbhari, 2004).

Therefore, the main questions are:

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

3-Importance of Research

The study makes several contributions. By investigating the perceptions of users regarding the financial disclosure in the Libyan banks' annual reports, this study will be of potential

importance to regulators and preparers of the documents and may assist in the improvement of communication between the bankers and the reports' users. In addition, the timeliness of this study, in terms of both recent global turbulence and Libyan economic/political changes, and attempts to harmonise international accounting regulations, 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 this change-based context, the results may also assist Libyan policymakers as they develop market mechanisms in both the real and financial sectors, in which reliable information about asset values is a key input. Moreover, the study will provide feedback from the banks' annual reports' users to Libyan banks, the Central Bank of Libya and the appropriate regulatory authorities, as well as generating empirical evidence relating to the value of annual reports that will clearly be of concern to preparers of Libyan banks' annual reports.

This study also has a special importance because it is, to the best of this researcher's knowledge, the first specific investigation of user's perspective about the financial disclosure practices in Libyan banks. Further, 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.

4-Objectives of Research

The main aim of this study is to evaluate and examine the

point of views of users of accounting information about the financial disclosure in Libyan banks' annual reports.

5-Research Methods

a questionnaire survey is used to examine the opinions of users of annual reports in order to evaluate and investigate perceptions of Libyan banks' financial disclosure practices. The user groups who are targeted by the questionnaire survey are:

institutional investors; external auditors; tax officers; Central Bank officers; bank loan and investment officers; and academics. The researcher designed a series of closed questions reflecting the aims of study. The vast majority of the questions took the form of statements, with respondents asked to indicate their views using a five-point Likert scale.

6-Previous Studies

Chandra (1974) examined the extent of consensus between: (i) public accountants (as preparers or users of accounting information); and (ii) security analysts (as user of accounting information) about the value of information included in corporate annual reports in the United States. The findings revealed 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.

Wallace (1988) who examined the perceptions and views of users about information disclosed in corporate financial statements in Nigeria. The findings of the study revealed a high level of consensus between civil servants and financial analysts (98%), civil servants and managers (92%), financial analysts and managers (93%), managers and investors (96%) and other professional and investors (96%). In contrast, there was a low level of consensus between accountants and investors (61%), accountants and managers (61%) and accountants and other professionals (49%). Finally, the author compared results of this study with related analyses across the developed world and found that the perceptions of Nigerian user-groups differ from those in various other developed countries in terms of the perceived importance of particular information items.

Abu-Nassar and Rutherford (1996) examined the opinions of external user-groups regarding the usage of annual financial reports in Jordan. The findings of the study suggested that, the respondents considered annual reports to be the most significant source of information (followed by visits to firms and communication with management). Most user-groups indicated a moderate level of dependence on annual financial reports for making their decisions; however, the results also revealed that most user-groups read few of the reports and spend little time on each one. The main reason for this result was a perceived lack of credibility, whereas a lack of understanding was regarded as the least important reason. With regard to users' understanding of the content of annual reports, the respondents rated the auditors' report as the most easily comprehensible section. Finally, the respondents considered the amount of information disclosed in Jordanian annual reports to be inadequate, and complained about lack of comparability and consistency across firms, even in a single industry.

Nasser et al. (2003) provided an exploration of the perceptions of various users of financial information in Kuwait. The findings of the study found that, first, respondents again regard the annual report as the most important source of information, followed in this case by information obtained directly from the company and specialist advice. Second, the user-groups ranked credibility and timeliness as the most important characteristics of useful corporate information. Third, the respondents confirmed that the annual report does play a useful role when making their investment decisions, evaluating the company's performance and monitoring their investments. Fourth, the respondents indicated that all the main parts of the annual report are trustworthy and easy to understand, but they regard financial statements as the most important section.

Naser and Nuseibeh (2003) examined the perceptions of various users about the usefulness of the annual reports of Saudi joint stock companies. The findings of the study revealed that Saudi users primarily rely on information made available by firms, but they regard the annual reports as the most significant source of information for decision-making. In addition, the respondents also indicated that they regard the income statement as the most significant section of annual report, although the auditor's report is the most clearly understood.

Al-Razeen and Karbhari (2004) provided more detailed evidence regarding the perceptions of users of annual reports in Saudi Arabia. The results revealed that the balance sheet and the income statement are regarded as the most important sections of the annual report by most of the Saudi users' groups. The cash flow statement was found to be the least significant.

Mirshekary and Saudagaran (2005) provided the first detailed evidence about attitudes, perceptions and characteristics of financial statement user-groups in Iran.

The results indicated that consistent with the majority of studies in other developing countries, most users in Iran regard the annual report as the most important source of information for making economic decisions, depending more heavily on them than on advice from stockbrokers and acquaintances or on tips and rumours. The authors also concluded that the user-groups ranked the income statement, the auditors' report, and the balance sheet respectively as the three most important parts of annual report. All user-groups regarded the delay in publishing the annual reports, the lack of reliability in information, and the absence of adequate information as factors restricting the effective usage of annual reports. Finally, the results indicated that most of users of corporate financial statements in Iran see a delay in publishing annual reports, lack of trust of the information, and lack of adequate disclosure as major concerns.

Chen and Hsu's (2005) study examined perceptions of individual investors about the usefulness of the annual report and other information sources in Hong Kong. The results indicated four significant findings. First, although individual investors in Hong Kong use annual reports for investment decisions, they consider annual reports as being less useful than other alternative information sources such as: historical information on stock prices; dividends and earnings; company related news; advice from analysts; and newspapers and magazines. Second, relevance and reliability are regarded by individual investors as the two most desirable qualitative characteristics of financial statements. Third, the perceived usefulness of annual reports is influenced not only by investor features such as the education level, investment experience, type of share holding and investment horizon, but also by the type of firms in which they invest. Finally, individual investors in Hong Kong desire additional information, in particular

relevant non-financial information, to be disclosed in annual reports to assist them in investment decision-making.

Stainbank and Peebles (2006) investigated the relative importance of sources of financial information used by preparers and users when making hold, buy or sell decisions. To achieve this aim, 172 questionnaires were posted in 2000 to two groups, one representing the preparers of annual reports (financial managers) and the other representing the users of annual reports (institutional investors). The findings of the study revealed that the preparer groups ranked stockbroker advice first, whereas user groups considered communication with management to be the most important source of information.

With regard to the perceived importance of information obtained through company announcements and disclosures, the preparer groups regarded the annual report as the most important source of information, while the user groups ranked the preliminary announcements of the company first. Both groups were asked to indicate how thoroughly they read each component of annual report and the preparers ranked the income statement first in this regard, while the user groups read the cash flow statement the most thoroughly. With regard to the qualitative criteria used for assessing the usefulness of accounting practices, the preparers emphasised fair presentation, understandability and relevance, while the user groups preferred comparability, faithful representation and relevance. Finally, regarding the perceived importance of standard-setting and regulation of disclosure, the preparer groups ranked 'to prevent reporting abuses such as the manipulation of numbers' as being the most important, whereas the user groups ranked the reason 'to ensure that management does not suppress unfavourable information' first.

7-Rate of Response

Table 1 outlines the distribution numbers and response rates for the questionnaires.

Table 1: Questionnaire Distribution and Response Rates of the Questionnaires

Users	Distribution Number	Responses	Rate of Response
Tax Officers	20	14	70%
External Auditors	20	17	85%
Academics Staff	20	10	50%
Central Bank Officers	20	10	50%
Institutional Investors	25	15	60%
Commercial Bank loan and Investment Officers	20	15	75%
Total	125	81	64.8%

8- Statistical Procedures

In the analysis of questionnaire responses across user groups, the Kruskal-Wallis H test is -the non-parametric version of the parametric one-way ANOVA test- was used to evaluate the significance of differences in the sample means. The test was conducted throughout using a conventional 5% confidence level. A significant value for the Kruskal-Wallis H statistic indicates that at least one of the group means is different from at least one of the others.

9- Reliability and Validity

Reliability

The most popular test for internal consistency is the “coefficient alpha” (Botosan, 1997). Coefficient alpha ranges between zero and

one; the higher the coefficient, the more reliable the instrument. The literature suggests .70 as the minimum acceptable reliable level (De Vaus, 1990), although a preferable reliable figure of .80 or above is also sometimes quoted (Botosan, 1997). The Coefficient alpha test was carried out on the questionnaire, and the result was 0.931. The results therefore demonstrate a high level of internal consistency in the responses of users.

Validity

Carmines and Zeller (1979, p.17) define validity as “the extent to which any measuring instrument measures what it is intended to measure”. Content validity, which is adopted in the current study, is one of the three most common approaches to validity checking. The process involves seeking subjective judgment and opinions from non-experts and/or professionals (Carmines and Zeller, 1979). In the current study, the validity of the questionnaires was investigated by a number of practical professionals and experienced participants who were targeted. A number of questionnaires were distributed to bankers, external auditors, academics and tax officers. As a result of feedback obtained a small number of further modifications were made to the questionnaires.

10-Research Hypotheses:

This study seeks to test the following null hypotheses:

H1: There is no significant difference among the groups of users in terms of perceptions of the quantity and quality of financial disclosure in Libyan banks' annual reports.

H2: There is no significant difference among the groups of users in terms of perceptions about the quality and quantity of

financial disclosure in Libyan banks' annual reports relative to other sectors.

H3: There is no significant difference in views among the six user groups about the degree of Libyan banks' compliance with mandatory disclosure requirements.

H4: There is no significant difference among the groups of users about the importance of the LSM's role regarding financial disclosure practices by Libyan banks.

H5: There is no significant difference among the groups of users about normative statements regarding financial disclosure practices in Libyan banks' annual reports.

11-Empirical Results

11-1 The Quality and Quantity of the Financial Disclosures in Libyan Banks' Annual Reports.

One of main objectives of the current study is to assess perceptions regarding the actual level of financial disclosure in Libyan banks' annual reports. To accomplish this goal, the respondents, were given a list of criteria relating to the quality and quantity of financial disclosure in Libyan banks' annual reports and asked to evaluate each one. The respondents were again asked to express their views using a 5 point Likert scale, in this case where 1 means "very poor" and 5 means "excellent". The views of the six groups of users were compared using a Kruskal-Wallis H statistic.

Table 2: Users' Views about the Quality and Quantity of the Financial Disclosures in Libyan Banks' Annual Reports

Financial Disclosure in the annual reports of Libyan Banks
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Attributes	User-groups						Whole sample			
	INV	BLIO	CBO	TO	EA	ACA	Mean	R	SD	KWS p-value
Relevance of the information	3.400	3.857	3.600	3.214	3.353	3.000	3.412	1	1.002	.283
Reliability of th information	3.067	3.571	3.400	3.500	3.412	3.000	3.337	2	0.856	.458
Materiality of the information	3.200	3.286	3.700	3.500	3.235	2.800	3.288	3	0.766	.123
Understandabilit yof the information	3.067	3.214	3.400	3.643	3.118	3.100	3.250	4	0.849	.305
Comparability of the information	3.267	3.143	3.500	3.214	3.176	2.900	3.200	5	0.892	.689
Quantity of the information	2.800	3.200	3.400	3.500	3.000	3.000	3.136	6	0.945	.520

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; User-groups: INV = Institutional investors; BLIO = Bank loan and investment officers; CBO = Central Bank officers; TO = Tax officers; EA = External auditors; ACA = academics. Responses are based on a Likert scale where 1 = very poor and 5 = excellent.

The factors included in this subsection of the questionnaire reflect the desired characteristics of financial reporting that underpin conceptual framework models of the world's leading accounting bodies. Table 2 demonstrates that all respondents expressed moderate satisfaction with the financial disclosures made by Libyan banks, with mean scores of between 3.412 and 3.136 evident. The respondents were most satisfied with the relevance and reliability of the information and least satisfied with the quantity of the disclosures made in Libyan banks' annual reports. The latter result may reflect the fact

that there are relatively few items of information that are required to be disclosed by Libyan authorities (via Libyan Commercial Law) and users' expectations regarding the extent of voluntary information releases are not matched by the firms concerned. The perceived lack of comparability may be explained by the absence of domestic and international reporting standards; Libyan banks implement a range of different accounting principles, methods and procedures which might make comparisons either within one company or between different companies more difficult (Bait El-Mal et al., 1988).

As can be seen from Table 2, academics indicated the lowest level of satisfaction with most characteristics of the financial disclosure in Libyan banks' annual reports, while Central Bank officers and tax officers expressed the highest level of satisfaction.

Inspection of Table 2 also indicates that external auditors assigned the highest level of satisfaction to the reliability of the information. External auditors by their very nature are required to verify the accuracy of the financial statements and ensure that the bank's annual reports provide a true and fair view and so this evidence is consistent with their role in this regard. Interestingly, the institutional investors were less satisfied than most other groups about both the reliability and understandability of the information contained in the annual reports.

Finally, inspection of Table 2 reveals that the results of Kruskal-Wallis test suggested that there were no statistically

significant differences among the respondents' perceptions. Therefore, the null hypothesis H1 cannot be rejected.

11-2 The Quality and Quantity of the Financial Disclosures in Libyan Banks' Annual Reports Relative to Other Sectors

The respondents were presented with the list of attributes introduced in Table 3 and asked to judge them using a five point Likert scale where 1 indicates "very poor" and 5 indicates "excellent".

Table 3: Users' Views about the Quality and Quantity of the Financial Disclosures in Libyan Banks' Annual Reports Relative to Other Sectors

Attributes	User-groups						Whole sample			
	INV	BLIO	CBO	TO	EA	ACA	Mean	R	SD	KWS p-value
Relevance of the information	3.867	3.308	3.300	3.286	3.647	3.500	3.506	1	0.918	.310
Materiality of the information	3.533	3.417	3.300	3.571	3.471	3.300	3.449	2	0.877	.959
Reliability of the information	3.267	3.417	3.500	3.429	3.588	3.200	3.410	3	0.859	.795
Comparability of the information	3.400	3.333	3.300	3.500	3.529	3.300	3.410	4	0.889	.949
Quantity of the information	3.333	3.000	3.500	3.571	3.294	3.600	3.367	5	0.865	.521
Understandability of the information	3.400	3.167	3.400	3.286	3.353	3.300	3.320	6	0.781	.964

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; User-groups: INV = Institutional investors; BLIO = Bank loan and investment officers; CBO = Central Bank officers; TO = Tax officers; EA = External auditors; ACA = academics. Responses are based on a Likert scale 1 = very poor and 5 = excellent.

Table 3 demonstrates that the respondents generally considered the quality and quantity of financial disclosure in Libyan banks' annual reports to be strong relative to other sectors, with each mean proving to be higher than the figures relating to the absolute characteristics in Table 2. This evidence might be attributable to the fact that banking industry in Libya is more regulated than other sectors and is subject to direct supervision from the Central Bank which may provide users with a degree of confidence in the information. Finally, inspection of Table 3 reveals that once again there were no statistically significant differences across the six groups of users. The results therefore do not support rejection of the null hypothesis H_2 .

11-3 The Degree of Libyan Banks' Compliance with Current Mandatory Disclosure Requirements

One of the main objectives of the current study is to evaluate the degree of Libyan banks' compliance with existing Libyan disclosure requirements and so the users were asked to evaluate the level of Libyan banks' compliance with present mandatory regulations. Specifically, the respondents were asked to express their views by using a five-point Likert scale, where 1 means "very poor" and 5 means "excellent".

A Kruskal-Wallis test was again used to test a formal null hypothesis H_3 about differences in views across the groups of users, in this case:

Table 4: Users' Views about the Degree of Libyan Banks' Compliance with Existing Mandatory Disclosure Requirements

	User-groups						Whole sample		
	INV	BLIO	CBO	TO	EA	ACA	Mean	SD	KWS p-value
The degree of Libyan banks' compliance with disclosure requirements	2.923	2.667	2.600	2.571	2.765	3.300	2.785	0.811	.454

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; User-groups: INV = Institutional investors; BLIO = Bank loan and investment officers; CBO = Central Bank officers; TO = Tax officers; EA = External auditors; ACA = academics. Responses are based on a Likert scale where 1 = very poor; 5 = excellent.

Table 4 indicates that respondents as a whole believe that Libyan banks comply to only a limited extent with mandatory disclosure requirements, with the mean of 2.785 falling below the mind-point on the scale used. It is worth mentioning here that, although the groups of users believe that banks make a good compliance with mandatory disclosure requirements, this compliance is not the degree it must be. this evidence is perhaps surprising. However, it is arguably consistent with the evidence in Table 2 that the quantity of disclosure is seen as less impressive than the quality; this interpretation of the

evidence assures that the users of Libyan banks' annual reports are reasonably satisfied with the quality of the documents, but additional information could be provided that would ensure compliance with a greater amount of the legislation. However, the picture is complicated by the fact that Table 4 evidences tax officers as generating the lowest mean, despite giving the highest ranking to quantity in Table 2. The highest mean figure in Table 4 -3.30 for the academics which means this group having the (joint) lowest concerns about non-compliance with standards.

With regard to whether there are any significant differences across the groups of users' responses, the Kruskal-Wallis test suggested that there was a broad consensus regarding perceptions of Libyan banks compliance with mandatory disclosure requirements and these results therefore do not support rejection of null hypothesis H3.

11-4 The Importance of the Libyan Stock Market's Role in Improving Libyan Banks' Financial Disclosure Practices

The newly-established Libyan Stock Market (LSM) is expected to play an important role in improving financial disclosure practices in Libyan corporations' annual reports. Thus, the users were given a list of potential ways in which the LSM could have an impact and asked to indicate the importance that they assign to each one. A five-point Likert scale was used, where 1 indicates "not important at all" and 5 indicates "very important". The views of the six groups of users were compared using the Kruskal-Wallis test.

Inspection of Table 5 reveals that the LSM is seen as having an extensive positive impact on Libyan banks' annual reports; all the statements yielded whole sample means greater than 4. The role of "ensuring banks comply with statutory requirements" was ranked by respondents as the most important that the LSM is expected to play (with an overall mean of 4.400), followed by the function of "ensuring banks publish their accounts in timely fashion" (4.359). The former result is consistent with the evidence in Table 4 where user groups were less satisfied about Libyan banks' compliance with mandatory disclosure requirements and clearly see form for improvement in this regard.

These overall means again hide a certain degree of variation in the responses of the six user groups. For example, only three out of six (institutional investors, Central Bank officers and academics) indicated that "ensuring banks comply with statutory requirements" is the most important role for the LSM; in contrast, bank loan and investment officers and tax officers, suggested that "encouraging Libyan banks to disclose more information" are the most important role, while external auditors ranked the role of "ensuring banks publish their accounts in timely fashion" as the most important potential role. The former result is consistent with the findings in Table 2 where bank loan and investment officers were least satisfied with the quantity of the information disclosed in Libyan banks' annual reports.

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Table 5: Users' Views about the Importance of the LSM's Role Regarding Libyan Banks' Financial Disclosures Practices

Potential Roles	User-groups						Whole sample			
	INV	BLIO	CBO	TO	EA	ACA	Mean	R	SD	KWS p-value
Ensuring banks comply with statutory requirements	4.733	4.214	4.300	4.357	4.353	4.400	4.400	1	0.739	.499
Ensuring banks publish their accounts in timely fashion	4.571	4.231	4.200	4.286	4.471	4.300	4.359	2	0.805	.934
Encouraging Libyan banks to disclose more information	4.500	4.417	3.900	4.429	4.353	4.100	4.312	3	0.748	.348
Improving the relevance of the information	4.133	4.071	4.300	4.429	4.235	4.200	4.225	4	0.636	.749
Improving the reliability of the information	4.400	4.077	4.200	4.286	4.059	4.300	4.215	5	0.673	.709
Protecting the interests of investors and other users	4.467	4.077	3.667	4.000	4.412	4.100	4.167	6	0.874	.338
Improving the comparability of the information	3.933	4.231	4.100	4.071	4.294	4.300	4.152	7	0.681	.621
Improving the understandability of the information	3.933	3.923	4.100	4.214	4.235	4.200	4.101	8	0.690	.633
Improving the materiality of the information	3.667	4.154	4.000	4.214	4.118	4.300	4.063	9	0.722	.283

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; User-groups: INV = Institutional investors; BLIO = Bank loan and investment officers; CBO = Central Bank officers; TO = Tax officers; EA = External auditors; ACA = academics. Responses are based on a Likert scale where 1 = not important at all; 5 = very important

Table 5 also indicates that a role for the LSM in “encouraging Libyan banks to disclose more information” was ranked in third position. This result is consistent with the evidence in Table 2 that the respondents are less satisfied with quantity of the information disclosed in Libyan banks’ annual reports than with any aspect of the quality of the documents.

The respondents as a whole considered the role of “improving the materiality of the financial information” to be the least important role that the LSM is expected to play regarding financial disclosures in Libyan banks’ annual reports, although even in this case the mean was above 4.0. The Central Bank Officers provided a somewhat different pattern of responses than the other groups. For example, Table 5 indicates that this group generated its lowest mean (by some margin) of 3.667 regarding the protection of investors and other users.

Finally, inspection of Table 5 reveals a strong degree of consensus among the groups of users, and the non-rejection in all cases of null hypothesis H_4 confirms this impression.

11-5 Users’ Perceptions about Normative Statements Regarding Financial Disclosure Practices in Libyan Banks’ Annual Reports

The final part of the questionnaire was designed to obtain the respondents’ views about ten statements regarding specific aspects of financial disclosure practices in Libyan banks’ annual reports. Respondents were asked to give their views on the same set of statements using a five-point Likert scale, where 1 indicates “strongly disagree” and 5 indicates “strongly agree”. The views of the six groups of users were compared as usual using a Kruskal-Wallis test.

Table 6: Users’ views about a set of normative statements regarding financial disclosure practices in Libyan banks’ annual reports

Financial Disclosure in the annual reports of Libyan Banks
 العدد 4 from Users' perspectives

Potential Roles	User-groups						Whole sample			
	INV	BLIO	CBO	TO	EA	ACA	Mean	R	SD	KWS p-value
Libyan banks' external auditors should be independent of management influence	4.733	4.538	4.700	4.714	4.823	4.700	4.709	1	0.510	.539
The CBL should play a major role in monitoring the implementation of laws and regulations	4.600	4.692	4.900	4.500	4.471	4.500	4.595	2	0.494	.280
The professional skills of financial statements' preparers need to be improved	4.500	4.308	4.500	4.714	4.588	4.700	4.551	3	0.595	.704
The CBL should play a major role in regulating and observing the disclosures	4.600	4.643	4.400	4.571	4.529	4.400	4.537	4	0.550	.850
All the annual reports should be prepared using the same accounting standards	4.533	4.538	4.100	4.357	4.412	4.600	4.430	5	0.654	.404
The IASs should be applied to the banking sector by the Libyan authorities	4.400	4.667	4.200	4.461	4.471	3.900	4.377	6	0.795	.501
Financial disclosure practices in Libyan banks need to be improved	4.333	4.429	4.200	4.214	4.353	4.700	4.362	7	0.509	.211
Reports' content should be regulated and not left to the manager	4.267	3.929	4.000	4.214	4.588	4.400	4.250	8	0.803	.380
All the annual reports should be presented using a standard format	4.333	4.461	4.000	4.000	3.562	4.300	4.090	9	0.914	.123
The annual reports should be available publicly	3.733	4.357	4.300	3.714	4.000	4.400	4.050	10	1.017	.143

Notes: R = Rank; SD = Standard Deviation; KWS = Kruskal-Wallis H significance level; User-groups: INV = Institutional investors; BLIO = Bank loan and investment officers; CBO = Central Bank officers; TO = Tax officers; EA = External auditors; ACA = academics. Responses are based

on a Likert scale where 1 = strongly disagree; 5 = strongly agree.

Table 6 indicates that the respondents either strongly agreed or agreed with all ten list statements regarding financial disclosure practices in Libyan banks' annual reports. The statement that "Libyan banks' external auditors should be independent of management influence" received the highest level of ranking with a mean of 4.709. It is worthwhile here that, external auditors ranked the statement higher than did the other groups of users, with a mean of 4.823. Although this result does not necessary mean that auditors are unduly close to management, when considered in the context of the evidence in Table 2 that external auditors are not overly satisfied (as reflected by a mean of only 3.412) with the reliability of the information disclosed in Libyan banks' annual reports. Then it appears that an issue may exist.

However, in Table 5 external auditors ranked "improving the reliability of the information" as the least important role the new LSM is likely to play. One possible interpretation of all of these results is that the management of banks have tended to intervene in external auditor's work, which renders the information disclosed in financial statements less than entirely reliable. Therefore, external auditors believe that the solution lies in reducing influence of management, with the market authorities only able to play a role at the margins.

Inspection of Table 6 also reveals that user groups ranked the statement that "the CBL should play a major role in monitoring the implementation of laws and regulations" in second position with a mean of 4.595. This result is also

consistent with the evidence in Table 4 where user groups were less satisfied with the Libyan banks' compliance with mandatory disclosure requirements. Therefore, they require the CBL to play a key role in pushing banks to comply with regulations and laws and in monitoring the implementation of these regulations and laws. Table 6 documents support for the notions that IASs should be applied¹, that disclosure practices need to be improved, and that preparers skills need to be improved (means = 4.377, 4.362 and 4.551 respectively).

The Kruskal-Wallis test suggested that there were no statistically significant differences among the groups of users about the ten statements in Table 6 and the null hypothesis H_5 therefore cannot be rejected.

12- Summary

The results of the study reveal that all user groups satisfied with the quality and quantity of current financial disclosure in Libyan banks' annual reports, both in absolute terms and relative to other sectors. Although concern appears to exist about the current degree of compliance with mandatory requirements, the development of the LSM and recent economic reforms were both seen as likely to have a positive impact on this and other aspects of financial disclosure practices amongst Libyan banks.

With regard to the extent to which Libyan banks' annual reports comply with present mandatory disclosure

¹ However, the vast majority of participants in El-Sharif's (2006) study argue that IASs should not be applied in their generic form, but instead must be amended to suit Libyan environment.

requirements, user groups, who were also relatively unsatisfied with the amount of information disclosed in Libyan banks' annual reports, may be less aware of the limited nature of the current mandatory disclosure requirements required by the Libyan regulators. Therefore the users believe that the main problem lies in the non-compliance of Libyan banks with the (perceived) requirements. This potential explanation in turn suggests that authorities have work to do in terms of educating users about the mandated rules.

User groups ranked “ensuring banks comply with statutory requirements” in first position. This results confirm that users' priorities lie in seeing greater compliance with existing rules and regulations. Equally strong hopes appear to exist in terms of the impact of the on-going economic reform process in Libya. Again, the results point to a strong (shared) perception that Libyan banks' annual reports are of a reasonably high standard, but room for improvement exists, room which the recent market and economic reforms are seen as being well placed to exploit.

Finally, user groups particularly strong support to the notion that “Libyan banks' external auditors should be independent of management influence”. This result might cast some doubt on external auditor's independence in Libya, particularly because the external auditors strongly supported this statement as did the general managers. This pattern of results, which together suggest that the pressures on external auditors come from either chairmen or members of the board of directors other than the general managers, are consistent

with the findings of Moamer's (2006) Libyan study which found that 60% of respondents perceived on the absence of full independence amongst chartered accountants in Libya¹. Also, these results are consistent with the findings of Ehtawish's (2006) Libyan evidence which found that the audit officers and firms lack sufficient information technology and adequate human resources along with insufficient autonomy from the banks' management².

¹ The participants in Moamer's (2006) study suggested a number of reasons for the absence of external auditor independence in Libya:

- 1) Lack of support from the Libyan Accountants and Auditors Association (LAAA) for external auditors.
- 2) The tendency of some auditing bureaus to allocate audit work to unqualified accountants.
- 3) Engagement in personal relationships.
- 4) Absence of a professional ethics' code in Libya.
- 5) The lack of fixed and specific standards setting out the notion of independence in Libya
- 6) Stagnation in some auditing bureaus

² According to El-Sharif (2006), entitling the same auditor to verify the financial statements of the same company for more than three years potentially impacts on auditor independence.

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