Corporate Environmental Disclosure in Libya: Evidence and Environmental Determinism Theory

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A thesis submitted in partial fulfilment of the requirements of Napier University for the degree of Doctor of Philosophy

September-2004
Corporate Environmental Disclosure in Libya: Evidence and Environmental Determinism Theory

Submitted by

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to Napier University as a thesis for the degree of Doctor of Philosophy in accounting in the School of Accounting and Economics, September, 2004.

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I certify that all material in this thesis which is not my own work has been identified and that no material is included for which a degree has previously been conferred upon me.

Signed: [Signature]

September-2004
IN THE NAME OF ALLAH, MOST GRACIOUS, MOST MERCIFUL

DEDICATION

Much-loved Parents

“And your Lord has decreed that you worship none but Him; and that you be dutiful to your parents. If one of them or both of them attain old age in your life, say not them a word of disrespect, nor shout at them but address them in terms of honor” (Qur’an, Surat Al-Isra (17), Ayah 23).

Dear Wife

For her continuous bear, patient and love

Honey Sons

Islam and Al-Bara

Hoping to be a candle that lights their future

Beloved Sister, Brothers and their Families

For their incessant support, encouragement and love
ACKNOWLEDGEMENT

I would like to express my deep and sincere thanks to Professor Simon Gao, for his constant guidance, encouragement, patience, constructive comments and kind treatment. Appreciation is also extended to Mr. Iain Wright, Senior lecture in accounting, who provided warm feelings and constructive supervision. The experience gained from both supervisors is an invaluable asset.

I would like also to express my heartfelt acknowledgement to Professor H Gin Chong, Dr. Omneya Abd-Elsalam and Dr. Morrison Handley-Schachler for their participation, comments and suggestions at my viva.

I am most grateful to many members of staff in the department of Accounting and Economics at Napier University Business School. Also, special thanks due to those who were involved in my pilot study of the questionnaire both in Edinburgh and Libya for their kindness and comments.

Thanks also due to Mrs. Barbara Breaks in Sighthill Campus Library for her kind help. Much gratitude also to my colleagues Mr. Gordon Guo and Mr. Bassam Rajab, the school secretaries Miss. Mary Lally and Mrs. Eileen Fairgrieve and the assistant faculty manager Ms. Sharon Nairn for their kindness, wonderful friendship and encouragement over my period of study.

In addition, I would like to express my sincere acknowledgement to the people who had helped me in one way or another during my field work including, managers and employees of surveyed companies, GEA and IPA; Abd Al-Karim Ahoudy; Moussataf Al-Agal; Fouad; Assuad Abu Al-Gasem, Mohialdean Hossain, Mohamad Al-Herma and Rajab Al-Rtau. Special thanks also due to Dr. Mohamad Buzied who did not hesitate to give me his thesis which was very helpful to this study.

Furthermore, I would like to thank my parents and pray for them for their love and guidance toward the beneficial avenue of seeking knowledge and understanding this life and the hereafter. Then I express my gratitude to my wife for her continuous support, patient and love.

Last but definitely not least I would like to express my heartfelt thanks to whoever made any contribution in this study.
ABSTRACT

There is no doubt that in recent years Corporate Environmental Disclosure (CED) by corporations has received much attention among accounting academic researchers. However, reviewing previous studies has identified the following existing gaps which have given an impetus for this study and need to be bridged namely: (1) the need for a new approach of analysis namely, a three-dimensional analysis that includes the intra-country (external) factors, inter-organisational (internal) factors and content analysis; (2) the requirement for investigating other available means of CED such as internal reports and stand alone environmental reports; and (3) the call for examining CED practice in Libya where there was no previous attention given to this country.

This study aims to examine the various aspects of CED in Libya with a view to testing the applicability of Environmental Determinism Theory. It did this initially by providing the first detailed and longitudinal description of the extent of practices of CED which were made by the all the largest industrial companies quoted on the Libyan Industrial Production Administration for the years 1998-2001. It then endeavoured to explain and understand this evidence of CED practice (or non-practice) by utilising (1) the perspectives of a sample of corporate managers of such companies regarding the nature of corporate environmental responsibility and CED; and (2) the political, economic and social contexts in which the CED is being made. To achieve this, three methods (triangulation approach) were utilised in this study, namely, content analysis, questionnaire and historiography.

The results of content analysis showed that CED has yet to develop in Libya. There is no evidence of environmental disclosure either in terms of its quantity or quality, especially if the health and safety category is excluded. Libyan companies provide some statements in their annual reports, and, in some cases, other external reports (specific forms) or internal reports related to only one category of CED namely health and safety information. Apart from health and safety disclosed, the companies studied have disclosed no other environmental information. They still have a long way to go in order to reach the level reached by their counterparts in developed countries. An interesting point was that Libyan companies, by contrast with their counterparts even in developing countries, have given more attention to negative news.

The perceptions of managers were investigated by using a questionnaire survey. Fifty three questionnaires were used with a rate of response of 62%. The results suggest that the vast majority of them accept that Libyan companies should recognise their environmental responsibility and provide environmental disclosure to the central authorities. However, most managers felt that a scarcity of legal and professional standards and guidelines, along with their lack of expertise, qualification and training in the field of CED have prevented them from engaging in CED. Therefore CED has not been put in the agenda of many Libyan companies.

The analysis of the environmental influence on CED practice in Libya indicates that the social context including religion seems to be having to some extent an influence upon CED practice in Libya. However, the country's unique political and economic contexts along with the managers' attitudes and qualifications were the fundamental CED disclosure determinants. Therefore, this study has concluded that CED practices in Libya are shaped not only by one single factor but by the external and internal factors. The impact of the political, economic and social (external) factors reflects the indirect influence on the disclosure environment. Whereas, the internal factors (perception and cognition) reflect the direct impact of those involved in the disclosure process, namely the managers, as they are the ones who decide what information to be disclosed.
**TABLE OF CONTENTS**

| Dedication | ii |
| Acknowledgement | iii |
| Abstract | iv |
| Table of Contents | viii |
| List of Tables | ix |

**Chapter One: Introduction to the Research**

| 1.1 Introduction | 1 |
| 1.2 Background, Literature and Justification for the Research | 1 |
| 1.3 Research Objectives and Questions | 7 |
| 1.4 Research Methodology | 9 |
| 1.5 Research Importance and Contribution | 13 |
| 1.6 Organisation of the Research | 15 |

**Chapter Two: Corporate Environmental Disclosure (CED): Concept, Drivers behind CED Practice, and Previous Studies**

| 2.1 Introduction | 17 |
| 2.2 Concept of Corporate Environmental Disclosure (CED) | 19 |
| 2.3 Drivers behind Environmental Responsibility and CED | 22 |
| 2.3.1 Environmental Protection and Disclosure Legislation | 23 |
| 2.3.2 Environmental Pressure Groups | 29 |
| 2.3.3 Consumers | 32 |
| 2.3.4 Lenders | 35 |
| 2.3.5 Shareholders and Investors | 35 |
| 2.3.6 Employees | 37 |
| 2.4 The Prior Studies of CED | 41 |
| 2.5 Summary | 55 |
Chapter Three: Theoretical Justifications for Corporate Environmental Disclosure Practices

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Introduction</td>
<td>57</td>
</tr>
<tr>
<td>3.2 Agency (Economic) Theory</td>
<td>57</td>
</tr>
<tr>
<td>3.3 Stakeholder Theory</td>
<td>60</td>
</tr>
<tr>
<td>3.4 Legitimacy Theory</td>
<td>64</td>
</tr>
<tr>
<td>3.5 Political Economy Theory</td>
<td>70</td>
</tr>
<tr>
<td>3.6 Environment Determinism Theory</td>
<td>75</td>
</tr>
<tr>
<td>3.6.1 Internal Factors</td>
<td>76</td>
</tr>
<tr>
<td>3.6.2 External Factors</td>
<td>79</td>
</tr>
<tr>
<td>3.6.2.1 Economic System</td>
<td>79</td>
</tr>
<tr>
<td>3.6.2.2 Political System</td>
<td>81</td>
</tr>
<tr>
<td>3.6.2.3 Legal System</td>
<td>82</td>
</tr>
<tr>
<td>3.6.2.4 Culture and Religion</td>
<td>84</td>
</tr>
<tr>
<td>3.6.2.5 Accounting Profession and Education</td>
<td>89</td>
</tr>
<tr>
<td>3.7 Summary</td>
<td>91</td>
</tr>
</tbody>
</table>

Chapter Four: Research Methodology

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Introduction</td>
<td>93</td>
</tr>
<tr>
<td>4.2 Content Analysis</td>
<td>94</td>
</tr>
<tr>
<td>4.2.1 Definition of Content Analysis</td>
<td>95</td>
</tr>
<tr>
<td>4.2.2 The Essential Stages of Content Analysis Method Carried Out</td>
<td>98</td>
</tr>
<tr>
<td>4.2.2.1 Identify the Question (s) to be investigated</td>
<td>98</td>
</tr>
<tr>
<td>4.2.2.2 Determine Sampling Units</td>
<td>99</td>
</tr>
<tr>
<td>4.2.2.3 Determine and Define Content Categories</td>
<td>102</td>
</tr>
<tr>
<td>4.2.2.4 Determine the Recording Units</td>
<td>103</td>
</tr>
<tr>
<td>4.2.2.5 Determine the Coding Mode</td>
<td>104</td>
</tr>
<tr>
<td>4.2.2.6 Test Coding on Sample of Text (Pilot Test)</td>
<td>105</td>
</tr>
<tr>
<td>4.2.2.7 Assess Reliability and Validity</td>
<td>106</td>
</tr>
<tr>
<td>4.2.3 Period and Sample Chosen for the Libyan CED Study</td>
<td>108</td>
</tr>
<tr>
<td>4.3 Historiography</td>
<td>109</td>
</tr>
<tr>
<td>4.4 Questionnaire</td>
<td>110</td>
</tr>
<tr>
<td>4.4.1 Questionnaire Design</td>
<td>111</td>
</tr>
<tr>
<td>4.4.1.1 Wording and Language</td>
<td>111</td>
</tr>
<tr>
<td>4.4.1.2 Type of Questions</td>
<td>113</td>
</tr>
<tr>
<td>4.4.1.3 Sequencing (Order) of Questions</td>
<td>114</td>
</tr>
<tr>
<td>4.4.1.4 Scaling of the Questions</td>
<td>115</td>
</tr>
<tr>
<td>4.4.1.5 The Pilot Study</td>
<td>116</td>
</tr>
<tr>
<td>4.4.2 The Content of the Questionnaire</td>
<td>118</td>
</tr>
<tr>
<td>4.4.3 Population and Sample</td>
<td>119</td>
</tr>
<tr>
<td>4.5 Summary</td>
<td>122</td>
</tr>
</tbody>
</table>
## Chapter Five: The Libyan Context

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Introduction</td>
<td>124</td>
</tr>
<tr>
<td>5.2 Country overview</td>
<td>124</td>
</tr>
<tr>
<td>5.3 Socio-Culture Context</td>
<td>128</td>
</tr>
<tr>
<td>5.4 Political context</td>
<td>130</td>
</tr>
<tr>
<td>5.4.1 Overview of the System</td>
<td>130</td>
</tr>
<tr>
<td>5.4.2 The Mechanism of the System</td>
<td>131</td>
</tr>
<tr>
<td>5.4.3 The Mechanism of the Management of Public-owned Companies</td>
<td>135</td>
</tr>
<tr>
<td>5.5 Economic Context</td>
<td>136</td>
</tr>
<tr>
<td>5.5.1 Economic Developments</td>
<td>136</td>
</tr>
<tr>
<td>5.5.2 The Economic and Social Aspects of the Industry</td>
<td>141</td>
</tr>
<tr>
<td>5.5.3 Structuring of Economic Activities</td>
<td>142</td>
</tr>
<tr>
<td>5.6 Regulatory and Institutional Context</td>
<td>143</td>
</tr>
<tr>
<td>5.6.1 Environmental Legislation</td>
<td>144</td>
</tr>
<tr>
<td>5.6.2 Corporate Environmental Responsibility in the Legislation</td>
<td>145</td>
</tr>
<tr>
<td>5.6.3 Accounting Disclosure Legislation</td>
<td>146</td>
</tr>
<tr>
<td>5.7 The State of Accounting Profession and Education in Libya</td>
<td>153</td>
</tr>
<tr>
<td>5.7.1 Accounting Professional Bodies</td>
<td>153</td>
</tr>
<tr>
<td>5.7.2 The Current Financial Accounting and Reporting System of Libyan Companies</td>
<td>156</td>
</tr>
<tr>
<td>5.7.3 Accounting Education</td>
<td>158</td>
</tr>
<tr>
<td>5.8 Summary</td>
<td>161</td>
</tr>
</tbody>
</table>

## Chapter Six: The Current State of Corporate Environmental Disclosure Practice in Libya

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 Introduction</td>
<td>164</td>
</tr>
<tr>
<td>6.2 Total Level of Corporate Environmental Disclosure</td>
<td>164</td>
</tr>
<tr>
<td>6.3 Contents Category Themes of CED</td>
<td>166</td>
</tr>
<tr>
<td>6.4 Evidence and Type of Disclosure</td>
<td>167</td>
</tr>
<tr>
<td>6.5 Location of Corporate Environmental Disclosure</td>
<td>176</td>
</tr>
<tr>
<td>6.6 Summary</td>
<td>178</td>
</tr>
</tbody>
</table>

## Chapter Seven: The Perception of Managers on CED and Environmental Responsibility

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1 Introduction</td>
<td>180</td>
</tr>
<tr>
<td>7.2 Background Information of Respondents</td>
<td>181</td>
</tr>
<tr>
<td>7.3 The Perception of Managers about Environmental Responsibility and CED</td>
<td>184</td>
</tr>
<tr>
<td>7.4 The Perception of Managers about the Reasons for Disclosure and Non-Disclosure of Environmental Information</td>
<td>193</td>
</tr>
<tr>
<td>7.5 Summary</td>
<td>198</td>
</tr>
</tbody>
</table>
## Table of Contents

### Chapter Eight: Environmental Influences on CED Practices in Libya: an Application of Environmental Determinism Theory

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1 Introduction</td>
<td>200</td>
</tr>
<tr>
<td>8.2 Influence of Political Context</td>
<td>201</td>
</tr>
<tr>
<td>8.3 Influence of Economic Context</td>
<td>216</td>
</tr>
<tr>
<td>8.4 Influence of Socio-Culture Context</td>
<td>223</td>
</tr>
<tr>
<td>8.5 Summary</td>
<td>229</td>
</tr>
</tbody>
</table>

### Chapter Nine: Conclusions, Policy Implications, Limitations of the Research and the Areas for Further Research

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1 Introduction</td>
<td>230</td>
</tr>
<tr>
<td>9.2 The Research Impetus and Scope</td>
<td>230</td>
</tr>
<tr>
<td>9.3 Conclusions Relating to the Research Questions</td>
<td>233</td>
</tr>
<tr>
<td>9.3.1 First Question</td>
<td>233</td>
</tr>
<tr>
<td>9.3.2 Second Question</td>
<td>235</td>
</tr>
<tr>
<td>9.4 Policy Implications</td>
<td>243</td>
</tr>
<tr>
<td>9.5 Limitations of Research</td>
<td>245</td>
</tr>
<tr>
<td>9.6 Suggestions for Further Research</td>
<td>245</td>
</tr>
<tr>
<td>9.7 Summary</td>
<td>246</td>
</tr>
</tbody>
</table>

### Bibliography and Appendixes

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bibliography</td>
<td>247</td>
</tr>
<tr>
<td>Appendix One: Questionnaire (English and Arabic Versions).</td>
<td>289</td>
</tr>
<tr>
<td>Appendix Two: The Definitions and Decision Rules for Disclosure Categories and Scoring Sheet (English and Arabic Versions).</td>
<td>301</td>
</tr>
<tr>
<td>Appendix Three: Sample of the Pre-Designed Forms of SI and LGIC</td>
<td>305</td>
</tr>
<tr>
<td>Appendix Four: The Structure of Annual Report for Some of Surveyed Companies.</td>
<td>309</td>
</tr>
<tr>
<td>Appendix Five: Companies Quoted on the Industrial Production Administration (IPA) (Surveyed Companies).</td>
<td>313</td>
</tr>
<tr>
<td>Appendix Six: Published Papers (Abstracts)</td>
<td>314</td>
</tr>
</tbody>
</table>
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Number</th>
<th>Title of Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Recent CED Surveys</td>
<td>42</td>
</tr>
<tr>
<td>2.2A</td>
<td>Analytical Approaches in CED Literature</td>
<td>45</td>
</tr>
<tr>
<td>2.2B</td>
<td>CED Studies According to the Source of Information</td>
<td>46</td>
</tr>
<tr>
<td>2.2C</td>
<td>CED Studies According to the Region</td>
<td>46</td>
</tr>
<tr>
<td>4.1</td>
<td>Characteristics of Selected Papers of Content Analysis</td>
<td>97</td>
</tr>
<tr>
<td>4.2</td>
<td>Types of Reliability</td>
<td>106</td>
</tr>
<tr>
<td>4.3</td>
<td>Surveyed Companies</td>
<td>109</td>
</tr>
<tr>
<td>4.4</td>
<td>Rate of Response of the Questionnaire</td>
<td>121</td>
</tr>
<tr>
<td>5.1</td>
<td>Libyan GDP by Sectors Over the Period 1970-1999 (In million LD)</td>
<td>139</td>
</tr>
<tr>
<td>5.2</td>
<td>The Transformational Budget and Actual Expenditures for The Industrial Sector From 1970-1996</td>
<td>140</td>
</tr>
<tr>
<td>5.3</td>
<td>The Frequency of Providing Reports to the LGIC.</td>
<td>149</td>
</tr>
<tr>
<td>6.1</td>
<td>Summary of Overall CED</td>
<td>165</td>
</tr>
<tr>
<td>6.2</td>
<td>The Average Volume of Total Health and Safety Word Disclosure over the Four Year Period</td>
<td>166</td>
</tr>
<tr>
<td>6.3</td>
<td>The Contents of the Category Themes of CED of the Responding Companies</td>
<td>167</td>
</tr>
<tr>
<td>6.4</td>
<td>The Evidence and Type Word Disclosure of News for CED which Appeared in the Reports over the Four Year Period</td>
<td>168</td>
</tr>
<tr>
<td>6.5</td>
<td>Summary of the Evidence and Type of Word Disclosure News for CED over the Four Year Period</td>
<td>169</td>
</tr>
<tr>
<td>6.6</td>
<td>Mandatory and Voluntary Bad News (number of words)</td>
<td>172</td>
</tr>
<tr>
<td>6.7</td>
<td>General Company for Chemical Industries (GCCI): The State of Health and Safety during the Period from 1/1/2000 until 31/12/2000</td>
<td>173</td>
</tr>
<tr>
<td>6.8</td>
<td>Libyan Tractors Company (LTC): The State of Health and Safety during the Period from 1/1/2001 until 31/12/2001</td>
<td>173</td>
</tr>
<tr>
<td>6.9</td>
<td>The General National Company for Flour Mills and Fodders: The State of Health and Safety during the Period from 1/1/2001 until 31/12/2001</td>
<td>174</td>
</tr>
<tr>
<td>6.10</td>
<td>National Trailers Company: The State of Health and Safety during the Period from 1/5/1999 until 31/5/1999</td>
<td>175</td>
</tr>
<tr>
<td>6.11</td>
<td>Location of disclosure</td>
<td>176</td>
</tr>
<tr>
<td>7.1</td>
<td>Present Occupation and Professional Experience of Participants</td>
<td>181</td>
</tr>
<tr>
<td>7.2</td>
<td>Participants’ Qualifications</td>
<td>182</td>
</tr>
<tr>
<td>7.3</td>
<td>Place of Education for the Last Degree of Participants</td>
<td>182</td>
</tr>
<tr>
<td>7.4</td>
<td>Professional Qualification of Participants</td>
<td>182</td>
</tr>
<tr>
<td>7.5</td>
<td>Managers’ View about Environmental Responsibility</td>
<td>185</td>
</tr>
<tr>
<td>7.6</td>
<td>Managers’ View about Corporate Environmental Disclosure</td>
<td>189</td>
</tr>
<tr>
<td>7.7</td>
<td>Reasons for Disclosure of Environmental Information</td>
<td>195</td>
</tr>
<tr>
<td>7.8</td>
<td>Reasons for Non-Disclosure of Environmental Information</td>
<td>197</td>
</tr>
<tr>
<td>9.1</td>
<td>The Concepts which are Used to Explain the Differences between Libya and Developed Countries in Term of Level and Type of CED</td>
<td>241</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Number</th>
<th>Title of Figure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>International Growth in Corporate Environmental Reporting</td>
<td>18</td>
</tr>
<tr>
<td>2.2</td>
<td>Global Reports</td>
<td>49</td>
</tr>
<tr>
<td>2.3</td>
<td>Number of Reports Produced per Country</td>
<td>49</td>
</tr>
<tr>
<td>3.1</td>
<td>Lindblom’s Four Broad Legitimating Strategies</td>
<td>67</td>
</tr>
<tr>
<td>3.2</td>
<td>Organisational Legitimacy</td>
<td>67</td>
</tr>
<tr>
<td>3.3</td>
<td>The Difference between Environmental Determinism Theory and Political Economic Theory</td>
<td>76</td>
</tr>
<tr>
<td>4.1</td>
<td>Research Methodology</td>
<td>94</td>
</tr>
<tr>
<td>4.2</td>
<td>The Questionnaire Construction Process</td>
<td>117</td>
</tr>
<tr>
<td>5.1</td>
<td>Map of Libya</td>
<td>124</td>
</tr>
<tr>
<td>5.2</td>
<td>The Authority of People</td>
<td>131</td>
</tr>
<tr>
<td>6.1</td>
<td>The Volume of Total Health and Safety Word Disclosure over the Four Year Period</td>
<td>166</td>
</tr>
<tr>
<td>6.2</td>
<td>Stages of Corporate Environmental Disclosure (CED)</td>
<td>179</td>
</tr>
<tr>
<td>8.1A</td>
<td>Hierarchical Direct and Indirect Accountability of Industrial Companies within the Society</td>
<td>201</td>
</tr>
<tr>
<td>8.1B</td>
<td>Reciprocal Direct and Indirect Accountability of Industrial Companies within the Main Central Authorities</td>
<td>202</td>
</tr>
<tr>
<td>9.1</td>
<td>The Main Environmental Influences on CED Practices within the Context of Libya: an Application of Environmental Determinism Theory</td>
<td>238</td>
</tr>
</tbody>
</table>
Chapter One
Introduction to the Research

1.1 Introduction
1.2 Background, Literature and Justification for the Research
1.3 Research Objectives and Questions
1.4 Research Methodology
1.5 Research Importance and Contribution
1.6 Organization of the Research
1.7 Summary
Chapter One
Introduction to the Research

1.1 Introduction

Since the 1960s there has been a growing interest in the environment, and particularly, in the damage being done to the natural environment (Welford, 2001). As a result, disclosures of environmental matters have been emerging as an important dimension of corporate disclosure practices. Corporate Environmental Disclosure (CED\(^1\)) then has become a hot favourite topic of discussion and investigation among accounting academic researches (Mathews, 1997, 1998, Gray, 2001). Owen et al. (1994, p.ix.) stated that “recent years have witnessed a considerable resurgence of academic and professional interest in social accounting (including disclosure) issues, albeit with attention being overwhelmingly focused on one element—the environment”.

This chapter is organised into five sections. The second section provides an overview of the background of the research problem, the relevant studies and justification for the research. The research objective and questions are explained in the third section. The fourth and the fifth sections state the research methodology and contributions respectively. The final section contains organisation of the thesis.

1.2 Background, Literature and Justification for the Research

CED research is far from being a new phenomenon, but it is fair to claim that the re-emergence of a research agenda started almost thirty years ago (Adams et al., 1995; Mathews, 1997; Gray, 2001; Lodhia, 2001). Nevertheless, the natural environment and companies’ interactions with it were considered alongside, inter alia, employee relations

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\(^1\) Three terms namely, Corporate Social Disclosure (CSD), Corporate Environmental Disclosure (CED) and Corporate Social and Environmental Disclosure (CSED) have been used in the literature. This was due to the development of this phenomenon, since the emphasis has shifted from CSD in general to more specific CED in 1990s caused by the urgency associated with reducing some of the environmental problems that exist today. The term CSED use also in these days with a linkage that places emphasis on the importance of environmental issues. For the purpose of this thesis which focuses on the disclosure of environmental information by Libyan companies, the term CED has been used.
and community involvement and subsumed under the term Corporate Social Disclosure (CSD) (Epstein et al., 1976; Ingram and Frazier, 1980; Mathews, 1997). As of the latter stage of the seventies, civil movements from various denominations struggled to bring to the attention of industry, the importance of wider accountability by these corporations for the effects they were having on society as a whole. This is what actually brought about research and investigation into corporate social responsibility issues in the seventies and hence instigated the development of the Corporate Social and Environmental Disclosure (CSED) research agenda (Gray 1990). Various studies (such as Nader, 1973; Jensen, 1976) showed how a number of protest and pressure groups, activists, academics and others, pressed hard for the creation of socially responsible corporations in the seventies. These mainly took place in the US, as Ralph Nader and various other groups campaigning for the rights of the consumer made a significant impact on the way corporations behaved in relation to the societies in which they operated as well as to the wider society in which they were located. It must be said that their strife did not go without reward, as some significant achievements were made in the fields of consumer rights and product safety (Jensen, 1976).

However, this did not have a notable influence on the manner in which accounting was carried out or studied and researched. Mathews (1997) confirmed that it did not seem to change the way companies carried out their business, as there was no alteration to the manner in which management information systems were implemented, nor was there any reporting on social issues in a systematic fashion. This was seen by some as an indication that the social agenda had failed in its attempt to influence and indeed become part of corporate life. Although any modification of the management information systems would have served to indicate that a new concept for solving a social problem was becoming recognised and accepted (Wells, 1976), the fact remains that this was largely untrue.

Mathews (1997) mentioned that during the period from 1971 to 1980, research conducted in the field of social disclosure remained underdeveloped as a result of the absence of a specific body which would monitor the literature produced by corporate
companies, and thus measuring the extent of social disclosure in corporate reports, and therefore environmental issues were not identified as a separate category of disclosure.

Examining the 1980s, we note how a change of political concern began to emerge, as a substitute for the anticipated increase in public interest and growth in research into social disclosure. This change manifested itself in concern from 'caring societies' and a call for corporate responsibility to a preoccupation with 'failing economies'. This obviously signalled the lack of interest in debate about and research into corporate social responsibility accounting (Neimark, 1986).

Mathews (1997) reported that this decade saw the demise of social disclosure research, whilst Tinker et al. (1991), noted that this period saw an increase in CSD accounting research supporting and promoting the prevailing market ideology. They stated that studies into CSD were entirely market based and attempted to research the usefulness and efficiency of CSD, and suggested that the researchers "hoped to show that investors reacted positively to socially responsible behaviour and information disclosure" (p.34).

In the early 1990s, the emphasis has been shifted to CED rather than CSD (Gray et al., 1989; Owen et al, 1994; Gray and Bebbington, 2001; Lodhia, 2001). For example, Gray and Bebbington (2001, p.220) stated that "environmental reporting is now a major feature of business activity. Throughout the decade of the 1990s it grew from almost nothing to become one of the most important manifestations of business environment interactions". The reason for this change can be partly explained by the so-called green revolution and the global concern, especially environmental legislation and groups² such as the European Environmental Bureau (EEB), Greenpeace (GP), Friends of the Earth Europe (FoEE), Climate Network Europe (CNE) and the World Wide Foundation for Nature (WWF), about the possibility of an environmental crisis, as well as by a wider concern for issues of social injustice. Atkinson (1996) stated that there may be three reasons for this shift: (1) the continuing rise of environmental concern since the

² For more details about these groups see (McCormick, 2001, p.117).
1970s (and particularly in the 1990s) and calls for the implementation of the concept of sustainable development through society; (2) a growing recognition of public rights to information from government and industry; and (3) a shift away from a blind reliance upon regulation to a preference for alternative instruments of control which encourage rather than require organisations to improve their environmental performance.

As a result, disclosures of environmental matters have been emerging as an important dimension of corporate disclosure practices. Thus, CED has become a hot topic of discussion and investigation among accounting academic researchers. There has been a significant increase in CED studies published in accounting journals (Mathews, 1997, 1998; Deegan, 2002).

The theory of CED has been the subject of much debate among researchers. By articulating various theoretical perspectives including agency theory, stakeholder theory, legitimacy theory and political economy theory, a number of researchers have studied why corporations should disclose social and environmental information (Guthrie and Parker, 1989; Ness and Mirza, 1991; Gray et al. 1995, 1996; Deegan and Gordon, 1996; Deegan and Rankin, 1996; Adams and Harte, 1998; Buhr, 1998; Ince, 1998; Deegan et al. 1999, Deegan, 2002).

These theories explain CED practices each from different standpoints and assumptions. However, they have been mainly developed in liberal market contexts (see Chapter three). The use of theories that were originated in a political, economic and culture setting to explain disclosure practices in a different social, political and economic setting is questionable (Hofstede, 1981, 1983; Perera, 1989; Ali, 1996). Thus, the application of these theories may not explain CED disclosure practices in a different social, political and economic setting such as Libya.

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3 Some journals such as Accounting, Auditing and Accountability Journal (Vol.10 (4), 1997 and vol. 15 (3), 2002); Accounting Forum (Vol.19 (2/3), 1995 and Vol.24 (1), 2000); European Accounting Review (Vol.9 (1), 2000); Asia Pacific Journal of Accounting (Vol.4 (2), 1997) and Journal of Corporate Citizenship (Vol.13, 2004) have dedicated entire editions to social and environmental accounting issues.
In support, Gray et al. (1996); Adams and Harte (1999) and Milne and Chan (1999) argued that there does not exist a universally accepted theoretical framework for CED. However, political economy theory has much to offer as a basis for explanation of CED in a given country when it is compared with agency, stakeholder, and legitimacy theories (Guthrie and Parker, 1990; Gray et al., 1996). This is because it sees the world from a point of view that involves social, economic, and political factors (external environmental factors). However, political economy theory fails explicitly to consider the company-specific environment (internal factors that include: the corporate characteristics and the management attitude and cognition), which have an equally (if not more) important role in corporate environmental disclosure practices in a given country (Ingram and Frazier, 1980; Cowen et al., 1987; Belkaoui and Karpick 1989; Patten, 1991; Alder and Milne, 1997; Tilt, 1997; Stanwick and Stanwick, 2000; Haniffa and Cooke, 2002; O’Donovan, 2002; O’Dwyer, 2002). Mathews (1997) draws attention to the need for further research to examine, for instance, if other theoretical justification can be used to explain the disclosure of social and environmental information (reported in Parsa and Kouhy, 2001).

Thus, this study focuses on Environmental Determinism Theory, which takes a wider view (macro perspective) in explaining the absence or presence of CED practices in a given country (see Chapter three). This theory adds a new dimension to the political economy theory namely internal environmental factors (inter-organisational factors). It assumes that to get more appropriate understanding for CED practices in a given country, both internal and external factors should be taken into account (three-dimensional analysis). Neuman (2003) stated that “by observing something from different angles or more viewpoints, one can get a fix on its true location” (p. 137).

Moreover, the empirical studies of CED are mainly dominated in the industrialised countries of Western Europe, the USA and Australia. Even international comparative

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4 In this study, the word “environment” has two different connotations because study uses two different types of literature, which make use of this term in different cases. On the one hand, in the area of environmental disclosure, the word “environment” refers to the physical environment. On the other hand, in the literature on the environmental determination of national accounting systems, the word “environment” refers to country specific characteristics, such as the socio-economic environment.
studies of CED have focused on analyses of the differences and similarities of CED practices in these countries only (Tsang, 1998). Less attention was given to the developing countries. There is a general lack of knowledge on the state of CED in developing countries, in particular in the Arabic Region (see Chapter two).

Thus, as mentioned above, the environmental circumstances are likely to be an important factor affecting CED practices (Environmental Determinism Theory), this push toward the need for more research especially in those countries including Libya, which have not been given any attention in the literature. Kisenyi and Gray (1998), and Tsang (1998) made the following comments in recent studies on social and environmental disclosure respectively:

"Whilst we are steadily learning more about social and environmental accounting and disclosure practices in the English-speaking and European countries, we still know too little about practices in ex-colonial, smaller and/or emerging countries. Learning about these countries is not only valuable for the stimulation it offers to the jaded palates of western scholars but also, more importantly, it can provide vivid challenges to the presupposition baggage with which Western researchers typically approach issues" (Kisenyi and Gray, 1998, p.16).

"Although Corporate Social Reporting (CSR) has been the subject of substantial academic research for more than two decades, the CSR literature is dominated by empirical studies in the industrialised countries of Western Europe, the USA and Australia. Even international comparative studies of CSR have focused on analyses of the differences and similarities of CSR practices in these countries only (e.g. Ernst & Ernst, 1978; Guthrie & Parker, 1990). It is dangerous to generalise the results of these studies to less developed countries, as the stage of economic development is likely to be important factor affecting CSR practices. Moreover, cultural and national differences are likely to affect accounting in general and CSR practices in particular (Mathews, 1993; Perera and Mathews, 1990). Though some improvements have been made (e.g. Chow and Wong-Boren, 1987; Singh and Ahuja, 1983; Teoh and Thong, 1984), there is still a relative paucity of empirical studies on CSR practices in developing and newly industrialised countries" (Tsang, 1998, P.624).

Furthermore, confirming the need for this type of research in the context of developing countries, Wallace (1990, p.44) suggested that "there is an urgent need for a deeper understanding of accounting systems in developing countries. This need can only be fulfilled by intensive research of those issues peculiar to developing countries... More descriptive studies are needed on various developing countries (including Libya) not reported in the literature...The scope of accounting should not be limited to financial
reporting and professional status of accountants... Little has been written on the state of management and social accounting (including environmental disclosure)

Consequently, this study is motivated by this lack of research. It considers CED practice in Libya, which has not been studied yet. The conditions and problems of disclosure of environmental information in Libya, as it was stated earlier, cannot be adequately appreciated if there does not exist a full knowledge of the general environment from which such disclosures emanate and of the different kinds of factors, which influence that environment. Especially, Libya is a developing country with a unique political system based on the "Third Universal Theory" of the Green Book\(^5\). The economy of Libya is also unique in many aspects accompanied by peculiar characteristics of its political regime. It is neither bourgeois political economy nor classical political economy (see Chapters five and eight for more details).

There were a few of studies on accounting and financial disclosure in Libya (e.g., Kilani, 1988; Buzied, 1998; Saleh, 2001). However, there is no evidence of research which examines the nature of CED in the Libyan context, so perhaps it is unsurprising to find that, despite more than one decade (since the 1990s) of empirical investigations of CED practice worldwide (see Chapter two), no detailed study of CED by Libyan companies has been undertaken, and nothing is known about the preparedness of management in Libya to disclose environmental information in their reports. This gives more support for this study which provides empirically-based accounts of CED practices in Libya and is concerned with how the environmental characteristics, namely internal and external factors, influence such practices. On the basis of the above discussion, next section identifies the objectives and questions of this research.

1.3 Research Objectives and Questions

This study aims to examine the various aspects of corporate environmental disclosure in Libya with a view to testing the applicability of Environmental Determinism Theory. It

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\(^5\) Green book is a political work edited by Colonel Mummer al Qaddafi, the leader of Libya, covering political, economic and social problems and solutions in Libya, which has been used widely in the Libyan society as solution guidance. It is based on the third Universal Theory as a new way rather than capitalism theory in western economies and classical theory of Marx in former eastern economies.
does this initially by providing the first detailed and longitudinal description of the extent of practices of CED in the country. It then endeavours to explain and understand this evidence of CED practice (or non-practice) by utilising (1) the perspectives of a sample of corporate managers regarding the nature of corporate environmental responsibility and CED; and (2) the political, economic and social contexts in which the CED is being made (the three-dimensional analysis suggested in Chapter two). Two primary research questions are explored:

1. To what extent do industrial companies in Libya disclose the interaction between their activities and the environment?
   - What kinds of environmental information (categories) are mostly disclosed by the companies?
   - Has the number of disclosing companies increased over the period covered by this study?
   - What types of news (bad, neutral, and/or good) are mainly disclosed by the disclosing companies?
   - What kind of media (annual report, internal report, and/or other specific report) is mainly used by the disclosing companies?

2. How the environmental factors within Libya can be used to explore corporate environmental disclosure practice?
   - What is the managers' perception toward environmental responsibility and disclosure?
   - What are the main reasons for disclosure and non-disclosure of environmental information?
   - How may the political, economic and social contexts influence CED practice in Libya?

Consideration with these questions, the results indicate that CED has yet to develop in Libya. There is no evidence of environmental disclosure either in terms of its quantity or quality, especially if the health and safety category is excluded. Apart from health and safety disclosed, the companies studied have disclosed no other environmental information. An interesting point was that Libyan companies, by contrast with their counterparts even in developing countries, have given more attention to negative news. The other inspiring point was that the result of this study supported the fact that the annual report is not the only means which be used by companies to disclose environmental information, since four (57%) of the disclosing companies located their
disclosure outside their annual reports. They placed it either in a specific external report (form) or in a specific internal report (for more details see Chapter six).

The perceptions of managers suggest that the vast majority of them accept that Libyan companies should recognise their environmental responsibility. However, most managers felt that a scarcity of legal and professional standards and guidelines, along with their lack of expertise, qualification and training in the field of CED have prevented them from engaging in CED. Therefore CED has not been put in the agenda of many Libyan companies (for more details see Chapter seven).

The analysis of the environmental influence on CED practice in Libya indicates that the social context including religion seems to be having to some extent an influence upon CED practice in Libya. However, the country’s unique political and economic contexts along with the managers’ attitudes and qualifications were the fundamental CED disclosure determinants (for more details see Chapter eight).

The above mentioned results were achieved by using three methods (triangulation approach). The following section provides a brief description of these methods.

1.4 Research Methodology
This section provides a summary of the research methodology used in this thesis. A detailed specification of the methodology including the rationale for the selection of the research methodology is provided in chapter three. In order to develop a fuller and richer picture of these companies’ environmental performance and related disclosure, three methods (triangulation approach) were utilised in this study, namely, content analysis, historiography and questionnaire.

Considering the first question, content analysis was utilised in this study. Content analysis is defined by Krippendorff (1980, p.21) as “a research technique for making replicate and valid inferences from data to their context”. It goes back nearly a century and is used in many fields (literature, history, journalism, political science, education,
psychology and so on) (Neuman, 2003). Because content analysis has been used broadly in prior studies into CED (see Table 4.1, p.97), and because content analysis allows CED to be systematically classified and compared, which is useful for determining trends (Milne and Adler, 1999) it is used by this study to measure the level of corporate environmental disclosure.

CED was measured through number of words\(^6\) disclosed, and classified into five themes (environmental policies; products and processes; energy; health and safety; and others); evidence (monetary, quantitative, and qualitative); type of reports (internal or annual reports) and the type of disclosure (bad, neutral, and good). Moreover, a distinction between mandatory and voluntary disclosure was made. This approach was derived from an extensive review of the past literature in general and Ernst and Ernst (1978); Guthrie and Parker (1990); Gray et al. (1995 a, b) and Hackston and Milne (1996) in particular (see Chapter four, pp.102-104).

Hackston and Milne (1996) stated that content analysis relies on the individual researcher's judgment of what constitutes a corporate environmental disclosure. Because of this, this study compares CED over a four-year period (1998-2001\(^7\)), instead of making comparison between studies conducted by different researchers. This was for two reasons, namely: (1) there is no previous study related to CED practice in Libya; and (2) the literature (e.g., Ng, 1985; Gray et al., 1995; Hackston and Milne, 1996) has mentioned the need for longitudinal studies as a comparison between studies by different researchers is not always appropriate.

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\(^{6}\) Units of a content analysis can be a word; a sentence; a line; a page; a per cent of pages; or a mix of these units (Unerman (2000) each have their pros and cons (Campbell, 2004). The selection of the word in this study as a unit was consistent with the argument provided by Krippendorf (1980); Weber (1985); Zeghal and Ahmed (1990); and Campbell (2004). These authors point out that a word is the smallest unit of measurement for analysis and can be expected to provide the maximum robustness to a study in assessing the quantity of disclosure (for more details see chapter four, p.103).

\(^{7}\) Environmental protection became more concerned in Libya when the General Environmental Authority (GEA) was established in August 1998, pursuant to the decision of the General Peoples' Committee No. 263 of 1998, as an independent body directly responsible to the General Peoples' Committee (the highest executive body in the state). The decision gives the body the right to inspect and supervise all individual, public, private and foreign bodies in matters relating to the protection of the environment. The year 1998 is chosen as starting point and the year 2001 as the end point because the researcher started this study in 2001.
All the largest industrial companies (13), whose activities might have the most effects on the environment, quoted on the Industrial Production Administration (IPA) were selected as a subject of this study (see Table 4.3, p.109). Environmental sensitivity of industrial companies has been argued to be influential on the level of environmental disclosure (Cowen et al., 1987; Deegan and Gordon, 1996; Patten, 1991; Tile, 1997). Moreover, the choice of the largest companies reflects other evidence that suggests large companies are more likely to have responded to the environmental agenda than small or medium-sized companies (Bebbington et al., 1994; Holland and Foo, 2003). Annual reports, other external reports and internal reports of ten companies of 1998-2001 were collected. Three of them refused to provide the needed reports. They stated that these reports are confidential and therefore could not be provided.

In order to obtain a measure of the reliability\(^8\) of the classification process (reproducibility) in this study, the entire sample of selected companies was independently coded by both the researcher and two other persons (researcher's colleagues). The researcher coded the reports of four companies and the other persons coded the reports of the rest of the companies (for more details see Chapter four, pp.107-108).

Moreover, seeking the answer to the second question, the researcher used the historiography approach as complementary with the questionnaire approach to provide a full picture on the environmental factors that might influence the absence or presence of CED within the Libyan context. The historiography was used to review the literature so as to give a background to the evaluation and status of CED (see Chapter two). The key objective of the research, as mentioned earlier, is to examine the status of environmental disclosure in Libya by putting it into the context of Libya. Therefore, by using this approach the social, political, economic and legal contexts were studied. Relevant information was obtained from public, archival sources, public documents and

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\(^8\) Despite the fact that content analysis is a popular technique and has been quite usefully applied in Corporate Social and Environmental Disclosure (CSED) studies, Milne and Adler (1999) reported that reliability of content analysis in previous CSED studies seems to be insufficient.
publications, from public authorities such as the Industrial Production Administration (IPA) and the General Environmental Authority (GEA), and from relevant researches that concern the Libyan context.

The questionnaire used in this study to ascertain managers' opinions on the importance of specific issues motivated the decision to either disclose or do not disclose environmental information within their companies' reports. Questionnaire was the most popular method used by the majority of previous studies in term of investigating individuals' views in relating to CED issues (see Chapter four, p. 111).

Questionnaire in this study was divided into three parts (see Appendix one). The first part requests data concerning demographic characteristics in order to obtain a profile of respondents. Subjects were then asked questions relating to their perceptions of participants on environmental protection and CED in second part. The participants are asked in part three to scale the relative importance of each of these possible influential factors on their decision to disclose or not disclose environmental information within their company's reports. They were asked to indicate their assessment of importance (on a five-point Likert scale). The questionnaire was pre-tested twice. The first pilot study of the questionnaire was produced in Edinburgh. The second phase of the pilot study was conducted in Libya. The final Arabic copies of the questionnaire were distributed in the final survey.

Eighty-five questionnaires were delivered personally to Directors of Finance and Administration Management, and Secretariats and members of the General People's Committee who worked for companies that formed part of the sample companies used in the content analysis above, thereby facilitating the use of their perspective, along with the environmental contexts in interpreting the results of the content analysis. There

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9 In most surveyed companies, financial and administrative affairs are managed by one administration called Finance and Administration Management (FAM).
10 As a result of the socialist ideology since the late 1970s by which workers were given the right to establish self-management in their enterprises, most companies in Libya are managed by a People's Committee (PC) (at last five persons). The PC's members of each company were previously chosen from the Board Public Congress in the company and one of these members should then be chosen as General Secretariat of the committee (General Manager) by the company's respective Secretariat (Ministry).
are two more reasons for the selection of these managers. (1) All of them had some input into the formulation of the corporate reports, in most cases performing either a preparation or review and approbation function (see Chapter five, pp. 151-152), and it is perceived that this might expose them to the issue of CED at some stage. (2) Individuals at a high level of management could be expected to have a broad perspective on their organisation's operations (see Chapter five, p. 152) and may thus be viewed as being able to address questions investigating perceptions of CED. Fifty-three questionnaires were used with a rate of response of 62%.

1.5 Research Importance and Contribution
On the basis of the review of the relevant literature (see Chapter two), theoretical arguments (see chapter three) and in the light of the study's observations (see Chapters six, seven and eight), the following are the study's main contributions.

(1) Theoretically, tackling the issues of CED practices through the use of Environmental Determinism Theory (EDT) as a point of departure (see Chapter three) extended the current understanding of CED practices. The observations of this study complemented previous studies, which have been mainly developed in liberal market contexts in their attempt to theorise CED practices. Hence, this study has contributed to the literature through providing an empirically-based account and proposing a new dimension to the CED theories, namely influence of both internal and external environmental factors on CED practices in a given country. Thus, supporting the environmental determinism theory, as a more appropriate approach for exploring the absence or presence of CED in a country. Such a macro perspective of EDT might contribute to shorten the very long way from any complete understanding of why firms disclose (or not) CED that has been seen by Gray et al. (1996).

(2) Methodologically and methodically, the study was reinforced by the importance of and the need to use of triangulation approach, and qualitative and quantitative methods as complementary rather than as adversaries (Campbell and Fiske, 1959; Gross et al., 1971; Smith, 1975; Denzin, 1978; Jick, 1979; Bonoma, 1985; Patton, 1987; Neuman,
2003). The three-dimensional analysis (content analysis, questionnaire (managers' perception and cognition) and investigating external environmental factors) which was used by this study goes beyond much of the literature seeking to explain and understanding CED (see Chapters two and three).

(3) Empirically, this study has made some contribution to research by not limiting itself to annual reports, it takes into account internal reports, and specific environmental reports. The result of this study supported the fact that the annual report is not the only means which be used by companies to disclose environmental information (Zeghal and Ahmed, 1990; Roberts, 1991; Unerman, 2000), since four (57%) of the disclosing companies located their disclosure outside their annual reports. They placed it either in a specific external report (form) such as National trailers Company (NTC) and Libyan Tractors Company (LTC) or in a specific internal report such as General Company for Chemical Industries (GCCI) and General Electronics Company (GEC).

(4) This study contributed to the limited studies on CED conducted on developing countries in general and within the Arabic countries in particular (see Chapter two). It is the first research which addresses CED in Libya which has been neglected in the CED literature (see Table 2.2C, p.46). It provides the first detailed longitudinal description of CED practice among Libyan industrial companies. This description provides the basis for a comparison with other Arabic and developing countries and as well with developed countries.

(5) It is expected that this study will bring the issue of CED to the attention of the Libyan researchers for further research in this field. The findings of this study, furthermore, might well be useful to the Libyan Accountants and Auditors Association (LAAA), the Institute of Public Control (IPC) and the Industrial Production Administration (IPA) by helping them to develop any future potential guidance for companies in the area of CED.
(6) The importance of this study was supported by itself, as its results have indicated that the lack of academic research in CED field was regarded by the respondents as being of some importance in preventing the Libyan companies from making CED disclosure.

1.6 Organization of the Research
The material developed for this study is structured into nine chapters as follows:

Chapter 1: Introduction to the Research
It introduces the research problems and purpose of the study, explains the objectives and questions of the research and provides a summary of the research methodology. It also stresses the significance of the study in terms of contribution to knowledge. Finally, the general organisation of the study is laid down.

Chapter 2: Corporate Environmental Disclosure (CED): Concept, Drivers behind CED Practice, and Previous Studies
This chapter reviews the previous studies that are relevant to CED in order to understand what other researchers have found, and then determine if there is any gap in these related studies. It deals with the concept of CED and the drivers behind the environmental responsibility and CED practices. It also reviews a number of prior studies relating to the CED, and the descriptive theories of CED practice.

Chapter 3: Theoretical Justifications for CED Practices
The purpose of this chapter is to illuminate what CED theories, namely agency theory, stakeholder theory, legitimacy theory, and political economy theory have suggested to explain CED practices and to investigate whether they have been successful in the Libyan context. Environmental determinism theory is suggested as an appropriate basis for explanation of CED in a given country.

Chapter 4: Research Methodology
The chapter describes the methodology adopted by the researcher in carrying out the study namely content analysis, historiography approach and questionnaire approach.
Chapter 5: The Libyan Context

The purpose of this chapter is to explain the environmental characteristics within Libya in order to build up a ground basis for the later discussion in chapter six which deals with the influences of such environmental characteristics on the CED practices in Libya. It highlights the Libyan social, political, economic and legal systems, the state of accounting profession and education.

Chapter 6: The Current State of CED in Libya

This chapter reports on the results of the content analysis of corporate reports of surveyed companies. It provides a detailed description of the total level, main category, evidence and type of news and location of CED over the four year period.

Chapter 7: The Perception of Managers on CED and Environmental Responsibility

The perception of managers on environmental responsibility and CED is reported in this chapter through analysing the questionnaire. It provides a detailed description of the managers' views with respect to the environmental responsibility, CED and the reasons for disclosure and non-disclosure of environmental information.

Chapter 8: Environmental Influences on CED Practices in Libya: an Application of Environmental Determinism Theory

A discussion of the contextual factors will be helpful to give a better understanding of CED practices in Libya. Thus, the main purpose of this chapter is to investigate to what extent environmental contexts influence CED practice in Libya.

Chapter 9: Conclusions, Policy Implications and the Areas for Further Research

This chapter summarises the findings of the two research questions outlined in section 1.3. It considers each research question separately and presents potential explanation for the CED results reported in chapter eight, based on content analysis results and questionnaire findings that are reported in chapters six and seven respectively. It also includes some policy implications and the areas for further research.
Chapter Two
Corporate Environmental Disclosure (CED): Concept, Drivers behind CED Practice, and Previous Studies

2.1 Introduction
2.2 Concept of Corporate Environmental Disclosure (CED)
2.3 Drivers behind Environmental Responsibility and CED
   2.3.1 Environmental Protection and Disclosure Legislation
   2.3.2 Environmental Pressure Groups
   2.3.3 Consumers
   2.3.4 Lenders
   2.3.5 Shareholders and Investors
   2.3.6 Employees
2.4 The Prior Studies of CED
2.5 Summary
Chapter Two
Corporate Environmental Disclosure (CED): Concept, Drivers behind CED Practice, and Previous Studies

2.1 Introduction

There is no doubt that in recent years Corporate Social and Environmental Disclosure (CSED) by corporations has received much attention. Corporate Social Disclosure (CSD) first arose as a travelling companion to the social responsibility debates in the 1960s and early 1970s. Corporate Environmental Disclosure (CED), in this stage, was not addressed separately, but was considered alongside, inter alia, employee relations and community involvement and subsumed under the term CSD (Epstein et al., 1976; Ingram and Frazier, 1980; Mathews, 1997; Jones, 2002). The main location for such disclosure at this time was the corporate annual/financial report (AICPA, 1977; Firth, 1979; Schreuder, 1979). It was in general considered to be incomplete, imprecise, inconsistent, incomparable, unverified and declarative rather than quantitative and positive (AICPA, 1977). Certainly, it was stated that "in most instances we are groping in the dark concerning what to disclose, how to disclose it, and how to compare and evaluate business enterprises" (Jensen, 1976).

However, CSD seems to have declined, both as a phenomenon and an area of academic activity, as a result of the world recession of the mid-to late 1970s (Harte and Owen, 1992; Mathews, 1997). However, in the last few years of the 1980s, separate reports on environmental issues identified as Environmental Reports (ERs) were published by some companies, for example Eastman Kodak which published its first ER in 1988 (Jones, 2002).

However, in the early 1990s, the emphasis has been shifted to CED rather than CSD, following the so-called green revolution and the growing concern with business ethics (Gray et al., 1989, 2001; Lodhia, 2001). Environmental reports (in the early stage) are considered to be public relations documents containing more photographs than quantitative data and as a result became termed 'green glossies' (Skillius and
Wennberg, 1998, Jones, 2002). However, guidelines started to be produced (for example the Confederation of British Industry (CBI), 1993; Public Environmental Reporting Initiative Guidelines (PERIG), 1994; World Industry Council for the Environment (WICE), 1994). Moreover, by the late 1990s both the percentage of companies disclosing environmental information in the annual/financial report, and the amount of such information had increased (ICAEW, 1996; Brown and Deegan, 1998, Deegan and Rankin, 1999; Jones, 2002). The number of companies producing environmental reports was also increased (SustainAbility/UNEP, 1997; Clausen and Fichter, 1998; Skillius and Wennberg 1998; Topfer, 1999; Jones, 2002) (see also figure 2.1).

In addition, it was at this time that the potential for corporate environmental disclosure via the Internet was first realised (SustainAbility/UNEP, 1999; Jones, 2002). Furthermore, not merely was the number of companies disclosing environmental information increasing but the disclosures themselves were changing to become more balanced and candid, containing together quantitative and declarative data (SustainAbility/UNEP, 1996a; Bennett and James, 1999; Jones, 2002). Thus, CED has become a hot topic of discussion and investigation among accounting academic researches.
This chapter aims to review the previous studies that are relevant to CED to understand what other researchers have found, and then determine if there is any gap in these related studies. As Martin (1985) stated “the most important function of the literature review is to ensure you read widely around the subject area in which you intend to conduct your research study. It is important that you know what other researchers have found in regard to the same or similar questions, what theories have been put forward and what gap exists in the relevant body of knowledge”.

2.2 Concept of Corporate Environmental Disclosure (CED)

It is useful to have an overall view of the constitution of information and disclosure before moving on to consider the concept of CED. Simply defined, information is the “fact or details that tell you something about a situation, person, event etc” (Longman Dictionary, 2000, p.730). In the case of corporate information, Bromwich (1992, p.121) defines it as “new knowledge, which leads to a change in actions of decision-makers”. This knowledge regarding the company might be in the form of both quantitative and qualitative data and may be expected to have an important impact on the decision makers which in turn will affect the company in some way or other (such as information about a realistic picture of events about a company and its socio-economic and natural environment).

Disclosure (reporting), however, is “a written or spoken description of a situation or event, giving people the information they need” (Longman Dictionary, 2000, p.1201). Choi (1973, p.160) defines corporate disclosure as “the publication of any economic information relating to a business enterprise quantitative or otherwise, which facilitates the making of investment decisions”. This is a narrow definition of disclosure, as it suggests that disclosure is made only to facilitate investment decisions and ignores the fact that in addition to those users (e.g. investors and creditors) who make investment decisions, there are a number of other users (such as environmentalists, labour unions, and the community) who are interested in different aspects of business activities (Bedford, 1973).
A more extensive definition was provided by Cooke (1989). He defines corporate disclosure as "those items in corporate annual reports that are relevant and material to the decision-making process of users who are unable to demand information for their particular needs" (p.6).

However, despite the extensive movement in the 1970s of CSED there is still neither widespread recognition nor agreement on how CSED should be defined (Gray et al., 1995a). This may be due to the fact that in the 1970s the leaders in the field could not "see that the question of terminology has much significance at this point" (Bauer and Fenn, 1973) and others perceived the question of terminology to be insignificant in comparison to the need to create a model or methodology (Linowes, 1972). This lack of consensus on what CSED exactly mean, however, still exists. Davies (2002) stated that "the concept of social, environmental, and more recently sustainability reporting have become increasingly more prevalent in the accounting literature (Mathews, 1997; Bebbington et al., 1999). Given the publicity of global events such as the 2002 World Summit on Sustainable Development, recently held in Johannesburg, both public and academic interest is likely to continue to increase. Despite this fact there is a lack of consensus on many of the issues, beginning with what exactly it is" (p. 2).

One of the earliest attempts comes from Gray et al. (1987, p.ix) who defined CSED as "the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large". Moreover, Gray et al. (1987) argued that organisations use CSED to discharge their social accountability. They explained social accountability, as "the responsibility to account for actions for which there is social responsibility under an established contract. Further social responsibility means a responsibility for actions which do not have purely financial implications and which are demanded of an organisation under some implicit or explicit identifiable contract".

Woodward (1995, p.4) criticised this definition of social accountability. He stated that "the use of 'demanded' would appear to leave no place for voluntary activities
Chapter Two Corporate Environmental Disclosure (CED): Concept, Drivers behind CED Practice, and Previous Studies

undertaken by an organisation”. This can also be concluded from Gray et al. (1987)’s definition of CSED as they focused only on the social and environmental effects of organisations’ economic actions. They ignored the other voluntary social and environmental activities, which might be undertaken by organisations to contribute to social welfare and environmental protection.

Furthermore, other authors disagree with Gray et al. (1987). For example, Mathews (1993) gives more attention to voluntary disclosure rather than compulsory. This might be due to the absence of mandatory requirements for such disclosure in most countries. Mathews defined CSED as “voluntary disclosures of information, both qualitative and quantitative, made by organisations to inform or influence a range of audiences. The quantitative disclosures may be in financial or non-financial terms” (p.65). However, although for the most part, CED remains voluntary, a number of countries such as Denmark, Sweden, Norway, and the Netherlands have started to impose regulations on industry, making it a mandatory requirement to report on environmental performance (Rezaee et al., 1995; Gray and Bebbington, 2001; O’Dwyer, 2001; Welford, 2001; ACCA, 2002; Owen, 2003).

Moreover, Ince (1998, pp.12-13) stated that “the CSR definition should be flexible, open-ended and should be changed through time. This proposition may also suggest that the CSR definition should be changed according to time when a CSR definition is required for the purpose of a study being carried out. That is to say, it should be purpose-driven. The purpose of one writer may be different from that of another”.

To reduce the confusion surrounding the terminology used in the literature, the term ‘Corporate Environmental Disclosure’ as applied by the United Nations Commission of Transnational Corporations’ Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (UN ISAR), is chosen for the purpose of this thesis. It refers to: “information made publicly available by a company, through any of the key channels or mediums, in relation to that company’s interaction with its physical environment”.

21
This definition differs from both definitions of Gray et al. and Mathews. It is more comprehensive in the sense (1) it does not suggest that more attention should be given to voluntary disclosure rather than mandatory disclosure (or vice versa) by using the term information which refers to any kind of disclosure; (2) the phrase “through any of the key channels or mediums” does not limit the disclosure to the annual reports only; and (3) the expression “company’s interaction with its physical environment” means not only the environmental effects of an organisation’s economic actions, but also other environmental activities, which might be undertaken to contribute to environmental protection.

2.3 Drivers behind Environmental Responsibility and Corporate Environmental Disclosure

A number of researchers in business and environmental ethics have argued that a firm needs to meet the objectives of its stakeholders, relating to various environmental issues (Clarkson, 1995, Kulkarni, 2000, Holland and Foo, 2003). However, it is likely that the objectives of a firm, such as short-term wealth maximisation, may be in conflict with those of other stakeholders (Kulkarni, 2000). This conflict among the objectives of a firm’s stakeholders regarding environmental issues has resulted in a number of environmental disputes (Kulkarni, 2000), and then leads to low level of trust between firm and its stakeholders (Kaptein and Wempe, 1998, Greenwood, 2001, Tomkins, 2001). Therefore, the stakeholders want to be told what is going on by giving a message to the companies of “show us” (Tomkins, 2001). Organisations, thus, have come under increasing pressure from various groups regarding the need to improve their environmental performance and disclosure (right-to-know).

The literature identifies that the most important being legislative and environmental pressure groups drivers. Welford and Gouldsan (1993, p.18) stated that “the development of environmental legislation is singularly the most important factor influencing the behaviour of industry in the field of the environment”. Other drivers such as consumers, lenders, shareholders and investors and employees have impacted companies’ behaviour in term of environmental responsibility and CED. Supporting of this come from Azzone et al. (1996), Perry (2000) and Holland and Foo (2003) who
argued that the growing concern of stakeholders about green issues has forced many managers to produce environmental reports aimed at providing information on the environmental consequence of a firm’s activities.

Blake et al. (1976) stated that it may be useful to discover the original intent or drivers behind disclosure because “it is important to understand that the information found in them (corporate reports) has been collected to serve some prior purpose of the company...their biases and their purposes will already have determined various characteristics of the information”. Thus the following sub-sections deal with such drivers. However, it is worth mentioning that pressures for CED vary from country to country and from region to region, especially between developing and developed countries. In some countries, employees have been a powerful force, whereas consumers and environmentalists have been dominant factor in other countries. For example, consumers in the UK have traditionally taken less interest in environmental issues than their counterparts in Germany, Scandinavia, the Netherlands and US (Ince, 1998, pp.34-36). In developing countries, Andrew et al (1989) suggest that there were few consumer and other interest groups powerful and articulate enough to put pressure on companies to be socially responsive.

2.3.1 Environmental Protection and Disclosure Legislation
There is a great deal of damage including piercing of the ozone layer, climate change and acid rain (for more details see Carroll and Buchholtz, 2000), done to the environment as a result of the negative impact of organisations’ activities. Concern for the conflict between economic growth and the environment has grown, leading to the introduction of many laws and regulations. Environmental protection began in the US in the late 1960s when the Environmental Protection Agency was set up. By the early 1970s environmental audits and control regulations were established in the US and Canada, but it was the European Community (EC) environmental measures, which “played a key role in shaping UK law” (Wolf and White, 1995).
The EC embarked on a rapid development of environmental law and regulation. The single European Act of 1987 identifies environmental problems, which member states can address by adopting their own measures, as long as they are more stringent than those of the Act. Since then, the EC has become increasingly active in this field. By 1999, the European Union (EU) had published five environmental action programmes and adopted nearly 850 pieces of environmental law (McCormick, 2001, p.17).

The UK, in complying with the EC’s integrated environmental protection approach introduced the Environmental Protection Act (EPA) of 1990 and the Water Resources Act of 1991 (WRA). The EPA introduced the two key principles of integrated pollution control (IPC); Best Practical Environmental Option (BPEO) and Best Available Techniques Not Entailing Excessive Cost (BATNEEC). Furthermore, the National Rivers Authority (NRA) has been given power (s.161 of the WRA) to carry out clean-ups and to prosecute the offenders. Even more powers have been given to the Environmental Agency, which was set up under the Environment Act 1995.

Many other countries, including developing countries have introduced Environmental Protection Laws. For example, Libya established its Environmental Protection Law (EPL) in 1982 (EPL no, 7 of 1982) (see chapter five). The United Nations, as well, is keen to achieve environmental protection and in 1987 developed a global agenda for change to maintain and protect the environment from various forms of damage to which it could be exposed as a result of different activities of economic entities. Contained in the agenda is a call that the time has come for the establishment of a beneficial link between economic development and maintenance of the environment (Gray, 1990). Moreover, South African’s Chief Justice Chaskalson (2002), during the World Summit on Sustainability Development held in Johannesburg, reinforced this notion. He said: “our declaration and proposed programme of work are, I believe, a crucial development in the quest for development that respects people and that respects the planet for current and future generation and for all living things” (www. Johannesburgsummit.com).
The extension and development of international trade and commerce is one of the reasons for global pollution. Trans-national corporations create similar pollution problems wherever they operate, e.g. emissions and packaging, and they “must not be permitted to be the predators of the world’s environment” (Owen, 1992). Environmental issues are influencing trade agreements, in particular the General Agreement on Tariffs and Trade (GATT). The potential problem with international trade is “the emergence of controversy concerning environmental regulations which are seen as preventing free competition among the trading enterprises of different nations” (Ledgerwood et al., 1992). Apparently, GATT practices have priority over environmental legislation, but recently there were moves to change this by the introduction of an environmental code (Nelson, 1998; Starkey and Welford, 2001). In this context, GATT (1992, p.35) stated that “it is generally agreed that international or transboundary environmental problems should be addressed by international agreement or treaties involving all affected parties” (Starkey and Welford, 2001, p.330).

In relation to CED, despite the amount of environmental legislation is increasing, there has been a debate regarding whether or not environmental disclosure should be made mandatory since the late 1970s (Dierkes and Preston, 1977). Tilt (1994) and Deegan and Rankin (1999) concluded that user groups feel both reporting standards and mandatory reporting are necessary. O'Dwyer and Gray (1998) called for the need for mandatory environmental reporting. They stated that: “while the incidence of environmental reporting does appear to be increasing among the larger companies in the majority of countries for which research evidence is available, Gray et al. (1995) believe it is close to its voluntary peak in Europe. They maintain that unless it is made mandatory, it will begin to decline and may eventually disappear”.

Moreover, the literature identifies the advantages of such mandatory disclosure including: (1) it would create standardisation permitting external evaluations of social performance of business on a comparative basis (Dierkes, 1979); (2) it would make companies disclose all relevant environmental information positive and negative (Walden and Schwartz, 1997; Jones, 2002); (3) it would force those corporations which
have already drafted internal reports to make the information publicly available (Dierkes, 1979); (4) it would force the majority of corporations still rather reluctant to get involved in any kind of social disclosure to start to generate this information immediately and report on their social performance (Dierkes, 1979); (5) it would force companies to stop viewing social and environmental reports to the general public as a public relations activity and may result in actual changes in company behaviour (Dierkes, 1979; Huizing and Dekker, 1992; Gray, 1994); and (6) it should result in disclosures which relate to actual performance which previous studies have identified are lacking (Ingram and Frazier, 1980; Wiseman, 1982; Fekrat et al., 1996; Stagliano and Walden, 1998).

By contrast, mandatory disclosure has the following disadvantages: (1) it would seriously reduce business willingness to engage in further experimentation to improve the state of the art and will convert social and environmental disclosure into a routine statistical collection function (Dierkes, 1979); (2) it would result in companies currently making voluntary disclosures to lose their special value (Ullmann, 1979; Skillius and Wennberg, 1998); (3) it would properly result in companies only complying with the letter of the law and not going any further (Dierkes and Coppack, 1978; Huizing and Dekker, 1992); (4) it would have to be based on the current state of the art, which suffers from both theoretical and practical limitations (Dierkes, 1979); and (5) it may not offer opportunities for all stakeholder groups to participate in the development of corporate environmental disclosure (Huizing and Dekker, 1992).

In spite of these disadvantages, mandatory public environmental disclosure regulations have been introduced in some countries, especially developed ones. The USA was the first country to make mandatory requirements for corporate environmental disclosure to be made in the companies’ Annual/Financial Report (SEC, 1972; 1973) and has the most stringent reporting requirements (Bropy and Starkey, 1996). Several other countries such as Norway and Sweden are considering following suit, while the
Netherlands and Denmark require a stand alone Environmental Report\(^1\) (Jones, 2002; Nyquist, 2003).

In the UK, the former Environment Minister, Michael Meacher, had encouraged companies to report voluntarily for a number of years with a threat that if they did not he would make it mandatory (Department of the Environment, Transport and the Regions (DETR), 1998, 2000). New Zealand and Australia like the UK have undertaken research and/or consultation in relation to the implications of mandatory disclosure but have not yet introduced the concept into legislation (Jones, 2002). Most recently (2002) France has enforced mandatory disclosure of environmental information (Owen, 2003).

Jones (2002) compared the effects of voluntary and mandatory disclosure requirements upon CED practice. The comparison was between ten electric power companies in the USA which are subject to mandatory environmental disclosure requirements and their counterparts in the UK where there is voluntary disclosing environmental disclosure. The results pointed out that "companies based in the USA where environmental disclosures within the Financial Report are mandatory, disclosed over five times the amount of environmental information provided by companies based in the UK (574 and 114 sentences respectively). Moreover, the average company based in the USA disclosed 53 environmental sentences compared to the average company based in the UK which disclosed 3 sentences" (p.442).

However, the results supported what has been indicated by the literature as a disadvantage of mandatory disclosure by saying "it would result in companies only complying with the letter of the law and not going any further" (Dierkes and Coppock, 1978; Huizing and Dekker, 1992). Jones (p.442) found that "environmental disclosures in the Annual Report are voluntary, providing additional information that the company wishes the readers of the report to know about (Gray, 1994). Companies based in the UK clearly want the readers to know about their environmental activities and

\(^1\) At the beginning of 2000 nearly 1400 Danish firms produced a stand alone Environmental Report. Of these about 200 firms reported voluntarily (Nyquist, 2003).
performance, disclosing 389 sentences compared to 65 sentences by companies based in the USA. Indeed, the average companies based in the USA only disclosed three environmental sentences in their Annual Report compared to 44 sentences by the average company based in the UK". Holland and Foo (2003) also found that more companies (53%) in the UK produced stand alone environmental reports and/or included a separate environmental section than US companies (39%) where such kind of reports are not required by the law (see also KPMG, 2002).

By contrast, the literature has identified that in developing countries, including Libya the level of environmental legislation is still low when compared to developed countries and furthermore, this legislation has little or no direct implications for accounting and reporting practices (Belal, 2001; Jamil et al., 2002; Rajapakse, 2002; Surmen and Kaya, 2003). This might partly explain the differences between developing and developed countries in term of CED practices.

In addition to national legislation, there are many efforts that have been made by international organisations such as the International Chamber of Commerce (ICC); International Federation of Accountants (IFAC), the European Union (EU) and the United Nations (UN) to encourage companies to make CED. These efforts resulted in a variety of papers, surveys and guidelines including: EU(1998, 2001); EU AAF (1995); ICC (1991); IFAC (1998); SustainAbility/UNEP (1996a, 1996b, 1997); UNCED (1992); UNCTAD (1994); and UN ISAR (1990, 1991, 1992, 1994a, 1994b, 1997). For example, ICC (1991) recommends that companies “periodically should provide appropriate (environmental) information to the Board of Directors, shareholders, employees, the authorities and the public”. Moreover, UN ISAR (1991) reviewed responses for national governments of the initial guidelines for the CED and provided further guidelines. The UNEP’s Technical Report no 24, Company Environmental Reporting (UNEP IE, 1994) also provides guide for companies. It addresses the question “Why Report?” under three headings: responsibility, accountability and sustainability (Gray and Bebbington, 2001).
In the same context, the European Commission (EU, 2001) recognised that there was “justified need to facilitate further harmonisation on what to disclose in the Annual Reports and Annual Accounts of enterprises of the European Union as far as environmental matters are concerned... the aim should be to make separate Environmental Reports and the Annual Reports and Annual Accounts more consistent, cohesive and closely associated...Recommendations include (inter alia): (1) environmental issues should be disclosed to the extent that they are material to the financial performance and position; (2) environmental policy, programmes and management system; (3) environmental improvements, environmental protection measures and data relating, energy use, material use, water use, emissions and waste disposal; (4) reference to separate Environmental Reports; and (5) environmental liabilities, extraordinary environmental expenditures, contingent environmental provisions and accounting policies on which they are based”.

However, UNEP Executive Director Toepfer (2002), during the World Summit on Sustainability Development that held in Johannesburg, said: “the problem was not a lack of environmental agreements. We have over 500 international and regional agreements covering everything from the protection of the ozone layer to the conservation of the oceans and seas. The problem was they had not been fully implemented and would remain as ‘paper tigers’ until they were” (www. Johannesburgsummit.com).

2.3.2 Environmental Pressure Groups

Environmental groups in a number of countries mount increasing pressure on economic entities and governments with the aim of maintaining and protecting the environment from various kinds of damage. Eden (1996, p.16) identifies the main aims of such groups by saying “one of the basic tenets of environmentalism is that the environment does not exist merely for people to exploit it and use, but there is a two-way relationship between nature and people and it is only by respecting this relationship that humankind will survive. If such a two-way relationship is the basis of a reason, the excesses of unlimited growth and exploitation can only be seen as harmful. From the
environmentalist point of view, therefore, increasing consumption, without incorporating higher goals of social and individual development or conservation of natural resources and sustainable production, must equally be anathema, so that consumerism, of the kind represented by advertising and marketing, is largely incompatible with environmentalism”. Thus, as a result of increased awareness and interest in environmental issues, activities of some environmental groups, such as the European Environmental Bureau (EEB), Greenpeace (GP), Friends of the Earth Europe (FoEE), Climate Network Europe (CNE) and the World Wide Foundation for Nature (WWF) have played a key role in environmental protection by calling for the implementation of the concept of sustainable development through society (McCormick, 2001).

Environmental movements have launched major attacks on many businesses demanding that they become more concerned with environmental issues, such as paper recycling. For example, environmentalists in Finland are demanding that United Paper Mill, Finland’s biggest forestry company, and other large Finnish forestry companies recycle more of their paper production in order to protect the ancient forests of the country (Ethickson, 1994). Moreover, for the reason that these groups (such as FoEE & GP) carry out independent research into products, pressure is put on producers to ensure their products and processes are not environmentally unfriendly, or else any adverse publicity and moral public persuasion could have severe consequences on their business. For instance, in June 1995 Greenpeace claimed a major victory over Shell, which wanted to dispose of the Brent Spar oil storage rig at sea. Its petrol stations in Europe, in particular in Germany, were boycotted by motorists.

Pressure groups not only published a great deal of information about environmental performance to the public, they also take legal action against companies which breach relevant regulations. For example, GP “brought a successful private prosecution against a company for breaches of its discharges consent”, and “FoEE led a campaign against a company’s range of … cleaners which failed to take account of the environmental impact of the manufacturing processes involved” (Macve and Carey, 1992).
Concern about the environment is no longer limited to a few areas. A proportion of the population, local and national governments as well as many organisations are actively involved in the process of environmental protection. Pressure to increase environmental protection is being exerted from various quarters. For instance, the UK Trade Union Congress (TUC) has thrown its weight behind environmental protection: it "accepts the challenge to play a leading part in raising alarm about the present situation and turning a general commitment to the environment into practical and urgent action" (Owen, 1992).

In 1989, the TUC adopted a statement "Towards a Charter for Environment" which involved setting up an Environmental Action Group, which has since established a clear policy framework and taken on the responsibility of all trade unions in the UK in the international arena (Owen, 1992).

In relation to CED, pressure groups have used environmental disclosure such as emission, waste, local issues and standardised data for comparison with additional detail (Azzone et al., 1997) to focus attention on specific issues or companies highlighting bad environmental practices since the 1970s (Corson et al., 1974). Moreover, Tilt (1994) surveyed a sample of lobby or pressure groups in order to gauge their use of, and potential influence on social and environmental disclosure practices. The results show that the majority (82%) of groups surveyed rely on annual reports to assess, at least in part, the social and environmental performance of reporting entities. Furthermore, Jones (2002) also investigated environmental disclosure in Annual/Financial Reports made by 40 utility companies and 60 non-utility companies from 15 countries and 14 sectors in order to assess the extent, location and themes that were disclosed. In related to environmental groups, he found that "environmental groups were disclosed by 11 utility companies and 21 non-utility companies in the Annual Report mainly within the review of operation and environmental section respectively (eight and 14 companies respectively). Within the Financial Report two utility companies referred to environmental groups, and one non-utility company within the director's report and both within the notes to accounts. Some companies mentioned providing funding to environmental groups for example Anglian Water. Others mentioned receiving support from environmental groups for example Wisconsin Electric mentioned that
"Wisconsin’s major environmental groups added their support to the program and will help WE’s effort to obtain more renewable energy in Wisconsin" (p.240). One non-utility company, Daimler Benz, stated that “environmental associations provide feedback on their Environmental Report” (p.283).

By contrast, pressure groups in developing countries do not seem to exert much force on companies to disclose such information to demonstrate social accountability (Perry and Teng, 1999). This might also partly explain the differences between developing and developed countries in terms of CED practices.

2.3.3 Consumers
The consumer’s concept first emerged in the late 1950s\(^2\) and the increase in environmental awareness played a main part in directing consumer tastes and preferences (Elkington and Hailes, 1988). For example, “McDonald’s decision to abandon the use of CFCs in fast-food cartons in the States was one of the environmental milestones of 1987. The threat that consumers might boycott Big Macs was surely a factor in influencing the company’s decision. Competitors promptly started talking to their carton suppliers, explaining: ‘we do not want to be left behind’. In 1988, McDonald announced that they had completed the process of removing CFCs from their cartons in the UK” (Elkington and Hailes, 1988, pp3-4). The last three decades have seen a major shift in the West towards healthy eating. The publication of “the Green Consumer Guide” and “Manual 2000: life choices for the future you want” by Elkington and Hailes in 1988 and 1998 were an instant success. In a market economy with multiple choices, some product lines can be very susceptible to consumer preferences.

“The important thing about green consumerism is that it has demonstrated how everyday shoppers can, through their own choices, force through change at a rapid pace” (Owen, 1992, p.108). By expressing their tastes and preferences, consumers send

\(^2\)When the Consumers' Association launched its magazine in 1957, it printed 10,000 copies. Now, thirty years on, it is delivered to over one million subscribers and is read by very many more (Elkington & Hailes, 1988).
strong signals to the producers through the market so that “not only does their purchasing power secure the product of their choice through the market but also that it acts as an economic vote, encouraging producers to produce more of the same” (Adams, 1990, p.81). The buying power of millions of people, which is controlled by changing preferences, can make or break businesses. Green consumerism brought new products on to the market to the detriment of others. People do not have to be militant environmentalists to defend the environment; they can contribute to the cause with their purchasing power. Bill Oddie stated that “The public gets what it asks for: ask for the ‘good stuff’ and that’s what they’ll have to supply. Similarly, refuse to buy the ‘bad stuff’ and the market for it will collapse. The power of the public is potentially enormous-let’s use it” (Elkington and Hailes, 1990, p.i).

In many countries, such as the UK and The USA there are groups that encourage consumers to buy products which constitute no risk to the environment; such groups have become extremely influential in consumption markets (Elkington and Hailes, 1990; Renger, 1992). They have thus constituted real challenges for various economic entities to develop their production processes and products, in order to protect the environment from different kinds of danger. Renger (1992) stressed that those groups are trying to encourage consumers to translate their concern for the environment into weekly shopping lists, using their purchasing power as an economic vote so as to encourage various manufacturers to make products that cause no environmental damage. Thus, the consumers expect more environmental information such as Eco-product performance, ISO 14001 that could be used for determining whether to consume an organisation’s products, and whether to use an organisation’s products in the production process. New York State Public Service Commission (NYSPSC, 1998) stated that “the goal of environmental disclosure is to facilitate informed customer choice, which could, in turn, lead to improved environmental quality and resource diversity”.

The State Environmental Resource Centre (SERC), also, stated that “environmental disclosure laws require electric utilities to disclosure information regarding the source
of electricity they provide to their customers... Some of the laws also require disclosure of the environmental impacts of the energy mix, in particular, the associated emissions of sulfur dioxide, nitrogen oxides, carbon dioxide and mercury... Disclosure programme help these customers make a direct correlation between their consumption habits and negative environmental and human health impact associated with fossil fuel combustion. This, in turn, makes it more likely that customers will support policies that promote efficiency and renewable, and that they will promote these technologies directly by improving efficiency and choosing cleaner electricity products” (www.serconline.org).

Confirming evidence came from Jones (2002)’s study which found that disclosures regarding customers and consumers in relation to the environment were made by 23 utility companies and 17 non-utility companies in the Annual Report mostly within the review of operation and environmental section respectively (18 and 10 companies respectively). Within the Financial Report ten utility companies and seven non-utility companies referred to customers and consumers within the directors’ report. The greater part of disclosures related to customers’ demand for environmental products or environmental improvements. For example Green Mountain (utility company) stated that they had “developed products that will assure new renewable resources are brought on line to meet new market driven demand” (p.239).

Moreover, in his comparison between the USA and UK electric power companies, Jones found that all the companies based in the UK and USA disclose information relating to customers and the environment in their Environmental Reports. Such disclosure was made also by seven companies based in the UK and the USA in their Annual/Financial Reports. Companies based in the USA disclosed less environmental information relating to customer and consumers and the environment in their Environmental Reports than companies based in the UK. However, the former disclosed slightly more information in their Annual/Financial Reports (mandatory) than companies based in the UK (113 and 23 sentences respectively for based in the USA and 209 and 17 sentences respectively for companies based in the UK).
2.3.4 Lenders
In order to evaluate environmental risks that could result from credit facilities to third parties, banks and lending institutions may require environmental information that is not contained in the financial statements of economic entities. This is due to the fact that lenders may be exposed to risks resulting from negative environmental impact of economic activities, e.g. explain of a contaminated site. The Institute of Internal Auditors (IIA) (US, 1993) stated that polluted properties are a major source for exposure of banks and lending institutions to environmental risks. Thus, many lenders have requested credit applicants to implement environmental verification through a third party; the result of such verification is reflected in credit decisions and conditions (Gray et al., 1993). Another outcome of the increase in environmental risks to which banks are exposed is the change in credit granting policies. The American Banks Association survey (1991) (reported in Gray et al., 1993, p.185) conducted on 1,741 community banks showed that 88% of the banks have amended policies and procedures in order to avoid likely environmental liabilities. The survey also revealed that 63% of credit requests were turned down because of environmental risk that may result. Likewise, 46% of already approved loans were stopped for fear of likely environmental liabilities. Thus, in view of the increased possibilities of exposure to environmental liabilities resulting from activities of economic entities, banks and lending institutions might request credit applicants to provide information pertaining to environmental capital spending plans, impact of the environment on profits, contingent environmental liabilities and their capacity to deal with present and future environmental problems (Thompson and Cowton, 2004).

2.3.5 Shareholders and Investors
Negative environmental impact of the activities of economic entities could result in increased environmental risk and liability\(^3\) and subsequently, a reduction in profit. Thus

\(^3\) Schaltegger and Burritt (2000,p.183) stated that: “contingent environmental liabilities that can emerge from corporate activities are: (1) Soil contamination (e.g. from underground storage or spills); (2) Groundwater contamination (e.g. from contaminated surface water or soil contamination); (3) Surface water contamination (e.g. from point sources such as industrial processes); (4) Air emissions (e.g. from fugitive emissions and transportation activities, as well as from sound, noise and light); (5) Energy emission (e.g. heat, radioactive or electromagnetic emissions, noise); and (6) Visual impact (e.g. because of buildings)”. 

35
there is increasing pressure from shareholders and investors to obtain information on the environmental performance of the economic entities. The Australian Society of Certified Practising Accountants (1995) emphasised that investors need information about the environmental performance of the economic entities because they are convinced that bad environmental practices might lead to liabilities, then risks, which will in turn lead to profit decline. Moreover, Renger (1992) provided an example to support the increase in shareholders’ and investors’ demand for more information about the environmental performance of economic entities: an economic entity was said to own an industrial site worth one million pounds sterling, but which was extremely contaminated. Because of the contamination, the land was sold for one pound sterling.

In this context, Epstein and Freedman (1994) conducted a survey to determine whether individual investors demanded social and environmental information and, if so, what sort of information they required. They found that individual investors (82%) demanded reporting of certain aspects of social activities with strong demand for information about product safety and quality, and information relating to environmental activities. Furthermore, Coopers and Lybrand (1993, p.3) stated that “investors are becoming wary of bad environmental practices because it can increase liabilities and risks, which diminish profit”.

These results were supported by Mastrandonas and Strife (1992) who found that investors and other stakeholders are demanding more disclosure of company environmental information because of their concern about the magnitude of costs and liabilities associated with environmental issues. Deegan and Rankin (1997) concluded that shareholders seek CED from annual reports of the organisations to assist in making their various decisions. Cormier et al. (2001, p.2) found that “investors and stakeholders are becoming increasingly concerned about corporate environmental policies. As a result, many firms are voluntarily increasing the extent of their environmental reporting in their annual report”. Moreover, an investigation that has been conducted in the Danish context found that investors have begun to use the green accounts when evaluating firms (Nyquist, 2003).
Jones (2002) found that disclosures regarding investors in relation to the environment were made by four utility companies and six non-utility companies in the Annual Report. Within the Financial Report one utility company and seven non-utility companies referred to investors within the directors' report. The disclosure mainly related to establishing a connection between environment and shareholder value. Such as, WMC (a non-utility company) stated that “environmental performance helps to... (inter alia) contribute to shareholder value” and another non-utility company namely, Electrolux stated that “strategy for leading development of environmental adapted products creates value for shareholders and customers” (p.282). Thames Water (a utility company) stated that “we are looking to the next price review in 1999 to produce a balanced package which will set a framework for the Company to deliver benefits to shareholders, customers and environment” (p.238).

Furthermore, in his comparison between the electric power companies in the UK and the USA, Jones found that five and three companies based in the UK and USA respectively made disclosure relating to investors and the environment in their Environmental Reports. Moreover, while such disclosure was made by two companies based in the UK in their Annual/Financial Reports, no companies based in the USA referred to investors and environment in their Annual/Financial Reports. The disclosure referring to investors related to taking environmental considerations into investment decisions (PowerGen), seeing environmental efforts resulting in competitive advantage which translates to shareholder benefits (Arizona Public Service) and having a responsibility to both shareholders and the environment (American Electric Power).

2.3.6 Employees
Employees may play a role in improving their organisation's environmental performance. Gray and Bebbington (2001, p.52) stated that “setting the organisation on a greener path from the ‘bottom up’ has worked well for some companies (up to a point at least). Employees' actions have succeeded in educating senior management and can continue to do so... the first environmental experience for many organisations has arisen from some employee initiative that deals with the softer aspects of
environmentalism”. Supporting evidence came from United Utilities Company which stated that “through a wide range of community partnerships, employee volunteers are involved in ... (inter alia) the environment” (Jones, 2002, p.236).

Moreover, there are requirements imposed by unions or employees representatives to ensure the protection of employees in the workplace (health and safety). Such authorities may require information on accidents and diseases, and they also demand that assessment and safety measures be adopted in the workplace. In this context, for example Norsk Hydro Company stated that it had “developed an internal training program for environmental and safety management” (Jones, 2002, p.281). Employees, also, may need information to understand environmental actions, to commit themselves and to see how their efforts affect the overall environmental performance. Indeed employees increasingly consider environmental performance when determining which company to work for (ICAEW, 1992; Timberlake, 1992; UNEP et al., 1994).

Thus, companies have responded to such demand by disclosing environmental information related to employees. For example Jones (2002) found that all companies based in the UK and USA disclosed information related to employees and the environment in their either Environmental Reports or Annual/Financial Reports (260 sentences and 29 sentences in Environmental Reports and Annual/Financial Reports respectively for companies based in the UK and 341 sentences and 9 sentences in Environmental Reports and Annual/Financial Reports respectively for companies based in the USA).

By contrast, the literature has identified that in developing countries the CSED awareness among employees is low when compared to developed countries. For example, Ramasamy and Ting (2004) compared employees’ perception of CSED awareness levels in local organisations operating in Malaysia and Singapore. The results showed a low level of awareness in both countries. Moreover, no significant difference in CSED awareness was detected when differences in company size and sector were
accounted for. This might also partly explain the differences between developing and developed countries in term of CED practices.

In addition to the previous groups, there is a pressure from local communities and governments to understand and communicate better what environmental impacts the organisations have including waste and emissions, the risks they pose for public health and amenity (New South Wales Environmental Protection Agency (NSW EPA), 1997). The local community can influence the company through their interactions with the workforce, planning system and the media (Confederation of British Industry (CBI), 1993; Department of the Environment, Transport and the Regions (DETR), 1998). Tilt (1994) found that although the community used social disclosures, there was no empirical evidence to show that was a major influence on CED. However, Jones (2002) indicated that companies undertake their environmental responsibility toward the community by saying “Enterprise (Oil) recognises that it has responsibilities to the community in which operates, particularly concerning the local environment” (pp.281-282).

Moreover, companies themselves can benefit from the process of producing CED which was called internal drivers by Jones (2002). He stated that they can receive (1) a strategic and/or competitive advantage if they produce good environmental information (2) award schemes, for example, ACCA's UK and European Environmental Reporting Awards (Gray et al., 1995; ACCA, 1999). Furthermore, they can achieve more benefits including: (1) greater awareness of, and as a result, control over corporate environmental impact, leading to reduced regulatory and production costs (resource consumption costs, waste disposal costs, licence fees, non-compliance costs); (2) reduced financial risk through enhanced reputation (e.g. stakeholder relation); and (3) shareholder value benefits through improved relations with regulators, customers, suppliers, and employees.

Confirming evidence for such benefits came from literature especially in developed countries. For example, the US Environmental Protection Agency (1997) reported that,
between 1988 and 1995, total releases of toxic chemicals regulated under the US Toxic Release Inventory fell by 46% from reporting facilities. Many US companies reported significant cost saving through more effective tracking and management of material and waste flows. Bebbington (1999) evaluated the compulsory environmental reporting in Denmark. She reported that a 1999 review by the Danish government into the effectiveness of legislation requiring some 1200 Danish companies to publish environmental information in the form of a “green account” found that about 50% of the surveyed companies reported financial benefits through production of the accounts, compensating for the costs involved. In the same context, Merrick and Crookshanks (2001) stated that the 2001 survey of the UK Department for Environment, Food and Rural Affairs on environmental reporting costs and benefits found that environmental reporting provided important or major benefits in the areas of stakeholders’ dialogue, reputation, internal commitment, and employee awareness.

However, Gray and Bebbington (2001) suggest that any organisation considering voluntary disclosure will assess the relative costs as well as benefits. The costs might be direct costs such as data collection and processing, and attendant auditing costs, or indirect costs such as the loss strategic and competitive advantage if they produce a poor quality Environmental Report or no Environmental Report at all by being named as shamed, and any negative impacts on share prices and political perceptions. Such assessment is supported by Cormier et al. (2001, p.6) by saying “in choosing reporting strategy, managers have to trade off the benefits from expanded disclosure against the costs of disclosing potentially damaging information”.

Deegan and Rankin (1999) found that an expectation gap exists between preparers of disclosure and the users of such information. They indicated that this may explain at least in part why the demand for environmental information is not being satisfied, in that preparers may be unaware of the desire of stakeholders from such information, or otherwise stakeholders may be ignorant of the costs involved in producing such information, with their demands for information perhaps beyond what can reasonably be expected. Therefore, information needed have to be clarified and communicated to
the company by its stakeholders, as their needs are the ultimate determinants of what to disclose (Bedford, 1976). However, even this has been done; problems might be accrued because some stakeholders may have difficulties in defining the environmental information they need (Jones, 2002).

Nevertheless, the very varied pressure on organisations to disclose environmental performance information “will continue to be important until all countries follow the lead of Denmark, Sweden and others in turning the voluntary nature of environmental reporting into much-needed legislative requirements. When we look at environmental reporting practice it is easy to see why such legislation is needed” (Gray and Bebbington, 2001, p. 252). Supporting evidence came from Jones (2002) who found that “environmental disclosure are made by companies due to a combination of drivers, the types and qualitative characteristics of those disclosures depend on the relative importance of these drivers” (p. 491).

Several theorists, thus, have attempted to embrace these drivers into a single theory. Although many perspectives have been suggested, it is generally accepted that there are four key theories relating to a company’s decision to disclose CED namely, Agency; Stakeholder; Legitimacy and Political Economy theories (Gray et al., 1995, 1996; Adams and Harte, 1999). However, before dealing with these theories in the next chapter, the subsequent part of this chapter attempts to address the question of what other researchers have found in term of CED, and then determine the existing gap in the literature.

2.4 The Relevant Prior Studies (Literature Review)
In the early 1990s, as mentioned previously, the emphasis has been shifted to CED rather than CSD, following the so-called green revolution and the growing concern with business ethics. Thus, CED practice has become a hot favourite topic of investigation among accounting academic researchers in both developed and developing countries. Table (2.1) summarises the main surveys relating to CED practices in both groups of countries.
Table 2.1 Recent Corporate Environmental Reporting Surveys

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4 The structure of this table and some studies were adopted from O'Dwyer & Gray (1994, p.6).
5 This study consisted of two samples. From 1979-1987 the study used a random sample of 444 companies from which samples were selected in each year. From 1988-1991, a sample of 100 largest UK companies was used.
6 This study focused on the annual reports. However, it has made some connection between the annual report and other public reports produced by the organisations in its sample by recording those companies, which do produce separate reports. They were 10 (53%) companies in UK and 7 (39%) in USA.
7 This study assessed the CED by Irish listed companies and Commercial state-sponsored bodies.
8 There was a significant rise in the number of French companies reporting CED, up from 4% in 1999 to 21% in 2002 (KPMG, 1999, 2002), possibly indicating an anticipation of mandatory reporting requirements introduced from financial year 2002 onwards (Owen, 2003).
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⁹ This figure includes companies from banking sector and petroleum sector. However, the results which are included in the table related to petroleum companies, as banks did not make any CED at all.

¹⁰ This figure presents the whole amount of CSED, as there is no particular figure for CED.

¹¹ The surveyed companies were asked to provide any items that use to disclose environmental information rather than annual report (such as press releases, advertisements, employee magazines, or other document (OD).

¹² SR means stand-alone environmental reports.

¹³ The study found that none of surveyed companies made CED in the Operation Report, 6% of them made CED in the English Version Report and 27% of them made CED in the Public Relations Report.

¹⁴ The study used the sentence as a unit for the press releases, advertisements, employee magazines, or other document, and the page for stand alone environmental reports (for more details see Tilt, 2001).
### Corporate Environmental Disclosure (CED): Concept, Drivers behind CED Practice, and Previous Studies

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<td>48</td>
<td>49</td>
<td>50</td>
</tr>
<tr>
<td>Data year</td>
<td>96</td>
<td>98/99</td>
<td>98/99</td>
<td>97</td>
<td>93</td>
<td>92/93</td>
<td>1998</td>
<td>96/97</td>
</tr>
<tr>
<td>Sample size</td>
<td>30</td>
<td>24</td>
<td>123</td>
<td>770</td>
<td>63</td>
<td>54</td>
<td>4</td>
<td>143</td>
</tr>
<tr>
<td>% of companies disclosing</td>
<td>90&lt;sup&gt;18&lt;/sup&gt;</td>
<td>29</td>
<td>19</td>
<td>8.3</td>
<td>63</td>
<td>None</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Average pages, lines, sentences or words</td>
<td>2 (L)</td>
<td>365 (W)</td>
<td>-</td>
<td>7.5 (L)</td>
<td>-</td>
<td>0.50 (P)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Studies:**

1. Guthrie and Parker (1990);
2. Roberts (1990);
3. Harte and Owen (1991);
4. Kirkman and Hope (1992);
5. Gray et al (1995a);
6. Adams et al (1995b);
7. Mohamed and Hill (1996);
8. Gray et al. (1998);
9. Ince (1998);
10. Gray et al. (2001);
11. Holland and Fos (2003);
12. O'Dwyer and Gray (1998);
13. O'Dwyer, (2001);
14. Roberts (1991);
15. Niskala and Pretes (1995);

---

<sup>15</sup> There was only one company (Shell) that published stand-alone environmental reports (2000, 2001) in addition to its annual reports.

<sup>16</sup> This study compares the CED practice of Shariah Companies (SC), which are conducting their activities in strict accordance with Islamic principles with the CED practice of non-Shariah companies that operate in Malaysia. The study also examines the influence of size, composition of Muslim directors, profitability, and environmentally-sensitive industry sectors on the level of CED of Shariah companies for more details, see Amur et al., (2004).

<sup>17</sup> This study found, also, that the relationship between the total value of assets and the disclosure of environmental information is statistically significant. Whereas, it found that the relationship between the number of shareholders and the disclosure of environmental information is not statistically significant.

<sup>18</sup> This percentage will come down to only 20 if we exclude disclosure related to expenditure on energy usage. Only six companies (three of them are multinationals) made some additional disclosure (Belal, 2000, p.119).
### Table (2.2A) Analysis Approach in Corporate Environmental Disclosure Literature

<table>
<thead>
<tr>
<th>One-Dimensional Analysis 19 (Content analysis)</th>
<th>Two-Dimensional Analysis (content analysis and either external or internal environmental factors)</th>
<th>Three-Dimensional Analysis (Content analysis; external environmental factors; and internal environmental factors)</th>
</tr>
</thead>
</table>
| Roberts (1990, 1991); Harte and Owen (1991); Yamagami and Kokubu (1991); Blunn (1992); KPMG (1993); Ho et al. (1994); Savage (1994); Niskala and Prates (1995); Rikardsson et al. (1996); Belal (1997); Choi (1998); Kisenyi and Gray (1998); Belal (2000); Deloitte and Touche (2000); Imam (2000); Kuasirikun et al. (2000); Milne et al. (2000); Moneva and Fernando (2000); Ng (2000); Tilt (2001a, b); ACCA (2002a); Jamial et al. (2002); Rajapakse (2002); and Thompson and Zakaria (2004). | 1. Content analysis and external environmental factors  
Guthrie and Parker (1990); Gibson and Guthrie (1995); Gray et al. (1995); William and Pei (1999); Abu-Baker and Naser (2000); ACCA (2002a); Holland and Foo (2003).  
2. Content analysis and internal environmental factors (Individuals' perception)  
Jaggi and Zhao (1996); Perry and Teng (1999).  
3. Content analysis and internal environmental factors (characteristics of firms)  
Zeghal and Ahmed (1990); Kirkman and Hope (1992); Deegan and Gordon (1996); Hackston and Milne (1996); Mohamed and Hill (1996); Adams et al. (1998); Ince (1998); O’Dwyer and Gray (1998); Gray et al. (2001); Nikam and Wickramaratne (2002); Nuhoglu (2003); and Anuar et al. (2004). | One of the main contributions of this study |

19 This approach might include only individual's perception (see, Bebbington et al., 1994; Deegan et al, 1995; Frost and Wilmhurst, 1996; O'Dwyer, 1999, 2002; O'Donovan, 1999, 2002; Lodhia, 2000, 2003).
### Table (2.2B) Corporate Environmental Disclosure Studies According to the Source of Information

<table>
<thead>
<tr>
<th>Annual report</th>
<th>Annual report, and/or other communication forms</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Guthrie &amp; Parker (1990); (2) Roberts (1990); (3) Harte and Owen (1991); (4) Kirkman and Hope (1992); (5) Gray et al. (1995a); (6) Adams et al. (1995b); (7) Mohamed and Hill (1996); (8) Gray et al. (1998); (9) Ince (1998); (10) Gray et al. (2001); (11) Holland and Foo (2003); (12) O’Dwyer and Gray (1998); (13) O’Dwyer (2001); (14) Roberts (1991); (15) Niskala and Pretes (1995); (16) Rikardsson et al. (1996); (17) Deloitte and Touche (2000); (18) Moneva and Fernando (2000); (19) KPMG’s survey (1993); (20) Blunn (1992); (21) Deegan and Gordon (1996); (22) Milne et al. (2000); (23) Williams and Pei (1999); (24) Tilt (2001a); (25) Tilt (2001b); (26) Hackston and Milne (1996); (27) Ng (2000); (28) Tsang (1998); (29) Perry and Teng (1999); (30) Jiali et al. (2002); (31) Thompson and Zakaria (2004); (32) Anuar et al. (2004); (33) Belal (1997); (34) Belal (2000); (35) Imam (2000); (36) Nikam and Wickramarachchi (in Pramanik, 2002); (37) Rajapakse (2002); (38) Choi (1998); (39) Kuasirikun et al. (2000); (40) Savage (1994); (41) Kisenyi and Gray (1998); (42) Abu-Baker and Naser (2000).</td>
<td></td>
</tr>
<tr>
<td>One of the main contributions of this study</td>
<td></td>
</tr>
</tbody>
</table>

### Table (2.2C) Corporate Environmental Disclosure Studies According to the Region

<table>
<thead>
<tr>
<th>Developed countries</th>
<th>Developing, and new industrial countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Asian Region (31) Ho et al. (1994); (32) Jiali and Zhao (1996); (33) Ng (2000); (34) Tsang (1998); (35) ACCA (2002a,b); (36) Jamial et al. (2002); (37) Thompson and Zakaria (2004); (38) Anuar et al. (2004); (39) Belal (1997); (40) Belal (2000); (41) Imam (2000); (42) Nikam and Wickramarachchi (in Pramanik, 2002); (43) Rajapakse (2002); (44) Choi (1998); (45) Kuasirikun et al. (2000).</td>
<td></td>
</tr>
<tr>
<td>Libya (49) One of the main contributions of this study</td>
<td></td>
</tr>
</tbody>
</table>

46
The following points can be concluded from a review of these previous studies:

**First:** there are many research studies relating to the UK’s environmental disclosure development. Such surveys indicate that there has been a steady increase in the proportion of UK companies reporting environmental information. However, according to Ince (1998), it would have been wrong to generalise this result for three reasons. (a) Most of these studies had given more attention to the largest companies. Harte and Owen (1991) surveyed the thirty UK companies in 1989/1990 known as good disclosers. Adams et al. (1995) questioned the twenty-five largest UK companies’ annual reports in 1992. A sample of 100 largest UK companies was used by Gray et al. (1995) in their survey; (b) the number of companies reporting their environmental performance has not increased as much as expected for a highly developed country; and (c) these studies have indicated that the British public is more informed about environmental disclosure developments in the UK than the public in the rest of Europe. Adams et al. (1998) suggested that the UK companies are reporting less in volume than, for example, the Netherlands, German and Swedish companies, which according to them, take the lead in both the number of companies disclosing environmental information and the variety of information disclosed. Supporting evidence came from Adams and Kausirikum (2000) who have found that German chemical and pharmaceutical companies show a higher volume of environmental reporting than UK corporations do in the same industry. However, in the 2002 KPMG survey UK has taken the lead in Europe with 49% of top 100 companies producing separate environmental reports. Other major players are the Netherlands, Finland and Germany, all exhibiting around 30-40% reporting rates (Owen, 2003) (see also figure 2.3).

**Second:** Australia is one of the countries that are given more attention in the literature, (Guthrie and Parker, 1990; Gibson and Guthrie, 1995; Deegan and Gordon, 1996; Milne et al., 2000; Tilt, 2001). However, Australia, along with New Zealand (Hackston and Milne, 1996), and Japan (Yamagami and Kokubu, 1991) are lying behind other countries in Western Europe and North America in CED practices (Guthrie and Parker, 1990; O’Dwyer and Gray, 1998; Milne et al., 2000, Tilt, 2001a) (see also figure 2.3). Milne et al.’s survey (2000), however, showed a positive trend towards environmental
reporting in Australia and New Zealand, albeit more marked in Australia. There were some marked contrasts, such as Australian reporting companies appear to accept that verification is important to stakeholders and adds credibility to their reports; however the New Zealand companies did not accept such verification as an important issue (Milne et al., op. cit).

In Japan, Hirayama (www.iges.org.jp/en/be/pdf/report6.pdf) stated that there has been a rapid increase in the number of companies which disclose information in the form of environmental reports in Japan. He provided, as a support, a survey conducted by the Institute for Global Environmental Strategies which found that 284 out of 1474 companies listed on the Tokyo Stock Exchange had published an environmental report during 2001 while 91 of the companies had plans to compile one. More support came from KPMG’s survey of 2002 which found that 72 percent of top 100 Japanese companies issued separate environmental reports in addition to their financial reports. This was compared with 49 percent and 36 percent of UK and US companies respectively (KPMG, 2002).

Third: studies about CED practice in developing and newly industrialised countries (mainly in South America, Asia and Africa) suggest that CED in such countries is lagging behind the level of practices in CED identified in developed countries (Tsang, 1998; Abu-Baker and Naser, 2000; Belal, 2000; ACCA, 2002a,b; Thompson and Zakaria, 2004) (see also figures 2.2 and 2.3). This was also supported by this study (see Chapter six). The reasons are many and varied but essentially the poor state of CED in these countries is largely the consequence of a lack of drivers as a result of the environmental differences between them and developed countries (Perry and Teng, 1999; Thompson, 2000).
Chapter Two Corporate Environmental Disclosure (CED): Concept, Drivers behind CED Practice, and Previous Studies

Figure (2.2) Global Reports

Notes: Europe (73.3%), North America (18.5%), South America (0.5%), Australia (2.5%), Africa (1.2%), and South East/East Asia (4.1%)

Source: www.CorporateRegister.com, based on 1540 reports.
Reported in: www.nextstep.co.uk/uploadedfiles/pdf/article8.pdf

Figure (2.3)

Number of reports produced per country

<table>
<thead>
<tr>
<th>Country</th>
<th>Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>291</td>
</tr>
<tr>
<td>Austria</td>
<td>45</td>
</tr>
<tr>
<td>Belgium</td>
<td>65</td>
</tr>
<tr>
<td>Canada</td>
<td>138</td>
</tr>
<tr>
<td>Denmark</td>
<td>150</td>
</tr>
<tr>
<td>Finland</td>
<td>91</td>
</tr>
<tr>
<td>France</td>
<td>91</td>
</tr>
<tr>
<td>Germany</td>
<td>600</td>
</tr>
<tr>
<td>Greece</td>
<td>130</td>
</tr>
<tr>
<td>Italy</td>
<td>300</td>
</tr>
<tr>
<td>Japan</td>
<td>24</td>
</tr>
<tr>
<td>New Zealand</td>
<td>24</td>
</tr>
<tr>
<td>Norway</td>
<td>123</td>
</tr>
<tr>
<td>Portugal</td>
<td>25</td>
</tr>
<tr>
<td>South Africa</td>
<td>45</td>
</tr>
<tr>
<td>Spain</td>
<td>36</td>
</tr>
<tr>
<td>Sweden</td>
<td>180</td>
</tr>
<tr>
<td>Switzerland</td>
<td>179</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>149</td>
</tr>
<tr>
<td>UK</td>
<td>919</td>
</tr>
</tbody>
</table>

Fourth: the environmental data provided, according to these surveys, are fundamentally qualitative rather than quantitative. This might be due to (1) although, accountants play an important role in such measurement and valuation, there is limited support among them for the view that the accounting process should address environmental issues

20 Taking a closer look at European reporting, it emerges that “northern” countries such as the UK, Germany, Sweden, Finland, Denmark and the Netherlands are leading the field. “Southern” countries, with the exception of Italy, are poorly represented. Central and Eastern European countries are conspicuous by their absence (www.nextstep.co.uk/uploadedfiles/pdf/article8.pdf) (see also figure 2.3).
(Deegan and Rankin, 1999)\(^{21}\); (2) the absence of generally accepted standards on how to measure and value environmental issues\(^{22}\); and (3) the failure by researchers to agree upon measurement methods and to value a company’s environmental effects (see, for example, Huizing and Dekker, 1992). However, in the late 1990s, disclosure was changing to become more balanced and candid, containing quantitative as well as declarative data (SustainAbility/UNEP, 1996; Bennett and James, 1999; Jones, 2002).

**Fifth:** surveys have shown that companies mainly tend to present positive environmental information, which is favourable to their corporate image. This contrasts with argument provided by Grossman (1981) and Milgrom (1981) who suggested that companies should voluntarily reveal all information they have. They argued that if investors (and other users) believe that managers are withholding information, they will consider the undisclosed information to be negative and lower their estimation of the company’s value. Thus, to avoid unjustified under-valuation, managers should be encouraged to voluntarily reveal all relevant information (reported in Berthelot et al., 2003).

However, on the other hand, there are some explanations have been provided by others for the holding of negative information by the companies. Dye (1985) argued that if, contrary to the arguments raised by Grossman (1981) and Milgrom (1981), investors (and other users) cannot determine whether managers have information, there will be no information disclosure equilibrium. In such circumstances, managers are not motivated to reveal all the information they have. Another explanation was proposed by Verrecchia (1983). He suggested that companies may retain some information deliberately if its disclosure can cause a decrease in cash flows. Such costs are deemed to be proprietary as outside parties (such as regulators and pressure groups) may rely on a company’s proprietary (environmental) information to inflict damage or costs upon it.

\(^{21}\) Supporting that, Gray and Bebbington (2001, p.17) stated that: “it still seems to be the case that accountants are not a widely involved in the changing environmental agenda as they could be. More worryingly, there is a widespread view that the accountant’s conventional approach is acting like a dead hand on environmental innovation”.

\(^{22}\) However, there are some attempts on the measurement of environmental issues that were made by accounting professional bodies such as the Canadian Institute of Chartered Accountants (CICA, 1993, 1994). Researchers as well deal with this problem such as Schaltegger and Burritt (2000).
Chapter Two Corporate Environmental Disclosure (CED): Concept, Drivers behind CED Practice, and Previous Studies

(see also Berthelot et al., 2003). Hence, managers should disclose only information, which is favourable to their corporate image (Deegan and Gordon, 1996; Jaggi and Zhao, 1996; Tomas et al., 1997, Williams and Pie, 1999). For example, Tomas et al. (1997, pp5-6) stated that “Graves et al (1996) suggest that annual report and its visual enhancements provide the company with tools to magnify the ‘truth claims’ (Graves et al, 1996, p.57) contained in the annual report. Following this line of thought, we reason that a company concerned with its environmental self-image (and the literature seems to suggest that most companies are concerned, or at least should be), will use all tools of the annual report to persuade and/or assure the reader of the authenticity of the company’s claims that it is a good environmental citizens...Thus, we would expect most corporate disclosure in the annual report to be positive in tone. We would expect companies that are not good environmental citizen to do little, if any, self-reporting in the annual report”23.

However, these explanations have been mainly developed in liberal market contexts. The use of such explanations that were originated in a political, economic and culture setting to explain disclosure practices in a different political and economic setting is questionable (Hofstede, 1981, 1983; Perera, 1989; Ali, 1996). For example, in the case of this study, Libyan companies, by contrast with their counterparts even in developing countries, have given more attention to negative news (see Chapter six). Since these companies are owned by the society and operate in non-competitive market (there is no stock market in Libya). Maximising their market value is not considered as the companies’ main objective (for more details see Chapter eight).

Sixth: Hackston and Milne (1996) argue that some caution needs to be exercised in claims relating to patterns in CSED surveys, because these surveys were conducted in different time periods; involve different sample sizes, different methods, and different researchers. They stated that there are a number of additional variables (industry-

23Thus, Tomas et al. expected to find the bulk of negative information regarding corporate environmental performance in the popular financial press. However, their findings do not confirm this expectation. They reasoned that as the popular financial press relies largely on the firms, which concerned with its environmental self-image, as a source of information regarding their environmental activities (see above).
specific such as company's size, type of industry, and corporate profitability), which appear to be associated with CSED (see, also Gray et al., 1995), and have a strong weight in justifying the differences in the nature and extent of CSED between countries (see also, Adams et al., 1998). However, while Hackston and Milne take into account one of the internal environmental factors (characteristics of the firm), they ignored other environmental factors. Neither external factors (political, economic, and social) nor internal factors (individuals' perception and cognition) which were used to justify the variation in the nature and extent of CSED between countries among developed countries, developing countries (Williams, 1999; Newson and Deegan, 2002), and between developed and developing countries (Xiao et al., forthcoming).

Seventh: In terms of research methodology, two approaches were adopted in the previous studies in investigating CED practices namely: (1) one-dimensional analysis (content analysis); and (2) two-dimensional analysis (intra-country (external) factors, and content analysis; or inter-organisational (internal) factors and content analysis).

The One-Dimensional Analysis
Most of the previous studies, especially those in developing countries, adopted a single analysis approach (see Table 2.2A). They were almost purely descriptive. Such studies fail to link their 'empirical' results to the political, economic, and social characteristics of the country. It is important to note that any analysis of CSED would be incomplete if it fails to capture the political, economic and social contexts in which the disclosures are made (Belal, 2001, Unerman, 2000). There are other sources in the existing literature which have noted the significance of country of origin (the intra-country factors) as a determinant of environmental and social disclosures and important variations in practices across national borders (Andrews et al., 1989; Report, 1990, Gray et al., 1996 Hackston and Milne, 1996, Adams et al., 1998, Kolk et al., 2001). Roberts (1990, p.6) commented in respect to national variations, "more need to be known concerning the reasons for disclosures (or lack of disclosures)". Williams and Pei (1999, p.390) also stated that "our results also appear to indicate that the country of origin remains a strong determinant of corporate social disclosure regardless of the medium used".
Moreover, such single analysis also ignores the importance of inter-organisational factors (management attitude and cognition) which are more useful in evaluating reasons for certain environmental disclosure and, more importantly, why decisions not to include environmental information are made (O'Donovan, 2002, O'Dwyer, 2002, Anuar et al., 2004). For example, Anuar et al. (2004, p.13) stated that "the analysis (in their study) is limited to only a content analysis of environmental disclosure within annual reports. Further research needs to examine this issue further, perhaps examining the reasons for such disclosure and perceptions and attitudes of company management (internal factors) on the need for environmental disclosure" (words in brackets added).

The Two-Dimensional Analysis

This approach might combine either (1) content analysis of disclosure and an analysis of external environmental factors; (2) content analysis of disclosure and an analysis of internal factors namely, perception of individuals; or (3) content analysis of disclosure and an analysis of internal environmental factors namely, characteristics of firms (see Table 2.2A).

However, despite such an approach overcomes in some extent the shortages of one-dimensional analysis, it also seems to be incomplete. This is because it uses only either external or internal factors to interpret CED practices, whereas, CED practices in a country are shaped not only by either internal or external factors but by both of them (see Chapter eight). The impact of the external factors namely, political, economic and social contexts reflects the indirect influence on CED disclosure environment (Roberts, 1990, Gray et al., 1996, Hackston and Milne, 1996, Adams et al., 1998, Williams and Pei, 1999, Belal, 2001, Kolk et al., 2001). Whereas the internal factors namely, attitude and cognition reflect the direct impact of those involved in the disclosure process, namely the managers as they are the ones who have the final say on what information to disclose, especially in the case of voluntary disclosure (Gray et al., 1996, Jaggi and Zhao, 1996, O'Donovan, 1999, 2002, O'Dwyer, 1999, Lodhia, 2003, Anuar et al., 2004).
Therefore, one of the main contributions of this study is that in addition to content analysis an attempt was made to examine the CED practice in Libya by putting it into the political, economic, and social contexts of Libya, along with the managers' perception\textsuperscript{24} and cognition. Such a three-dimensional analysis that includes the interaction between intra-country factors and inter-organisational factors, and content analysis might contribute to provide a fuller, richer and comprehensive picture (macro perspective) of environmental disclosure in a given country (environmental determinism theory). Neuman (2003, p.137) stated that "by observing something from different angles or more viewpoints, one can get a fix on its true location".

\textbf{Eighth}: In most previous CED studies, the main clearly definable source of the text data is the annual reports and accounts (see Table 2.2B). Such studies ignore other corporate communications regarding environmental issues. However, despite various studies acknowledging that to fully understand CED researchers must investigate alternative mediums for CED (Roberts, 1991; Unerman, 1998; 2000), few studies (Zeghal and Ahmed, 1990; Yamagami and Kokubu; Ince, 1998; Williams and Pei, 1999; Tilt, 2001b; ACCA, 2002a; Nuhoglu, 2003) have attempted to provide any evidence of alternative mediums for CED apart from annual reports (see Table 2.2B).

These studies found that firms do communicate social and environmental information through other media such as web sites and stand-alone environmental reports. For example, Williams and Pei (1999) identified whether there are any variations in CSED practices on web sites relative to that in annual reports (for more details, see Chapter four, p99). They concluded that all companies provide more information on web sites than annual reports. However, there are no previous studies that examine internal corporate reports. Thus, this study goes some way towards addressing this dearth of research by not limiting itself to annual reports, it takes into account the internal reports, and specific environmental reports (if any exist) as well. Web sites are excluded from this study, because established web sites by Libyan companies are still very much in

\textsuperscript{24} The perspectives of the wider society or users are equally (if not more) important (see, for example, Deegan and Rankin (1996, 1999). But, these perspectives are not investigated in this study due to the limited time of the field work study. However, this could be an area for further study.
their infancy (see, for example, www.alaftrip.com), in line with the situation in developing countries (Nuhoglu, 2003).

**Ninth:** Despite the fact that a number of surveys have been conducted over the world, they have focused primarily on the European (practically, UK), North American, and Australian regions (see table 2.2C). There is, however, a general lack of knowledge on the state of CED in developing countries, with more focus on the Asian region (see also Table 2.2C). Very little attention was given to countries in the African region (Savage, 1994; Kisenyi and Gray, 1998). On the other hand, there is only one study relating to Arabic region which was undertaken in Jordan. However, the political and economic system of Jordan differs from that of Libya (for more details see Chapter eight). The researcher has, therefore, taken the initiative to examine the state of CED in Libya, and to bridge this gap in the CED literature. It provides the first detailed longitudinal description of CED practice among Libyan industrial companies. This description provides the basis for a comparison with other Arabic and developing countries and as well with developed countries.

**2.5 Summary**

This chapter has examined the relevant literature to provide background and understanding into the dynamics of the current study. It has covered three issues: problems with determining a suitable definition for CED; the drivers behind environmental responsibility and CED practices; and the relevant previous studies.

The chapter has undertaken a more flexible approach in defining CED and provided a definition of CED as applied by the United Nations Commission of Transnational Corporations' Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (UN ISAR), to serve the purpose of this study. This definition differs from both definitions of Gray et al. (1987) and Mathews (1993). It is more comprehensive in the sense (1) it does not suggest that more attention should be given to voluntary disclosure rather than mandatory disclosure (or vice versa) by using the term information which refers to any kind of disclosure; (2) it does not limit the
disclosure to the annual reports only; and (3) it does not include only the environmental effects of an organisations’ economic actions, but also other environmental activities, which might be undertaken to contribute to environmental protection.

The chapter has, then, argued that organisations are facing pressures from various groups regarding the need to improve their environmental performance and disclosure. It has identified, with reference to the established literature that pressure comes from groups and individuals. The literature identifies that the most important being legislative and environmental pressure groups drivers. Other drivers such as consumers, lenders, shareholders and investors and employees have impacted companies’ behaviour in term of environmental responsibility and CED. Such pressures have varied from country to country and from region to region, especially between developing and developed countries.

The relevant previous studies were briefly analysed in this chapter. The existing gaps were identified in the literature which have given an impetus for this study and need to be bridged namely: (1) the need for a new approach of analysis namely, a three-dimensional analysis that includes the interaction between external environmental factors, internal environmental factors and content analysis; (2) the requirement for investigating other available means of CED such as internal reports and specific environmental reports; (3) the call for examining CED practice in Libya where there is no previous study for this country.

To give more motivation for this study, the next chapter deals with CED theories namely: agency theory, stakeholder theory, legitimacy theory, and political economy theory. The aim is to provide a logical foundation for the need of environmental determinism theory as a more appropriate basis for an explanation of CED in a given country.
Chapter Three
Theoretical Justifications for Corporate Environmental Disclosure Practices

3.1 Introduction
3.2 Agency (Economic) Theory
3.3 Stakeholder Theory
3.4 Legitimacy Theory
3.5 Political Economy Theory
3.6 Environmental Determinism Theory
   3.6.1 Internal Factors
   3.6.2 External Factors
      3.6.2.1 Economic System
      3.6.2.2 Political System
      3.6.2.3 Legal System
      3.6.2.4 Culture and Religion
      3.6.2.5 Accounting Profession and Education
3.7 Summary
3.1 Introduction

In trying to justify the nature of CSED practice, researchers have proposed several theories (agency theory; stakeholder theory; legitimacy theory; and political economy theory) (see, Gray et al., 1995, 1996). However, the proposed theories seem "fuzzy" in the sense that all of them are logical and acceptable and none could be voted as the best theory to explain CSED practice (Haniffa, 1998). This is due to the overlapping of these theories, and the emphasis in each study (Gray et al., 1996; Haniffa, 1998; Milne and Chan, 1999).

Hence, the aim of this chapter is not to seek to support or reject any single theoretical perspective. The main purpose, however, is to identify to what extent these theoretical perspectives have (or have not) to offer an appropriate basis for explanation of CED in a given country.

This chapter has been organised into seven sections. The second section discusses the agency theory. The stakeholder theory, legitimacy theory and political economy theory are explained in the third, fourth and fifth sections respectively. The sixth section is concerned with environmental determinism theory. The final section contains the summary of the chapter.

3.2 Agency (Economic) Theory

The basis of agency theory studies is from Jensen and Meckling (1976) and Watts and Zimmerman's (1978)¹ agency theory. The agency relationship is defined as "a contract under which one or more parties (the principals) engage another party (the agent) to

¹ The study of Watts and Zimmerman (1978) was concerned with "providing the beginning of a positive theory of accounting by exploring those factors influencing management's attitudes on accounting standards which are likely to affect corporate lobbying on accounting standards" (p.112). The only reference to social responsibility (p.115) is interpreted by Milne (2002) to be more likely to refer to advocacy advertising than corporate social and environmental disclosure.
perform some service on their behalf which involves delegating some decision-making authority to the agent” (Jensen and Meckling, 1976, p.308). Agency theory postulates that where there is a separation of ownership and control of a firm the potential for agency costs exists because of the conflicts of interest between principals (owners) and the agents (managers) (Hossain et al., 1995). Each party, thus, chooses its actions optimally in its self-determined goals (Ince, 1998).

Ness and Mirza (1991) used agency theory to explain the decision to disclose social and environmental information (see also, Shane and Spicer, 1983; Belkaoui and Karpik, 1989). They reviewed the social disclosure of 131 UK leading companies’ annual reports of 1984 and found that the result was consistent with agency theory. They suggested that “managers will disclose social and environmental information only if it increases their welfare, that is, when the benefits from the disclosure outweigh the associated costs” (p.212) (the main hypothesis of agency theory). Belkaoui and Karpik (1989) find that the decision to disclose social and environmental information is positively correlated with economic performance or profitability and produced evidence to support that. However, one needs to be careful in evaluating the conclusions drawn from Ness and Mirza’s Study. The reasons for that is “size effect was not taken into account in their study. That is, 33% of the companies operating in the oil industry were some of the largest in the top ten. There are a number of studies indicating that size of an organisation is an important factor in social and environmental reporting” (Ince, 1998, pp.55-56).

Overall, agency theory could partly explain some of the reasons behind the absence or presence of corporate environmental disclosure in a given country (Shane and Spicer, 1983; Belkaoui and Karpik, 1989; Ness and Mirza, 1991). However, while it would be unrealistic to ignore the presence of self-interest and expectation of wealth-maximisation behaviour, especially in liberal market, relying upon such behaviour as the main or sole motivation for CED has been criticised by Tinker and Okcabol (1991), Gray et al. (1995) and Ince (1998). Tinker and Okcabol (1991) argue that if the concept of ‘social value’ is absent in accounting theory it has nothing to offer (Ince, 1998), especially in case of CSED. Therefore, this criticism has a certain intuitive appeal, especially for those who
wish to maintain at least some faith in human nature (Davies, 2002). Therefore, the application of agency theory in the discussion of CED has been described as "not only empirically implausible but also highly offensive" (Gray et al., 1995).

Moreover, the theory sees the world from a point that involves only internal factor namely management attitude or behaviour. It ignores the external environmental factors (social, political and economic contexts) that have an equal (if not more) important role in explaining CSED practices in a given country. Since, the theory indicates a utilitarian ethical behaviour (self-interest). Acceptance of such behaviour is varied from country to country and from region to region, especially between developing and developed countries according to their contextual differences. For example, in the UK "implicit structure" is the main feature of organisations. Maximising profit is perceived as the main objective of organisations and the means to achieve this is through self-interest harnessed towards the organisational objectives (Buzied, 1998).

Whereas, the main objective of Libyan organisations (the case of this study) is to achieve social welfare and the means to do so are through collective efforts (Buzied, 1998). The utilitarian ethical behaviour (self-interest) is not acceptable from the perspective of the Islam and the Green Book. The prophet (peace be upon him) said "none of you will have faith till he likes for his (Muslim) brothers what he likes for himself". The Green Book also stated that "the legitimate purpose of an individual's economic activity is solely to satisfy his needs. For the wealth of the world has limits at each stage as does the wealth of each individual society. Therefore, no individual has the right to carry out economic activity in order to acquire more of that wealth than necessary to satisfy his needs, because the excess amount belongs to other individuals... the savings which are in excess of one's needs are another person's share of the wealth of society (social justice)" (pp.56-57).

Moreover, there is no capital market in Libya. Libya has been engaged for many years in social and economic development plans (see Chapter five), with the public agencies (central authorities) playing a major role in the development process. Thus, profit
maximisation is of a lower concern for Libyan companies (General People Congress (GPC), 1981). Alternatively, meeting social responsibilities towards society at large, even though achieving just enough profit to help the company to survive and develop is a vital priority for most companies (Buzied, 1998). Kollaritsch (1984, p.175) stated that “In some countries, especially the socialistic nations, the attitude prevails that the national interest must be given priority over the individual or corporate interest. All of these attitudes give rise to different managerial accounting and reporting requirements”.

This is supported by officers in the Secretariat of Economy and Planning and in the Secretariat of Industry of Libya, who agree that maximising company profit is not the prime objective in Libya (Buzied, 1998). The senior officer in the Secretariat of Economy and Planning pointed out that “if profit maximisation is perceived as the main objective of enterprises in Libya, many companies would not be located in places or provide services or products at existing prices as they would not be acceptable from the point of view of profit maximisation” (Buzied, 1998, p.215). This was in line with Kilani (1988), who stated that “the Libyan market operates under state control and planning, the main aims of which are to enhance social and economic growth and to provide necessary services and commodities to the public at large” (p.448). More conforming evidence came from this study where the “cost of data collection and publication” was a less important reason for non-disclosure.

Social, political and economic contexts should interact with management attitude or behaviour to provide a more appropriate basis for explaining CED practices in a given country. However, agency theory does not see the world from a point that involves such interaction between internal and external factors. Therefore, this brings the discussion to another theory which may used to explain CED namely, stakeholder theory.

### 3.3 Stakeholder Theory

Stakeholder Theory is based on the hypothesis that a corporation’s continued survival requires the support of stakeholders. Freeman (1984) defines a stakeholder as “any group or individual who can affect or is affected by the achievement of the firm’s objectives”.

Chapter Three Theoretical Justifications for Corporate Environmental Disclosure Practices

The theory assumes that the behaviour of various stakeholder groups (shareholders, creditors, employees, customers, suppliers, public interest groups, and governmental bodies) encourages management to relate corporate needs with their surroundings. The support of stakeholders must be sought and the activities of the corporation are adjusted to gain that support. Patten (1992) contended that if a firm dissatisfies a relevant stakeholder, this stakeholder can apply pressure on the firm to meet its expectations. Shocker and Sethi (1974) stated that any organisation operates under a social contract to: (1) deliver socially desirable ends, and (2) distribute economic, social, or political benefits to groups from which it derives its power and resources. Social performance and disclosure are, then, viewed as a strategic plan to deal with stakeholders' demands (Ullmann, 1985). Stakeholders may view environmental disclosure as an adequate reflection of non-market effects of corporate behaviour (Guthrie and Parker, 1990).

Ullmann (1985) and Roberts (1992), who provided support for a stakeholder theory approach for explaining and analysing decisions to undertake CED, add another element (i.e., power) that contributes to the corporate response to stakeholders' demands. The more powerful the stakeholder, the more the company must adapt (stakeholder management). Freeman (1984) proposed a more detailed analysis about how to manage stakeholders and noted that there are at least three levels of analysis, which can help an organisation to manage the relationships with its stakeholders. These levels are: (1) the organisation must understand who the stakeholders are in the organisation and the perceived stakes; (2) the organisation must understand the organisational process used either implicitly or explicitly to manage the organisation's relationships with its stakeholders and whether these processes 'fit' with its 'stakeholder map'; and (3) the organisation must understand the set of transactions or bargains among the organisation and its stakeholders and deduce whether these negotiations 'fit' with the stakeholder map and organisation process for stakeholders.

2 Stakeholder management, as a concept, alludes to the need for an organisation to manage the relationships with its particular stakeholder groups in an action-oriented way. Using this perspective, CSED can be seen as part of the dialogue between a company and its stakeholders (Gray et al., 1995a) with management using CSED as a medium for engaging in this management of stakeholders in order to gain their support and approval (Adler and Milne, 1997). It is the continuance of the organisational interests that motivates disclosure and the more important the stakeholder to the organisation; the more effort will be put into managing their relationship with the organisation (Gray et al., 1996).
However, Gray et al. (1996) have identified two variants of stakeholder theory. The first considers the organisation centred, which is similar to Ullmann (1985) and Roberts (1992)'s argument. It means that the company is at the centre of the system and while it is connected to other stakeholders its main role is to ensure that they serve its needs with a minimum of conflict (see also Adams and Harte, 1999; Key, 1999). Stakeholders are identified by company with reference to the extent to which the organisation believes the interplay with each group needs to be managed in order to further the interests of the company. The more important or powerful the stakeholders, the more effort will be exerted by the company in managing or adapting the relationship.

Thus it encourages CED to be interpreted as indicative of which stakeholders matter most to the company, as management's attention will only be drawn to those stakeholders they perceive to be most salient, and thus those to which the company may be seeking to influence (Gray et al., 1996; Mitchell et al., 1997; Harvey and Schaefer, 2001). Moreover, stakeholder theory could be used to explain non-disclosure of certain environmental information if it was found that there was little demand for such information or that those who demand it were not stakeholders considered to be highly salient by the company (Adams and Harte, 1999). In supporting that, Ince (1998, p.235) concluded that “there seems to be an understanding by UK companies, at least by the companies analysed in this study (Ince's survey), that there is a range of importance of stakeholder groups. As a result, companies seem to be using CED to disclose information about these groups and individuals to manage or to improve the relationship”.

The second variant considers accountability. It stated that the company owes accountability to all its stakeholders, which is determined by the relationship (s) of those stakeholders with the company. It is, however, generally considered to be normative (Gray et al., 1995).

Some of the reasons behind the absence or presence of corporate environmental disclosure in a given country could be partly explained by stakeholder theory (Ullmann, 1985; Roberts, 1992; Ince, 1998). However, stakeholder theory seems to be failing to
provide an appropriate basis for explanation of CED in a given country. Simply, because stakeholder theory sees the world only from the perspective of management (Gray et al., 1995) rather than environmental contexts of the country as it is derived from bourgeois political economy theory (Deegan, 2000), where the private sector has more power in such an economy. The use of theories that were originated in a political, economic and cultural setting to explain disclosure practices in a different political and economic setting is questionable (Hofstede, 1981, 1983; Perera, 1989; Ali, 1996). For example, Libya has unique political and economic systems which are not found in any other countries even either in other Arab or developing countries. They are based on the "Third Universal Theory" of the Green Book. The Libyan economy is neither bourgeois political economy nor classical political economy. In such a system, the private sector is relatively small and has little power when compared with the large public-owned sector on which Libyan companies depend (see Chapter five). The society (via central authorities) often guarantees loans and support for public-owned companies (GPC, 1981; Lind, 1990). Thus, central authorities such as the Secretariat of Economy (SE), the Planning Board (PB), the Institute of Public Control (IPC), General Environmental Authority (GEA), and Industrial Production Administration (IPA) are the main users of accounting reports in Libya (Bakar, 1997; Buzied, 1998). There is no other interest groups with a conflict objectives such that in the liberal market. In Libya, the central authorities share one objective namely, the welfare of society (GPC, Law no 1 of 2000). Thus, management of companies in Libya seems not to be using environmental disclosure to manage or to improve the relationship with them rather than achieving interests of society. Since in Libya, the central authorities and companies are joined with a reciprocal and complementary relationship to achieve society’s welfare (for more details see chapter eight). This supports Gray et al. (1997) who argued that stakeholder theory is flawed because stakeholder theory focuses on the way the corporation manages its stakeholders. Therefore, this brings the discussion to another theory which may used to explain CED namely, legitimacy theory.
3.4 Legitimacy Theory

Legitimacy theory focuses on the assumption that business must retain its social role and social power by responding to society’s needs and give society what it wants. Legitimacy theory is not novel, having been brought to importance by social and environmental disclosure researchers since the 1970s.

Davis (1973) suggested that the viability of business is determined on the assumption that business exists only because it performs valuable services for society. Davis (1973) further stated “if business wishes to retain its present social role and social power, it must respond to society’s needs and give society what it wants. This has been stated as the Iron law of responsibility (legitimacy theory), which is that in the long run those who do not use power in a manner which society considers responsible will tend to lose it. The social power which businessmen have today would hardly be continued unless they assume more social responsibility for their action. This means that the classical economic doctrine of no responsibility except to obey the law loses some of its glamour, because if this policy is continued it will surely cause a substantial loss of business power” (p.314).

Sethi (1974) posited that the corporation’s role in a dynamic society must evolve constantly in order for the corporation to adapt itself to the changing needs and expectations of society. Sethi (1974, p.1) further stated that “it is a fallacy that business can prosper or, indeed, even exist without regard to broader social concerns. Nor will the dominant social concerns always be economic ones. The separation of economic enterprise from the larger social and political purposes of natural life is impossible when there is no space for separation”.

Shocker and Sethi (1974) suggested that business operates in society via a social contract, expressed or implied, upon which its survival and growth are based. In a dynamic society, neither the sources of corporate power nor the needs for its services are permanent. Consequently, a corporation must constantly meet the twin tests of legitimacy and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have society’s approval. Preston and Post (1975) suggested
that since today's corporations constitute large and important organisational elements within society, it should be expected that they would initiate and participate in, as well as respond to, the process of social decision making. Within the business the objectives of the public are constantly being discovered, examined, defined, and revised. Businesses and their management have to adapt and change in a changing world.

Boulding (1978) posited that business survival would depend much more upon non-market conditions in the future, especially on the ability of business enterprise to retain legitimacy, than upon the dynamic of the marketplace. The non-market context of business consists of a number of sectors. There is what might be called the cultural context, which consists of values and attitudes of the general population. There also is the political context, which constantly creates new laws and new sanctions. Then there is the legal context, which encompasses the law, regulations, and possible sanctions under which it operates. The cultural, political, and legal contexts all interact. Thus, a loss of legitimacy is destructive to any business enterprise, and in any social system legitimacy is the major element in the survival function. Sethi (1979) suggested that there is likely to be a legitimacy gap between business performance and societal expectations caused by certain business actions or changing expectations. A widening gap will cause business to lose its legitimacy and will threaten its survival. Therefore, business must strive to narrow this legitimacy gap.

Lindblom (1994, p.2) defines the legitimacy as: "...a condition or status, which exists when an entity's value system is congruent with the value system of larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy". Lindblom then suggests that business can narrow this legitimacy gap by adapting one of the following strategies: first, the organisation may seek to educate and inform its "relevant public" about actual

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3 Environmental issues are becoming increasingly important to people of all continents on the planet. In its twenty-two country public opinion survey on environmental attitudes, reflecting the opinion of over 20,000 world citizens, the George H. Gallup International Institute, as reported by Elkington (1994), found that majorities of citizens in most countries indicated that the protection of the environment should be paramount, even at the expense of economic progress.
changes in the organisation's performance and activities. Second, the organisation may seek to change the perception of the relevant public, but not change its actual behaviour. Third, the organisation may seek to manipulate perception by deflecting attention from the issue of concern to other related issues through an appeal to, for instance, emotive symbols. Fourth, the organisation may seek to change external expectations of its performance. Gray et al. (1995), who agree with Lindblom, suggest (see figure 3.1) that the first strategy can be used "... in response to a recognition that 'legitimacy gap' arose from an actual failure of performance of the organisation". The second strategy can be chosen "when the organisation sees that the legitimacy gap has arisen through misperceptions on the part of the relevant public". The third strategy can be adopted "when a company with a legitimacy gap regarding its pollution performance chooses". Finally, the fourth strategy can be chosen "when the organisation considers that the relevant public have unrealistic or 'incorrect' expectations of its responsibilities" (p.54).

However, O'Donovan (1999; 2002) limits these strategies into only two ways. Figure 3.2 illustrates these two ways, which organisations will adopt to narrow the legitimacy gap. The area marked (X) represents congruence between organisational activity and society's expectations of the organisation, based on social values and norms in respect of organisational activities. Area (Y) and (Z) represent incongruence between an organisation's actions and society's perceptions of what these actions should be. These areas represent "illegitimacy" or the legitimacy gap (Sethi, 1979). The aim of the organisation is to be legitimate; that is to broaden area (X) in figure (3.2), thus reducing the legitimacy gap. In broad terms, management may attempt to narrow a legitimacy gap in two ways. First by changing its activities; moving circle (Z) towards circle (Y), so they are more congruent with social values and norms or, second, by attempting to alter the values, expectations or perceptions of society; moving circle (Y) toward circle (Z). This legitimation approach involves convincing society that the organisation is socially responsible; a legitimate organisation (O'Donovan, 1999; 2002).
Figure (3.1) Lindblom's four broad legitimating strategies

1. Change actual performance; This strategy is chosen when the organisation considers that the relevant publics have unrealistic or incorrect expectations of its responsibilities.

2. Changing perceptions; CSED can be employed in this strategy.

3. Distracting attention; and

4. Changing expectations

The four legitimisation strategies are:

The organisation may seek to educate and inform its "relevant publics" about (actual) changes in the organisation's performance and activities.

The organisation may seek to change the perceptions of "relevant publics"—but not change its actual behaviour.

The organisation may seek to manipulate perception by deflecting attention from the issue of concern to other related issues through an appeal to emotive symbols.

Source: the figure is designed by the researcher

Figure (3.2) Organisational Legitimacy

ISSUE/EVENT

Y
Society's expectations and perceptions of a corporation's activities

X
Corporation's actions and activities

Z

In order to maintain or increase perceptions of legitimacy, a firm may choose to respond to public policy changes through social and environmental disclosures in the annual report (Patten, 1991, 1992). Zeghal and Ahmed (1990) indicated that there are other methods besides annual reports that firms may use to influence the public policy process including advertising, press releases, and information in company publications or brochures. Both Zeghal and Ahmed (1990) and Patten (1991) cited Parker (1986) in summarising how a business can use social disclosures to attempt to affect public policy. Parker (1986, p.76) stated that "... It has been argued that social disclosure can act as an early response to impending legislative pressure for increased disclosure and as a counter to possible government intervention or pressure from other outside interest groups. Thus, from this viewpoint, social disclosure might be used to anticipate or avoid social pressure. At the same time it may be used to boost the corporation’s public standing".

Consequently, environmental disclosure in corporate reports may be used to anticipate or avoid social pressure. In addition, it may be used for enhancing the corporate image (Gray et al., 1988) or the reputation status of the corporate. Fombrum and Shanley (1990) suggested that firms compete for reputation status in institutional fields and attempt to influence stakeholders’ assessments by signalling firms’ salient advantages.

There has been a plethora of recent studies that seek to test legitimacy theory as applied to social and environmental disclosure. A number of these studies have found support for the explanatory power of legitimacy theory in relation to social and environmental disclosure practices (Hogner, 1982; Patten, 1992; Kokubu et al., 1994; Gray et al., 1995a; Deegan and Gordon, 1996; Deegan and Rankin, 1996; Adams et al. 1998; Brown and Deegan, 1998; Buhr, 1998; Neu et al, 1998; Simmons and Neu, 1998; Deegan et al. 1999; Villiers and Barnard, 2000; Wilmshurst and Frost, 2000; Parsa and Kouhy, 2001; Milne and Patten,2002; O’Donovan, 1999,2002; Campbell, 2004), while Guthrie and Parker (1989) in a longitudinal study of BHP’s (an Australian mining/manufacturing company) social and environmental disclosure failed to confirm legitimacy theory as an explanation. Deegan and Rankin (1997) have also pointed out that the ability to form perception through reporting is only probable if members of the public really use this
information. They have produced a study, which lends support to the hypothesis understood in legitimacy theory (as applied to environmental disclosure practices), that different groups do actually use the environmental information enclosed in the corporate reports.

By reviewing the main hypothesis of legitimacy theory, it can be said that legitimacy theory could partly explain some of the reasons behind the absence or presence of CED in a given country (see related studies). However, it seems to be failing to provide a comprehensive basis for an explanation of CED in a given country, simply because it is as well derived from bourgeois political economy theory (Deegan, 2000; Gray et al., 1995). Thus, this theory may not explain CED practices in a different social, political and economic setting such as Libyan social, political and economic setting. Libya, as mentioned earlier, has unique political and economic systems based on the "Third Universal Theory" of the Green Book. In such theory the society (the Mass) plays a dominant role in the majority of economic activities as well as an important role in industrial development through the provision of finance and other resources. The society (via central authorities) (see Chapters five and eight) is continually intervening in the economy with the purpose of achieving its development and growth aims. The members of the PCs (managers) of Libyan enterprises are members of the Popular Congresses (society) and, consequently, share in laying down national public policies for the state (see Chapters five and seven). These policies will obviously reflect their opinions and attitudes and will be in harmony with the public interests of society. They act as both decisions-makers and as actors within society where decisions are to be implemented. Thus, managers in Libya seem not to be using environmental disclosure to justify their companies' continued existence, enhancing the corporate image or the reputation status of the corporate, and anticipate or avoid social pressure rather than achieving objectives of society (for more details see Chapter eight).

Confirming evidence came from this study where “avoiding any intervention by central agencies” and “avoiding any claim from Basic People Congresses or employees” were less important reasons for non-disclosure of CED (see table 7.8, p.190). Moreover, the
results also indicate that "to give the impression of the company's complying with environmental responsibility stated by legislations such as law no. 7 of 1982" was less important reasons for disclosing CED (see table, 7.7, p.188). This also was supported by the results of the content analysis where more attention was paid to the bad news by surveyed companies (see Chapter six). Thus, they do not compete for reputation status in institutional fields and attempt to influence stakeholders' assessments by signalling firms' salient advantages (for more details see Chapter eight). This contrasts with the situation in the liberal market, where this theory has been derived from. Since, companies in such market disclose only information, which is favourable to their corporate image (see Chapter two, pp.50-51). Thus, legitimacy theory seems to be inappropriate as a basis for the explanation of CED practice in Libya. Therefore, this brings the discussion to another theory which may be used to explain CED namely, political economy theory.

3.5 Political Economy Theory

Political economy theory concentrates on exchanges that occur in any framework (e.g., the market) and the relationships among social institutions participating in such exchanges (Gray et al., 1995). Studies, which have adopted political economy theory in the context of CED, are reported underneath, suggesting that political economy theory may be used for an explanation of CED practices. The main theme of political economy theory is that political, economic and social contexts are inseparable and should all be considered in CED researches (Guthrie and Parker, 1990). Political economy, in its broadest sense, has a very long historical tradition and can be defined differently (Gray et al., 1995, p.52). Jackson (1982) defined political economy theory as "the study of the interplay of power, the goals of power wielders and the productive exchange system (Zald, 1970, p.233). As a framework, political economy theory does not concentrate exclusively on market exchanges. Rather it first of all analyses exchanges in whatever institutional framework they occur and, second, analyses the relationships between social institutions such as government, law and property rights, each fortified by power and the economy, i.e. the system of producing and exchanging goods and services" (in Gray et al., 1995a, p.52). Gray et al. (1995a) evaluated Jackson's definition and stated that "the essential point, it seems, is that the economic domain can not be studied in isolation from
Chapter Three

Theoretical Justifications for Corporate Environmental Disclosure Practices

the political, social and institutional framework within which the economic takes place. As such, it seems unquestionably (but see Benston, 1982) an apposite way of thinking about social (and environmental) disclosure by corporations” (p.52).

Gray and Kouhy (1993), Tsang (1998) and Belal (2001) are particularly critical of introducing western corporate social and environmental disclosure techniques into the different socio-cultural context of developing countries, as the socio-economic, political and cultural context of a country largely influences accounting in general and the corporate social and environmental disclosure in particular. Gray et al. (1996) and Wallace (1990) therefore maintain that the need for CED studies is acute in the developing countries.

Relating specifically to CED in Islamic countries, Hayashi (1987), Baydoun and Willett (2000), Haniffa (2001) and Ibrahim (www.Islamic-Accounting.com) are particularly critical of introducing western corporate social and environmental disclosure techniques into the different socio-cultural context of Islamic countries. For example, Hayashi (1987, p.71) suggested that “Islamic accounting thinks of the society before the business enterprise whereas conventional accounting thinks of individual profit before the social profit”. Baydoun and Willett (2000, p.81) stated that “private accountability and limited disclosure (western accounting criteria) are insufficient criteria to reflect the ethical precepts of Islam law. Consistency of disclosure practices with Islamic law requires application of the more all-embracing criteria of social accountability and full disclosure”. Ibrahim (pp.24-25) summed-up the greatest justification for the need for an Islamic accounting disclosure by saying “Accounting is a social construct. Conventional accounting has developed according to the needs of the capitalistic western society and it can only be justified in a pristine liberal economic democracy. Its underlying assumptions are wealth maximisation and utility maximisation and self-interest. Muslim society is (or ought to be) different from western society, because it is based on Divine Guidance and Sharia with a different outlook on life and different motivation i.e. to please Allah by doing what He commands and from refraining from what He forbids. Allah is not pleased with selfish profit-maximisers” (www.Islamic-Accounting.com).
There are a number of recent research studies (mainly in western countries) that attempt to interpret CSED practice (and non-practice) from a political economy perspective. Guthrie and Parker (1989) studied the annual reports for a single company, BHP, for 100 years to ascertain whether the pursuit of organisational legitimacy was a primary rationale for the disclosures. They found that political economy theory provided a better explanation of the patterns of disclosure by the company than legitimacy theory as it was discovered that, for example "management had a predisposition towards selective disclosure policies, suppressing information on some major social impact events" (Gray et al., 1996, p.158).

Guthrie and Parker (1990) used the annual reports of the top 50 companies in UK, USA and Australia to provide a comparative analysis of key aspects of disclosure types and practices in these countries. The analysis of survey results was from two theoretical perspectives of disclosure: user utility and political economy. They found that corporate social disclosure practices offer support for a political economy interpretation, as there was recognition of the tendency of communicators to set the agenda and to portray the social, political, and economic world in their own terms.

Adler and Milne (1997) used the annual reports of 122 companies listed on the New Zealand Stock Exchange to investigate the relationships between media exposure, company size, industry sector, and corporate social disclosure. They used media exposure as a proxy for public pressure. They found support for a political economy theory that public pressure motivates companies (especially large ones) to engage in corporate social disclosure.

Adams and Harte (1998) used a political economy theory in order to interpret corporate social disclosure relating to the employment of women in two sectors in the UK from 1935-1993. They examined these disclosures in the context of the wider social, political and economic development in the UK throughout this period. By considering the broader social, political and economic context, they found that a political economy explanation
encompassing patriarchy offered a better basis for understanding disclosure practice over the period than either legitimacy or stakeholder theory.

Buhr (1998) used the annual reports of Falconbridge for the years 1964-1991. She asked two key questions relating to Falconbridge’s environmental performance and disclosure. Firstly, how the corporation responded to changing environmental regulations for sulphur dioxide abatement and secondly, how it chose to present these abatement activities in its annual report. Buhr attempted to explain her results using both a political economy theory and a legitimacy theory. In contrast to Guthrie and Parker (1989), her results found that legitimacy theory provided a stronger explanation than political economy theory, as she concluded that the corporation concentrated on changing its corporate performance in response to changing environmental regulations rather than “using disclosure to influence social norms or influence the distribution of wealth and power” (Buhr, 1998, p.186).

However, the survey limits itself to a regulations context rather than other Canadian environmental factors (political, economic, and social factors), which are equally (if not more) important. For example, Gamble et al. (1996) and Fekrat et al. (1996) suggested that when such a country has a high level of social consciousness, for example, as in Sweden or Canada, then the company provides more information by way of voluntary disclosure.

Williams (1999) used a political economy theory in order to interpret voluntary CSED provided by organisations (356 listed companies) in annual reports operating in seven Asia-Pacific nations (Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia and Malaysia). He concluded that the socio-political and economic systems of nations interact to shape the perceptions of organisations in the need to release voluntary CSED that met social expectations as well as to avoid government regulation to preserve their own self-interests.

This is consistent with Bourgeois political economy theory. Williams (1999) stated that “Bourgeois political economy concentrates on the interaction of actors within a pluralistic
world (Clark, 1991, P.90). This implies that a number of different individuals, institutions and organisations, seeking to preserve their own self-interests, attempt to operate within the system through various relationships with others (Dahl, 1982,1986). The theory emphasises that actors, whether they are individuals or organisations, have the right to pursue their own goals and self-interests (Clark, 1991). These rights, however, are moderated by the social context in which they exist (Gray et al., 1996)” (p.211).

Overall, these researches, which tested political economy theory, concluded that the corporate reports are a rhetorical device used to promulgate corporate ideology in social, economic and political arenas.

Obviously, political economy theory has much to offer as a basis for explanation of CED in a given country when it is compared with agency, stakeholder, and legitimacy theories (Guthrie and Parker, 1990; Gray et al., 1996). This is because it sees the world from a point of view that involves social, economic, and political factors (external environmental factors) (two-dimensional analysis). Thus, it may be said to be concerned with altruistic behaviour (Ince, 1998). However, it fails explicitly to consider the inter-organisational factors (internal factors include: the corporate characteristics and the management attitude and cognition), which have an important role in CED practices in a given country (Ingram and Frazier, 1980; Cowen et al., 1987; Belkaoui and Karpick 1989; Patten, 1991; Alder and Milne, 1997; Tilt, 1997; O’Dwyer, 1999; Stanwick and Stanwick, 2000; O’Donovan, 2002).

Moreover, Gray et al. (1996, p.49) have marked down the following comment about these theories (stakeholder; legitimacy; and political economy theories): “they are not as yet fully fledged theories (in the CSR) but provide useful frameworks within which to study the developing practice of CSR, but we should note that we are a very long way from any complete understanding of why organisations do (and do not) undertake social and environmental accounting and disclosure”. Mathews (1997) draws attention to the need for further research to examine, for instance, if other theoretical justification can be
used to explain the disclosure of social and environmental information (reported in Parsa and Kouhy, 2001).

Hence, this brings the consideration to "environmental determinism theory", which might have a more appropriate basis for exploration of the absence or presence of CED practices in a given country. Such macro perspective of environmental determinism theory might contribute to shorten the very long way from any complete understanding of why firms disclose (or not) CED.

### 3.6 Environmental Determinism Theory

The term "environment determinism theory" was used first by Cook and Wallace (1990), to describe the association between environmental factors and accounting disclosure. However, they used the same argument of the political economy theory. They limited the term to external factors rather than internal factors. However, for the purpose of this study, the term "environment determinism theory" means the CED practices in a country are shaped not only by one single factor but by both the external and internal factors. The impact of the external factors reflects the indirect influence on the CED (Roberts, 1990; Gray et al., 1996; Hackston and Milne, 1996; Adams et al., 1998; Belal, 2001; Kolk et al., 2001). Whereas, the internal factors reflect the direct impact of those involved in the disclosure process, namely the managers as they are the ones who have the final say on what information to disclose, especially in the case of voluntary disclosure (Jaggi and Zhao, 1996; O'Dwyer, 1999; O'Donovan, 2002; Lodhia, 2003).

Thus, the main difference between environmental determinism theory and political economy theory is related to their scope (see figure 3.3). The political economy theory, as mentioned above, limits itself only to external (intra-country) factors, whereas environmental determinism theory overcomes such shortage by using a combination of external (intra-country) and internal (inter-organisational) factors to explain CED practices in a given country (three-dimensional analysis). It includes and widens the scope of political economy theory.
Chapter Three Theoretical Justifications for Corporate Environmental Disclosure Practices

Figure (3.3) The Difference between Environmental Determinism Theory and Political Economy Theory

Environmental determinism theory

- Inter-organisational factors
- Internal factors
  - The corporate characteristics and the management attitude and cognition

Political economy theory

- External factors
  - Social, political and economic contexts

The only study which used such a view of the environmental determinism theory in CSED literature was undertaken by Haniffa and Cooke (2002). They investigated the extent of voluntary social and non-social disclosure in Malaysia, which has a different environment from this study (Libya). They assessed whether the three types of factors namely, company-specific characteristics, corporate governance and culture are associated with the level of disclosure. They found a significance association between these independent variables and the level of CSED. However, there is a need to factor dimensions other than culture, such as political and economic contexts, along with internal factors to recognise many of the factors affecting CED practice in a given country (the main theme of environmental determinism theory). Therefore, the remainder of this section reviews both the internal and external environmental factors affecting disclosure practices in general and CED practices in particular.

3.6.1 Internal Factors

The internal factors affecting environmental disclosure practices by an individual company, as mentioned earlier, are dependent on two elements: the corporate characteristics, and the attitude and cognition of individuals involved in the CED process. Haniffa and Cooke (2002) stated that the characteristics of the firm, which might affect
Chapter Three

Theoretical Justifications for Corporate Environmental Disclosure Practices

corporate disclosure refer to size; industry type; listing age; foreign listing status; foreign activities; complexity of the business; level of diversification; gearing; profitability; type of auditor; assets in place; and ownership structure (see also, Ingram and Frazier, 1980; Cowen et al., 1987; Patten, 1991; Alder and Milne, 1997; Tilt, 1997; Gray and O'Dwyer, 1998; Gray et al., 2001). However, as most of these characteristics such as listing age; foreign listing status; foreign activities; complexity of the business; level of diversification; gearing; profitability; and ownership structure do not exist in the Libyan political and economic system (see Chapter five), it is beyond the scope of this study to examine these characteristics⁴. Thus, more attention is given to management attitude and cognition in this study.

Management Attitude and Cognition

One of the most important influences on environmental disclosure practices is the person involved in the process. This is particularly important and pertinent for voluntary disclosure because the final decision for disclosure of such information is in the hand of the people involved in the disclosure process particularly, the boards of directors (O'Dwyer, 1999; Haniffa and Cooke, 2002; O'Donovan, 2002). They are the people in the position to make decisions as to what and how much to disclose, because they have to be accountable and responsible for their actions. In making their decisions, cognitive factors such as knowledge and skills will have significant influence. Furthermore, as directors have the option in deciding on environmental disclosure, they may prefer not to disclose information that may reflect their weaknesses. However, this depends on their beliefs and attitudes.

A number of empirical studies have focused on the view of accountants and managers in terms of their role in social and environmental disclosure (Bebbington et al., 1994; Deegan et al, 1996; Frost and Wilmhurst, 1996; Jaggi and Zhao, 1996; Wang et al., 1997; Wycherley, 1997; Perry and Teng, 1999; Lodhia, 2000; 2003).

⁴ However, it is worth mentioning that the sample of this study was chosen according to the type of industry and the size of companies (see Chapter four).
The results of these studies pointed out that accountants are not broadly involved in the social and environmental disclosure practices of businesses. These findings are consistent with conclusions of Gray et al., (1995a) who suggest that accountants are currently uninvolved in bringing about organisational change through the incorporation of environmental management strategies into the management accounting practices of businesses. It is believed that accountants are largely unaware of how their skill could be utilised in creating a heightened awareness of environmental sensitivity in organisations. Lodhia (2000, 2003) referred that to: (1) the lack of their competence in environmental matters and (2) the voluntary nature of the present environmental disclosure practices.

Jaggi and Zhao (1996)’s study was one of the initial studies, which were concerned with the people involved in the process (managers of companies). Jaggi and Zhao concluded that there is a growing awareness among managers of the need for environmental performance by firms and disclosure of environmental information. There is, however, a gap between managers’ perceptions and actual company environmental performance and reporting in Hong Kong.

Perry and Teng (1999) asked non-disclosing companies in Singapore to explain their lack of CED. The three main reasons cited were: (1) a lack of government pressure; (2) a lack of perceived benefit, either in terms of status with respect to consumers or within the business community; and (3) a perception that their organisation does not have any environmental impact.

O’Dwyer (2002), who investigated the perception of managers about the motivations for CSED within annual reports, provides a view that Irish companies are the subject of major social pressures particularly coming from local communities, environmental pressure groups, and the print media. There was a general acceptance that social pressures generated a need for the companies to be responsive, with managers in environmentally sensitive sectors indicating that their annual report disclosures did tend to be reactive and were tied to a desire to mend legitimacy.
However, O'Dwyer and Gray (1998) and O'Dwyer (2000) indicated that many of these companies provided minimal disclosures. This gap between managers' perceptions and actual environmental reporting might need further research to consider other environmental factors (external factors). As Gray et al. (1995) stated that the reasons behind the management's decision to disclose CED depend, principally upon the culture and competence in environmental matters of companies' managers, along with the political and economic contexts surrounding the organisations. Moreover, educational background can be an important determinant of disclosure practice with better educated managers being more likely to adopt innovative activities and disclose more voluntary information including CED (Hambrick and Mason, 1984, Derwent, 1989, Gray, 1990, Bebbington et al, 1994, Haniffa and Cooke, 2002, Lodhia, 2003).

Thus, understanding CED in a given country can come from inside individuals (managers) by looking at their perspectives and competence and not just from studying corporate reports (O'Dwyer, 2002; O'Donovan, 2002). However, a complete picture needs more consideration to be paid to economic, political and social contexts (external factors) surrounding the organisations (the suggested three-dimensional approach). This, therefore, brings the discussion to these external factors.

3.6.2 External Factors

3.6.2.1 Economic System

The economic system has been one of the factors acknowledged as influencing disclosure practices. Mueller (1967), Frank (1979); Gray et al. (1984), Arpan and Radebaugh (1985), Puxty et al. (1987), Choi and Levich (1990), Cooke and Wallace (1990), Adhikari and Tondker (1992) and Ahmed and Nicholls (1995) have all recognised this factor to be important in discussing accounting disclosure practices. In looking at the impact of the economic system on disclosure, researchers have broken it into two components: (1) the type of economy; and (2) the level of economic development.

The structure or type of economic system is thought to be an important factor influencing the extent of CSED in a given country (Puxty, 1986, 1991; Tinker et al., 1991; Gray et
al., 1996). Broadly, the type of economy is classified as bourgeois (most usually associated with John Stuart Mill and subsequent economists) or classical (most usually associated with Marx) (Gray et al., 1996).

In the bourgeois economic system, the survival of private enterprises, which play a dominant role in most activities of such an economy, depends not only on the production of goods and services but adequate information to various interest groups from investors and creditors to the capital market in general (Belkaoui, 1985). The core concern of such investors, shareholders, and creditors relates to the current and future financial impacts of environmental issues. They are interested in gaining a better understanding of true assets and liabilities of any organisation that they are buying into or lending money to (Medley, 1997). Thus, demand for financial disclosure in a bourgeois economy, vis-à-vis classical economy, is of greater importance than environmental performance information (Deegan and Rankin, 1997).

Beside the structure or type of economic system, the level of economic development has received extensive attention recently as a more important factor impacting CSED practices (Williams, 1999; Gao et al., forthcoming). Hypothetically, there should be a positive impact on the level of CSED practices in a given country as the level of economic development increases (Xiao et al., forthcoming). Empirical researches examining the influence of the level of development on CSED practices, however, have produced inconclusive results. Williams (1999) studied whether there is an association between the level of economic development and the extent of CSED information presented in annual reports of listed companies in the Asia-Pacific region. He found no association between the two variables.

However, Xiao et al. (forthcoming) found that the level of economic development was a significant explanatory variable of noted variations in CSED practices between UK and Hong Kong. This disagreement between Williams and Xiao et al. could be, in the researcher's opinion, justified as while Williams undertook his survey in the Asia-Pacific region where these countries might have a quite similar economic development level,
Xiao et al. made their comparison between a developed country (UK) and a new industrialised country (Hong Kong), which have quite different social and economic development levels.

This discussion provides impetus for this study, which focuses on CED practices in Libya which has a unique economic system. It is neither bourgeois political economy nor classical political economy (see Chapter five).

3.6.2.2 Political System

One factor that may also influence disclosure is the political system. This factor was considered in studies by Nair and Frank (1980), Belkaoui (1983, 1985), Goodrich (1986), Cooke and Wallace (1990), Gastil, (1990), Cooke and Kikuya (1992), Ahmed and Nicholls (1995) and Williams (1999). There is likely to be a positive relationship between accounting freedom to report and disclose, and political freedom. The degree of political freedom in a given country is assumed to depend on the degree of political rights, civil liberties, and the type of political system (Belkaoui, 1983; Gastil, 1990). If so, it can be said that the more political freedom a country has, the more there is freedom in accounting disclosure.

Williams (1999) tested the relationship between political & civil systems and voluntary social and environmental disclosure in the Asia-Pacific Region. He emphasised that "organisations in less-repressed societies have a greater incentive to disclose voluntary social and environmental information in response to greater expectations for organisations to conform to a broader set of societal interests. Conversely, firms in a more repressed social structure may be inclined to limit voluntary social and environmental information or make none at all for greater government scrutiny and regulation"(p.213). The findings of the survey, which were in line with prior theoretical and empirical studies relating disclosure practices to the political and civil systems (e.g. Belkaoui, 1985; Goodrich, 1986), indicated that political and civil systems explain part of the variation of CSED between companies operating in different nations in the Asia-Pacific Region.
Obviously, the present study tries to utilise the political system to explain the extent of CED practice in Libya, as the political system in Libya is unique as well. It is based on the political philosophy of the Green Book, which combines socialist and Islamic theories and rejects parliamentary democracy, political parties and any other kind of political system (in the world today) rather than people authority. People authority means that people decide all matters of policy and their decisions are carried out by people committees and central authorities (see Chapter five).

3.6.2.3 Legal System

The legal system has been cited in the literature as a factor that has influenced accounting and disclosure practices (e.g. Puxty et al., 1987; Salter and Doupnik, 1992; Doupnik and Salter, 1995; Iqbal et al., 1997). Doupnik and Salter (1995, p.195) stated that “the legal system is a part of the institutional framework with which the accounting system is likely to interact. The legal system influences the way in which accounting rules are promulgated, which in turn could influence the nature of the rules themselves”.

Thus, there should be a positive impact on the level of CSED practices in a given country as the level of regulatory development; including those for accounting within legislation have a greater incentive to disclose information. The literature shows that the level of CED in those countries where such disclosure is required by law has been improved. For example, in 2000 the business advisory firm Deloitte and Touche made an investigation of environmental information in annual reports of the 55 largest companies in Norway (one of the leading countries in mandatory disclosure). The results indicate that information had improved in 65% of the annual reports. The changes are both in the amount of information and contents (reported in Nyquist, 2003). Also worthy of mention is the significant rise in the number of French companies reporting CED according to KPMG (2002), up from 4% in 1999 to 21% in 2002. This was a result of the mandatory reporting requirements which were introduced from financial year 2002 (Owen, 2003). This is consistent with Buhr (1998) who found that the corporation concentrated on changing its corporate performance in response to changing environmental regulations. Moreover, Deegan and Rankin (1999) found that management of surveyed companies in
Australia which was included in Williams’s (1999) survey, considers legal obligations to be more important than other factors influencing the decision to disclose environmental information.

This might partly explain the differences between developing and developed countries in terms of CED practices, where the level of environmental legislation in developing countries is still low when compared to developed countries. Furthermore, this legislation has little or no direct implications for accounting and reporting practices (Belal, 2001; Jamil et al., 2002; Rajapakse, 2002; Surmen and Kaya, 2003).

However, CED could also improve in the context of the absence of legal requirements. For example, the KPMG survey of 2002 found that the UK, where there is no legal requirement for CED, has taken the lead in Europe with 49% of the top 100 companies producing separate environmental reports. Buhr and Freedman (1996) made a comparison between mandated and voluntary environmental disclosure in US and Canada. They found that US companies provided more mandated disclosure and Canadian companies provided more voluntary disclosure. However, they noted that Canadian companies, where no legal requirements, were likely to provide CED than their US counterparts.

Other studies which were conducted by Jones (2002), KPMG (2002) and Holland and Foo (2003) found that British companies produced more environmental information than US companies (see Chapter two, p. 27 and figure 2.3, p. 49). This might support the view that understanding CED in a given country cannot come only from its legal system, but from its combination with other environmental factors including social and cultural context (Gamble et al., 1996; Fekrat et al., 1996).

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5 This survey did not find any influence of the legal system on the extent of CSED. This might relate to the limitation of this study, as the surveyed companies were from one region which almost has the same circumstances.

6 This result supports what has been indicated by the literature as a disadvantage of mandatory disclosure by saying “it would result in companies only complying with the letter of the law and not going any further” (Dierkes and Coppock, 1978; Huizing and Dekker, 1992). For more details about the advantage and disadvantages of mandatory disclosure see Chapter two, pp. 25-27.
3.6.2.4 Culture and Religion

In the simplest form, culture is defined as the "ideas, beliefs, and customs that are shared and accepted by people in a society" (Longman Dictionary, 2000 p.330). According to Hofstede (1980, p.25), culture is "the collective programming of the mind which distinguishes the members of one human group from another". Rohner (1984, p.119) defined culture as "the totality of equivalent and complementary learned meaning maintained by a human population, or by identifiable segments of a population, and transmitted from one generation to the next". Baydoun and Willett (2000, p.74) stated that "culture is a set of beliefs (which have a probable effect on behaviour and are thus correlated with it in a statistical sense) communicated in a language to members of the defined language community. Religious beliefs are a subset of these total beliefs and therefore a part of culture".

In brief, while the concept of culture has been defined in different ways, the shared aspects between these definitions have been summarised by Buzied (1998, p.90) as follows:

- Culture is the characteristic of a certain society or group of people, which makes their attitudes or behaviour to some extent predictable;
- Each society has its own culture which is shared by most of its members and differs from other societies;
- Within any culture we can find subcultures such as organisational culture or occupational culture;
- Culture values are not easy to change and remain stable for a long time; and
- Culture plays a significant role in determining an individual's behaviour.

The importance of culture in influencing accounting practices has received much attention (Jaggi, 1975; Arpan and Radebaugh, 1985; Gray, 1988; Perera, 1989, 1994; Cook and Wallace, 1990; Perera and Mathews, 1990; Kirsch, 1994; Baydoun and Willett, 1995; Mathews and Perera, 1996; Baydoun and Willett, 2000; Haniffa, 2001; Haniffa and Cooke, 2002). For example, Mathews and Perera (1996, p.349) stated that "Culture is often considered to be one of the powerful environmental factors impacting upon the accounting system of a country. Accounting is a socio-technical activity it involves
dealing with human and non-human resources or technical as well as with the interaction between the two. Therefore, it can be argued that, although the technical aspect of accounting is less culturally dependent than the human aspect, since the two interact, accounting cannot be culture free”.

A number of cultural factors (societal values) are likely to be directly associated with accounting. Conservation, secrecy, attitudes towards business, and attitudes towards the accounting profession were identified by Arpan and Radebaugh (1985) as the most important culture factors.

Arpan and Radebaugh (1985, pp. 17-18) stated that the degree of conservatism influences a number of accounting principles and practices, especially valuation and profit determination. The society’s secrecy most directly affects the amount of disclosure an enterprise is willing to make in its external reporting (i.e. the greater the level of secrecy or distrust of outsiders, the lower the level of disclosure). Societal attitudes towards business, e.g. distrust generate demands for more information and closer scrutiny of business operations, perhaps even regulation or nationalization. The information requested is likely to encompass far more than mere financial data and to include the enterprise’s treatment of employees, social and political activities and contributions, environmental impacts, and so on. The attitude toward the accounting profession affects the status of the profession, the type of person who enters it, its credibility, and the work that accountants perform.

Hofstede (1980), alternatively, identified four distinct dimensions of values (individualism versus collectivism7; large versus small power distance8; strong versus

7 On the individualist side, individuals are supposed to take care of themselves and of their immediate families only. On the collectivist side, individuals throughout their lives remain emotionally integrated into in-groups which protect them, in exchange for unquestioning loyalty. It opposes “I alone” societies to “We together” societies. Please note that the term “collectivism” in this sense not refer to any political system: it operates at the level of the group, like the extended family.

8 Power distance, from large to small, is defined as the extent to which members of a society accept that power in institutions and organisation is distributed unequally. Fundamentally, it describes a society’s way of handling inequality: from institutionalizing and accepting, it, to minimizing it. It identifies some societies as more, and other as less, unequal.
weak uncertainty avoidance\(^9\); and masculinity versus femininity\(^{10}\), which he considered to reflect cultural orientation of a given country\(^{11}\).

Most of the recent accounting studies of culture have used Hofstede's dimensional model to identify cultural factors that are likely to be associated with accounting practices (Gray, 1988; Perera, 1989). Gray (1988), based on Hofstede's work (1980), developed a model, which illustrates "the mechanism by which values at the societal level are linked to values at the accounting subculture level as it is these values which are likely to influence the development of accounting systems in practice" (Gray, 1988, p.5). He developed his own classification by identifying four accounting values at the subculture level: professionalism versus statutory control, uniformity versus flexibility, conservatism versus optimism, and secrecy versus transparency.

Perera (1989) used Gray's model to examine the association between societal values and accounting in developing countries. The study found that collectivism, a relatively low level of professionalism, strong uncertainty avoidance, and large power distance are characteristics of developing countries. Perera (see, also, Buzied, 1998\(^{12}\)) suggested that in developing countries there exist favourable conditions for legal and governmental control in accounting and a strong preference for uniformity.

Perera and Mathews (1990) considered the association between culture and accounting and they paid particular attention to the impact of culture on social accounting. They

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\(^9\)Uncertainty avoidance, from strong to weak, is defined as the level of anxiety within members of a society in the face of substructure or ambiguous situations expressed in aggression and emotion, in institutions promoting conformity, in beliefs promoting certainty. Fundamentally, it describes a society's intolerance for ambiguity: from trying to control it at all costs, to accepting to live with it. It identifies some societies as rigid, and others, as flexible.

\(^{10}\) On the masculine side, we find strongly differentiated social sex roles: the masculine role implies achievement, assertiveness, and sympathy for the strong and material success. On the Feminine side, we find overlapping social sex roles: both imply warm relationships, modesty, care for the weak, and quality of life. It opposes tough, competitive societies to tender, solidarism societies.

\(^{11}\) While some argued that the definitions of culture dimensions may be biased because they are a product of western culture and thinking, studies carried out later found support for validity and reliability of these dimensions (Hofstede and Bond, 1984, 1988; Ronen and Shenkar, 1985).

\(^{12}\) This study was undertaken in Libya as a developing country. According to the cultural values in relation with the accounting sub-culture, it suggested that the uniform accounting model seems to be more useful in Libya.
concluded that research on social accounting was mostly based on market studies, philosophical considerations and radical theory. They stated that little attention has been offered to any possible impact of national and regional culture and sub-culture on the development of social accounting. They suggest that culture (which reflects a country’s economic and political conditions, the strength or weakness of influence of marginal economic values, the influence of the capitalist system and its social reproduction, lethargy, inertia, and the resistance to change often exhibited by the accounting profession) may be associated with the acceptance or rejection of the notion of social accounting in a country. They use “employee reporting”, “industrial democracy” or “worker representation”, and “environmental disclosure” as examples of differences in reporting practices among Anglo-American and Continental European countries. Especially, they argue that advancement in industrial democracy, which has made employees a powerful force in Continental European countries, makes these countries more concerned with “employee reporting” than the UK and US, whereas the predominance of consumerism and environmentalism in Anglo-American culture makes “environmental disclosure” more advanced in the UK and US.

Williams (1999) tested the relationship between two of Hofstede’s dimensions (uncertainty avoidance and masculinity versus femininity) and voluntary social and environmental disclosure (VSED) in the Asia-Pacific Region. He found that uncertainty avoidance and masculinity explain part of the variation of VESD between companies operating in different nations in the Asia-Pacific Region.

Referring particularly to Islamic religion, Baydoun and Willett (2000) examined the relationship between Islamic religion and accounting disclosure. They stated that there are a number of basic elements in an Islamic attitude towards business matters that vary from the Western viewpoint. For example, accounting, under the principle of the Sharia that claims the Unity of God\(^\text{13}\), the community and environment require a form of social

\(^{13}\) The Unity of God is defined by the tawhid, which requires a total commitment to the will of God involving both submission and a mission to follow the Sharia in all aspects of life (Baydoun & Willett, 2000, p.80).
accountability\textsuperscript{14} rather than the personal accountability found in Western societies and accounting practices. As a result, under Islamic law a principle of full disclosure of accounting information is based upon what should be disclosed in order to serve the objective of social accountability, not on the outcome of a political process\textsuperscript{15}.

More recently, Haniffa (2001) suggested the use of the Sharia Islami'iah framework in developing Islamic social responsibility disclosure to fulfil both accountability and transparency objectives as it addresses the relationships between man and Allah, man and man and also man and nature. As such, it takes into account the material, moral and spiritual aspects. He then suggested two broad objectives of Islamic social responsibility disclosure and identified six themes (finance & investment, product, employees, debtors, society, and environment). Haniffa's suggestion indicates the importance of taking care of the environment in Sharia Islami'iah. The concepts of mizan (balance), i'tidal (moderation) and khilafah (responsibility) stress the concepts of balance, moderation and responsibility to maintenance the environment and any act utilisation of environment is strongly condemned in Islam. As such, information linked to use of resources and programmes undertaken to protect the environment should be disclosed.

Moreover, to disclose social and environmental responsibility information, Haniffa (2001, p.18) suggested that "a qualitative report with some quantitative data addressing the important items in the six themes (i.e. in the form of narrative disclosure, statistical summaries, social indicators and compliance with standards and principles of Sharia Islami'iah) should be the first step in developing Islamic social responsibility reports as not all users of corporate reports are able to comprehend information presented in the format of accounting financial statements". This perhaps explained the reason for the findings of Sulaniman (2001) who concluded that Value Added Statements as proposed

\textsuperscript{14}Ibrahim (www.Islamic-Accounting.com, p.25) stated that "accountability would be the most logical framework on which Islamic accounting theory can be constructed. Hopefully accountability of organisations (which is a subset of the Muslim's accountability to Allah or God) can be re-established in Muslim societies more easily than western societies, unless the Muslim countries follow the western countries into the lizard's hole of social disruption and environmental degradation".

\textsuperscript{15}More specifically, Baydoun and Willett (1997) argued that accounting implication of the Sharia includes four titles: the need to properly compute Zakat, the prohibition of interest, the concept of social accountability and the concept of full disclosure.
by Baydoun and Willet (2000) not being perceived by Muslim accounting users in Malaysia as increasing usefulness (Haniffa, 2001).

Anuar et al. (2004) compare the CED practices of Shariah approved companies (which are conducting their activities in strict accordance with Islamic principles) with the CED practices of non-Shariah approved companies that operate in Malaysia. The results provide some evidence that Shariah approved companies have a higher level of CED compared to non-Shariah approved companies. The findings in this study, therefore, suggest that the higher extent of CED amongst Shariah approved companies may be reflective of an attempt by such companies to practise corporate reporting which embodies the Islamic principles of full disclosure and social accountability.

Consequently, to get a better understanding for CED in a given country, culture values, including religious beliefs are important to be taken in the account. As culture values, including religious beliefs of managers in the nation may make them take a specific view of what is an acceptable, tolerable and sensible level of disclosure (Puxty et al., 1987). This study, hence, tries to utilise the social system, including culture and religion to explain the extent of CED practice in Libya. In Libya, there are some culture traits (e.g. strong social relationship, and Islamic beliefs), not found in other western developed countries that might have a significant impact on CED practice in the country.

3.6.2.5 Accounting Profession and Education

Studies such as Radebaugh (1975), Hove (1986), Wallace (1987), Foo (1988) and Ahmed and Nicholls (1995) stated that the professional experience of accountants is also a significant determinant of disclosure practice. Radebaugh (1975, p.45), in particular recognised that "the accounting profession can be an important influence on the development of accounting objectives, standards and practices. Three phases of the profession are important: the nature and extent of the profession, the existence of professional associations, and the auditing function. The mere existence of the profession is not as important as the level of sophistication of the profession".
Thus, the existence of a well-organised accounting profession is seen as vital in improving the disclosure practices adopted particularly in developing countries. Hove (1986) recommended that accountants in developing countries ought to be aware that accounting that has been practised in developed countries may not be relevant and thus, they must try to develop and suit the practice to the national environment. He in addition suggested that attempts should be made to train accountants to be “thinking people” rather than “number crunchers” so as to enable them to perform in different environments.

This situation is different in most of the developed countries where the accounting profession is well established and the accountants have more professional experience. Therefore, the accounting bodies in such countries are in a better position to make recommendations on accounting in general and on social and environmental disclosure in particular compared to their counterparts in developing countries. For example, the professional bodies (in the UK) have been committed to make a contribution in the areas, e.g. ACCA has commissioned and published research related to CSED. It has also set up the Environmental Reporting Award Scheme (it is, also, introduced in other developed countries\(^\text{16}\) such as, Australia, Canada, Denmark, the Netherlands, and New Zealand) encouraging companies to experiment with ways of bringing details of their environmental performance to the attention of the City financial institutions and other interested parties. The ICAEW environmental steering group has published a discussion paper aimed at ascertaining whether existing accounting principles are adequate for environmental issues and recommending additional guidance on subject of impaired assets. The Institute supports the development of more uniform disclosures (Elliott and Elliott, 1999, p.744). In Australia, the accounting profession has, also, put in place a number of initiatives. For example, the ICAA established its Environmental Accounting Task Force in 1995. Among other roles, this taskforce seeks to raise the awareness of ICAA members in relation to reporting issues associated with the environment (Deegan and Rankin, 1999). Furthermore, the Auditing Standards Board (ASB) of the Canadian

\(^{16}\) Some of the newly industrial countries such as Singapore and Malaysia have established the Singapore Environmental Reporting Award (SERA) and Malaysian Environmental Reporting Award (MERA) in the mid of 2002. Both schemes are modeled on the ACCA’s UK Awards scheme (Thompson, 2003, p.18).
Institute of Chartered Accountants (CICA) issued the guideline “Audit of financial statements affected by environmental matters” to provide detailed guidance to auditors about their responsibility to consider environmental matters when planning and performing audits (CICA, 1994). The “Reporting on environmental performance” was publicised by CICA as well in the same year. These efforts and recommendations on CED have had an undoubted positive impact on the development of environmental reporting (Gray and Bebbington, 2001). In the UK the ACCA Award scheme has greatly helped promote the development of CED. Johnson notes that “reporting only really took off in the UK after ACCA started the Awards. In the first years there were few applicants, but now there are very few FTSE250 companies that do not report” (reported in Thompson, 2002, p. 18).

Moreover, the ability of accountants to handle complicated accounting issues and prepare adequate and sophisticated accounting reports depends on their level of competence which in turn depends on the level of formal accounting education and/or training they received. Thus, the existence of a well-developed system of accounting education is vital in improving the accounting and disclosure adopted in a country (Radebaugh, 1975; Enthoven, 1981, Bursal, 1984, Arpan and Radebaugh, 1985, Doupnik and Salter, 1995).

The most important problem of accounting in developing countries, including Libya (see Chapter five) relate to the lack of qualified instructors and educators, good textbooks and research (Foroughi, 1981). In contrast, the general level of education, in developed countries is high. For example, professional accounting education in the UK has existed since 1854 and is now regarded as achieving high standards (Arnold et al., 1994). This might partly explain the differences between developing and developed countries in term of CED practices.

3.7 Summary

This chapter has examined the various descriptive theoretical perspectives that have been used in an attempt to interpret CED practice, including agency theory, stakeholder theory, legitimacy theory and political economy theory. These theories explain CED practices
each from different standpoints and assumptions. However, they seem “fuzzy” in the sense that all of them are logical and acceptable and none could be voted as the best theory to explain CED practice. This is due to the overlapping of these theories, and the emphasis in each study. Moreover, these theories have been mainly developed in liberal market contexts. The chapter argued that the use of theories that were originated in a political, economic and social setting to explain disclosure practices in a different social, political and economic setting such as Libya is questionable.

However, the chapter argued that political economy theory has much to offer as a basis for explanation of CED in a given country when it is compared with agency, stakeholder, and legitimacy theories. This is because it sees the world from a point of view that involves social, economic, and political factors (external factors). However, political economy theory fails explicitly to consider the company-specific environment (internal factors that include: the corporate characteristics and the management attitude and cognition), which have an equally (if not more) important role in corporate CED practices in a given country. Literature draws attention to the need for further research to examine, for instance, if other theoretical justification can be used to explain the CED. The chapter has therefore, focused on Environmental Determinism Theory, which takes a wider view (macro perspective) in explaining the absence or presence of CED practices in a given country. This theory adds a new dimension to the political economy theory namely internal environmental factors (inter-organisational factors). It assumes that to get more appropriate understanding for CED practices in a given country, both internal and external factors (intra-country) should be taken into account (three-dimensional analysis).

Supporting this new approach, this study examines CED practice for industrial companies in Libya. Specifically, the study investigates environmental influences on the CED decision within the context of Libya. This involves obtaining empirical data from and about CED practices of Libyan industrial companies. Collecting and analysing data requires adopting a research strategy. The next chapter will explain research methodology and methods available in the literature to conduct such a study and the research methodology and methods adopted for this study.
Chapter Four
Research Methodology

4.1 Introduction

4.2 Content Analysis
   4.2.1 Definition of Content Analysis
   4.2.2 The Essential Stages of Content Analysis Method Carried Out
   4.2.3 Period and Sample Chosen for the Libyan CED Study

4.3 Historiography

4.4 Questionnaire
   4.4.1 Questionnaire Design
   4.4.2 The Content of the Questionnaire
   4.4.3 Population and Sample

4.5 Summary
4.1 Introduction

The investigation of the Libyan industrial companies' environmental disclosure emanated from three sources. It emanates from (1) the results of an analysis of the CED content of reports of such companies for the years 1998-2001; (2) the managerial perspectives on CED and corporate environmental responsibility; and (3) the political, economic and social contexts and how these environmental factors might influence CED practice (or non-practice) in Libya.

The research was, thus, conducted with such a triangulation approach. Triangulation manner denotes the use of different techniques of collecting data for a single research project (Campbell and Fiske, 1959; Gross et al., 1971; Smith, 1975; Denzin, 1978; Jick, 1979; Yin, 1984; Bonoma, 1985; Patton, 1987; Neuman, 2003). Denzin (1978, p.291) defined 'triangulation approach' as "the combination of methodology in the study of the same phenomenon". Patton (1987, p.60) defined it as "building checks and balances into a design through multiple data collection strategies".

Using this approach "researchers can improve the accuracy of their judgments by collecting different kinds of data bearing on the same phenomenon" (Jick, 1979, p.602). Indeed, collecting different types of data from different sources and by different means results in a broader and fuller picture of the phenomenon or unit of analysis under study (Bonoma, 1985).

Three methodological approaches (qualitative and quantitative) were utilised in this study, namely, content analysis, historiography, and questionnaire (see, figure 4.1). Such triangulation might ensure the validity and reliability of the research.

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1 Qualitative and quantitative methods can be seen as complementary rather than as adversaries (Sieber, 1973; Smith, 1975; Jick, 1979; Denzin, 1978; Van Maanen, 1983; Ghauri et al, 1995).
While the research methodology was summarised in Chapter one, this chapter provides the details of the research method. It includes the following aspects: the first part considers content analysis method. Historiography and questionnaire methods are then described in the second and third parts respectively. The final part provides a summary.

4.2 Content Analysis

Content analysis method was first used by non-accounting social scientists (Rosenberg et al., 1990; Hansen et al., 1998; Neuman, 2003). One of its first uses was in World War II when it was applied to analyse the content of newspapers (also known as quantitative newspapers analysis) and radio. It has been applied to films and television afterward (Krippendorff, 1980, Wimmer and Dominick, 1983, Hansen et al., 1998, Neuman, 2003).

However, more recently it has been adopted by accounting researchers. For instance, content analysis was used by Higson (1987) to examine the content of audit manuals to find out similarities and differences in the audit emphases of accounting firms; and by McArthur (1988) to determine the economic and political impact of UK Exposure Drafts on corporate lobbying activity. It was used also in the financial disclosure field by a number of researchers such as Cerf (1961), Buzby (1975), Barrett (1976), Robbins and Austin (1986), Wallace (1987, 1988, 1989) and Cooke (1989, 1991, 1992).
According to Wolfe (1991), carrying out a content analysis may provide some advantages to the researcher. These advantages are summarised as following (p.282):

- Content analysis is unobtrusive, neither the sender nor the receiver of analysed messages is aware that the messages will be analysed;
- Content analysis of various types of documents produced on regular scheduled basis presents an opportunity to develop longitudinal data bases;
- Content analysis allows the researcher to work directly on a core human and organisational behaviour-communication (Weber, 1985);
- Content may facilitate researchers of differing methodological and theoretical persuasions to work together thus potentially contributing to the convergence of theoretical and empirical perspectives;
- Analysing naturally occurring language has advantages over numerical analyses for understanding and describing many organisational phenomena (Daft and Wiginton, 1979);
- Content analysis facilitates linking summary statistics to natural language thus resulting in research outcomes having face validity and meaning to everyday actors as well as scientists (Gephart and Wolfe, 1989).

The definition, the process of content analysis method, and how is it applied in this study, are described below.

**4.2.1 Definition of Content Analysis**

Content analysis has been used broadly in previous studies into corporate social and environmental disclosure (see table 4.1) with most designs being based on the studies of Ernst and Ernst (1976 et seq.), Guthrie (1982, 1983) and/or Guthrie and Mathews (1985).

Guthrie and Mathews (1985) stated that “Content analysis involves the selection of analytical categories to characterise the content of written material. The distinguishing characteristics of content analysis are that it must be objective, systematic and quantitative. The requirement of objectivity stipulates that variables be defined so precisely that it will allow any item to be judged as either belonging or not belonging to a particular category. These categories must be defined precisely so that independent judges applying them to the same messages can achieve the same results. Using systematic categories and consistent application of the criteria for measurement, the study should be capable of replication with similar results. The second characteristic, that of being systematic, means that the inclusion and exclusion of categories must be done in
accordance with applied rules. Each set of related categories should be exhaustive and mutually exclusive, and defined so that assigning an item to a category is not a discretionary process. The third characteristic, quantification, is perhaps the most distinctive feature; it distinguishes content analysis from ordinary critical reading”.

Gray et al (1995b, p.80) add another characteristic distinguishing content analysis: shared meanings. Shared meanings “means that definitions employed in the data collection are negotiated to achieve shared meaning which recreate the same referents in all the associated researchers”.

However, while various authors have proposed definitions of content analysis, the procedures or steps of analysis suggested by writers take almost the same paths. For instance, one of the early studies, Berelson (1952, p.18) defined it as “a research technique for the objective, systematic and quantitative description of manifest content of communication”. Holsti (1969, p.14), as well, defined it as “any technique for making inferences by objectively and systematically identifying specified characteristics of messages”. It is, also, defined by Carney (1972, p.25) as “a research technique for making inferences by objectively and systematically identifying specified characteristics of messages”. Similarly, Abbott and Monson (1979, p.504) as “a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity”.

Moreover, Krippendorff (1980, p.21) defined the method as “a research technique for making replicate and valid inferences from data to their context”. Wolfe (1991, p.282), furthermore, defined it as “coding words or other units of text against particular schema of interest reducing the text to more structured and concise units of information so that inferences can be drawn about the text or its source”. More recently, content analysis was defined by Hansen et al. (1998) as “a method for the systematic analysis of communications content”.

As can be seen from the previous examples, in spite of the difference in the definitions, the vital purpose of content analysis is to make inferences from the message (textual or
These inferences can be about the sender (s) of the message, the message itself, and/or the receiver (audience) of the message.

**Table (4.1) Characteristics of selected papers of content analysis**

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**Source:** The structure of this table and some studies were adopted from Uneman (2000, p.668).

**Notes:** DAR = Documents analysed (Annual report and accounts only); ND = Number of Document; NW = Number of Words; NS = Number of Sentences; NL = Number of Lines; NP = Number of Pages; % P = Per cent of Pages; % TD = Per cent of Total Disclosure.
4.2.2 The Essential Stages of Content Analysis Method Carried Out

Content analysis, as a result of the above discussion, seeks to analyse text or language by reference to incidence with certain pre-selected words/sentences are mentioned. It based on the assumption that the more frequently a word/sentence is used, the more significant it is to the subject.

However, there are a number of essential stages in any content analysis and choices have to be made at each stage. These stages are listed by Weber (1984; 1994); Wolfe (1991) as following:

1. Identify the question (s) to be investigated;
2. Determine the sampling units;
3. Determine and define the content categories;
4. Determine the recording unit;
5. Determine the coding mode;
6. Test coding on sample of text; and
7. Assess reliability and validity.

4.2.2.1 Identify the Question (s) to be investigated

Weber (1994) recommended that the researcher first identify the research question (s) to be investigated. In seeking to understand CED in Libya, this study does this initially by providing the first detailed and longitudinal description of the extent of practices of CED in the country. Thus, the research questions regarding to this aim which were addressed in this study are:

To what extent do industrial companies in Libya disclose the interaction between their activities and the natural environment?

- What kinds of environmental information (categories) are mostly disclosed by the companies?
- Has the number of disclosing companies increased over the period covered by this study?
- What types of news (bad, natural, and/or good) are mainly disclosed by the disclosing companies?
4.2.2.2 Determine the Sampling Units

In this stage two decisions need to be decided. The first concerns the source of the text to be analysed, and the second is the components of the text to analyse.

(a) The Source of the Text to be Analysed

In the CSED studies (see, table 4.1) the most clearly definable source of the text to be analysed are the annual report and accounts. Such studies ignored other corporate communications regarding social and environmental issues, as the annual report is generally considered to be the most reliable source of information about corporate activities (Owen, 1994; Deegan and Rankin, 1997). In this context, Gray et al. (1995) pointed out that the annual reports are broadly viewed as a major official and legal document. They are produced on a regular basis and act as a significant medium for the appearance of the firm's communication within political, social and economic systems. Hines (1988) claimed that the annual report is seen as the most important document in terms of the firm's construction of its own social image.

Furthermore, a number of researchers (Winfield, 1978; Chang and Most, 1985; Boyne and Law, 1991; Marston and Shrives, 1991; Adams and Harte, 1998) have noted the importance of the annual report as a vehicle for discharging accountability. For example, Marston and Shrives (1991) concluded that the annual report is the most comprehensive document available to the public and is therefore the "main disclosure vehicle", (p.196).

In addition, Adams and Harte (1998, p.784) stated that "Our acceptance of the social importance of the corporate stresses its potential to be influential. Corporate annual reports can therefore be interest as much for what they do not report, as for their actual content. This focus on the corporate annual report is also consistent with previous social disclosure studies, since the corporate annual report is the main form of corporate communication and, particularly in the case of quoted companies, is made widely available" (reported in Unerman, 2000).
However, there is some recognition in the literature that this exclusive focus on the annual report may not give a full picture of all CED practice (Roberts, 1991; Unerman, 1998; 2000). In supporting that, Zeghal and Ahmad (1990) examine corporate brochures and advertisements along with annual reports and found that firms do communicate social and environmental information through other media. Harte and Owen (1991) and ACCA (2002), moreover, surveyed both annual reports and environmental reports. All of these studies (Harte and Owen, 1991, Ince, 1998, ACCA, 2002) found that companies do include CED in such information sources. Moreover, Williams and Pei (1999) identified if there are any variations in CSED practices on web sites relative to that in annual reports. They concluded that all companies provide more information on web sites than annual reports. Conforming evidence for web sites disclosure came from Nuhoglu (2003) and Jones (2002) also. For example, Jones (2002, p.25) indicated that "the Internet has attracted considerable attention since 1995 (Pitt et al., 1999) and the number of corporate websites is escalating (Butner, 1996; Hutchinson, 1997; Lymer et al., 1999; FASB, 2000)".

Moreover, Jones (2002) indicates that "Environmental Reports are now well known as an important instrument in company management and are used by employees, consumers, advocacy organisations, and socially responsible investors (UNEP et al., 1994; Aspen Institute, 1998; Skillius and Wennberg, 1998). Estimates of the number of companies producing Environmental Reports vary between 1,000 and 10,000 depending on the terms of reference (Bennett and James, 1999; Rikhardsson, 1999; White and Zink, 1999; Scott, 2000). They are produced by companies based in over 21 different countries and sectors (SustainAbility/UNEP, 1997; FEE, 1999; Jones et al., 1999)" (p.23).

However, there are no previous studies that examine internal corporate reports. Thus, this study tries to make some contribution to research by not limiting itself to annual reports, it takes into account the internal reports, and specific environmental reports (if any exist) as well. Web sites are excluded from this study, because established web sites by Libyan
companies are still very much in their infancy in line with the situation in developing countries (Nuhoglu, 2003).

(b) The Components of the Text to analyse

In this study, to determine the extent of environmental disclosures within the companies' annual reports the researcher and other coders reviewed the entire annual reports, internal reports, and specific reports for any disclosures pertaining to the interaction between companies' activities and the physical or natural environment. This approach is consistent with the legislative framing of what is understood by the "Environment", "Correcting the Environment", "Environmental Pollution", "Air Pollutants" and "Health and Safety". Libyan Environmental Protection Law (LEPL) no, 7 of 1982 and Industrial Security and Employees Health and Safety Law (ISEHSL) of 1976 define these concepts in their first article as:

Environment: “the physical factors of the surroundings of human beings including the land, waters, food and atmosphere” (LEPL, article one, section one)

Correcting the Environment “is the controlling of all environmental factors that have direct or indirect impact on human physical, mental and social safety” (LEPL, article one, section two).

Environmental Pollution: “the occurrence of any condition or situation that exposes human health and environmental safety to danger; that results from pollution of the air or sea or of sources of water or soil, or from a disruption of the balance of living organism, including noise, disturbances, commotion, offensive smell and other pollutants that result from someone’s natural or artificial activities” (LEPL, article one, section three).

Air Pollutants “include: wastes, ionising radiation, dust, scattered organic ingredients, fine molecules, pesticides and sprinklers” (LEPL, article one, section four).

Health and Safety “includes all necessary precautions to protect the employees and everybody in the work premises from work-related hazards, dangers and illness, in accordance with the terms of this regulation” (ISEHSL, article one).

2 See for example, (see, for example, www. alaftrip.com).
4.2.2.3 Determine and Define the Content Categories

An essential notion in content analysis is that many words of text are classified into much fewer content categories. Every category might consist of one or some words. Words, sentences, lines, pages or other units of text classified (see, 4.2.1.4) in the same category are presumed to have similar meaning. Depending on the intention of the investigator, this similarly may be based on the exact meaning of words or may be based on words sharing similar connotations. Likewise, Weber (1994) pointed out the two basic decisions that investigators must make creating category definitions: whether the categories are to be mutually exclusive and how narrow or broad the categories should be.

In the study of Ernst and Ernst (1978) the dimensions of CSED included theme (environment;...), and evidence (monetary quantification; non-monetary quantification, both monetary and non-monetary quantification; declaration). Guthrie (1982, 1983) (reported in Milne and Adler, 1999) later altered the instrument to comprise the further dimensions of amount (proportions of pages to the nearest quarter page) and location in annual report (chairman's review, separate section, other section, separate booklet).

Gray et al. (1995b) could not find a single, persuasive reason why certain locations in the corporate annual report may be preferred and therefore ignored this in their UK CSER study (Gray et al., 1995a). Gray et al. (1995b) adapted Guthrie's instrument by removing the dimension location in the report. However, it is recorded in this study because it was included in many related prior studies (Bartlett and Chandler, 1997; Hughes et al., 2001; O'Dwyer, 2001; Xiao et al., forthcoming). Moreover, the location reflects where information was disclosed, as this study focuses not only on annual report, but also on internal, and specific reports.

Gray et al. (1995b), also, add the dimension of news type (bad news; neutral news; good news) (see also Hackston and Milne, 1996). They have as well drawn out the significant distinction between those disclosures mandated by legislation and those, which are made voluntarily.
In this study, hence, five content categories (themes) (environmental policies; products and processes; energy; health and safety; and others) (see, appendix two) were used within four testable dimensions: (1) evidence (monetary, quantitative, and qualitative); (2) location (disclosed in any type of reports); (3) the type of disclosure (bad, neutral, and good); and (4) amount (number of words). Moreover, a distinction between mandatory and voluntary disclosure was made.

4.2.2.4 Determine the Recording Unit

One of the most fundamental and important decisions is to determine the recording unit—the specific segment of content of text that is characterised by placing it in predetermined content categories. According to table 4.1, units of a content analysis can be a word; sentences; lines; pages; per cent of pages; or mix of these units. However, the recording unit chosen for this study is the “word” of the environmental disclosure.

Use of word counts assists in guarding against inconsistencies in calculating the quantity of disclosure (Zeghal and Ahmed, 1990; Campbell, 2004). These authors point out that word is the smallest unit of measurement for analysis and can be expected to provide the maximum robustness to a study in assessing the quantity of disclosure. For example, Campbell, (2004, p.109) stated that “it (word) was felt that to be a robust measure in which counting errors were likely to amount to a lower overall proportion of the total compared to those in Sentence Counting”.

Supporting this, Krippendorf (1980) noted that words are a preferred measure when it is intended to measure the amount of total space devoted to a topic and to ascertain the importance of that topic. Moreover, Weber (1985) suggested that if the recording unit is small, such as a word, it increases reliability. If a recording unit is large, such as a page or a full text, although it reduces necessary analysis, it decreases reliability. It is also difficult to make a comparison between two reports if fonts, page margins and components (pictures and graphs) differ.
However, Unerman (2000, p. 675) stated that "a strong argument against measuring CED in term of number of words is that will result in any non-narrative CED disclosure (such as Photographs or Charts) being ignored. Any unit of measurement which can not take account of graphs, charts or photographs will omit from the CED study these potentially powerful and highly effective methods of communication (Beattie and Jones, 1992, 1994; Preston et al., 1996)". However, in this study, pictures and graphics reflecting environmental activities did not exist in the analysed reports. This gives, in addition to the advantages of using word which mentioned above, more impetus for using word as unit of measurement.

4.2.2.5 Determine the Coding Mode

There are three techniques when coding: (1) coding by human; (2) coding by computer and (3) some combination of these two. In this study, however, the third technique was used.

The coders read the reports of each surveyed company carefully. Every page that includes any kind of environmental information, as pre-determined previously (see 4.2.2.3) was scanned into the computer. To facilitate the analysis, there was a separate file for each surveyed company. Having scanned the text into the computer; the next step was the cleaning-up of the irrelevant and inaccurately transcribed items. The irrelevant items were deleted from the texts because a decision is taken not to include some components of the text, such as unrelated text, page and section headings and page numbers. Frequency of the content categories, however, was calculated by using a word processor (Word for Windows). Resulting numbers, then, were classified into the selected content categories by transferred manually to the scoring sheet (see appendix two).

It is worth mentioning that to measure the extent of disclosure in the reports there have been two methods used either through the weighted disclosure approach or the un-weighted disclosure approach. The latter is the one used in this study. The weighted

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3 There are some computer programmes, such as the Oxford Concordance Programme (OCP), which are used to find the frequency distributions of all words appearing in the analysed reports by putting them through such programs. However, because the analysed reports in this study are written in Arabic language, there is no chance to use such programmes, as they do not apply to the Arabic language.
method has been used amongst others by Cerf (1961); Chandra (1974); Buzby (1975) and Wallace (1987) in financial disclosure. It is based on the fact that user groups value each item differently, and that each item has a different value in the corporate reports. This method, thus, gives different weight to the different disclosure items in the corporate reports. For example, Chandra (1974) and Buzby (1975) used a 5-point Likert scale to measure the importance of selected disclosure items by sampling financial analysts.

The basis of the weighted method has appeal, but in the case of “general purpose reports”, which are issued to meet the needs of many user groups, the value of each item is considered equally important to all reports' users, since it is issued and directed to all of the reports' users with no specific preference for a certain user. This suggests that the use of the un-weighted method, which is considered more suitable for this study, since it is not concerned with any specific user group. “On the other hand, any method of assigning weights to individual disclosure items is misleading because the importance of any disclosure item varies from company to company, industry to industry and time period to time period” (Spero, 1979, p.42).

Support for not attaching weights to disclosure items can be found in Robbins and Austin (1986), Cooke (1989, 1991), in addition to Spero (1979) who argued that “different weighting schemes are not as important as item selection because companies that view disclosure positively disclose many items and have high scores regardless of item weights” (p.64).

4.2.2.6 Test Coding on Sample of Text (Pilot Test)
Following Wolfe (1991) and Weber (1985), the best way to determine the practicality of the content analysis process, the clearness of categories, and the seeming validity outcome measures is to analyse a sample of documents. Testing a sample of the text can give the researcher practical experience that may contribute to increased reliability of content analysis results (Van Den Berg and Van Der Veer, 1985).
Hence, to become familiar with the content analysis and its application, a consultation meeting was carried out between the author and one of his supervisors (Professor Gao) who has previous experience in utilising content analysis.

The researcher, then, analysed the content of annual reports, along with the internal reports and other available reports of two of the surveyed companies (chosen randomly) as part of pilot work completed prior to gathering the primary data for this study. The reports were coded based on the initially selected and defined content categories. During this analysis, there were no major problems.

4.4.2.7 Assess Reliability and Validity

Krippendorff (1980) identifies three types of reliability for content analysis namely, stability, reproducibility, and accuracy. The differences between the three types of reliability designs are best illustrated in table 4.2.

<table>
<thead>
<tr>
<th>Type of reliability</th>
<th>Reliability Designs</th>
<th>Errors assessed</th>
<th>Relative strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stability</td>
<td>Test-retest</td>
<td>Intra-observer inconsistencies</td>
<td>Weakest</td>
</tr>
<tr>
<td>Reproducibility</td>
<td>Test-test</td>
<td>Intra-observer inconsistencies and Intra-observer disagreements</td>
<td></td>
</tr>
<tr>
<td>Accuracy</td>
<td>Test-standard</td>
<td>Intra-observer inconsistencies; Intra-observer disagreements and systematic deviations from a norm</td>
<td>Strongest</td>
</tr>
</tbody>
</table>

Source: Krippendorff (1980, p.131)

Stability refers to the ability of a judge to code data the same way over time. It is the weakest of reliability tests. Krippendorff (1980), furthermore, noted that test of stability measure whether particular items classified by the same researcher at different times have remained stable (reliability a cross time).

Reproducibility, sometimes referred to as inter-coder reliability (Milne and Adler, 1999) or equivalence reliability (Neuman, 2003), signifies the extent to which content classification produces the same results when the same text is coded by different people.
Chapter Four Research Methodology

(multiple coding) (Weber, 1988). Weber (1994) argued that conflicting coding usually results from cognitive differences among the coders’ ambiguous coding instructions, or from random recording errors. High reproducibility (inter-coder) is considered a minimum standard for content analysis (Weber, 1994).

The accuracy measure of reliability involves “assessing the coding performance of coders against a set or predetermined standard. Such a standard has been set by a panel of experts, or known from previous experiments and studies” (Milne and Adler, 1999, p.3).

Hence, in order to obtain a measure of the reliability of the classification process (reproducibility) in this study, the entire respondent companies (10) were independently coded by both the researcher and two other persons (researcher’s colleagues). The researcher coded the reports of four companies and the other persons coded the reports of the rest of the companies. Each of the remaining coders handled reports of three respondent companies. There was almost an agreement between the researcher and other coders on the categorisation of the texts and the measurement results. A number of steps were taken to ensure this inter-coder reliability namely:

1. The coders read and discussed some of the existing studies in order to have a better understanding of the subject;
2. The researcher gave detailed guidelines to each coder. At beginning, the researcher and the coders independently coded two annual reports based on the guidelines. The results were then compared and analysed. The guidelines after that were revised as necessary;
3. During the coding process, coders made regular checks on the other’s work. Ambiguities, if any, were discussed with the researcher, who tried to ensure that all coders used the same coding rules; and
4. The researcher re-coded one annual report, which was randomly chosen from the work of each coder.

It is worthwhile mentioning that a part of the content of these annual reports, which were analysed by the researcher, were those which were analysed during the pilot test. This
procedure was undertaken in order to ascertain if the initial categories identified and their measurement had remained stable at different times (stability). The result was almost stabilised.

In addition to being reliable, the process used must be valid, in the sense that it measures or represents what the researcher intends it to measure (Weber, 1985). Krippendorff (1980) defined validity (semantic validity) as the extent to which persons agree that the list of words placed in the category have similar meanings or connotations. In this study, the agreement between the researcher and other coders on the categorisation of the text, as mentioned earlier, can be used to provide a sign that the procedure utilised in the categorisation is valid.

4.2.3 Period and Sample Chosen for Libyan CED Study

Hackston and Milne (1996) stated that content analysis relies on the individual researcher’s judgment of what constitutes a corporate environmental disclosure. Because of this, this study compares CED over a four-year period (1998-2001), instead of making comparison between studies conducted by different researches. This was for two reasons, namely: (1) there is no previous study related to CED practice in Libya; and (2) literature (e.g., Ng, 1985; Gray et al., 1995; Hackston and Milne, 1996) have mentioned the need for longitudinal studies as comparison between studies by different researchers is not always appropriate.

All largest industrial companies (13)\(^4\), whose activities might have the most effects on the environment, quoted on the Industrial Production Administration (IPA) were selected as a subject of this study (see table 4.3). This can be justified since environmental sensitivity of industrial companies has been argued to be influential on the level of environmental disclosure (Cowen et al., 1987; Deegan and Gordon, 1996; Patten, 1991; Tile, 1997). Moreover, the choice of the largest companies reflected other evidence that suggests

\(^4\) In Libya, there are three kinds of industrial companies namely: (1) large or strategic companies which are supervised by Industrial Production Administration, (2) medium or local companies which are supervised by the local authorities (e.g. Shabiyat (governorates)) rather than central (national) authorities, and (3) individual (small) companies (see for example, GPB, 2001; GP Committee, 2000, 2002).
large companies are more likely to have responded to the environmental agenda than small or medium-sized companies (Bebbington et al., 1994; Holland and Foo, 2003).

However, three of them refused to provide their report. These companies are: (1) General Company for Engineering Industries (GCEI); (2) Arab Company for Engineering Industries (ACEI); and (3) Libya Steel and Iron Company (LSIC). The rate of response, hence, was almost 77% (for more details see Chapter six).

### Table (4.3) Surveyed Companies

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>Number of Companies</th>
<th>Respondent Companies</th>
<th>% Of total Responding Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical and Engineering Industries</td>
<td>6</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>Chemical Industries</td>
<td>1</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Basic Metallurgical Industries</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food Production Industry</td>
<td>3</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td>Cement Industries</td>
<td>2</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>10</td>
<td>77</td>
</tr>
</tbody>
</table>

In addition to content analysis and for seeking the answer of the second question, the researcher used the historiography approach as complementary with the questionnaire approach. The purpose is to provide a full picture on the environmental factors that might influence the absence or presence of the environmental disclosure in Libyan context.

#### 4.3 Historiography

The historiography approach has been defined by Cohen and Manion (1989, p.48) as “The systematic and objective location, evaluation and synthesis of evidence in order to establish facts and draw conclusions about past events”.

The historiography was used to review the literature so as to give a background to the evaluation and status of environmental disclosure (see Chapter two). The key objective of the research is to examine the status of environmental disclosure in Libya by putting it into the social, political, economic, and legal context of Libya. Therefore, by using this approach the social, political, economic and legal contexts were studied (see chapter
five). Relevant information was obtained from public, archival sources, public documents and publications, from public authorities such as the Industrial Production Administration (IPA) and the General Environmental Authority (GEA), and from relevant researches that concern the Libyan context. This built up a ground base for the later discussion in Chapter seven which deals with environmental influences on CED practices within the context of Libya as an application of environmental determinism theory.

4.4 Questionnaire
As mentioned above, in seeking to explain and understand the evidence of CED practice (or non-practice), the perspectives of a sample of corporate managers regarding the nature of corporate environmental responsibility and CED were investigated also. Individuals' perspectives can be examined by utilising either questionnaire or interview (Hussey and Hussey, 1997). However, Ticehurst and Veal (2000, p.49) state that “questionnaire-based surveys should only be used when quantified information is required concerning a specific population and when individuals' own accounts of their behaviour and attitudes are acceptable as a source of information”.

Thus, for the purpose of this study questionnaire was chosen to determine the managers' attitudes toward environmental responsibility and CED. Moreover, it was used to ascertain their opinions on the importance of specific issues motivating the decision to disclose environmental information within the annual report and other reports. This selection of questionnaire rather than interview can be justified more by the following points:

1. Questionnaire was the most popular method used by the majority of previous studies\(^5\) in term of investigating individuals' views in relating to CED issues (Coopers and Lybrand, 1993; Bebbington et al., 1994; Villiers and Vorster, 1995; Deegan et al., 1996; Frost and Wilmshurst, 1996; Jaggi and Zhao, 1996; Deegan and Rankin, 1997; Tilt, 1997; Wang et al., 1997; Wycherley, 1997; Deegan and Rankin, 1999; Perry and Teng, 1999; Wilmshurst and Frost, 2000; Ramasamy and Ting, 2004; Thompson and Cowton, 2004).

\(^5\) However, interview method was used by O'Donovan (2002); O'Dwyer (2002) and Lodhia (2003).
2. It was felt to be a robust tool in which a large sample can be taken and then more different views and further understanding of the phenomenon under consideration can be obtained compared to the interview method (Hussey and Hussey, 1997).

4.4.1 Questionnaire Design
Before constructing the questions in the questionnaire, the researcher carried out an extensive review and analysis of the environmental influences on the CED practices within the context of Libya. Moreover, previous works that were undertaken to determine the attitudes of managers toward environmental responsibility and CED such as Bebbington et al. (1994), Jaggi and Zhao (1996), and Gray and Bebbington (2001) were reviewed.

High-quality questionnaire design principles should centre upon the principles of wording. Consistent with Sekaran (1992), the principles of wording allude to a variety of factors including, inter alia, how questions are worded and the level of complexity of the language used, the kind and form of questions asked, the sequencing of the questions in the questionnaire and the personal data required from the participants. In addition to the issue of wording, there are other significant issues to be considered in the development of the questionnaire, such as the types of scaling used in the questionnaire and the pilot study (Oppenheim, 1992). Therefore, these aspects and issues are discussed next.

4.4.1.1 Wording and Language
Marked attentiveness must be paid to developing clear, unambiguous and useful questions. The wording and tone of questions is important in developing the questionnaire because the information and its quality largely depend upon these factors. In the composition of the questionnaire of this survey, the subsequent checklist of factors, which are emphasised in the literature in English language (Zikmund, 1991; Oppenheim, 1992; Hague, 1993; Cooper and Emory, 1995; Ghauri et al., 1995; Hussey and Hussey, 1997; Kumar, 1999; Ticehurst and Veal, 2000) and can also be seen applicable to Arabic language, was cautiously considered since it was of a main help in preventing the most evident problems concerned in questionnaire wording: (1) it attempted to prevent jargon
and technical terms as much as possible; (2) it attempted to make questions as short wherever possible since the shorter the question the less confusing and ambiguous it will be; (3) it aimed to avoid double-barrelled questions which ask more than one question at once and can also be seen as confusing and ambiguous; (4) it tried to avoid phrasing questions in such a way that they may lead the respondent to give the responses that the researcher would like to, or may come across as wanting to be elicited; (5) it endeavoured to prevent questions which use ‘not’ as they are difficult to understand particularly in case of asking respondents to specify whether they agree or disagree; (6) in some issues, respondents will have no opinion or do not know. Therefore, respondents were offered the options of answering ‘do not know’ and ‘neither agree nor disagree’. This might lead to some respondents giving these responses to most questions which may create its own problems, but not including them will produce highly unreliable and, thus, unusable answers.

Moreover, as the mother tongue of the researcher is Arabic, the translation process needs some additional care, for the reason that a word or expression can have a number of meanings, which might influence the perception of intended meaning, and that one can instead be worded, though that would in no way affect the meaning. Emery (1987) stated, in his paper “Aspects of English-Arabic Translation: A Comparative Study”, that “As a general rule, Arabic tends to be more explicit than English: what is implicit in English often has to be spelled out in Arabic”.

However, the questionnaire in this study was initially constructed in English and, then, translated into Arabic. It is easier to construct the questionnaire in English and then translate it into Arabic because most of the related writings linked to management’s attitude toward CED practices in literature such as Bebbington et al., 1994, and Jaggi and Zhao, 1996 were in the English language. With the purpose of avoiding the problems in translation, a number of steps were undertaken to construct the Arabic version, namely:

1. The available questionnaires relating to some aspects of accounting in Arab countries that originally were written in English and translated to Arabic for data collection (such as Baker, 1997; Buzied, 1998) were reviewed. Such a review enabled choice of
Chapter Four  
Research Methodology

the most appropriate translation of some accounting terms and expressions used in such questionnaires and relevant to the questionnaire intended for this research;

2. The questionnaire was firstly translated by the researcher and then discussed in detail, either during translation procedures or the pilot study, with postgraduate colleagues and those involved in the pilot study whose native language is Arabic;

3. The Arabic copy along with its English version were given to an expert who is qualified in translation for comments and amendments if necessary.

4.4.1.2 Type of Questions

When constructing the questions for the questionnaire, there are two types of questions, which are considered, namely: open-ended and closed-ended questions (Hague, 1993; Ghauri et al., 1995; Hussey and Hussey, 1997; Kumar, 1999; Saunders et al., 2000; Ticehurst and Veal, 2000). Open-ended is one where the respondents write down the answers in his/her words in a line or space, which is left for that. Closed-ended, sometimes referred to as closed question (Saunders et al., 2000), is one where a range of alternative answers is set out in the questionnaire and the respondents are asked to tick or circle the appropriate boxes. However, there is no agreement as to which style is preferable.

Closed-ended questions are usually quicker and easier to answer, as they require minimal writing (Saunders et al., 2000). Moreover, because the possible responses are already categorised, they are easy to analyse. Finally, as they provide “ready made” categories within which respondents reply to questions asked by a researcher, help to ensure that the information needed by the researcher is obtained. However, one of the major disadvantages of such questions is that the information obtained through them lacks depth and variety. There is, moreover, a greater possibility of investigation bias because the researcher may list only the response patterns that he or she is interested in or those that come to mind (Kumar, 1999).

The advantage of the open-ended questions is that investigator does not influence the respondent’s answer unduly. The verbatim replies from respondents, moreover, can
provide a rich source of varied material (Ticehurst and Veal, 2000). However, open-ended questions have three major disadvantages: (1) analysis of such questions is more difficult; (2) response rate to open-ended questions can be very low because people are often too lazy or too busy to write out full-length answers (Ticehurst and Veal, 2000); and (3) while such questions provide respondents with the opportunity to express themselves freely, resulting in a greater variety of information, respondents may not be able to express themselves, so information can be lost (Kumar, 1999).

Vaus de (1990) suggests that the choice among open or closed-ended questions depends on many considerations such as the question content; respondents' motivation; methods of administration; type of respondents; access to skilled coders to code open-ended answers; and amount of time available to develop a set of unbiased answers. As the researcher wishes to determine the level of importance attached to different influences on the managers' decision to disclose environmental information, closed-ended questions were adopted in the questionnaire of this survey. However, to overcome the disadvantage involved in such a questionnaire, a thorough range of responses was listed to avoid biasing responses. With the intention of avoiding forcing respondents to give opinions on issues, in which they have no opinion, it was decided to use the 'neither agree nor disagree' and 'do not know' responses when applicable. Furthermore, a space for additional views and comments was provided at the end of the questionnaire.

4.4.1.3 Sequencing (Order) of Questions
When constructing questions it is important to spend time considering the order and flow of questions (Saunders et al., 2000). However, there are two categories of opinions as to the best way to order questions. The first is that questions should be asked in a random order and second is that they should follow a logical progression based upon the objectives of the study (Kumar, 1999). Kumar (1999) and Saunders et al. (2000) believe that the latter procedure is better as it gradually leads respondents into the themes of study, starting with simple themes and progressing to complex ones. However, the random approach, according to Kumar (1999), is helpful in situations where a researcher needs respondents to express their agreement or disagreement with different aspects. In
this case a logical listing of statements or questions may 'condition' a respondent to opinions expressed by the researcher through the statements.

However, in constructing the questionnaire of this study, the following guidelines regarding the questions sequence were considered: (1) starting with simple themes and progressing to complex ones; (2) going from concrete to abstract questions; (3) keeping open-ended questions to a minimum and wherever possible placed towards the end of the questionnaire; (4) classifying questions into parts or sections as this helps structure the questionnaire and provides a flow; (5) making use of filter questions to ensure that questions are relevant to respondents; and (6) trying to introduce, anywhere possible a variety of question formats so that the questionnaire remains interesting. Moreover, particular efforts were made to achieve a high rate of response such as: (1) having a covering letter accompanying the questionnaire explaining the importance of the study and ensuring the respondents that all the responses of the questions would be confidential and anonymous; and (2) using personal contact during the distribution of questionnaires with co-operation with either the manager of Secretariats of General People Committee's office or Financial Directors of each company.

4.4.1.4 Scaling of the Questions

Certain scales have been devised that allow the researcher to measure the variable of interest. In the first part of the questionnaire (personal information) a nominal (or classificatory) scale was used. The nominal scale merely allows the researcher to "qualitatively distinguish groups by categorizing them into mutually exclusive and collectively exhaustive sets" (Sekaran, 1992, p.161). The respondents were invited to tick or circle the subject, classification or characteristic such as current occupation, level and place of education, years of experience, training programmes and professional qualification to which they belong.

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6 Filters questions arise when the necessity for respondents to answer certain questions depends on their answer to a prior question (Ticehurst and Veal, 2000, p.149).
Respondent were, as well, required, based on their perceptions, to indicate the extent to which they agreed or disagreed to a variety of statement relating to environmental protection and disclosure (part two). Respondents were requested to tick one of the five numbers, giving a sliding scale of agreement ranging from (1) “strongly disagree” to (5) “strongly agree”. One more scale of “do not know” was given for those who may have no idea about the issue or question under consideration. Therefore, a fairly standard Likert scale (interval scale) was utilised throughout the questionnaire.

The maintenance of that format proved difficult for some questions in which the purpose was to rate suggestible answers or opinion on the main factors that affecting the management’s decision to disclose environmental information within their companies’ reports (part three). Respondents, hence, were asked to tick one of five boxes, offering a sliding scale of importance ranging from (1) “not at all important” to (5) “very important”. An extra scale of “do not know” was offered for such respondents who may have no idea about a question or issues under investigation. This scale was designed to enable descriptive statistics to be compiled and to measure the magnitude of the differences in the preferences among the individuals (Sekaran, 1992; Ticehurst and Veal, 2000).

4.4.1.5 The Pilot Study

The pilot study is the final step in the questionnaire construction and one of the most important. In line with Borg and Gall (1989), two advantages might be gained by doing a pilot study. (1) A pilot study might be utilised as a tool in collecting data about the research subject. (2) Getting feedback from the participants in the pilot study with regard to the subject discussed in the research, which might be used in improving the main study. These objectives led to a third objective, namely helping the researcher orient himself to the research subject and gain confidence that no vital issues, pronouncements or developments had been missed (hidden weaknesses) in the orientation and background information collection stages of the project. Thus, complete English and Arabic versions of the questionnaire were pre-tested twice (see figure 4.2).
Chapter Four

Research Methodology

Figure (4.2) the Questionnaire Construction Process

1. Respondents were told that they were participating in a pre-test exercise;
2. In view of the fact that the questionnaires for the pilot study were personally delivered and collected, the researcher introduced the research topic and its significance and the purpose of the survey to motivate participants to give their honest answers and comments;
3. The pre-test study was conducted, as argued by Bailey (1978), in the same manner as the final study;
4. Participants were asked to evaluate certain aspects of the questionnaire, namely: (a) the scope and type of questions asked; (b) the wording of questions; (c) the sequence of questions; (d) redundant and missing questions; (e) inappropriate and inadequate questions; and (f) the scaling of questions;
5. Participants whose mother tongue is Arabic were provided, in addition to the English version of the questionnaire, with an Arabic version. They were asked to evaluate whether the Arabic and English versions corresponded accurately.

Questionnaires were delivered personally to Secretariats and members of the General People Committee; and Financial Directors of industrial companies.
Figure 4.2 illustrates the general procedures, which were adopted in the first and second phases of the pilot study within the other steps of the questionnaire construction. The first pilot study of the questionnaire was produced in Edinburgh. The complete questionnaires were delivered to three samples in the UK namely: (1) four staff members from the school of Accounting and Economics at Napier University (Scotland, UK), who are interested in or teach corporate reporting; (2) three postgraduate students from the same school; and (3) four other postgraduate students whose native language was Arabic from other universities in Scotland (UK). They were asked for their comments with regard to the English/Arabic translation. All the replies were carefully examined and some were discussed personally with the respondents, where queries or problems were highlighted. Both the English and the Arabic versions of the questionnaire, thus, were modified.

The second phase of the pilot study was conducted in Libya. The complete questionnaires, which resulted in phase one of the pilot study, were personally delivered to three members of staff in accounting departments at Ghardan University; El-Fatah University and Economics Studies Academy. The researcher, then, considered the receipt of the responses and comments from participants in the second phase of the pilot study. Consequently, the Arabic and English versions of questionnaire were revised for the second time in Libya and the final versions were constructed. The final Arabic copies of the questionnaire were distributed in the final survey.

4.4.2 The Content of the Questionnaire

Length of questionnaire is an important concern in research design. It has been argued those short questionnaires are often recommended as resulting in higher response rates than longer questionnaires (Dillman, 1978; Linsky, 1975). Thus, the questionnaire study was restricted to a limited number of pages and items. The questionnaire of this research study consists of three parts (see Appendix one). These parts are explained underneath.

Part one consists of nine questions seeking to gather information as to the respondents’ educational qualification in accounting and/or management; place of education for the latest qualification, professional qualification in accounting and/or management; present
occupation; years of experience; training programmes related to CED (if any); and place of training. The purpose of this part is to identify to what extent those managers have experience and knowledge about CED and the social need for it, which may influence their decision (Hambrick and Mason, 1984, Derwent, 1989, Gray, 1990, Bebbington et al, 1994, Haniffa and Cooke, 2002, Lodhia, 2003). This experience and knowledge of managers might be influenced by the place of training and education, depending on whether or not there is awareness about environmental responsibility and CED in such a place.

Part two of the questionnaire is designed to examine the perceptions of participants on environmental protection and CED. Respondents were asked in this part to indicate to what extent they agree or disagreed on a number of statements, which related to environmental responsibility and CED.

In the light of reviews of the appropriate literature on: (1) managers’ and accountants’ attitude toward CED; and (2) environmental context of Libya, and factors, the participants were asked in part three to scale the relative importance of each of these possible influential factors on their decision to disclose (section (a)) or not to disclose (section (b)) environmental information within their company’s reports. They are asked to indicate their assessment of importance (on a five-point scale (Likert scale) with (1) as ‘not at all important’ and (5) as ‘very important’). Furthermore, a space for additional views and comments was provided at the end of the questionnaire.

4.4.3 Population and Sample
Questionnaires were delivered personally to Directors of Finance and Administration Management, and Secretariats and members of the General People’s Committee who worked for companies that formed part of the sample companies used in the content analysis (all industrial companies), thereby facilitating the use of their perspective, along with the environmental contexts in interpreting the results of the content analysis. There are two more reasons for the selection of these managers. (1) All of them had some input into the formulation of the corporate reports, in most cases performing either a
preparation or review and approbation function (see Chapter five, pp. 148-151), and it is perceived that this might expose them to the issue of CED at some stage. (2) Individuals at a high level of management could be expected to have a broad perspective on their organisation’s operations (see Chapter five, p. 151) and may thus be viewed as being able to address questions investigating perceptions of CED.

Contacts were established through: (1) Secretariats of General People Committee of surveyed companies; and (2) social networks which were established for this purpose.

Kanuk and Bereson (1975) stated that “follow ups, or reminders are almost universally successful in increasing response rates”. In this research survey, personal follow ups by the researcher were performed. It could be argued that personal follow ups may have the advantage over the other follow up methods (whether by letters, post cards, telephone) in terms of that potential respondents might find it difficult to ignore the questionnaire of a researcher who is undergoing cost, time and effort. Generally, this would be expected to increase the percent of people who are willing to respond (Hussey and Hussey, 1997). However, in such personal following up method respondents may not express their opinion frankly rather than saying what the researcher wants to hear. Especially for the case of this study where respondents might do not like themselves to appear as rejecting ideas suggested by the questionnaire, which may seem socially and morally desirable. To overcome such limitation, the researcher did not contact directly with the respondents. The distribution, follow-up, and collection of questionnaires were done with co-operation with either the manager of Secretariats of the General People Committee’s office or Financial Directors of each company who worked as coordinators. This was done by the following procedures over a period of three months.

- **The Handing Over Visits.** Eighty five questionnaires with the attached covering letters were delivered to different respondents via the coordinators;

- **The Follow-up Visits.** A second visit was made mainly: (1) to operate as a friendly reminder and to ask the coordinators to enlist them to complete the questionnaires as soon as possible because of the researcher’s limited period of stay in Libya; (2) to
collect completed questionnaires; and (3) to express gratitude to coordinators and respondents;

- **The Collecting Visits.** A third visit was made in order to collect completed questionnaires from coordinators and thank them and to ask them to inform non-respondents that ten days later would be final days for collecting the completed questionnaire;

- **The Final Visit.** A final visit was made to collect the completed questionnaires.

Based on the above procedures (see also Table 4.4), only 63 or 74 per cent of those questionnaires were collected. A review of different questionnaire was undertaken to increase the assessment of integrity of the survey results. Such review resulted in the exclusion of 10 questionnaires due to (1) a large volume of missing data in four of them; and (2) six of them are related to those companies, which refuse to provide their reports. The overall response rate of 74 percent and the usable response rates of 62 per cent.

<table>
<thead>
<tr>
<th>Distributed Questionnaires (first visit)</th>
<th>Received Questionnaires</th>
<th>Usable Questionnaires</th>
<th>Rate of Response (approximately)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Second visit</td>
<td>Third visit</td>
<td>Fourth visit</td>
</tr>
<tr>
<td>85</td>
<td>12</td>
<td>42</td>
<td>9</td>
</tr>
</tbody>
</table>

Finally, it is worth mentioning that in order to carry out data analysis, a descriptive statistics method was utilised. This includes frequencies (counts and percentages), measures of central tendency (mean) and measures of spread (standard deviation). Frequencies enable researcher to describe the characteristics of the studied sample and to know the frequency distributions of the variables under investigations. Measures of central tendency enable researcher to characterise the observations in a meaningful way. Measures of deviations or spread describe the differences between each observation and the mean.
4.5 Summary

This chapter has described in depth the research methodology and methods available in
the literature to conduct such a study and the research methodology and methods adopted
for this study. The study utilises both qualitative and quantitative research techniques.
Three research methods namely: content analysis, historiography and questionnaire were
used. Moreover, in order to carry out data analysis, a descriptive statistics method was
utilised. This includes frequencies (counts and percentages), measures of central tendency
(mean) and measures of spread (standard deviation).

The chapter is firstly detailed with the content analysis methods, which will be utilised to
present a description of the CED practices of all largest Libyan industrial companies from
(1991) seven-step content analysis process was adopted.

This was followed by a description of the historiography approach that will use to
provide a description of the environmental influences on the CED practices within the
context of Libya. Therefore, by using this approach the social, political, economic and
legal contexts were studied (see Chapter five). Relevant information was obtained from
public, archival sources, public documents and publications, from public authorities such
as the Industrial Production Administration (IPA) and the General Environmental
Authority (GEA), and from relevant researches that concern the Libyan context.

Finally, it details with the use of a questionnaire survey in order to elicit the perspectives
of corporate mangers on CED and environmental protection responsibility. Questionnaire
was the most popular method used by the majority of previous studies in term of
investigating individuals' views in relating to CED issues. Questionnaire in this study
was divided into three parts. The first part requests data concerning demographic
characteristics in order to obtain a profile of respondents. Subjects were then asked
questions relating to their perceptions of participants on environmental protection and
CED in second part. The participants are asked in part three to scale the relative
importance of each of these possible influential factors on their decision to disclose or not
disclose environmental information within their company's reports. They were asked to indicate their assessment of importance (on a five-point Likert scale). The questionnaire was pre-tested twice. The first pilot study of the questionnaire was produced in Edinburgh. The second phase of the pilot study was conducted in Libya. The final Arabic copies of the questionnaire were distributed in the final survey. Eighty-five questionnaires were delivered personally to Directors of Finance and Administration Management, and Secretariats and members of the General People’s Committee who worked for companies that formed part of the sample companies used in the content analysis. Fifty-three questionnaires were used with a rate of response of 62%.

A full picture on the environmental factors that might influence disclose (or do not disclose) environmental information within their reports will be presented in chapter eight. Thus, the next chapter explains the Libyan environment in order to build up a ground base for the later discussion in Chapter eight.
Chapter Five
The Libyan Context

5.1 Introduction
5.2 Country overview
5.3 Socio-Culture Context
5.4 Political context
  5.4.1 Overview of the System
  5.4.2 The Mechanism of the System
  5.4.3 The Mechanism of the Management of Public Sector Companies
5.5 Economic Context
  5.5.1 Economic Developments
  5.5.2 The Economic and Socialist Aspects of the Industry
  5.5.3 Structuring of Economic Activities
5.6 Regulatory and Institutional Context
  5.6.1 Environmental Legislation
  5.6.2 Corporate Environmental Responsibility in the Legislation
  5.6.3 Accounting Disclosure Legislation
5.7 The State of Accounting Profession and Education in Libya
  5.7.1 Accounting Professional Bodies
  5.7.2 The Current Financial Accounting and Reporting System of Libyan Companies
  5.7.3 Accounting Education
5.8 Summary
Chapter Five
The Libyan Environment

5.1 Introduction

The purpose of this chapter is to explain the environmental characteristics within Libya in order to gain a better understanding of CED and build up a ground basis for the later discussion in Chapter eight which deals with environmental influences on CED practices in Libya as an application of environmental determinism theory.

The chapter is divided into the following sections: the next section gives a brief review of the Libyan geography, population, language and the country’s history. The socio-culture context is outlined in the third section. The fourth section, then, explains the political context. Economic context and legal context are considered in the fifth and sixth sections respectively. The accounting profession and education are outlined in the seventh section. The final section provides a summary.

5.2 Country overview

The Great Socialist People’s Libyan Arab Jamahria (GSPLAJ) is the official name of Libya. Throughout this study, it referred to as “Libya”. Libya is a developing Arab state. Arabic is the official language, and English and Italian are used in trade. It is located (see figure 5.1) in the north–central part of Africa. It lies between latitudes 33 N and approximately 20 N and longitudes 8 E and 25 E. It is bounded by the Mediterranean Sea to the north, Egypt to the East, Sudan to the southeast, Tunisia and Algeria to the west, and Niger and Chad to the south.

The country occupies an area of 1,760,000 square kilometers, the fourth largest state in Africa. It is divided into four climatic regions: coastal strip, plateaux directly following the coastal strip, semi-desert regions, Sahara. Most of the lands of Libya are vacant lands: 94.73%, desert, 3.94% agricultural, 0.29% forests. Rainfall in Libya is of the stormy type, varying from one year to the other, in its quantities or monthly distribution.

124
during September-April, rainfall at the coastal strip ranges between 100-350mm. This quantity decreases as one moves away from the sea. Higher areas of Al-Jabal Al-Akhdar, around Al-Beida and Shahat cities, are the rainiest areas, where the annual average is about 600mm. Southern regions of Libya are dry areas, with scarce rainfall (GEA, 2002).

Figure (5.1) Map of Libya

In a 1995 survey, Libya had a population of 4,386,739 (National Information Authority (NIA), 1998). Added to this number non-Libyan population, estimated at a half million persons (GEA, 2002). In comparison to the number of Libyan population in 1984, which was 3.23 millions, annual population growth rate is 2.85%, which is a low rate compared with 4.21% for 1973-1984. Assuming continuity of this population growth rate, the number of population for 2005 is expected to reach about 5.87 millions. The results of the census also show that more than half the population is under the age of twenty. The available data indicate a demographic imbalance, due to higher population density in the coastal cities especially in Tripoli, Benghazi, Misurata, Zawia, and Derna. About three millions people live in these coastal cities, with population density of 45 persons per square kilometers whereas this is less than 0.45/square kilometers in the
interior regions. As for the whole Libyan area the population intensity rate does not exceed 2.47 inhabitant/square kilometers. The constant increase in urban population has increased the demographic imbalance. Urban population rate in 1995 was about 85.39%, compared to around 57.5% in 1973 (Arab Banking Corporation, 2001, GEA, 2002).

Overall, the history of Libya has been one of long-time colonization. Until 1951 the country had enjoyed independence for only 300 years in the period from 1200 BC. to 900 BC., when its own king ruled Libya. For a period of about 3000 years the country was subject to wave after wave of military invasion. The Phoenicians arrived from Lebanon in 900 BC to establish their commercial centres in Libya. The three main centres are Oea (Tripoli today), Lebtis, and Sabratah (Farley, 1971).

In 600 BC, the Greeks had colonized “Cyrene”, the city of Shahhat today, in the eastern region of Libya. It was raised to become a powerful city. During the next 150 years four more important Greek cities were established near the Libyan coast: Barce (Almarj today), Eusperides or later Berenice (Benghazi today), Teuchira (Tukrah today), and Appolonia (Susah today) (Goodchild, 1959; Nyrop, 1973).

The Romans subsequently invaded Libya in around 100 BC. They had stayed there until the Vandals defeated them in the fifth century throughout the whole area of North Africa. In about 534 AD the Byzantines came to Libya. Byzantine control lasted for about a century (McGuire, 1964).

During the first half of the seventh century Libya (in 643 AD), as well as the rest of North Africa, turned away from the identification with the European world to the culture and influence of Islam and Arab east (Nyrop, 1973). As Steel (1967, p.191) stated that “With the Arabic conquest, beginning in 643 A.D., the history of Libya took an entirely different course. Its culture was changed and so were its language, religion and population. In a few years the Arabs were able to do in Libya and the rest of North Africa what neither the Romans nor the Byzantines were able to do in centuries”.

126
By the sixteenth century, the northern coast of Africa had become infested with pirates and was attracting the crusading and imperialistic designs of Christian Spain. Ferdinand, the Catholic, sent an expedition, which took Tripoli in 1551 (Fisher, 1985).

In 1551, the whole of Libya became a part of the Turkish Empire under the doctrine of Islam until the occupation of Italy in 1911, i.e. for 360 years. In October 1911, the Italians started their invasion and assault of Tripoli, Benghazi, Tobruk, and other Libyan coastal towns. However, the Libyans resisted that invasion, and they fought alongside the Ottoman army in the country as Muslim subjects of the Caliphate. The war lasted for twenty years, and during this period the two parties suffered heavy losses (Kilani, 1988). The Italians colonized the country for over thirty years until the Second World War.

By the beginning of the Second World War, Libya was a battlefield between the Axis and Allies. With the help and participation of eastern Libya (Cyrenaica), under Sanussi leadership, the Axis (Germany and Italy) were defeated at El-Alamein battle on the 23rd of October 1942 (El-Sherif, 1978). British armed forces acknowledged this participation and considered it vital in gaining the victory. Italy was thoroughly trounced by the British and French in late 1942. By the end of 1943, Britain ruled over the Northern part of the country (Tripolitania and Cyrenaica). Meanwhile the southern part (Fezzan) came under French control. British and French occupation continued up to the declaration of Libyan independence by the United Nations on the 24th of December 1951. As a result, the Turkish, Italian, and British had contributed to the formation and the determining of the current system implemented in Libya, as well as the accounting system (Bait Elmal, 1973, 1981; Kilani 1988; Buzied, 1998).

On 24th December 1951, Libya was declared an independent united kingdom, with a federal constitution. According to the constitution promulgated in October 1951, the state of Libya was a federal monarchy ruled by King Al-Sanusi and the country was divided into the three provinces of Tripolitania, Cyrenaica and Fezzan. The federal
government consisted of a bicameral legislature. In April 1963, the federal government introduced legislation designed to transform Libya from a federal into a unitary state.

In 1969, the monarchy was overthrown by a group of army officers who planned for the 1st September Revolution. A revolutionary command council (RCC) took power and proclaimed the Libyan Arab Republic. The principal force underlying the revolution's policies was Arab nationalism. Thus, laws requiring businesses operating in Libya to be controlled by Libyans, with banks being particularly affected, and Arabs replaced most of the European and American specialists. Freedom, Socialism and Unity were declared to be the principles of the revolution.

Under a decree promulgated by the RCC in November 1976, provision was made for the creation of the General National Congress of Arab Socialist Union (ASU); the country's only permitted political party. Afterward, the ASU became the General People Congress (GPC) in 1977. Libya then became a "State of the Masses" or a Jamahria, after the Declaration of the people authority on 2 March of that year.

5.3 Socio-Culture Context

In Libya, the family is a society in small; its members are assigned to a hierarchical order according to age and generation. All authority and leadership are owned by father, grandfather, or eldest son (El Fathaly, 1977). This is supported by Islamic faith and Arab customs, which are familiar with a status hierarchy (Bjerke and Al-Meer, 1993), in which authority is practised frequently by leaders at the community level and by the father at the family level.

Libya is not different from other Arab countries. It is characterised by the extended family, clan, tribe and village. These play a major role in the community's life and people's relationships with each other (Aagnaia, 1997). Moreover, personal relations and family play a greater part in gaining business and career promotion rather than practical experience or academic qualifications. Loyalty to family, clan, and tribe and the
emphasis on regionalism and sectarianism occasionally outweigh loyalty to profession and law (Aghaia, 1997).

It is also worth mentioning that Islam (about 97% of Libyans are Sunni Muslim) plays a vital role in the community’s life in Libya and people’s relationships with each other. According to El-Fathaly (1977, p.12), “the strong role of religion in a traditional Islamic society like that of Libya has produced a society with special features. Conservative attitudes have been predominant in every respect. People’s values and behaviour have been a function of their religious background and attachment; hence, evaluation and acceptance of innovation and change have been subject to religious beliefs and notion”.

The revolutionary system is committed to Islam and has on a number of occasions explicitly reaffirmed Islamic values. In November 1973, the new code of law appeared, emphasising the Islam Sharia\(^1\) in all facets of the Libyan legal system. Following the revolution in September 1969 and in fulfillment with the Muslim faith, all alcoholic beverages were forbidden. Bars and nightclubs were closed, and provocative entertainment was banned. The use of the Muslim calendar was made mandatory.

The constitutional declaration of December 11, 1969, which remained until March 2, 1977, the constitution of the country, explicitly stated in article one that Islam is the official religion of the state.

Thus, the Libyan society derives its values and ideals from the teachings of Islam. The essence of Islam is found in the Qur’an and other resources of Sharia which emphasises equality among people, social justice, tolerance of other religions and submission to the will of God.

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\(^1\) The essence of Islam is derived from two basic sources: the Qur’an and Hadith. The third source is Ijma, a consensus of Muslim scholars and is applied only in the absence of an explicit answer to issue in question. The final source is Qiyas, which is represented in the analogical deductions from the other three sources for contemporary issues that are not directly mentioned in those sources but have similar characteristics as those that existed in the past. Once any decision is made by either Ijma or Qiyas, it become mandatory and cannot be overruled by future generations (Zaid, 2000).
5.4 Political context

5.4.1 Overview of the System

A historical speech was made by Qathafi in the city of Zwara in the spring of 1975, introducing a new political, administrative and legislative system as a result of five main reforms leading to major changes in the structure of the country (People Revolution). These five points are: (1) all existing laws should be nullified and revolutionary action should continue; (2) all elements that oppose the march of the revolution should be purged; (3) arms should be distributed to the toiling masses of people who believe in the principles of the First September Revolution; (4) the administration should be revolutionized by firing unqualified administrators and selecting new ones; and (5) a culture revolution has to be carried out in a way that all imported books of misleading thought should be burnt, giving way to real human thought as described in the Qur'an, the Holy Book of Islam.

In 1977 Libya became a “State of the Masses” or a Jamahria, after the Declaration of the People’s Authority on 2 March of that year in the city of Sebha (South of Libya). This declaration became from then on the cornerstone of the Libyan political system based on the “Third Universal Theory” of the Green Book. It includes the following points: (1) the official name of Libya will be the Socialist Libyan Arab Jamahria; (2) the Qur’an is the law of society in the Socialist Libyan Arab Jamahria; (3) popular direct authority is the basis of political regime of the Socialist People’s Libyan Arab Jamahria. The power belongs to the people and only to the people. The people practise its power through Basic People Congresses (BPC), people committees, trade unions, professional unions and the General People Congress (GP Congress). The law sets the limits of its action; and (4) the defence of the homeland is the responsibility of all men and women citizens. The people will be trained by means of general military training. The law rules the formation of military cadres as well as general military cadres as well as general military training.

In 1992 additional changes were made to Libya’s political structure, with the introduction of communes and “mahallat” authorised to be governed through local
representation. In 1998 the system was further reformed with the formation of 26 governorates, or “Shabiyat”, each headed by a governor who is given wide municipal and administrative power. The most recent restructure of government took place on 2 March 2000, which distributed more power at local levels. Only five secretariats (ministries) have remained, these are secretariats for the Interior, Foreign Affairs, Finance, Economy and Commerce and African Unity. The rest of the governmental authorities have been devolved into the General People’s Authorities, becoming consultant bodies for the secretariats that have been liquidated. There are no other political parties in the country as the people “the Masses” are those who make the political decisions in the country directly by voting in the GP Congress.

5.4.2 The Mechanism of the System

According to the Jamahria system, Libya has a number of people’s congresses all over the state. These congresses described in the Green Book ‘are only means to achieve people’s democracy. Any system other than people congresses is undemocratic’. Any group of people can gather in one place and select their secretariat, which is mainly responsible for organising the congress and writing down the decisions made (concerning all aspects of the state) by congress participants. Secretariats (local or general) and public enterprises have to have a people committee. Beside the decision-making process and choosing the congress’s Secretariat, people congresses are also responsible for choosing the people committees (local ministries) of the different Secretariat. But the people committee (executive committee) of any public enterprise has to be chosen by its workers and employees and not by the people congresses (for more details see public enterprises management).

The Jamahria system as illustrated in the authority of people diagram (figure 5.2) starts from the Basic People Congress that may or may not comprise a Syndicate or Association or Union or part or all of them. The people comprising the Basic congress choose the congress Secretariat members and a Secretary who will present in the GP Congress. The General People Committee (Cabinet), comprising a general secretary and five Secretariats, serves as a cabinet, replacing the former Council of Ministers. During
the GP Congress session the general secretary and the five secretaries are chosen from among all the people Committees.

**Figure 5.2 the Authority of People**

All citizens who are members of those peoples’ congresses belong, professionally and functionally, to categories. They have to establish their own unions and syndicates in addition to being, as citizens, members of the basic people congresses or the people’s committee. Thus, environmental protection, the impacts of enterprises’ activities upon the environment or other issues are discussed by Basic peoples’ congresses or people committees, syndicates and unions, and take their final shape in the GP Congress, where
the secretariats of peoples’ congresses, peoples’ committees, syndicates and unions meet. Additionally, the Green Book objects to the notion that “democracy is the supervision of the government by people” and offers, instead, that “democracy is the supervision of the people by people”. The description of democracy in the green book is as follows: “Society is its own supervisor. Any pretension by any individual or group that it is responsible for law is dictatorship. Democracy means the responsibility of the whole society, and supervision should be carried out by the whole society” (P.37).

GP Congress as the highest legislative authority is responsible for drawing general policies. The setting of such objectives and policies is completely different for counterpart systems in other parts of the world (e.g., the British parliament). For the Jamahria system, the strategies and policies drawn up by the GP Congress theoretically should be from within those already decided by the Basic Public Congresses (BP Congresses). A part from enacting the general laws which directly influence the public enterprises, the GP Congress has no direct channels over the company level but works through the GP Committee which supervises certain industries (e.g., manufacturing companies)², though other agencies, such as the Institute of Public Control (IPC), Central Bank of Libya (CBL), National Information Authority (NIA), Industrial Production Administration (IPA) and General Environmental Authority (GEA) or through the Syndicates, Associations and Unions, such as Libyan Accounting and Auditing Association (LAAA), and Workers Union (WU)

The GP Committee is also concerned with other executive administrative functions, namely: (a) it decides on strategic projects or services which serve national purposes; (b) it issues regulations and directives for organizing and managing the public administration, including public sector enterprises and companies; (c) it can move secretaries and/or other members of secretariats from one position to another, as well as moving secretariats from one place to another; (d) it can open temporary credit accounts

² The main responsibility, which the GP Committee has, is to put into action all decisions taken by the GP Congress, which are initially drawn by the BP Congresses. It discharges such responsibility by sending each decision to its relevant secretariat. Thence, each secretariat has to decide among its enterprises or companies, which is the right sector or it has to establish a new enterprise or company to implement the decision (for more details see chapter eight).
whenever the new budget is delayed and can authorize deficit financing for planned project; (e) it can move budget appropriations from one budget article to another; (f) it establishes salaries and reward systems; (g) it sponsors study and work abroad; (h) it nominates the secretaries of public bureau (ambassadors) as well as monitoring all Libyan representatives indifferent international organisations (Law 13 of 1990).

Although, deciding the strategic objectives and general policies for the country is entrusted to the BP Congresses, article 11 of Law 2 of 1994 entrusted to GP Congress certain authority and responsibilities. For instance, it chooses, removes or accepts the resignation of its own secretariat, members and secretaries of the GP Committee, the presidents of the higher and peoples’ courts, the SC and the Governor and the deputy of the CBL. Also article 12 of the Law 2 of 1994 grants the GP Congress the right to enact all necessary decisions to organise the public administration, providing it does not conflict with the duties and decisions of the BP Congresses.

While the revolutionary leader has no official place in the Jamahria system, due to his honorable position as a teaching leader, his opinion, suggestion, comments, hints, etc., are still very important at both levels of GP Congress (legislative body) and GP Committee (executive body).

Moreover, liberty, in the eyes of the revolution, has three dimensions. The first is the political dimension, which is achieved by applying the Jamahria system where people hold power. The second is the economic dimension, which is achieved by transforming wealth to the hands of the people. The third is a defence dimension, which can be accomplished by putting weapons in the hands of the people. These dimensions can be seen from the Green Book motto of “all power, wealth and weapons must be in the hands of people”. The general idea of the Jamahria system is that the central authorities execute what is decided by the GP Congress, it has a wide impact on all lower levels, including the company level. Thus, the main responsibility, which the central authorities have on their shoulders, is to put into action all decisions taken by the GP Congress, which are initially drawn by BP Congresses.
5.4.3 The Mechanism of the Management of Public-Owned Companies

According to the socialist ideology since the late 1970s by which workers were given the right to establish self-management in their enterprises, most companies in Libya are managed by a People Committee (PC). According to the Green Book (second part), workers in Libya are partners not wage workers. Furthermore, the Green Book stated that: “If we analyse the economic factors of production from ancient times till now we always find that they are composed of these essentials: raw materials, an instrument of production and a producer. The natural rule of equality is that each of the factors has a share in this production, for if any of them is withdrawn, there will be no production. Each factor has an essential role in the process of production and without it production comes to a halt. As long as each factor is essential and fundamental, they are all equal in their essential character within the process of production. Therefore they all should be equal in their right to what is produced. The encroachment of one factor on another is opposed to the natural rule of equality, and is an attack on the right of others. Each factor, then, has a share regardless of the number of factors. If we find a process of production, which can be performed by only two factors, each factor shall have half of the production. If it is carried out by three factors, each shall have a third of the production”.

The PC’s members of each company are chosen from the employees in the company and one of these members should then be chosen as General Secretariat of the Committee (General manager) as article (7) of the General People Committee’ decision on the issuance of the Administrative Regulation of companies and Establishments owned by Society (1980) stated that “The management of the company or establishment shall be came controlled by a peoples’ committee consisting of at least five members to be chosen through direct election by workers. A people’s committee consisting of members each elected from a different unit belonging to the company or establishment as well as three members chosen by the workers in the headquarters of the company or establishment through direct election by workers, shall be formed in the company or establishment to which more than one productive or service unit belong. The number of members of the committee shall under no circumstance exceed seven”.

135
The PCs of Libyan enterprises are required to follow all orders, including the determined prices and guidelines provided by their respective secretariat or organisation such as Institute of Public Control (IPC), Secretary of Economic, the Industrial Production Administration (IPA) and other central authorities. They must also provide them with all reports and information as required (see Chapter eight), and be directly responsible for carrying out and achieving all the enterprises' objectives. For instance, the IPA is responsible for supervising the industrial companies, which in turn should meet the IPA's orders (see chapter eight for more details). However, these central authorities work in unstable circumstances. For example, there were two secretariats of industry (light and heavy), and a few years later the GPC decided to join them together in one secretariat. This secretariat, however, changed to the Libyan General Industrialisation Corporation (LGIC) in 2000. In 2002, the IPA replaced LGIC. This resulted, especially during the transfer period, in the incapacity to complete replacement and development programmes and then enforced them which normally require a stable period of time, in which the authority could understand the conditions in the policies.

5.5 Economic Context

5.5.1 Economic Developments

Prior to the discovery of oil in 1959, the primary sector in Libya was mostly agricultural. During the fifties and early sixties, the Libyan economy was described by many economists, including Benjamin Higgins, who worked as an economic adviser to Libya and its prospects for development in 1959 (Bait El-Mall et al., 1973; Kilani, 1988) as a deficit economy. He stated that "Libya's great merit as a case study is as a prototype of a poor country. We need not construct abstract models of an economy where the bulk of the people live on a subsistence level, where per capita income is well below US$ 50 per year, where there are no sources of power and no mineral resources, where agriculture expansion is severely limited by climatic conditions, where capital formation is zero or less, where there is no skilled labour supply and no indigenous entrepreneurship... Libya is at the bottom of the range in income and resources and provides a reference point for comparison with all other countries" (Higgins, 1959,

\[3\text{ For more detail about other responsibilities of The PCs of Libyan enterprises, see pp152-153.}]

136
The deficit economy was caused by the Italians during their colonization of Libya. Education and technical abilities were ignored and the Libyans were excluded from the administration and any duties, which might improve their skills (International Bank for Reconstruction and Development (IBRD), 1960).

Consequently, the mission of the IBRD (1960) during their 1959 visits to Libya emphasises in its report that “as a result through no fault of its own, Libya has remained heavily dependent on foreign administrative and technical personnel, and the training of Libyans to replace them is still the most difficult of all the problems associated with economic development” (p.27).

Overall, prior to the development of oil the Libyan economy was characterised by: (1) low levels of domestic production and consumption; (2) a chronic trade deficit, which is offset only by foreign aid; (3) low level of literacy and health; and (4) inadequately exploited natural resources (US Department of Commerce, 1970; El Fathaly, 1977; Wright, 1982).

Thus, the Economic and Social Council (ESC) of the United Nations issued a decree in the early 1950s stating that Libya was in urgent need of aid to promote its economy and also requested all specialised agencies to take necessary action immediately (Ghanem, 1982).

The country then, relied greatly on advisors, consultants and technicians from Britain, the United States and United Nations in establishing its diverse systems (Abbas, 1987). As a lot of foreign agencies mainly from the UK and US flooded into the country, for instance the Libyan Public Development and Stabilisation Agency (LPDSA); the Libyan American Reconstruction Commission (LARC); the Libyan –American Joint Service (LAJS); and the Libyan American Technical assistance Service (LATAS). According to Abbas (1987), the Libyans played no role in the administration of these agencies.

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4 For more details about Libyan economy during this period, see Kilani (1988, pp. 33-44).
The country’s dependence on foreign aid continued until the discovery of oil in 1955, which made extraordinary modifications to all aspects of life in Libya. The country became one of the richest countries in the world, in contrast to being one of the poorest only a short while ago. Financial aid was no longer wanted. However, dependence on foreign aid was replaced by dependence on foreign oil companies who hurried to the country, predominantly from UK and US (Bait El-mal, 1973). The Libyan petroleum law of 1955 was designed to encourage all types of companies, as well as large and small oil companies, independent, private and government-owned companies to explore and carry out oil development operations in Libya (Abbas, 1987). Consistent with Waddams (1980), the law itself was formulated by western advisers.

There were many other international companies operating in different aspects in Libya after the discovery of oil. According to Jensen (1976), there were more than 2,000 registered manufacturing concerns in 1969, of which merely 213 employed more than 20 persons. The majority of these companies were built and controlled by foreigners (ibid).

After the revolution of 1969, the structure of the Libyan economy once more changed (see below). A number of steps were taken by the new administration to reorganise the existing state of the economy. The new government saw international and foreign companies that were operating in Libya as unequal, and in need of being nationalised. This period witnessed in addition to the establishment of public-owned enterprises, the rapid disappearance of the private sector, the rapid development of the economy, and the formation of a wide range of public enterprises (Kilani, 1988)\(^5\).

\(^5\) People who visited Libya at the beginning of the revolution’s period were impressed by the progress of a nation rushing into the twentieth century civilization as Sanger (1975) described that situation in the Middle East Journal: “The cities had become construction camps with noisy bulldozers leveling buildings and cement trucks pushing through the traffic jams with loads for the every-hungry building cranes, which dominated the skyline. In and around the chief cities and towns rose block after block of new housing... Hospitals of standard design were being built in half-dozen lots... The giant campuses of the Universities of Tripoli and Benghazi were the most impressive in Africa... Above many side streets and garden suburbs the tall chimneys of new factories rose behind the minarets, their dark smoke clouds proof of the boom in cement, reinforcing wire, plumbing fixtures, textiles, food processing and, most successful of all, the drive to expand electricity” (pp.413-414).
Oil revenues encouraged the country to carry some ambitious economic development plans. These development plans can be divided into three main types, according to their time period:

1. A long-term plan which covers twenty years (1980-2000), the aim of which is to diversify the economy and to turn Libya from a developing country into a developed one.

2. A medium-term plan covering a five-year span (such as 1980-1985), in which priorities are given to the development of certain economic sectors (industry, agriculture, etc.).

3. A short-term plan which covers a span of one year, which specifies individual projects (water projects, roads, schools, etc.) (Kilani, 1988; Baker, 1997; Buzied, 1998).

Moreover, Kilani (1988, pp.452-453) stated that Libyan development planning followed types (1) to (4) in the Enthoven (1973) classification during the early years of its economic and social development. However, since the 1980s the role of the private sector in Libyan economic and social development has been totally overtaken by the state sector (see 4.6.2 below) and accordingly development planning has been of type (5) in the Enthoven (1973) classification.

However, the aims of the development plans in Libya can be summarised as follows:

1. to alter the structure of the economy in favour of agriculture and industry. The role of the oil sector is to be gradually reduced and exports are to be limited to the financing requirements of other sectors;
2. to achieve a greater degree of self-sufficiency in a broad agricultural and industrial products, particularly in certain key food groups and in industries catering for people's basic needs;
3. to build industries based on oil and

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4 Enthoven (1973, P.151) classified planning development into the following types:
1. A mere forecast of trends accompanied by recommendations or a few guidelines of government policy;
2. A plan for the public sector (with mandatory implementation) unaccompanied by planning for other sectors of the economy;
3. A plan for the public sector combined with a forecast of activities for other sectors of the economy;
4. A plan for the public sector as well as a programme for other sectors of economy, the fulfilment of which is ensured as far as possible by 'indirect' instruments of government policy;
5. A comprehensive plan covering all sectors of the economy and mandatory for implementation in government organs and other agencies (i.e. centrally planned economies).
natural gas, to capitalise on areas where the country possesses clear advantages for exports; and (4) to develop an indigenous manpower base capable in due course of carrying out the development effort with minimum foreign participation (EI-Jehaimi, 1987, p.76).

As result of these development plans, Gross Domestic Product (GDP) has developed over the same period. It can be seen from table 4.1 that a remarkable increase in GDP achieved during the period 1970-1999. This increase can be attributed to the policy of the government in nationalising the formerly foreign-owned oil industry in 1970 and to the simultaneous increase in oil price on the world markets (El-Farse2002). Looking at the GDP structure in table 5.1, one can find that Libya's depends primarily upon revenues from the oil sector, which contributes practically all export earnings and about one-third of GDP. These oil revenues and a small population give Libya one of the highest per capita GDPs (6.70 US$) in Africa (Arab Banking Corporation, 2001).

<table>
<thead>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; fishing</td>
<td>33.1</td>
<td>90</td>
<td>183</td>
<td>320</td>
<td>678.2</td>
<td>947</td>
<td>1449.9</td>
<td>1348.8</td>
</tr>
<tr>
<td>Petroleum &amp; gas</td>
<td>812.6</td>
<td>3276</td>
<td>6571</td>
<td>1784</td>
<td>3054</td>
<td>2246</td>
<td>3555.9</td>
<td>13164.2</td>
</tr>
<tr>
<td>Mining &amp; quarrying</td>
<td>17</td>
<td>28.5</td>
<td>48.8</td>
<td>49</td>
<td>72.5</td>
<td>146.6</td>
<td>233.3</td>
<td>364.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>22.5</td>
<td>124.7</td>
<td>217.2</td>
<td>481.8</td>
<td>706</td>
<td>799.7</td>
<td>863.1</td>
<td>813.5</td>
</tr>
<tr>
<td>Electricity &amp; water</td>
<td>6.2</td>
<td>26.1</td>
<td>49.7</td>
<td>112</td>
<td>177</td>
<td>216.7</td>
<td>270.4</td>
<td>293.7</td>
</tr>
<tr>
<td>Construction</td>
<td>87.8</td>
<td>602</td>
<td>935.7</td>
<td>895</td>
<td>1319.5</td>
<td>483.9</td>
<td>803.6</td>
<td>1262.1</td>
</tr>
<tr>
<td>Trade, restaurants &amp; hotels</td>
<td>47</td>
<td>292</td>
<td>489.8</td>
<td>483.9</td>
<td>1041.3</td>
<td>123.4</td>
<td>1693.3</td>
<td>2089.5</td>
</tr>
<tr>
<td>Transport &amp; communication</td>
<td>43.2</td>
<td>220.1</td>
<td>356.1</td>
<td>395.5</td>
<td>812</td>
<td>892.6</td>
<td>1211.7</td>
<td>1429.2</td>
</tr>
<tr>
<td>Banking &amp; insurance</td>
<td>13</td>
<td>144.1</td>
<td>246.4</td>
<td>285.4</td>
<td>370.5</td>
<td>280.2</td>
<td>323.5</td>
<td>414.2</td>
</tr>
<tr>
<td>Ownership of housing</td>
<td>59.6</td>
<td>137.3</td>
<td>210.4</td>
<td>252.4</td>
<td>315.3</td>
<td>391</td>
<td>452.7</td>
<td>515.0</td>
</tr>
<tr>
<td>General services</td>
<td>133.6</td>
<td>614.6</td>
<td>946.6</td>
<td>1521</td>
<td>1894.5</td>
<td>1853.3</td>
<td>2429.2</td>
<td>2595.9</td>
</tr>
<tr>
<td>Other services</td>
<td>8</td>
<td>37.4</td>
<td>47.4</td>
<td>75</td>
<td>172</td>
<td>307.7</td>
<td>358.6</td>
<td>427.5</td>
</tr>
<tr>
<td>Total GDP</td>
<td>1303.6</td>
<td>5612.7</td>
<td>18277.1</td>
<td>16577</td>
<td>16125.2</td>
<td>18048.7</td>
<td>14075.2</td>
<td>24981.2</td>
</tr>
<tr>
<td>Petroleum &amp; gas</td>
<td>63.1%</td>
<td>58.4%</td>
<td>63.9%</td>
<td>27.1%</td>
<td>28.8%</td>
<td>24.8%</td>
<td>24.8%</td>
<td>53%</td>
</tr>
<tr>
<td>Other sectors</td>
<td>36.9%</td>
<td>41.6%</td>
<td>36.1%</td>
<td>72.9%</td>
<td>71.2%</td>
<td>75.4%</td>
<td>71.6%</td>
<td>47%</td>
</tr>
</tbody>
</table>


7 Exchange Rate LD/1 US$ = 0.656 (Central Bank of Libya, 2001).
8 The decline in oil prices during the mid-1980s led to a decrease in the GDP. However, it is clear that the contribution of oil sector to GDP during the 1970s and the early-1980s was of significance; in 1970 it was 63.1%, and in 1980 it was 63.9%.
9 The share of the manufacturing industries sector in GDP increased from 1.7% in 1970 to 6.61 in 1999 due to the earlier investments in petrochemicals, which entered the production stage in the 1980s.
10 This includes education and health services.
5.5.2 The Economic and Social Aspects of the Industry

In order to build the country's socialist economy, a strategy was adopted in the period 1970-1983 with the intention of recognising both domestic needs and internal and external trade. The strategy was based on nationalising the existing foreign and local enterprises, rationalising imports only to the necessary items, organising and developing the production and marketing strategies of local products and seeking access to external markets to export the production's surplus. Great consideration had been given to the industrial sector and to the heavy industry in particular. This emphasis within the industrial sector was spurred on by the Qaddafi perspective in his rhetoric on several occasions such as "there is no freedom for people who are nourished from outside the country... we must press ahead in building an industrial fortress in order to achieve real freedom".

Thus, in the 1973-1975, the 1981-1985 and the 1986-1990 plans emphasis was given to the industrial sector. The aim of the industrial sector in the 1981-1985 transformational plan for example was to improve the economic structure for benefit of transformational industries, to produce industrial goods, to meet consumption needs and increase surplus for export. The growth in industrial outputs was hoped to lead to improvement in the national economy. These plans gave priority to chemical, petrochemical and oil refining exporting industries as well as accelerating the pace of growth of basic metal and engineering products industries, which constitute the main basis for industrial development (Buzied, 1998; Saleh, 2001). Moreover, table 5.2 indicates that great interest was given to industrial sector as it was considered an important element to ensure sustainable growth and to provide substitute resources for revenue to achieve a varied productive economy.

Table 5.2 The transformational budget and actual expenditures for industrial sector from 1970-1996
(the amounts are in millions of Libyan Diners)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>21.8</td>
<td>129.9</td>
<td>614.9</td>
<td>254.2</td>
<td>139.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Expenditures</td>
<td>15.0</td>
<td>100.0</td>
<td>583.2</td>
<td>260.6</td>
<td>35.9</td>
<td>71.3</td>
</tr>
</tbody>
</table>

Source: the Secretary of Planning (1997), Tripoli, Libya, pp. 22-28
5.5.3 Structuring of Economic Activities

Since the revolution in 1969, the country has changed from capitalism to socialism. State intervention in the economy has increased and the government started expanding the public sector and cutting back the private sector. The state and publicly ownership structure of businesses started in the early 1970s gained momentum in the mid-1970s and reached its peak in the 1980s where most of the businesses became owned or controlled by the public (society). The public or state came to dominate all manufacturing activities, foreign and domestic retail trade, and banking and insurance services. Naur (1981) pointed out that private spending in manufacturing had steadily declined after 1969 coup and had almost reached zero before the total nationalisation in 1977. The main objective of such enterprises is to offer services and goods to the public rather than to make a profit (socio-economic development target).

However, whilst the Libyan economy is characterised by its central control and authority policies, some private companies have emerged and started to operate in Libya in the 1990s period. The promulgation of law 9 of 1992 on partnerships provisions could be regarded as the beginning of this shift towards production under the new economic activities structure, where individuals, in partnership and collectively, engage in manufacturing, agriculture, the professions and other productive ventures, as sole owner or in partnership with others, in accordance with the provisions of the law 9 of 1992\textsuperscript{11}. Moreover, in 1997 law no, 5 of encouragement of foreign capital investment in Libya was enacted by the GPC to attract investment of foreign investment projects into Libya within the framework of policy of the society and for the objectives of economical and social development\textsuperscript{12}. However, Arab Banking Corporation (ABC) (2001) stated that foreign involvement in Libya was severely reduced as a result of the sanctions and embargoes placed upon it since 1992.

\textsuperscript{11} Accordance to this law, individuals have to carry their economic activities within the bounds of the range of spiritual and moral values in which society believes. Workers in such activities, also, must be treated as partners (not wage workers).

\textsuperscript{12} According to the Law, projects which are established in less developed areas, contribute to food security, or those which use installations conducive to saving energy, water, or contribute to environment protection shall be exempted from all custom duties and taxes including income tax for up to five years (article 10).
5.6 Regulatory and Institutional Context

5.6.1 Environmental Legislation

Environmental legislation in Libya was not well developed until the issuance of law no. 7 in 1982 concerning the protection of the environment. This section summarises the main local legislation that was established within the frame of protecting the environment, in addition to the elimination of the various causes affecting pollution in Libya. Doagh (2001) argues that the gradual development and endorsement of environmental legislation in Libya has gone through three stages.

The First Stage (1969-1975)

The stage started when law no 5 was issued in 1969. It was linked to organisation and planning. Consequent amendments included planning provisions that contributed to environmental reform protection against pollution. The Law contained in Chapter five provisions for the establishment of a department responsible for operating and maintaining the public utilities.

In 1973, law no 130 concerning local administration systems was established. The law was issued with the aim of providing services to citizens in their respective locales and allowing them to participate in dealing with daily issues in a de-centralised context managed by the local executive bodies.

The Second Stage (1975-1982)

This stage witnessed issuing the following laws\textsuperscript{13}: (1) Law no. 28 of 1975 for the organisation of the ministry of municipalities; and (2) Law no 39 of 1975 concerning municipalities. Law no, (28) dealt with the organisational structure of the ministry decreeing the establishment of certain general departments among which was the

\textsuperscript{13} In execution of these two laws, many regulations were issued in the capacity of the conservation of the environment such as the ministry of municipalities decision no (81) in 1976 for a model regulation to regulate the water and drainage utility services at the municipalities issued on 28/4/1976; the ministry of municipalities decision no (94) in 1976 for a model regulation related to the public cleanliness and the ministry of municipalities decision no, 142 in 1976 concerning the rules for disposal of the waste materials at the municipalities, issued on 19/5/1976.
general department for protecting the environment. It was responsible for the actual supervision of all matters related to the safety of drinking water in terms of its conformity to the sanitary requirements and applying healthy modern methods. In connection with the disposal of the waste and other pollutants, departments must take necessary measures to restrict and eliminate such pollutants. The ministry was given the right to supervise issues pertaining to environmental improvement and development.

Furthermore, law no, (39) of 1975 and its executive regulations, dealt with details of the responsibilities related to the protection of the environment against pollution and adopting preventive measures in collaboration with the Ministry of Health and the other departments to avoid such pollution and protect public health. This could be achieved by adopting necessary preventive measures to avoid pollution of foodstuffs or through their proper inspection of both products and outlets.

Third Stage (1982-to Date)
In order to execute the decisions of the people's congresses in its third session for 1981, formulated by the general peoples congress, law no, (7) of 1982 was issued\(^\text{14}\) to protect the environment (the habitat of man and all living creatures which includes air, water, soil, and food) against pollution, along with founding appropriate methods for measuring pollution. This was carried out in order to draw public plans and programmes to eliminate environmental pollution. Article (2) stated that “The purpose of this law is to protect the ocean inhabited by humans and all living things (water, soil and food) against pollution and to find appropriate ways to measure pollution in them, in order to draw up plans and general programmes to prevent environmental pollution”.

Due to the desire to found an authority that has the responsibility to handle all the environment concerns in Libya, the General Environmental Authority (GEA) was founded.

\(^\text{14}\) It is worth mentioning that during the stages referred to above; much pertinent legislation was issued concerning environmental reform and protection such as: Decision no (8) of 1974 by the Minister of Labour on Issuance of Rules for the Protection of Workers' Health and Safety; Law no (93) of 1976 on Industrial Security and Employee Safety; Law no (5) for 1982 protecting forests and range management; Law no (13) of 1984 on General Sanitation; Law no (15) of 1989 protecting animals and trees; and Law no (5) of 1990 on Standardization and Metrology.
established according to the GP committee decision no, (263) of 1998\textsuperscript{15}. The decision gives the body the right to inspect and supervise all individual, public, private and foreign bodies in matters relating to the protection of the environment.

The authority practises the duties assigned to it through its specialised technical departments, namely (article (3) of the decision no, (54) for 1999 for GEA's internal structure): (1) Environmental studies and research department; (2) Inspection and environmental control department; (3) Nature and natural resources conservation department; (4) Prevention and environmental health department; (5) Laboratories and technical affairs department; and (6) Environmental information department.

### 5.6.2 Corporate Environmental Responsibility in the Legislation

As part of the regulation requirements, Libyan environmental legislation establishes the need for economic entities, regardless of their legal status, to take responsibility for any damage to the environment resulting from the conduct of their economic activities (article (3) of the law no 7 of 1982). Article (5) of that law also stresses the need to abide by all conditions and measures stipulated in this and other laws related to the protection of the environment, as well as regulations and implementing decisions of these laws.

In addition, law no 13 of 1984 on general sanitation refers to the need for economic entities, whatever their legal form, to take responsibility for their waste. It stated that companies, industrial establishments and other establishments whose activities produce dangerous wastes harmful to public health such as industrial, chemical, laboratory or hospital wastes, etc., shall collect, transport and dispose of their wastes in such a manner as may be approved by the peoples' committee in the concerned municipality.

\textsuperscript{15} In 2001, GEA became directly responsible to the Secretariat of the environmental protection and water resources in the General Peoples Congress (the highest legislative body in the state) in order to give the authority the right to inspect and supervise all individual, public, private and foreign bodies in matters relating to the protection of the environment.
Law (5) of 1990 on Standardization and Metrology as well stated that the national and international standards adopted by the Centre of Standardization and Metrology shall be compulsory and be applicable in all economic entities.

Furthermore, law no 93 of 1976 on Industrial Security and Employee Safety and Decision no 8 of 1974 by the Minister of Labour on Issuance of Rules for the Protection of Workers’ Health and Safety refers to the need for economic entities to take all necessary precautions to protect their employees and everybody in their work premises from work-related hazards, dangers and illness.

Finally, despite the increase in environmental-related legislation the level of regulation is still developing and, furthermore, this legislation has no direct implications for accounting and disclosure practices. However, it is worth mentioning that the executive regulation of law no. 7 of 1982, which was issued in 1998, requires companies to arrange with the GEA about the necessary information that they should provide on the environment. However, the GEA has not acted in this way (see Chapter eight).

5.6.3 Accounting Disclosure Legislation and Standards
This section aims to explain the disclosure requirements in Libya, it is divided into two subsections. The first deals with accounting disclosure legislation and the second describes the structure and contents of annual report for Libyan companies.

5.6.3.1 Accounting Disclosure Legislation
The current regulatory and institutional frameworks, which influence corporate disclosure practices, consist of a set of rules, regulations and some institutions inherited from the US, UK and Italian period (Bait El-Mal et al, 1973; Kilani, 1988). They include the Libyan Commercial Code (LCC), Libyan Income Tax Law (LITL) and the Financial System Law (FSL).

The Libyan Commercial Code (LCC) was established on November 28, 1953, and has been partially modified from time to time in order to meet the changing needs of
The last modification was in 1970. LCC consists of seven books namely: (1) Merchant and commercial activities; (2) Commercial contracts; (3) Banking transactions; (4) Negotiable instruments; (5) Commercial papers; (6) Commercial companies; and (7) Bankruptcy and its preventive procedures. In some of its parts, the LCC talks about matters of accounting such as accounting records, financial statements, valuation of assets and liabilities and legal reserves.

The first united Libyan income tax law was issued on 14 April 1968 and published in the “official gazette” on 1 January 1969. Until that time, Italian income tax was used with modification to suit the Libyan situation. Currently, Libyan income tax law No, 64 of 1973 is applied. The law consists of 130 articles divided into six parts: (1) General Provisions (articles 1-34); (2) Particular taxes (articles 35-85); (3) General tax on income (articles 86-92); (4) Tax on corporations (articles 93-104); (5) Penalties (articles 105-114) and (5) Final provisions (articles 115-130).

The Financial System Law (FSL) was first enacted in 1967. The Secretary of Treasury (currently Secretary of Financial) was given the statutory power to supervise and manage the state’s revenues and expenditures and to put forward the country’s proposed budget by the first article of FSL. To achieve this, the Secretary of Treasury appoints Finance Controllers (FCs) in each Secretary, Organisations and Institutions. FCs sends reports about the institution’s fiscal policies and practices to the Secretary of Treasury to whom they are accountable. Moreover, FSL requires the Secretary of Treasury to prepare an annual report to the Institute of Public Control (IPC) including: (1) a detailed statement of the country’s assets and liabilities and the state's actual revenues and expenses; and (2) a detailed statement of the state’s general, provision, development, debt, trust and emergency account (article 23).

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16 The first law established in Libya was the 1923 Italian tax. This law was implemented in both Italy and Libya, and remained in the latter until 1968. Although the new Libyan government in 1952 asked for technical help from UN to reform its economy, continuation of the 1923 Italian law was one of the UN’s recommendations (Bait El-Mal, 1981).
However, these laws were issued a long time ago and have not been modified to take into account the economic and political changes in the country, especially after 1977 (establishment of the people authority). In this context, Buzied (1998, p.140) stated that “although the country has gone through many different political, social and economic changes, accounting laws have remained relatively constant”. Since these laws have remained relatively constant, they remain distant from the developments which happened in the accounting field, including CED. Therefore, these laws have no implications for environmental accounting and disclosure.

Moreover, as these regulations were inherited from the US, UK and Italian period, the outputs of accounting information systems in Libyan companies do not fit the requirements of social and economic development processes (Kilani, 1988; Baker, 1997; Buzied, 1998). For example, Buzied (1998, p.343) stated that “in Libya, the linkage between the micro and macro accounting system is neglected and there is no appreciation of importance of a micro accounting system for the construction of macro accounting system”. His conclusion was reinforced by the representatives from central authorities such as the Secretary of Industry and Secretary of Economic and Planning. For example, a senior officer in the Secretary of Economic and Planning (SEP) points out that “the secretary wants information which helps to show the extent to which companies are allocating their resources efficiently. Also, the secretary needs information by which the responsibility of public companies in meeting their economic and social objectives can be seen to be discharged. This is in addition to information which enables the secretary to control and monitor social and economic development plans at the macro level” (Buzied, 1998, p.198). Thus, for this reason and due to the absence of Libyan accounting standards\(^{17}\), the Secretary of Industrial (SI) (presently Industrial Production Authority (IPA)) undertakes many steps to obtain the needed information such as:

\(^{17}\) Ala-Elden (1993) classified Arab countries in relation to their accounting standards into three groups. First, countries that adopt international accounting standards include the United Arab Emirates, Bahrain Kingdom, Kuwait, Oman, Jordan, Sudan and Lebanon. Second, countries that adopt either the US or UK accounting standards include Saudi Arabia and Egypt. Third, countries that have not adopted or developed any accounting standards include Morocco, Libya, Algeria, Tunisia, Syria and Yemen.
1. The Secretariat of Industry (presently IPA) issued the Uniform Accounting Guide (UAG) in 1988 for companies to use in preparing their accounts and reports. The UAG did not contain accounting and reporting standards but classified and defined financial statements' items and described accounting and costing recording procedures. The main objectives of the UAG are to help companies to measure production costs, to provide the necessary information for budget preparation process and to provide information to a company's management. The extent to which companies apply the UAG was voluntary and left to companies, which may or may not apply the guide or introduce some adjustments to it to suit their accounting systems. The flexibility in the application of the UAG was mainly due to the diversity in companies' activities and to the differences in their accounting systems (Saleh, 2001).

The UAG described mainly cost accounting systems, records and books, and the structure of the income statement and balance sheet. It also provides a layout of some records and books such as stock, labour, wages, overhead expenses' books, the trade account, and dividends account. However, although the issuance of the guide was a step towards applying a uniform accounting system in the industrial companies, this step has not been taken any further (Saleh, 2001).

2. The Secretariat of the Industry (SI) issued its decision no. 15 of 1995. It asks the companies to provide the SI with the required information quarterly and annually by using pre-designed forms (see table 5.3). The requested information included information about production, sales, costs and expenses, imports and exports, working hours, employees, wages, safety and healthy measures, foreign exchange needed, allocation spent, and investments. Libyan General Industrialisation Corporation (LGIC), which replaced SI in 2000 adopted these pre-designed forms according to its decision no. 18 of 2000. Similar and/or other reports are provided to other central authorities such as the SF, the IPC, etc. (Buzied, 1998; Saleh, 2001).
Table 5.3 The Frequency of Providing Reports to the SI and LGIC.

<table>
<thead>
<tr>
<th>Quarterly and Annually Forms</th>
<th>Annual Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Production.</td>
<td>Annual report.</td>
</tr>
<tr>
<td>2. Sales.</td>
<td></td>
</tr>
<tr>
<td>3. Debts.</td>
<td></td>
</tr>
<tr>
<td>5. Foreign Exchange.</td>
<td></td>
</tr>
<tr>
<td>7. Maintenance.</td>
<td></td>
</tr>
<tr>
<td>8. Employees.</td>
<td></td>
</tr>
<tr>
<td>11. Payments to the Treasury.</td>
<td></td>
</tr>
<tr>
<td>12. Inventory.</td>
<td></td>
</tr>
<tr>
<td>13. Production cost.</td>
<td></td>
</tr>
</tbody>
</table>

Source: (SI, 1995; LGIC, 2000).

Most of these pre-designed forms restrict purely to monetary information such as production forms, sales forms, debts forms, current and new projects forms, foreign exchange forms, expenses forms, maintenance form, payments to the treasury forms, inventory form and production cost form (see appendix three). Whereas, some of these pre-designed forms particularly those for social and environmental information such as employees forms, quality forms and health and safety form cover not only accounting information but also non-accounting (including narrative) information (see appendix three). These forms are prepared by the Finance and Administration Management (FAM\(^{18}\)) and in some cases by cooperation with other managements and offices such as Commerce Management, Health and Safety Office, Production Management and Information System Management (reciprocal relationship). The FAM consists of the Budget Department (BD), the Accounting Department (AD), the Costing and Stock Department (CSD), the General Relation Department (GRD) and the Employees Affairs Department (EAD).

\(^{18}\) In most surveyed companies, financial and administrative affairs are managed by one administration called Finance and Administration Management (FAM). However, in some companies like National Trailers Company (NTC) there are two administrations namely, Finance Management and Administration Management.
5.6.3.2 The Structure and Contents of Annual Report for Libyan Companies

Every company that operates in Libya, as mentioned earlier, is subject to requirements of the LCC of 1955 and 1970, and LITL of 1973. Consistent with these regulations, all companies are required to prepare an annual report, including an income account and balance sheet. There are, however, no further requirements relating to the form and content of the annual reports beyond that companies should maintain proper accounting records in accordance with the law. None of these laws mentions what accounting principles and standards should be adopted (El-Sharif, 1981; Kilani, 1988; Bait El-Mal et al, 1990; Buzied, 1998). Thus, in Libya, traditional reporting methods have been passed down to the Libyan companies by colonial masters (Buzied, 1998, p.181).

For this and in addition to the voluntary nature of the UAG, the content that companies select to include in their annual report varies from company to company (see appendix four). However, in general an annual report of Libyan companies includes: analysis of production, sales and projects, financial statements, financial analyses and comparisons with the previous years, explanations of the methods and procedures of depreciation expenses, and auditor report. It is restricted purely to monetary and quantitative information (Bait El-Mal, 1998, Buzied, 1998, Saleh, 2001). Thus, many aspects of disclosure such as the company president’s letter and mission statement practised and provided by companies in liberal market economies (Hendriksen, 1982) do not exist in most companies’ annual report in Libya. Saleh (2001) gives two reasons for that. First, the companies have not been required to provide narrative information through publishing their mission statement, the president’s letter and the management decision analysis by the central authorities. Second, since the central authorities are the ultimate users of companies’ information (no stock market), the managers of such companies believe that company’s mission is known to the central authorities and therefore there is no need to provide it in each year’s annual report.

19 These records are: (1) Journal record; (2) Inventory and balance sheet and (3) Inventory cards (article 58). Before being used, the books must be notarised by the court of first instance.
However, as mentioned earlier the companies are required to provide the central authorities (SI and LGIC) with information by using the pre-designed forms. Therefore, responding companies\footnote{There are some companies (non disclosing companies) who did not disclose this information required by LGIC (for more details about the possible reasons for that see Chapter eight).} used their annual reports, other specific external reports or internal reports to do so. However, the information provide by companies varies, from those that report only that which is required by SI and LGIC such as General Company for Chemical Industries (GCCI), National Trailers Company (NTC), Libyan Tractor Company (LTC) and General National Company for Flour Mills and Fodders (GNCFMF) which restrict the pre-designed forms, to those (such as Lorries and Vehicles Company (LVC), General Electronics Company (GEC) and General Tobacco Company (GTC)) that provide extensive related information by using both narrative and quantitative information (see e.g., health and safety disclosure in Chapter six).

The annual report is prepared by the Finance and Administration Management (FAM), reviewed by the General People's Committee and approved by the Secretariats of the General People's Committee. Law No.13 of 1981 specified the responsibilities of the General People's Committee of companies as follows: (1) to prepare the executive plans programmes that required to achieve the enterprises' objectives and to follow up their implementation; (2) to review and approve the budget, the internal reports, and the annual reports and accounts (it could include CED); (3) to follow up the activities and operations of all enterprise departments and to make sure that these departments operate according to plan; (4) to take all necessary measures and procedures to make sure that all production and operational needs are met, and to carry out the operations according to their timetable; (5) to establish all necessary internal systems and regulations for the enterprise as a whole and for each of its departments such as an environmental management system; (6) to take all necessary measures to protect the enterprise's assets; (7) to prepare all necessary training programmes for the enterprise's employees; and (8) to suggest all necessary plans for the enterprise's growth.
5.7 The State of Accounting Profession and Education in Libya

5.7.1 Accounting Professional Bodies

At the time of Libyan independence in 1951, the accounting profession did not exist in Libya (Bait-El-Mal, 1973). Most business firms relied on foreign accounting firms from Italy and the UK (Bait-El-Mal, 1973). The discovery of oil in the early 1960s provided the country with financial resources to develop business activities leading to a significant growth of the economy. Accordingly, there were increasing needs from investors, creditors, business managers, and governmental agencies for financial information and resultant accounting services. Subsequently, many foreign accounting firms from Egypt, US and the UK opened branches in Libya in the 1960s, predominantly providing audit services (Bait-El-Mal, 1973). In the 1970s, with the increase of accounting graduates from the University of Libya and the return of many Libyan students who graduated from abroad, many Libyan accounting firms were established.

As a result of the increase of accounting firms in both number and size and the lack of regularity in accounting and auditing standards and practices, there was an urgent need to set up a professional body, which could take the responsibility of developing a general framework of accounting in Libya. To meet the demand, Law No. 116 of 1973 was enacted on 20 December 1973. Following Law No. 116, the Libyan Accountants and Auditors Association (LAAA) was established in June 1975 with the following objectives (article no 3):

1. to organise and improve the conditions of the accounting profession and to raise the standards of accountants and auditors professionally, academically, culturally and politically;
2. to organise and participate in conferences and seminars related to accounting internally and externally and to keep in touch with

21 Before the country's independence, colonizers, Turkish (1551-1911), Italian (1911-1943) and Britain & France (1943-1952) were responsible for running the country's affairs, and implemented their laws.
22 This first law governing accountancy and related areas covers: a) the establishment of the Libyan accountants and auditors association; b) registration of accountants; c) exercise of profession; d) fees; e) pension and contribution fund; f) obligations of accountants and auditors; g) penalties; and h) general and transitional provisions.
23 According to article no 10, a board of directors composed of a chairman and eight members, who are elected by the general assembly of LAAA runs the association. The board selects one of its members as vice chairman, another as treasurer and a third as secretary.
new events, scientific periodicals, lectures and so on; (3) to establish a retirement pension fund for its members; (4) to increase co-operation between its members and to protect their rights; and (5) to take action against members who violate the traditions and ethics of the profession.

However, there is a general agreement between public accountants that the LAAA has played only a limited role in almost all of those objectives. For example the findings of Buzied's survey (1998, pp.163-164) show that LAAA has: (1) no role in developing accounting and auditing standards nor a code of ethics; (2) a very limited role in conducting effective research programmes to help develop or modify accounting in order to be useful and relevant to the Libyan context; (3) a limited role in issuing instructions about accounting practice and methods; and (4) a weak professional control over accounting practice and policy and deficiencies in monitoring accounting education in Libya. Moreover, Bengharbia (1989) concluded that: (1) there are some auditing practices which are not in compliance with generally accepted auditing standards and professional ethics; and (2) the managing committee of the accounting profession has failed to fulfil its duties and responsibilities concerning the development of the profession. Confirming evidence can be understood from the problems that characterise the current accounting and reporting system of Libyan companies as stated later.

In 2002 the number of registered memberships was 1369 (LAAA, 2002). Of this number 945 (69%) are classified as public accountants and 307 (22%) are classified as assistant accountants in practices. In addition, 117 (9%) of the registered memberships are classified as non-practice assistant accountants. However, there is an absence of evaluation methods for current and potential public accountants. Libyan accountants are not required to pass an exam to be allowed to practice public accounting and auditing services. The structure of the auditor's report has not been specified which has led to difference in auditors' reports structure (Bengharbia, 1989). This may lead to the influence of personal and educational backgrounds on the structure and contents of auditors' reports (Saleh, 2001).
In addition to LAAA, the State Accounting Bureau (SAB) also plays a key role in the profession. The SAB was established by Law no 31 of 1955 under the responsibility of the Ministry of Treasury. To guarantee its independence, SAB became responsible directly to the whole Ministries’ Council of Libya by the Audit Bureau Law of 1966. The Revolutionary Government of 1969 organised the government system to consist of an executive branch and a legislative branch represented by the Revolutionary Command Council (RCC). Accordingly, SAB was changed by the law no 79 of 1975 to become responsible directly to the RCC. Article no 1 of the SAB law of 1973 states the independence and objectives of the Bureau as follows: the SAB is an independent agency affiliated to the RCC; its purpose is to apply effective control over the public funds. Since the RCC transferred its authority to the General People’s Congress (GPC) in 1977, the SAB has become responsible directly to this new legislative body in Libya. According to the Law No. 7 of 1988, which was issued by GPC, the SAB was combined with the Central Institute for General Administration Control (CIGAC). The new name was the Institute for Public Follow-Up (IPFU). As stated by the law, the IPFU was an independent body, which, after auditing all the government accounts, should report directly to the GPC. However, there was no change in the main functions of the SAB. In 1996, Law no 11 was enacted by the GPC. This changes the name of the IPFU to the Institute of Public Control (IPC), and extended the responsibility of IPC to comprise the auditing of foreign companies operating in Libya.

The IPC is no better than LAAA at participating in spreading awareness among accountants concerning social and environmental disclosure. The IPC was established by the community to protect its own interests. One of its responsibilities is to ascertain the extent to which companies abide by Popular Congresses laws and regulations relating to environmental protection. Article (10) of the decision of the head of IPC no (49) of 1989 on conditions and technical rules of auditing of accounts and budgets of

24 The general broad occupation of the SAB, as stated in the law No 79 of 1975, is to exercise effective control over public resources. In order to undertake its responsibilities, the SAB performs four main functions: (1) post-audit of government revenues; (2) post-audit of government expenditures; (3) pre-audit of government obligations; and (4) reporting of audit findings. Particularly, according to part 2, article 18, of the Law No 79 of 1975, the SAB is responsible for the examining and auditing of the accounts of the state, organisations and public agencies. Also, the SAB is responsible for auditing government-owned companies and any account or entity assigned for government audit by RCC.
bodies, public institutions and public companies states that "The expert requires conducting an evaluation of the performance of the firm and the extent to which it has succeeded in achieving its aims and the level of its adherence to extant rules and legislation (such as environmental legislation). He should prepare and include in his report a critical study of his findings and compare that with achieved goals in the previous year (s)". However it has not played a significant role in establishing standards and guidelines in this area with which companies might comply. This is in addition to the lack of effort in the areas of scientific research and training courses and in the raising of awareness among members of the Popular Congresses of the importance of this kind of disclosure.

5.7.2 The Current Financial Accounting and Reporting System of Libyan Companies
Developing countries in general have managerial issues that exacerbate their accounting problems. Wallance (1990) stated that the common factor in all of the research studies reviewed by him was the fact that the accounting systems of developing countries are deficient. This was due to the weaknesses that have been noted in the financial accounting and reporting systems of developing countries such as: (1) poor internal control; (2) lack of management accounting concepts; (3) incomplete, inaccurate and late reports as well as undependable system; (4) shortage of staff; (5) inadequacy of financial accountancy; and (6) irrelevant and deficient reporting.

Libya is not different from other developing countries. Evidence of the present unsatisfactory nature of the current accounting and reporting system in Libya which explain its slow pace in following up developments in professional areas, such as environment disclosure was provided by many studies and control reports.

Many remarks are made about accounting and reporting systems of the companies in many IPC reports. For instance, the annual report for 1998 (P.30) made the following

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25 Expert signifies anyone in the accounting or auditing offices working in Libya, or any person or group of persons with the qualification and experience in accounting or auditing, not working in the IPC, charged with a particular inquiry.
notes: (1) lack of cost accounts in some of the industrial sector companies; (2) omission to close down some important records; (3) deficiency in internal auditing and control systems. Moreover, the annual report of IPC of 2000, mentioned the following remarks related to the companies which are the subject of this study: (1) omission of the National Trailer Company to keep regular records for immovable assets (p. 59); (2) lack of a cost accounting system as a control tool in most of the factories and production units of the General National Milling and Fodder Company (p. 63); (3) failure of the internal audit section in the Arab Engineering Industries Company, to keep the necessary records and analytic data for assets and inventories (p. 64); and (4) inefficiency in the documentary cycle for fixed assets of the Libyan Iron and Steel Company, and for the journals (p. 58).

The Annual Report of the IPC of 2002 also has listed, among the general remarks on the companies belong to the General Industrialization Corporation (presently Industrial Production Administration (IPA)), the following: (1) deficiency of the journal maintained by many companies in the sector; the existence of loops that may allow manipulation, due to the present faulty journal circulation; in addition to the absence of important records, which helped in many embezzlements and undetermined deficits (p. 53); (2) poor internal auditing systems in many sector companies (p. 54); (3) lack of regular training programmes for raising personnel qualifications and improving performance methods (p. 55).

In the same context, a number of studies stress the deficiency in accounting and reporting systems in the industrial companies. For example, Buzied (1998, pp. 201-202) find that "accounting information providing by Libyan enterprises lacks the basic requirements of comparability, timeliness, reliability, understandability and relevance" (see also, Kilani, 1988; Bait El-Mal et al, 1990; Gzema, 1998; Al-Wadi, 1999).

Goliah (2002) has listed the following problems: (1) low educational levels of the financial administration in the Libyan Cement Company and the Arab Cement Company, which greatly affected the performance of these administrations, in not
The findings of Gaith (2002)'s study are not far from the above when he stated (pp.170-171): (1) the results of the descriptive analysis and the statistical test show that the Libyan manufacturing companies which were the subject of the study, which applies a cost system, are suffering from a shortage of accountants, and qualified personnel, either academically or vocationally. This will naturally cast a negative effect on performance; (2) descriptive analysis and statistical tests reveal the absence of the basic necessary means for the application of cost accounting systems in most Libyan industrial companies included in the study. Also, these establish the lack of proper cost elements for management; and (3) the results of the analytical description and statistical tests show that most companies under the study that have cost systems, are incapable of providing the necessary information for planning, control and decision making process.

5.7.3 Accounting Education

In related to accounting education in Libya, as Yapa (2000) notes, almost all developing countries (including Libya) which have been colonies under powerful Western rulers for a considerable length of time inherited their accounting education from a colonial system. Libya general education from primary to university level and accounting education were largely imported (if not totally inherited) from the first world (e.g., the UK). Before its independence, there was no formal accounting education or training for local population (Kilani, 1988; Buzied, 1998). During the period of colonisation, more than 90 per cent of the population were illiterate. Very few Libyans had been given the opportunity to study at university or to qualify for the recognised profession at the time of independence (IBRD, 1960; Stanford Research Institute, 1969). The accounting education system after independence is divided into two levels: pre-university and
university levels. The accounting education was first started in 1957 by the establishment of the Accounting Department in the Faculty of Economics and Commerce at the University of Libya (now called Garyounis University)\textsuperscript{26}. The accounting department has been the most influential force in accounting education in Libya since its founding. During 1957-1981, it was the only faculty to offer accounting education at university level. The growing demand for accountants and accounting services in the early 1980s increased the need for the provision of accounting education at the higher education level. As a result, a few other universities also began to offer accounting programmes in the 1980s and early 1990s\textsuperscript{27}.

As a result of the increase of the number of accounting departments, there was an acute shortage of academic accounting staff. To overcome this problem, lecturers from different Arabic countries were recruited to teach at these institutions. In addition, these universities and higher institutes offered part-time positions. It was very common that an accounting department at a university has only one or two full-time lecturers and the remainder of the staff are working part-time from other universities or industry. In most cases, the founding lecturers of these newly established accounting departments came from the accounting department of Garyounis University and obviously these newly established departments have more or less the same accounting programmes and delivery systems and even textbooks as Garyounis. The education system in Garyounis University has been developed through the time from the old accounting programme to new one.

The old accounting education curriculum of 1957 to 1976 was greatly influenced by the British education system, as Libya was administered by Britain during the period 1943 to 1952, and many accounting faculty members were educated in the UK before they

\textsuperscript{26} The University of Libya was founded in Benghazi in 1957, with a branch in Tripoli. In 1973 the two campuses became the Universities of Benghazi and Tripoli, and in 1976 they were renamed as Garyounis University and El-Fatah University.

\textsuperscript{27} These comprise the Faculty of Economics at El-Fatah University, and the Faculty of Accounting at Al-Jabal Al-iGarbi University. An additional set of new higher institutes and universities was created in the early 1990s and many new accounting faculties and departments were opened at Sebha University, Omar El-mukhtar University, Nasser University, Seventh of April University and Al-Tahaddi University.
came to Libya to teach. The academic year was a nine-month year. A bachelor degree programme was offered over a period of four years (Garyounis University, 1972). Since 1976, the accounting programme offered by the Faculty of Economics and Commerce at Garyounis University has been shifted to the American model. The new system is based on two sixteen-week semesters instead of a full nine monthly academic year (Garyounis University, 1976). In both systems, the programme focuses heavily on financial accounting topics, in particular on the technical or mechanical aspects of accounting, dealing with external reporting, taxation and external auditing. The only difference between them is that the old system was British orientated, while the new one is American orientated. Little effort has been made to integrate the accounting education system with Libya’s environmental needs (Buzied, 1998).

The Department of Accounting at Garyounis University has also been offering a Masters programme since 1988. The programme is organised into three components: core subjects, electives and a dissertation. The majority of the faculty members are Libyans graduated from the US or the UK and most textbooks are either American and British books (e.g., Mautz and Sharaf, 1961; Drury, 1983), or Arabic books translated from American and British books (e.g., Hajaj and Saeud, 1989) or written by Arabic authors (e.g., Al-Nage, 1992; Holwa, 1992) who graduated from the US, the UK or Egyptian universities.

However, until now no university in Libya has offered a PhD programme in accounting, which is regarded as important for the advance of the accounting faculty and the development of accounting research. Staff members with a PhD are all from abroad (mostly from the UK and US); they were either foreigners or Libyans who were educated in these countries. The lack of a PhD programme is one of the main factors that have contributed to the slow development of accounting education and research in Libya (Ahmad and Gao, 2004).

28 The programme has also been offered by Postgraduate Studies Academy in Tripoli and the Faculty of Accounting at al-Jabal al-Gharbi University in Gahrian since the 1990s with almost the same textbooks and a similar curriculum of those of Garyounis University.
Moreover, it is worth mentioning that the accounting education system in Libya has not offered any courses related to social responsibility and accounting except one course offered optionally in the Master programme. This means that there is a high probability that an accounting student will graduate with no experience of social and environmental accounting and disclosure. In this context, Haniffa and Cooke (2002) stated that a well-educated society will demand their right for companies to fulfil their social obligations and be accountable for every action. Generally, business and accounting courses include studies on business ethics which would make students more aware of the social responsibilities of corporations.

Finally, the researcher concludes that if the roots of a tree (financial accounting and reporting systems in the company) are dead or weak, how could it grow and bring new branches (social and environmental disclosure), especially if those who care for and preserve it (accountants) are complaining, likewise from deficiency; and that the place containing and feeding it (professional bodies and education system), which are presumed to provide the necessary conditions for its development, are not suitable.

5.8 Summary
This chapter has covered the particular social, political and economic environments in which this study is undertaken. It is clear that Libya has a unique social, political and economic system. It is based on the “Third Universal Theory” of the Green Book and Islamic instructions. The economy of Libya is unique in many aspects accompanied by peculiar characteristics of its political regime. It is neither bourgeois political economy nor classical political economy.

The chapter starts with describing the social context of Libya. It found that Libyan social environment is characterised by the extended family, clan, tribe, village and Islamic religion. These play a major role in the community’s life and people’s relationships with each other.
The discussion then moved to describe the political context. The alteration from a monarchy to the present system began when it became the Libyan Arabic Republic following the Fatah Revolution on 1 September 1969. After the 1969 Revolution, a number of actions (e.g., nationalising foreign companies that were operating in Libya, and establishing public-owned enterprises) were taken by the new administration to restructure the economy. As a result, the private sector and foreign companies disappeared and a wide range of public-owned enterprises were formed. In the spring of 1972 the People’s Revolution took place in the structure of the country by introducing a new political, administrative and legislative system with a view to establishing the country as a socialist state to be governed only by the people. In 1977 Libya became a “State of the Mass” or a Jamahria, after the Declaration of the People’s Authority on 2 March of that year.

After that the country’s pre- and post- oil discovery economic progress was described. The country’s socialist philosophy has affected the economy to a large extent in terms of the ownership of a business and controlling of business objectives. Libyan industrial companies are predominantly owned by the state (society), and controlled and supervised by central authorities. While those enterprises are financed in different ways in relation to their activity, nature and objective, most of them have received their funding (e.g., launching grant) from the state. The main objective of those enterprises is to offer services and goods to the public (society) rather than to make a profit. Based on the state socialist philosophy, employees were given the right to set up self-management in their enterprises. Most companies in Libya are currently managed by a people’s committee; the committee has the responsibility of running the business and achieving all the enterprise’s objectives. The people’s committee is also required to implement all the financial regulations and control (including accounting activities), to follow all the instructions and to guidelines provided by their relevant secretariats (ministries), and provide these secretariats with all reports (including annual reports) and information they demand. All companies are required to prepare annual reports including income statements and balance sheets.
The chapter argued also that the level of environmental regulation in Libya is still low when compared to developed countries and, furthermore, this legislation has no direct implication for accounting and disclosure practices. Moreover, the present legal and regulatory framework for accounting in Libya is limited in scope and is expressed in loose and general terms.

Finally, the chapter found that the current accounting system of Libyan companies is inadequate and plays a limited role in measuring and communicating reliable, timely, relevant and comparable economic information, which would allow users to take rational decisions. Consequently, the contribution of accounting to the country's socio-economic development process and enhancing social welfare seems to be low. Moreover, accounting professional bodies have a limited role in developing the accounting profession in Libya. Some efforts have been made by SI and LGIC to do so.

Whereas this chapter deals with the Libyan environment, the next chapter will provide a detailed and longitudinal description of the extent of practices of CED in the country.
Chapter Six
The Current State of Corporate Environmental Disclosure Practice in Libya

6.1 Introduction
6.2 Total Level of Corporate Environmental Disclosure
6.3 Contents Category Themes of CED
6.4 Evidence and Type of Disclosure
6.5 Location of Corporate Environmental Disclosure
6.6 Summary
Chapter Six
The Current State of Corporate Environmental Disclosure Practice in Libya

6.1 Introduction

This chapter reports on the results of the content analysis of corporate reports of surveyed companies. It includes the following sections: the next section describes the overall level of CED. The contents category themes of CED are outlined in the third section. The fourth section deals with evidence of disclosure. The location of CED is considered in the fifth section. Examples of disclosure are provided through these sections in order to illustrate the nature of the disclosure undertaken. A summary of the results is provided in the final section.

6.2. Total Level of Corporate Environmental Disclosure

The annual reports, other external reports and internal reports of ten companies of 1998-2001 were collected through the assistance of: (1) Industrial Production Administration (IPA); and (2) Secretariats of the General People Committee of these companies.

Table 6.1 shows that of the thirteen companies which were contacted, ten companies provided their reports with 77% useable response rate. Three of them refused to provide their reports. One of the most difficult tasks in the data collection was getting these companies’ reports. They stated that these reports are confidential and therefore could not be provided. This was not surprising as the Libyan culture, as noted by Hofstede (1991), is secretive in nature (further discussion in Chapter eight). Moreover, in Libya companies’ reports are limited to the central authorities rather than the general public (see also Chapter eight for more details).

1These companies are: (1) Lorries and Vehicles Company (LVC); (2) General Electronics Company (GEC); (3) Libyan Tractor Company (LTC); (4) National Trailers Company (NTC); (5) General Company for Chemical Industries (GCCI); (6) the General National Company for Flour Mills and Fodders (GNCFMF); (7) General Tobacco Company (GTC); (8) General Company for Abstraction and Clarification of Vegetative Oils (GCACPO); (9) Arabian Cement Company (ACC); and (10) Libyan Cement Company (LCC) (this order matches with the group in table 6.1).

2These companies are: (1) General Company for Engineering Industries (GCEI); (2) Arab Company for Engineering Industries (ACEI) and (3) Libya Steel and Iron Company (LSIC).
Chapter Six

The Current State of Corporate Environmental Disclosure Practice in Libya

Table (6.1) Summary of Overall CED

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>Number of companies</th>
<th>Respondent companies</th>
<th>Disclosing companies</th>
<th>% of responding companies</th>
<th>% of disclosing companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical and Engineering Industries</td>
<td>6</td>
<td>4</td>
<td>4</td>
<td>67</td>
<td>100</td>
</tr>
<tr>
<td>Chemical Industries</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Basic Metallurgical Industries</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food Production Industry</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>100</td>
<td>67</td>
</tr>
<tr>
<td>Cement Industries</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>10</strong></td>
<td><strong>7</strong></td>
<td><strong>77</strong></td>
<td><strong>70</strong></td>
</tr>
</tbody>
</table>

Source: the number of surveyed companies was quoted according to Industrial Production Administration (IPA), General Secretariat of the Public Committee, Decision no, 72 of 2002.

Notes:

(I) Disclosing companies are: (1) Lorries and Vehicles Company (LVC); (2) General Electronics Company (GEC); (3) Libyan Tractor Company (LTC); (4) National Trailers Company (NTC); (5) General Company for Chemical Industries (GCCI); (6) the General National Company for Flour Mills and Fodders (GNCFMF) and (7) General Tobacco Company (GTC).

(II) Non-disclosing companies are: (1) General Company for Abstraction and Clarification of Vegetative Oils (GCACPO); (2) Arabian Cement Company (ACC); and (3) Libyan Cement Company (LCC).

Overall the results are disappointing-if not surprising. For the reason that, although table 6.1 indicates that 70% of responding companies made some environmental disclosure, the percentage comes down to zero if we exclude the disclosure related to health and safety category (see section 6.3). This result supports the evidence that has been obtained by previous studies (Kilani, 1988; Belgsem, 1992; Buzied, 1998). These studies concluded that the kind of disclosure by Libyan companies is not as it should be, especially that related to socio-economic development plans.

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3Social and environmental disclosure is expected to play an important role in controlling and evaluating performance as well as in the socio-economic development process (Samuels, 1990; Wallace, 1993).
The average volume of total health and safety disclosure over the four year period was 109 words (written by Arabic language) (Max 170; Min 81) as reported in table 6.2. There is an increasing trend in disclosing companies. GTC is the only companies that made disclosure in all of the four years. This increase in the number of companies may be in response to requesting of such information by Libyan General Industrialisation Corporation (LGIC) (presently IPA) (for more details see Chapters five and eight). Moreover, the peak in the volume of disclosure is in 2001 as shown in figure 6.1 due to the level of health and safety reporting by GEC in 2001.

### Table (6.2) the Average Volume of Total Health and Safety Word Disclosure over the Four Year Period

<table>
<thead>
<tr>
<th>Company</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Total</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>LVC</td>
<td>96</td>
<td>69</td>
<td>119</td>
<td>*</td>
<td>284</td>
<td>71</td>
</tr>
<tr>
<td>GEC</td>
<td>N/D</td>
<td>N/D</td>
<td>N/D</td>
<td>667</td>
<td>667</td>
<td>167</td>
</tr>
<tr>
<td>LTC</td>
<td>N/D</td>
<td>N/D</td>
<td>N/D</td>
<td>58</td>
<td>58</td>
<td>15</td>
</tr>
<tr>
<td>NTC</td>
<td>ND</td>
<td>99</td>
<td>6**</td>
<td>6**</td>
<td>111</td>
<td>28</td>
</tr>
<tr>
<td>GCCI</td>
<td>317</td>
<td>187</td>
<td>162</td>
<td>*</td>
<td>666</td>
<td>167</td>
</tr>
<tr>
<td>GNCFMF</td>
<td>N/D</td>
<td>N/D</td>
<td>179</td>
<td>233</td>
<td>412</td>
<td>103</td>
</tr>
<tr>
<td>GTC</td>
<td>155</td>
<td>345</td>
<td>126</td>
<td>226</td>
<td>852</td>
<td>213</td>
</tr>
<tr>
<td>Total</td>
<td>568</td>
<td>700</td>
<td>592</td>
<td>1190</td>
<td>3050</td>
<td>109</td>
</tr>
<tr>
<td>Average</td>
<td>81</td>
<td>100</td>
<td>85</td>
<td>170</td>
<td>109</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**  
(*) = the reports in this year have not been prepared yet at the time of conducting this research;  
(**) = in these years the company discloses only one statement namely, "there is no injuries during this period".  
(N/D) = there was no disclosure.

![Figure (6.1) The volume of total health and safety word disclosure over the four-year period](image-url)
6.3 Contents Category Themes of Corporate Environmental Disclosure

The analysis of the contents of the category themes of CED of the responding companies shows that none of these companies disclosed any information related to the environment rather than health and safety information, as presented in Table 6.3. This can be explained on the ground that the companies and LGIC pay attention to the working conditions of the workers and thus companies providing the related information to LGIC (see Chapters five and eight). For example, the following quotations show such consideration by some of the disclosing companies namely GTC and GEC.

“Due to the importance of working conditions, the General Tobacco Company seeks to provide methods of industrial security and professional health and safety in a way that will ensure the protection of the company’s employees and property. Fire alarms are provided as well as a fire extinguishing system through a water network in addition to handheld extinguishers. The company has also sought to provide a complete fire engine. The office of general health and safety supervises these aspects. It also supervises the production of employees’ injuries. The total number of the office’s staff is 84” (GTC, 2000).

“Undoubtedly, the safety of employees and the workplace are the most important aspects of the production process. We, therefore, include the recommendations that we recommended in the monthly reports which were derived from the recommendations of heads of industrial health and safety offices in the compounds and factories” (GEC, 2001).

<table>
<thead>
<tr>
<th>Company</th>
<th>Environmental Policy</th>
<th>Products and Processes</th>
<th>Energy</th>
<th>Health and Safety</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>LVC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>284 words</td>
<td>-</td>
</tr>
<tr>
<td>GEC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>667 words</td>
<td>-</td>
</tr>
<tr>
<td>LTC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58 words</td>
<td>-</td>
</tr>
<tr>
<td>NTC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>111 words</td>
<td>-</td>
</tr>
<tr>
<td>GCCI</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>666 words</td>
<td>-</td>
</tr>
<tr>
<td>GNCFMF</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>412 words</td>
<td>-</td>
</tr>
<tr>
<td>GTC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>852 words</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3050 words</td>
<td>-</td>
</tr>
</tbody>
</table>

6.4 Evidence and type of news for CED practice

The evidence and type of news for CED which appeared in the reports of the disclosing companies were analysed and reported in tables (6.4 and 6.5) respectively.
Table (6.4) the Evidence and Type Word Disclosure of News for CED which Appeared in the Reports over the Four Year Period

<table>
<thead>
<tr>
<th>Company</th>
<th>LVC</th>
<th>LTC</th>
<th>NTC</th>
<th>GCCI</th>
<th>Total (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statement / Year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary/ Bad news</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Monetary/ Neutral news</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Monetary/ Good news</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Quantitative/ Bad news</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Quantitative/ Neutral news</td>
<td>-</td>
<td>12</td>
<td>10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Quantitative/ Good news</td>
<td>9</td>
<td>-</td>
<td>24</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Qualitative/ Bad news</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Qualitative/ Neutral news</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Qualitative/ Good news</td>
<td>87</td>
<td>57</td>
<td>85</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total (number of words)</strong></td>
<td><strong>96</strong></td>
<td><strong>69</strong></td>
<td><strong>119</strong></td>
<td><strong>58</strong></td>
<td><strong>317 187 162</strong></td>
</tr>
<tr>
<td>Mandatory disclosure</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Voluntary disclosure</td>
<td>96</td>
<td>69</td>
<td>119</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

4 The LGIC (and previously SI) requires information from the sector companies quarterly and annually about the health and safety situation (see Chapter five, pp. 148-149).
<table>
<thead>
<tr>
<th>Company</th>
<th>GEC</th>
<th>GNCFM</th>
<th>GTC</th>
<th>Overall Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statement</td>
<td>Year</td>
<td>Bad news</td>
<td>Neutral news</td>
</tr>
<tr>
<td>Money</td>
<td>98</td>
<td>99</td>
<td>00</td>
<td>01</td>
</tr>
<tr>
<td></td>
<td>649</td>
<td>74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>667</td>
<td>-</td>
<td>16</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>126</td>
<td>126</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>(1+2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table (6.5) Summary of the Evidence and Type of Word Disclosure News for CED over the Four Year Period
These above tables reveal that quantitative and qualitative methods were both employed by disclosing companies. The following quotations provide examples of bad, neutral and good qualitative disclosures respectively.

“Despite the urgent need for medicines, first aid and medical equipment to be used in medical surgeries inside the compounds and factories as well as the need for industrial protection equipment, no item of the above was delivered due to lack of co-operation from colleagues in the internal purchasing committee in this respect. A study to investigate the possibility of providing compounds, factories, warehouses and maintenance centres with early warning alarm system against fire and burglary was also conducted, but no action has been taken in this respect. Offers submitted from foreign companies were also studied concerning the provision of fire engines and equipped ambulances and were submitted to colleagues in the external purchasing committee, but no action has been taken in this respect” (GEC, 2001, Purchased Goods Section).

“We hope that these recommendations are taken into consideration… Working on the provision of powder and foam types of extinguishers because of their suitability to the company products in case of an outbreak of fire, God forbid” (GEC, 2001).

“The office also provides training to new staff on the importance of safety and how to protect themselves when accidents or disasters occur. The office also trains the staff on the correct use of fire extinguishers when fires occur. The office also prepares proactive planning of rescue operations at times of disasters and it also places guarding teams around the company’s properties to protect it in every way” (GTC, 1999).

Bad, neutral and good quantitative disclosures can be noted respectively from the following quotations.

“A statement of occupational accidents in the company during 1997 and the period between 1/1/1998 to 30/10/1998”

<table>
<thead>
<tr>
<th>Year</th>
<th>Type of injury</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minor</td>
<td>Medium</td>
</tr>
<tr>
<td>1997</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>1998</td>
<td>18</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: (GTC, 1998).

“The safety and security department have carried out the following... supervising of welding operations where it supervised 195 welding activities” (LVC, 1999).

“All extinguishers available in compounds, factories and different company sites have been checked by the institute of Oil Affairs and the necessary maintenance, filling and painting were carried out. The following table shows this”.

170
Chapter Six

The Current State of Corporate Environmental Disclosure Practice in Libya

The disclosure with financial value was made only by GTC (see Table 6.4). The following quotations provide examples of such monetary disclosure.

"A contract was concluded with the Civil Protection Apparatus to buy a fire engine at the value of 490,000 L.D for the company and an action has been taken to receive it with the implementation of the contract’s terms in respect of training, operation and the provision of spare parts" (GTC, 1998).

The disclosure with financial value was made only by GTC (see Table 6.4). The following quotations provide examples of such monetary disclosure.

"A contract was concluded with the Civil Protection Apparatus to buy a fire engine at the value of 490,000 L.D for the company and an action has been taken to receive it with the implementation of the contract’s terms in respect of training, operation and the provision of spare parts" (GTC, 1998).

---

### Table 6.4

<table>
<thead>
<tr>
<th>Site</th>
<th>Size</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company headquarters</td>
<td>27 39 23</td>
<td>Valid until 18/4/2001</td>
</tr>
<tr>
<td>Garyounis Compound for Visual equipments</td>
<td>43 41 23</td>
<td>Valid until 12/5/2001</td>
</tr>
<tr>
<td>The Electronic Compound in Tajora</td>
<td>10 101 37</td>
<td>Valid until 14/2/2001</td>
</tr>
<tr>
<td>Garyounis Compound for Electronic Industries</td>
<td>92 56 4</td>
<td>Valid until 1/4/2001</td>
</tr>
<tr>
<td>Audio Equipments Factory</td>
<td>37 8 8</td>
<td>Valid until 13/6/2001</td>
</tr>
<tr>
<td>Printed Circuits and Microscopes Factory</td>
<td>10 28 5</td>
<td>Valid until 30/5/2001</td>
</tr>
<tr>
<td>Computer Factory</td>
<td>37 31 15</td>
<td>Valid until 15/3/2001</td>
</tr>
</tbody>
</table>


Tables 6.4 and 6.5 also indicate that more attention was paid to the bad news either mandatory and/or voluntary. This consideration with bad news conflicts with other studies even those related to developing countries (see Chapters two and eight).

---

5 Bad news means statements which reflect or might reflect discredit on the company, including, for example, amount of air pollution, increase in accidents, etc. For more details on the definitions and decision rules for disclosure categories see appendix three.
can be justified since the LGIC (and previously SI) requires information from the sector companies quarterly and annually by using pre-designed forms (SI, 1995, LGIC, 2000) (mandatory disclosure) (see Chapter five, pp.148-189). The requested information includes information about health and safety measures which related to the industrial accidents (bad news). However, the information provide by companies varies, from those that report only that which is required by SI and LGIC such GCCI, LTC and GNCFMF which restrict the pre-designed form of LGIC (see the following quoted tables 6.7, 6.8 and 6.9 respectively)\(^6\), to those (such as LVC, GEC, GTC and NTC) that provide extensive related information by using both narrative and quantitative information (voluntary disclosure). These companies use either their annual reports such as LVC and GTC (see the earlier quotations), its internal report such as GEC (see 6.5 later) or its own form such as NTC\(^7\) (see quoted table 6.10 later) to do so.

For more clarity, table 6.6 below summarises the overall total of both mandatory and voluntary bad news disclosure which was made by the surveyed companies over the period of study (1998-2001). It indicates that 26% of the overall total volume of bad news disclosure was made voluntarily\(^8\). However, of especial note is that in 1999, the total volume of both of them was almost equal.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mandatory</th>
<th>Voluntary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>349</td>
<td>-</td>
<td>349</td>
</tr>
<tr>
<td>1999</td>
<td>267</td>
<td>261</td>
<td>528</td>
</tr>
<tr>
<td>2000</td>
<td>361</td>
<td>12</td>
<td>373</td>
</tr>
<tr>
<td>2001</td>
<td>321</td>
<td>182</td>
<td>503</td>
</tr>
<tr>
<td>Total</td>
<td>1298 (74%)</td>
<td>455 (26%)</td>
<td>1753 (100%)</td>
</tr>
</tbody>
</table>

\(^6\) However, on the other hand there are three companies (GCACPO, ACC and LCC) which did not even disclose this minimum information required by LGIC (for more details about the possible reasons for that see Chapter eight).

\(^7\) However, it worth mentioning that, in 2000 and 2001, NTC restricts the pre-designed form of LGIC.

\(^8\) For more details about the reasons behind this voluntary consideration with bad news by Libyan companies see Chapter eight.
Table (6.7) General Company for Chemical Industries (GCCI)
The state of health and safety during the period from 1/1/2000 until 31/12/2000

<table>
<thead>
<tr>
<th>Productive unit</th>
<th>Data</th>
<th>Type and place of injury on the body</th>
<th>Days of absence</th>
<th>Corrective procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical group in Abu-Kamash</td>
<td>16/1/2000</td>
<td>Injury in the left eye</td>
<td>5</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>7/2/2000</td>
<td>Ophthalmitis</td>
<td>3</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>2/3/2000</td>
<td>Burns in the face and eyes</td>
<td>7</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>5/3/2000</td>
<td>Bruises in the right leg</td>
<td>4</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>20/4/2000</td>
<td>Bruises in the right arm and the right side</td>
<td>6</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>1/5/2000</td>
<td>Bruises in the spinal column</td>
<td>10</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>5/6/2000</td>
<td>Poisoning in the digestive apparatus</td>
<td>4</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>13/6/2000</td>
<td>Bruises in the leg and the back</td>
<td>18</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>21/6/2000</td>
<td>Fracture in the right arm</td>
<td>10</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>13/7/2000</td>
<td>Ophthalmitis in the right eye</td>
<td>7</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>29/7/2000</td>
<td>Ophthalmitis</td>
<td>3</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>8/8/2000</td>
<td>Burns in the right hand</td>
<td>3</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>17/8/2000</td>
<td>Burns in the leg and the hand</td>
<td>7</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>22/8/2000</td>
<td>Asphyxia in the respiratory system</td>
<td>7</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>3/9/2000</td>
<td>Burns in the face and the chest</td>
<td>2</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>17/9/2000</td>
<td>Bruises in the arm</td>
<td>14</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>14/11/2000</td>
<td>Asphyxia in the respiratory system</td>
<td>7</td>
<td>More care should be taken</td>
</tr>
<tr>
<td></td>
<td>3/12/2000</td>
<td>Asphyxia</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Tripoli gas factory</td>
<td></td>
<td>There are no injuries during this period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benghazi gas factory</td>
<td></td>
<td>There are no injuries during this period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>120</td>
<td></td>
</tr>
</tbody>
</table>


Table (6.8) Libyan Tractors Company (LTC)
The state of health and safety during the period from 1/1/2001 until 31/12/2001

<table>
<thead>
<tr>
<th>Company</th>
<th>Productive unit</th>
<th>Total number of employees</th>
<th>Number of injured</th>
<th>Type of injury</th>
<th>Place of injury on the body</th>
<th>Cause of injury</th>
<th>Data of absence</th>
<th>Corrective procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTC</td>
<td>Tajora</td>
<td>331</td>
<td>5</td>
<td>Fracture and minor injuries</td>
<td>Fracture in the right leg Injury in the left hand Injury in the head Injury in the right hand Minor sickness</td>
<td>Spare parts handle</td>
<td>They get 3 days as a medical rest</td>
<td></td>
</tr>
</tbody>
</table>

Table (6.9) the General National Company for Flour Mills and Fodders  
The state of health and safety during the period from 1/1/2001 until 31/12/2001

<table>
<thead>
<tr>
<th>Productive Site</th>
<th>Number of injured</th>
<th>Type of injury</th>
<th>Place of injury on the body</th>
<th>Cause of injury</th>
<th>Days of absence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eain Zara Semolina Milling Factory</td>
<td>4</td>
<td>Minor injury, Scratches, Bruises</td>
<td>Fracture in the right hand and bruises in the chest, Left hand, Right thigh</td>
<td>Slipping and falling on the ground, Sudden slipping, Slipping</td>
<td>31</td>
</tr>
<tr>
<td>The Modern Spaghetti Factory</td>
<td>3</td>
<td>Minor injury, Occupational accident</td>
<td>Broken middle finger in the right hand as a result of wheel spinning, Fracture in the right leg as a result of colliding with a crane, Left hand little finger</td>
<td>A chain came out of its track</td>
<td>18</td>
</tr>
<tr>
<td>Al-Qarouli Fodder Factory</td>
<td>2</td>
<td>Minor injury</td>
<td>Injury in the right leg, Fracture in the left leg</td>
<td>Fault in the electrical lift</td>
<td>31, 28</td>
</tr>
<tr>
<td>Al-Sewani Harvest Milling Factory</td>
<td>1</td>
<td>Occupational accident</td>
<td>Injury in the spinal column and fracture in the right leg</td>
<td>Slipping</td>
<td>30</td>
</tr>
<tr>
<td>Tripoli Compound For Semolina and Spaghetti</td>
<td>1</td>
<td>Occupational accident</td>
<td>Injury in the spinal column</td>
<td>Slipping</td>
<td>15</td>
</tr>
<tr>
<td>Zeltien Harvest Milling Factory</td>
<td>7</td>
<td>Wound in the leg, Minor injury, Bruise in the eye, Minor injury, Fracture, Wound</td>
<td>Left leg, Medium injury in the left leg knee, Left eye, A finger in the left hand, Left hand joint between the arm and the shoulder, Right hand fingers, Right hand palm</td>
<td>A piece of glass falling on the leg, A bruise caused by key while fixing a mechanical fault, While repairing a drive knife, While the technician was fixing the stowing machine, While closing a truck’s door which belongs to the milling factory, Wounded while working because of a sharp metal belt for binding empty bags</td>
<td>15, 4, 7, 5, 14, 9, 5</td>
</tr>
<tr>
<td>Qargi Semolina Milling Factory</td>
<td>1</td>
<td>Amputation</td>
<td>Right leg</td>
<td>Traffic accident</td>
<td>7</td>
</tr>
<tr>
<td>Sebha Compound for Milling and Fodder</td>
<td>1</td>
<td>Minor injury</td>
<td>Fracture and a cut in a left hand finger</td>
<td>Locking the car’s door</td>
<td>30</td>
</tr>
<tr>
<td>Tripoli Fodder Factory</td>
<td>1</td>
<td>Fracture</td>
<td>Right foot metatarsus</td>
<td>Falling from a ladder</td>
<td>30</td>
</tr>
<tr>
<td>Sarman Fodder Factory</td>
<td>1</td>
<td>Fracture</td>
<td>Left hand</td>
<td>Falling while at work</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>308</strong></td>
</tr>
</tbody>
</table>

Table (6.10) National Trailers Company (NTC)
The state of health and safety during the period from 1/5/1999 until 31/5/1999⁹

<table>
<thead>
<tr>
<th>Employee's name</th>
<th>Data</th>
<th>Time</th>
<th>Nationality</th>
<th>Age</th>
<th>Occupation</th>
<th>Place of accident</th>
<th>Summary of accident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nassr Ebrahim Reuq</td>
<td>17/5/99</td>
<td>10 a.m.</td>
<td>Libyan</td>
<td>29 years</td>
<td>Technician</td>
<td>Factory</td>
<td>Minor injury</td>
</tr>
<tr>
<td>Hassan al-Habib Ali</td>
<td>18/5/99</td>
<td>9 a.m.</td>
<td>Libyan</td>
<td>27 years</td>
<td>Technician</td>
<td>Factory</td>
<td>Minor injury</td>
</tr>
<tr>
<td>Tarak Mohamed Al-Msalatey</td>
<td>26/5/99</td>
<td>12 noon</td>
<td>Libyan</td>
<td>26 years</td>
<td>Technician</td>
<td>Factory</td>
<td>Minor injury</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee's name</th>
<th>Cause of injury</th>
<th>Type of injury</th>
<th>Place of injury on the body</th>
<th>Days of absence</th>
<th>Disablement</th>
<th>Death</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nassr Ebrahim Reuq</td>
<td>Workplace injury</td>
<td>Injury in the leg</td>
<td>The right leg</td>
<td>11 days</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Hassan al-Habib Ali</td>
<td>Workplace injury</td>
<td>Injury in the hand</td>
<td>The left hand</td>
<td>13 days</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Tarak Mohamed Al-Msalatey</td>
<td>Workplace injury</td>
<td>Fracture in the leg</td>
<td>The right leg</td>
<td>5 days</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: NTC (1999, May)

⁹ Since there are no accidents in the other months of 1999, the form covers only the month of May.
6.5 Location of Corporate Environmental Disclosure

Contrasting to previous studies that mainly considered only annual reports; this study considers a variety of CED media. Media used in this study were: (1) annual reports, (2) other available external reports, and (3) available internal reports of the surveyed companies.

The results showed that the location of health and safety disclosure varies between the companies as indicated in Table 6.11 below.

<table>
<thead>
<tr>
<th>Location</th>
<th>Number of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual report (stand-alone section for health and safety)</td>
<td>3</td>
</tr>
<tr>
<td>Specific external report (form) for health and safety</td>
<td>2</td>
</tr>
<tr>
<td>Specific internal report for health and safety</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7</strong></td>
</tr>
</tbody>
</table>

Three of the disclosing companies, namely TVC, GNCFMF and GTC, place their health and safety disclosure in their annual reports. They use a stand-alone health and safety section in their annual reports to do so. However, LTC and NTC place their disclosure in a specific external form (outside the annual report) (see Tables 6.8 and 6.10 above).

The results also found that two companies, namely GCCI and GEC, place their disclosure in a specific health and safety internal report. The internal report of GCCI almost restricts the pre-designed health and safety form of LGIC (see Table 6.7 above), whereas the internal report of GEC is divided into four sections namely, extinguishers, purchased goods, medical surgeries and recommendations and needs.

Some of the above examples of GEC’s disclosure quotations in the previous sub-section were taken out from the purchased goods and extinguishers sections respectively. These

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10 For more details about the contents of Libyan companies’ annual reports, see Chapter five (pp.150-151).
two sections deal with the policy and the problems that were faced in related to purchased goods and extinguishment achievements in the Department of Health and Safety.

The medical surgeries sections deals with occupational accidents in the company during the year and the conditions of the company’s surgeries. The following quotation spotlights over that:

“A number of employees visited the medical surgeries and were medically examined and provided with medicines from the available stock. Others were referred to hospitals and specialized centres according to their cases. Many surgeries are still suffering from lack of equipment, medicines and first aid. The following survey shows this”.

<table>
<thead>
<tr>
<th>Data</th>
<th>Company headquarter</th>
<th>Garyounis compound for visual equipment</th>
<th>The electronic compound in Tajora</th>
<th>Garyounis compound for electronic industries</th>
<th>Printed circuits and microscope Factory</th>
<th>Audio equipments factory</th>
<th>Computer factory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of visitors</td>
<td>60</td>
<td>238</td>
<td>696</td>
<td></td>
<td>191</td>
<td>1001</td>
<td>103</td>
</tr>
<tr>
<td>Transferred cases to the hospital</td>
<td>-</td>
<td>5</td>
<td>4</td>
<td>Reports did not arrive at the beginning of the year</td>
<td>-</td>
<td>46</td>
<td>-</td>
</tr>
<tr>
<td>Occupational accidents</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Off days</td>
<td>53</td>
<td>629</td>
<td>1468</td>
<td></td>
<td>304</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Maternity leave</td>
<td>2</td>
<td>1350</td>
<td>7</td>
<td></td>
<td>126</td>
<td>110</td>
<td>1</td>
</tr>
</tbody>
</table>


The final sections deals with the recommendations and needs of the Department of Health and Safety. For example, in the GEC’s report of 2001, this section includes fourteen recommendations such as:

- Providing fire engines that are compatible with materials used in the production process and also providing equipped ambulances to transfer the injured and patients to specialised treatment centres, offers about which had been previously referred to the External Purchasing Committee.
- Working on the maintenance of the production halls and warehouses affected by water leakage during the rainy season.
- Providing the industrial security and professional safety offices in compounds and factories with wireless communication systems inside the sites.
- Allocating industrial security and professional safety members to qualifying courses in their fields of expertise particularly in civil defence -putting out fire and first aid, and choosing new members who enjoy high physical fitness, stamina and an intermediate level of education to support the security and safety units.
Providing the necessary protection equipment which are needed by the production workers at the production sites such as safety masks, gloves, protective glasses, face masks, instruction and warning posters and other industrial protection equipment.

- Carrying out regular medical examinations on all production workers in the compounds and factories.
- Finding solutions to the sites that use chemical materials in its production as they have negative impact on the workers' health with the co-ordination of the specialised bodies.


This result supports the fact that annual report is not the only means used by companies to disclose environmental information (see, Zeghal and Ahmad, 1990, Roberts, 1991, Unerman, 2000). In other words, if the disclosure in other media has been excluded, the number of disclosing companies will be reduced to only three companies instead of seven companies.

6.6 Summary

This chapter has assessed the current state of corporate environmental disclosure by Libyan industrial companies. In summary, one can say that corporate environmental disclosure has not been developed yet in Libya. This is further highlighted if one examines the United Nations Environmental Programme (UNEP)'s identification of the five stages in corporate environmental reporting (UNEP, 1994) (see, figure 6.2 below). Libyan companies remain at stage one by providing some statements in their reports related to only one category of CED namely health and safety information.

They are at a very early stage in their consideration of environmental disclosure (the infancy stage). Apart from health and safety disclosure, the companies studied have disclosed no other environmental information. An interesting point was that Libyan companies, by contrast with their counterparts even in developing countries, have given more attention to negative news. The other inspiring point was that the result of this study supported the fact that the annual report is not the only means which be used by companies to disclose environmental information, since four (57%) of the disclosing companies located their disclosure outside their annual reports. They placed it either in a specific external report (form) such as National trailers Company (NTC) and Libyan...
Tractors Company (LTC) or in a specific internal report such as General Company for Chemical Industries (GCCI) and General Electronics Company (GEC).

**Figure 6.2 Stages of Corporate Environmental Disclosure (CED)**

- **Stage One**: Green glossies, newsletters, videos, short statement in annual report.
- **Stage Two**: One-off environmental report often linked to first formal policy statement.
- **Stage Three**: Annual reporting linked to environmental management system, but more text than figures.
- **Stage Four**: Provision of full Toxic Release Inventory-style performance data on annual basis, input-output data for service companies, Corporate and site reports available on diskette or online, environmental report referred to in annual report.
- **Stage Five**: Sustainable development reporting, aim: no net loss of carrying capacity; linking of environmental economic and social aspects of corporate performance, supported by indicators of sustainability; integration of full cost accounting.

Source: UNEP IE (1994)

The next two Chapters attempt to explain and understand this evidence of CED practices which were reported in this chapter. This will be done by utilising (1) the perception of a sample of corporate managers regarding the nature of corporate environmental responsibility and CED in Chapter seven; and (2) the political, economic and social contexts in which the CED is being made in Chapter eight (the three-dimensional analysis suggested in Chapter two).
Chapter Seven
The Perception of Managers on CED and Environmental Responsibility

7.1 Introduction
7.2 Background Information of Respondents
7.3 The Perception of Managers about Environmental Responsibility and CED
7.4 The Perception of Managers about the Reasons for Disclosure and Non-Disclosure of Environmental Information
7.5 Summary
Chapter 7

The Perception of Managers on CED and Environmental Responsibility

7.1 Introduction

This chapter reports on the results of the questionnaire survey. It focuses on the perceptions of managers of surveyed companies regarding corporate environmental responsibility and disclosure. It is divided into three sub-sections according to the three parts of the questionnaire namely: (1) background information of respondents; (2) the perception of managers about environmental responsibility and CED and (3) the perception of managers about the reasons for disclosure and non-disclosure of environmental information.

The principal purpose of the questionnaires is to examine managerial perceptions of the motivations for CED in the Libyan context. The survey focuses on perceptions of both CED presence and absence as it is contended that these perceptions (internal factors) enable one to examine managerial motivations regarding CED in greater depth, especially given the results of content analysis in the last Chapter.

Thus, questionnaires were delivered personally to Secretariats and members of the General People’s Committee¹, and the Directors of Finance and Administration Management who worked for companies that formed part of the sample companies used in the content analysis above, thereby facilitating the use of their perspective, along with the environmental contexts in interpreting the results of the content analysis. A total of 85 questionnaires were delivered to groups of respondents (for more details see Chapter four).

¹According to the article (7) of the General People’s Committee’s decision on the issuance of the Administrative Regulation of Companies and Establishments owned by Society (1980) stated that “The management of the company or establishment shall became controlled by a people’s committee consisting of at least five members to be chosen through direct election by workers (for more details see Chapter five).
7.2 Background Information of Respondents

Educational background, as mentioned in Chapter three, can be an important determinant of disclosure practice with better educated managers being more likely to adopt innovative activities and disclose more voluntary information including CED (Hambrick and Mason, 1984, Derwent, 1989, Gray, 1990, Bebbington et al, 1994, Haniffa and Cooke, 2002, Lodhia, 2003). Haniffa and Cooke (2002), for example, found a significant relationship between the proportion of directors on the board having an academic background (or trained) in accounting and business and the extent of voluntary disclosure of information including environmental disclosure.

Thus, the first part of the questionnaire focuses on the experience and educational background information of respondents (see appendix one). Tables 7.1-7.4 present the number of responses involved in this survey to questions from 1-5 presented in part one of the questionnaire. They deal with background information about the participants in terms of present occupation; professional experience; latest educational qualification; place of education for the last degree; and professional qualification in accounting or management. Three more questions were included in this part (6-8). They deal with background information about the participants in terms of the present and future training programmes that related to environmental management and/or accounting.

Table (7.1) Present Occupation and Professional Experience of Participants

<table>
<thead>
<tr>
<th>Position (Present Occupation)</th>
<th>Number</th>
<th>Less than five years</th>
<th>Five to ten years</th>
<th>More than ten years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretariat of General People’s Committee</td>
<td>9</td>
<td>4</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Membership of General People’s Committee</td>
<td>34</td>
<td>15</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Financial (and Administrative) Director</td>
<td>10</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
<td>22 (42%)</td>
<td>14 (26%)</td>
<td>17 (32%)</td>
</tr>
</tbody>
</table>
### Table (7.2) Participants' Qualifications

<table>
<thead>
<tr>
<th>Data</th>
<th>Management &amp; Business and Accounting</th>
<th>Other Subjects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher diploma</td>
<td>2 (c)</td>
<td>2 (a); 3 (b)</td>
</tr>
<tr>
<td>Bachelor degree</td>
<td>6 (c), 2 (b)</td>
<td>4 (a); 26 (b)</td>
</tr>
<tr>
<td>Masters degree</td>
<td>1 (a)</td>
<td>1 (b)</td>
</tr>
<tr>
<td>PhD degree</td>
<td>-</td>
<td>2 (a); 2 (b)</td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td>2 (c) intermediate diploma (pre-university)</td>
<td>-</td>
</tr>
</tbody>
</table>

**Notes:** a = Secretariat of General People's Committee of a company; b = Membership of General People's Committee of a company; and c = Financial and Administrative Director of a company. Moreover, none of the Secretariat and the Members of the General People Committee have attended any course related to neither accounting nor management (part two of the question).

### Table (7.3) Place of Education for the Last Degree of Participants

<table>
<thead>
<tr>
<th>Position</th>
<th>Libya</th>
<th>Other Arabic Countries</th>
<th>UK</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretariat of General People Committee</td>
<td>6</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Membership of General People Committee</td>
<td>29</td>
<td>-</td>
<td>2</td>
<td>3</td>
<td>34</td>
</tr>
<tr>
<td>Financial and Administrative Director</td>
<td>10</td>
<td>-</td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>45 (85%)</td>
<td>4 (0.075%)</td>
<td>4</td>
<td>4 (0.075%)</td>
<td>53</td>
</tr>
</tbody>
</table>

### Table (7.4) Accounting Professional Qualification of Participants

<table>
<thead>
<tr>
<th>Position</th>
<th>LAAA</th>
<th>IAAA</th>
<th>ACCA</th>
<th>AICPA</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretariat of General People Committee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Membership of General People Committee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial (and Administrative) Director</td>
<td>5</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Notes:** LAAA = Libyan Association of Accountants and Auditors; IAAA = the Institute of Arabic Accountants and Auditors; ACCA = the Association of Chartered Certified Accountants; and AICPA = the American Institute of Certified Public Accountants.
In the survey as shown in the above tables 56% (24) of the secretariat and the members of the General People’s Committee have professional experience exceeding five years, and the qualifications of most of them are bachelor degrees (32: 74%). 12% (5) of them held less than bachelor degrees and 14 % (6) of them held Masters or PhD degrees. Moreover, 93% (40) of them have qualifications in areas which have nothing to do with management and/or accounting and did not have any training courses or programme to improve their knowledge about accounting and management in general\(^2\) (question 3) or about environmental management\(^2\) in particular (questions 6-8). Moreover, 35 of them (81%) graduated in Libya.

In relation to Financial and Administrative Directors, the above tables show that 7 (70%) of them had professional experience exceeding five years, and the most of them (6: 60%) held bachelor degrees. 40% of them held less than bachelor degrees and none of them held Masters or PhD degrees. The results show that all of them obtained their highest degrees from Libya. Moreover, only one has a professional qualification from the IAAEA and five of them are holding membership of LAAA which has not undertaken any initiative on environmental matters even those elements that simply extensions of current accounting practices such as contingent liabilities, remediation, provisions, environmental reporting in financial statements and statutory audit implications (see Chapter five). The results also show that none of the participants or their accounting staff (accountants) had taken part in any training courses or programmes to improve their knowledge about the environmental management and/or accounting (questions 6-8). This consists with what has been found by Buzied (1998). He stated that “accountants in the selected companies (including industrial companies) were asked if they had attended any courses or training programmes after their graduation...the majority of accountants, 72 and 90 percent respectively, did not attend any training courses nor were they involved in research programmes” (p. 159) (see also, IPC, 2002, Gaith, 2002, Goliath, 2002).

\(^2\) This consists with the previous studies (Gabriel, 1993, Buzied, 1998, the General Planning Board (GPB), 2002).

\(^3\) Bebbington et al. (1994, p.116) stated that “there is widespread recognition that environmental disclosure needs the development of environmental management systems to support it...Such developments could normally be expected to affect even the accountant”.

183
Based on these results and in accordance with the previous mentioned literature (Hambrick and Mason, 1984, Derwent, 1989, Gray, 1990, Bebbington et al, 1994, Haniffa and Cooke, 2002, Lodhia, 2003), one can say that Libyan managers are ill-equipped in handling environmental issues including CED. This is not to say that managers are incapable of change, but that they are ill-prepared through their training and education, to reflect upon and respond to challenges that lie outside their existing knowledge. This was supported by this survey itself, where the overwhelming majority of managers stated that their lack of expertise, qualification and training in the field of CED is the main determinant that has prevented them from engaging in CED (see Table 7.8 later). Therefore, CED has not been put on the agenda of many Libyan companies as shown by the results of content analysis (see Chapter six).

7.3 The Perception of Managers about Environmental Responsibility and CED

Potential respondents, in part two of the questionnaire, were provided with a list of statements (11 statements) related to environmental responsibility and CED. Then they were asked about the extent of their agreement with these statements. Thus, the purpose of this section is to report on the analysis of respondents' attitudes on these statements. As these statements are related to both environmental responsibility (1-5 statements) and CED (6-11 statements), this section divides into two parts. First part deals with perceptions on environmental responsibility whereas the second one reports on views of managers on the CED. It is worth mentioning that to facilitate the data analysis of these two parts, it has been decided to categorise responses into either "disagree", "neutral" or "agree" by aggregating both "strongly disagree" and "mostly disagree" responses and the "strongly agree" and "mostly agree" responses.

7.3.1 The Perception of Managers about Environmental Responsibility

Table 7.5 shows frequencies (counts and percentages) of the respondents for each statement. The average score has been also computed by taking the arithmetic mean of the rank numbers given by each respondent (on a 1-5 scale: 1 means strongly disagree, 5 means strongly agree and the mid-point of the scale is 3). In addition, the standard
deviation of the scores is shown in the final column to provide an indication of the relative homogeneity of responses.

Table (7.5) Managers' View about Environmental Responsibility

<table>
<thead>
<tr>
<th>S</th>
<th>TOT. RES.</th>
<th>No RES.</th>
<th>USL. RES.</th>
<th>DISAG.</th>
<th>NEUT.</th>
<th>AGR.</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>53</td>
<td>5</td>
<td>48</td>
<td>7</td>
<td>6</td>
<td>35</td>
<td>3.92</td>
<td>0.847</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>91%</td>
<td>14%</td>
<td>13%</td>
<td>73%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>53</td>
<td>0</td>
<td>53</td>
<td>13</td>
<td>11</td>
<td>29</td>
<td>3.47</td>
<td>1.242</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>24%</td>
<td>21%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>53</td>
<td>0</td>
<td>53</td>
<td>4</td>
<td>8</td>
<td>41</td>
<td>4.08</td>
<td>0.887</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>8%</td>
<td>15%</td>
<td>77%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>53</td>
<td>3</td>
<td>50</td>
<td>0</td>
<td>4</td>
<td>46</td>
<td>4.48</td>
<td>0.64</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>94%</td>
<td>0%</td>
<td>8%</td>
<td>92%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>53</td>
<td>7</td>
<td>46</td>
<td>19</td>
<td>4</td>
<td>23</td>
<td>3.09</td>
<td>1.24</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>87%</td>
<td>41%</td>
<td>9%</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key to Table 7.5:
S = Statement Number; TOT. RES. = Total Response; No RES. = No Response (don’t know answers or no answer); USL. RES = Usable Response (total response - no response); DISAG = Disagree; NEUT = Neutral; and AGR = Agree M = Mean, and SD = Standard Deviation.

In broad terms, the data presented in Table 7.5 shows that despite being of different experience and qualifications (see background section) there is a positive picture of managers' attitudes on environmental responsibility. The mean response for all of these statements rises above a midway ranking of ‘3’. Of especial note are the particularly high scores (4.08 and 4.48) for the managers’ attitudes on statements three and four respectively (see the analysis later). However, despite this awareness, the analysis of actual CED practices reveals that companies have not been making adequate CED (see Chapter six). In other words, there is a gap between respondents’ attitudes and their actions with regard to environmental activity of companies. This was justified by respondents later (see Table 7.8) by saying that a scarcity of legal and professional...
standards and guidelines, along with their lack of expertise, qualification and training in the field of CED are the main determinants that have prevented them from engaging in CED (translating their beliefs into behaviour). To get more understanding on the managers' attitudes, each statement is analysed below.

(1) Statement One
This statement introduces that "management should contribute to a company's environmental responsibility was overwhelmingly supported by the respondents. The vast majority of the respondents (73%) agreed with such a suggestion against a relatively low proportion (14%) who disagreed and about the same proportion (13%) provided no views. The main score for this statement is 3.92.

(2) Statement Two
This statement provides the suggestion that "achieving environmental protection, even if it leads to less profit should be accepted by a company". The results in table 7.5 indicate that 24% of the respondents tended towards rejecting the view, while 55% of them agree and 21% provided an undecided view. The main score for this statement is 3.47.

(3) Statement Three
This statement suggests that "the right to development must be fulfilled so as equitably to meet developmental and environmental needs of present and future generations". It appears that the majority of all respondents (77%) agree with the suggestion. However, 8% of them demonstrated disagreement with this view and 15% had no clear view in this respect. The main score for this statement is 4.08.

The above findings (statements 1-3) indicate that the majority of respondents showed willingness to accept the environmental responsibility of their companies (73, 55 and 74 percent) respectively. The nature of the economic system of Libya explains in part this
attitude\textsuperscript{4}. Since, most Libyan companies are owned by the whole society (wealth in the hands of the people). The main objective of such enterprises is to offer services and goods to the public rather than to make a profit (socio-economic development target). Islamic religion may contribute in other part to explain this attitude. Since, respondents signed their agreement with such statements as they know that environmental protection is an Islamic duty (see statement four later). Moreover, as part of the regulation requirements, Libyan environmental legislation establishes the need for economic entities, regardless of their legal status, to take responsibility for any damage to the environment resulting from the conduct of their economic activities (article (3) of the law no 7 of 1982) (for more details, see Chapter five, pp. 144-145).

However, one can notice that the respondents did not share the same views about these statements. There were notable percentages of respondents (13, 21 and 15 respectively) who provided an undecided view about these questions. This in turn may reflect two possibilities on their responses. One possibility is that they had no clear views about the issue. The other possibility is that they may do not like the idea of these suggestions but, at the same time, do not like themselves to appear as rejecting ideas which may seem socially and morally desirable. On the other hand, those who disagree with these suggestions (14, 24 and 8 percent respectively) may believe that it is an early stage to think about the role of management in term of environmental responsibility; especially in the case of their lack of knowledge about how to do so (see, background section, questions 6-8).

(4) Statement Four
This statement provides the suggestion that “environmental protection is an Islamic duty, which must be undertaken to protect human health”. Table 7.5 indicates that the overwhelming majority (92\%) of the respondents tended towards agreeing with the belief presented by this statement. Only a very low proportion (8\%), which may have no clear view about the suggestion, indicated indecision and none of them showed disagreement with such a view. The main score for this statement is 4.48. This result

\textsuperscript{4} See Chapter eight for more details.
provides more support that respondents showed willingness to accept the environmental responsibility of their companies. This might be attributed as within the Libyan context Islamic religion is more likely to have contributed significantly to shaping Libyan behaviour and attitudes (Kaabur, 1995) (for more details see Chapter eight).

(5) Statement Five
This statement seeks the view that “Any adverse effect on the environment from the production of goods and services is unavoidable”. Table 7.5 indicates that half (50%) of the respondents were inclined towards the question. This view may explain in part the environmental problems that have been caused by companies’ activities in recent years (GEA, 2002; Mousa, 2002), despite their acceptance of the environmental responsibility of their companies (see above). However, one can notice that the respondents did not share the same views about this statement, since 41 percent of the respondents disagreed with this suggestion. The possible reason for that is they may try to demonstrate more social responsibility. On the other hand, those who provided an undecided view (9 percent) may have no clear view about the suggestion.

7.3.2 The Perception of Managers about Corporate Environmental Disclosure
Table 7.6 shows frequencies (counts and percentages), the average score and the standard deviation of the respondents for each statement (on a 1-5 scale: 1 means strongly disagree, 5 means strongly agree and the mid-point of the scale is 3). In addition, the standard deviation of the scores is shown in the final column to provide an indication of the relative homogeneity of responses.

However, before analysing these statements below, it is worth mentioning that cross-tabulations of attitude scores and each reported qualifications of responding managers were undertaken by the researcher. Very little apparent relationship was discovered. It is related to the statement ten (see later). This can be justified as most of the managers (38: 72%) hold a bachelor degree from Libyan universities, and 84% (32) of their degrees is in areas which have nothing to do with management and/or accounting (see background section). Moreover, all of them have not taken part in any training courses
or programmes to improve their knowledge about the environmental management and/or accounting (questions 6-8). Thus, their qualifications appear to be largely homogeneous, especially in term of CED. The literature on attitudes (see for example, Rokeach, 1976), therefore, leads the researcher to interpret their views, including the variance between their attitudes on these statements to some possible reasons relate to either their personal beliefs (self-perception) or the contextual factors.

Table (7.6) Managers’ View about Corporate Environmental Disclosure

<table>
<thead>
<tr>
<th>S</th>
<th>TOT. RES.</th>
<th>No RES.</th>
<th>USL. RES.</th>
<th>DISAG.</th>
<th>NEUT.</th>
<th>AGR.</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>53</td>
<td>16</td>
<td>37</td>
<td>4</td>
<td>11</td>
<td>22</td>
<td>3.59</td>
<td>0.841</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>70%</td>
<td>11%</td>
<td>30%</td>
<td>59%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>53</td>
<td>12</td>
<td>41</td>
<td>24</td>
<td>6</td>
<td>11</td>
<td>2.56</td>
<td>1.213</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>77%</td>
<td>58%</td>
<td>15%</td>
<td>27%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>53</td>
<td>0</td>
<td>53</td>
<td>5</td>
<td>3</td>
<td>45</td>
<td>4.11</td>
<td>1.17</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>9%</td>
<td>6%</td>
<td>85%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>53</td>
<td>3</td>
<td>50</td>
<td>4</td>
<td>4</td>
<td>42</td>
<td>4.08</td>
<td>1.093</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>94%</td>
<td>8%</td>
<td>8%</td>
<td>84%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>53</td>
<td>14</td>
<td>39</td>
<td>9</td>
<td>12</td>
<td>18</td>
<td>3.49</td>
<td>1.098</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>74%</td>
<td>23%</td>
<td>31%</td>
<td>46%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>53</td>
<td>15</td>
<td>38</td>
<td>20</td>
<td>8</td>
<td>10</td>
<td>2.58</td>
<td>1.247</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>72%</td>
<td>53%</td>
<td>21%</td>
<td>26%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key to Table 7.6:**
S = Statement Number;
TOT. RES. = Total Response;
No RES. = No Response (don’t know answers or no answer);
USL. RES= Usable Response (total response – no response);
DISAG = Disagree; NEUT = Neutral; and AGR = Agree
M = Mean, and SD = Standard Deviation.

To get more understanding on the attitudes of managers about CED, it has been decided to classify these statements into three main categories (two statements for each) namely, (1) the views on the place of CED; (2) the views on the need for guidelines and standards on CED; and (3) the views on the involvement with the CED.
Chapter 7: The Perception of Managers on CED and Environmental Responsibility

(1) The views on the place of CED

This category includes statements six and seven. Statement six suggests that “companies should report on environmental performance along with economic performance in their annual reports”, whereas statement seven seeks a view on whether “companies should have a separate report on their environmental performance from their economic performance report”.

It is worth mentioning before dealing with the analysing of views that statements six and seven were designed to ask about a similar issue in a different way. The purpose was to investigate whether the respondents understand the introduced suggestion. It would appear from the answers (see Table 7.6 above) that the results were similar, since the percentage of those who agree with statement six was 59%, which was almost equal to the percentage of those who disagree with statement seven (58%). This provides more objectivity on their answers.

In relating to the analysis of their views, Table 7.6 indicated that the majority of the respondents (59% and 58% respectively) thought that the Libyan companies should provide their CED information, if any exists, in the annual report rather than a separate environmental report. Such a view might be attributed as while they are familiar with the annual report which is required by the laws such as LCC and LITL (see Chapter five, pp. 150-151), they may have never come across a separate environmental report. This can be understood from the results of this study where there is no stand-alone environmental report that has been provided by the surveyed companies (see Chapter six). The reason behind that could be the absence or low level of external pressure from central authorities (the main user) to do so (see Chapter eight). This argument is also supported by the results of the content analysis (see chapter six) where some companies such as LTC and NTC provide a specific external report (outside the annual report) for health and safety as a response to the requirements of SI and LGIC (central authorities). Thus, if the separate environmental report is required by the central authorities, the managers will be familiar with it and their attitude then may change.
Moreover, such a view might be attributed as they may see a stand-alone environmental report as an early stage in this time especially in the case of the lack of current accounting disclosure system of most Libyan industrial companies (see Chapter five, pp.155-157).

However, some of the respondents did not share the same views about these two statements, since 11 percent of the respondents disagreed with the suggestion of the sixth statement and 27 percent of them agreed with the suggestion of the seventh statement. This reflects their non-understanding of this question as it was asked in a different way (see above).

(2) The views on the need for guidelines and standards on CED

This category contains statements eight and nine. Statement eight provides the suggestion that “independent accounting bodies such as LAAA and IPC should standardise what companies should disclose in term of environmental performance”, whereas statement nine suggests that “the central authorities should regulate what companies should disclose in terms of environmental performance”.

The analysis on the perceptions of the respondents in related to the previous two statements indicates that the vast majority (85% and 84% with high scores of 4.11 and 4.08 respectively) of them claimed the need for guidelines and standards that show what and how companies should disclose in term of CED (see table 7.6 above). A possible reason behind this attitude could be that the vast majority of those who agreed with these suggestions, as mentioned earlier, may feel that at present they are ill-prepared to handle a totally new phenomenon like CED. Thus, a need for standards and guidelines (paths to follow) has been suggested as obvious solution to their limited consideration for the CED. The importance of such kinds of guidelines and standards was supported by this study twofold. First, the results of content analysis reveal that Libyan companies have limited their attention only to the area of health and safety, since there was a pre-designed form issued by central authorities (SI and LGIC), which shows the companies what and how health and safety information they should disclose (see Chapters six and
eight). Second, the results of the questionnaire show that the scarcity of legal and professional standards and guidelines that are issued by central authorities and professional bodies is one of the main determinants that have prevented them from engaging in CED (see Table 7.8 later). This is consistent with the argument provided by Thompson and Zakaria (2004). They suggest that without legislation, standards or official recommendation encouraging companies to disclose environmental information there appears little likelihood of disclosure increasing.

However, the respondents did not share the same views about these two statements, since 9 and 8 percents of the respondents disagreed with these suggestions. They may not have been familiar with the possible practical problems and then the need for standards and guidelines. On the other hand, those who provided an undecided view (6 and 8 percent respectively) may have no clear view about these suggestions.

(3) The views on the involvement with the CED

This category includes statements ten and eleven. Statement ten provides the suggestion that “accountants should be responsible for disclosing environmental performance information along with financial performance information”, whereas statement eleven introduces the view that “disclosure of environmental information is a subject to which I have given substantial consideration”.

Overall, the data presented in Table 7.6 indicates that indicate that 46% respondents (with a main score of 3.49) showed willingness to accept the accountants’ responsibility for disclosing environmental information along with financial information, and they give substantial consideration to the CED. However, on the other hand, 23 percent of the respondents disagreed with the suggestion of wider responsibility of accountants to include disclosing CED. 53 percent of them (with a main score of 2.58) felt that CED has not being on their top agenda yet. Furthermore, there was a notable percents of respondents (31 and 21 respectively) provided an undecided view about these suggestions.
An additional analysis by reviewing individual responses reveals that 78% (7) of those who showed disagreement with statement ten were Financial Directors (accountants)\(^5\). A possible reason for that could be that they may feel that at present they are not prepared to extend their conventional roles to cover a non-traditional duty such as CED, since they did not have any training courses or programmes to improve their knowledge about the environmental management and/or accounting (unsure about how to proceed) (see Table 7.8 later). Moreover, out of those Financial and Administrative Directors who disagree with statement ten, four (57%) are holding membership of LAAA which has not undertaken any initiative on environmental matters including CED (see Chapter five, pp.152-155). This may support literature in which researchers have identified, or posited, that “professional body leadership does have some, if small, effect on member behaviour” (Bebbington et al, 1994, p.117). Thus, non-acceptance of accountants to recognise their responsibility toward CED as a result of their lack of knowledge about such kind of disclosure (being ill-equipped) seems to be important determinants of the low level of CED practice in Libya.

Finally, it is worth mentioning that there was a notable percents of respondents (31 and 21 respectively) provided an undecided view about the suggestions of these two statements. This in turn may reflect two possibilities on their responses. One possibility is that they had no clear view about the suggestion. The other possibility is that they do not like the idea of these suggestions but, at the same time, do not like themselves to appear as rejecting ideas which may seem socially and morally desirable.

7.4 The Perception of Managers about the Reasons for Disclosure and Non-Disclosure of Environmental Information

In the final part of the questionnaire, the participants were asked to scale the relative importance of each of the possible influential factors on their decision to disclose (section (a)) or not to disclose (section (b)) environmental information within their company’s reports.

\(^5\) This consists with the results of international studies (Bebbington et al., 1994, Deegan et al, 1996, Perry and Teng, 1999, Lodhia, 2003). These studies found that accountants are not broadly involved in the social and environmental disclosure practices of businesses.
7.4.1 The Reasons for Disclosure of Environmental Information

Participants were provided, in section (a), with a list of possible reasons for disclosing CED information and asked to indicate their assessment of the level of importance of each of these reasons.

Table 7.7 presents the frequencies (accounts and percentages) and the average score for each reason. The average score has been computed by taking the arithmetic mean of the rank numbers given by each respondent (on a 1-5 scale: 1 means not at all important, 5 means very important and the mid-point of the scale is 3). The reasons are listed in order of importance determined by their average scores. The position in which each reason appeared on the questionnaire is indicated by the numbers in parentheses. In addition, the standard deviation of the scores is shown in the final column.

The results as exhibited in table 7.7 below divide these reasons into two groups namely very important reasons and less important reasons.

a) Very Important Reasons

The table 7.7 reveals that respondents to this survey thought that the main reasons for Libyan companies making CED disclosure are basically related: (1) to inform the central authorities; (2) to provide useful information for sustainable development; and (3) to demonstrate a reasonable responsibility in accordance with Islamic Sharia values. These reasons received the highest ranking amongst the other listed reasons (mean of 4.11, 3.77, and 3.66 respectively). 43 percent of the respondents ranked the first reason at point 5 (very important), and a further 34 percent at point 4 (important). The second reason was ranked by 30 percent of the respondents at point 5, and an additional 32 percent at point 4. In regarding to the third reason, 23 percent of the respondents ranked it at point 5, and an extra 28 percent at point 4.
### Table 7.7 Reasons for Disclosure of Environmental Information

<table>
<thead>
<tr>
<th>Statements</th>
<th>USL. RES.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>To inform the central authorities (8).</td>
<td>53</td>
<td>1</td>
<td>3</td>
<td>8</td>
<td>18</td>
<td>23</td>
<td><strong>4.11</strong></td>
<td>0.997</td>
</tr>
<tr>
<td>To provide useful information for sustainable development (4).</td>
<td>47</td>
<td>0</td>
<td>7</td>
<td>11</td>
<td>15</td>
<td>10</td>
<td><strong>3.77</strong></td>
<td>1.021</td>
</tr>
<tr>
<td>To demonstrate a reasonable responsibility in accordance with Islamic Sharia values (1).</td>
<td>35</td>
<td>0</td>
<td>3</td>
<td>14</td>
<td>8</td>
<td>8</td>
<td><strong>3.66</strong></td>
<td>0.913</td>
</tr>
<tr>
<td>To pre-empt more stringent legal requirements (5).</td>
<td>39</td>
<td>8</td>
<td>7</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td><strong>2.97</strong></td>
<td>1.395</td>
</tr>
<tr>
<td>To build up expertise in advance of regulation (6).</td>
<td>42</td>
<td>9</td>
<td>7</td>
<td>11</td>
<td>7</td>
<td>8</td>
<td><strong>2.95</strong></td>
<td>1.401</td>
</tr>
<tr>
<td>To give the impression of the company’s complying with environmental responsibility stated by legislations such as law no. 7 of 1982 (7).</td>
<td>44</td>
<td>7</td>
<td>8</td>
<td>13</td>
<td>9</td>
<td>7</td>
<td><strong>2.86</strong></td>
<td>1.617</td>
</tr>
<tr>
<td>To tell the Basic People Congresses what the company has done in relate to environmental protection (2).</td>
<td>50</td>
<td>10</td>
<td>16</td>
<td>8</td>
<td>9</td>
<td>7</td>
<td><strong>2.74</strong></td>
<td>1.339</td>
</tr>
<tr>
<td>To inform employees in the company (3).</td>
<td>47</td>
<td>10</td>
<td>16</td>
<td>6</td>
<td>8</td>
<td>7</td>
<td><strong>2.70</strong></td>
<td>1.371</td>
</tr>
</tbody>
</table>

**Key to Table 7.7:**
USL. RES= Usable Response (total response (53) – no response);  
M= Mean; SD= Standard Deviation;  
1= Not at all Important;  
2= Unimportant;  
3= Moderately Important;  
4= Important; and  
5= Very Important.

### b) Less Important Reasons

These reasons include: (1) to pre-empt more stringent legal requirements; (2) to build up expertise in advance of regulation; (3) to give the impression of the company’s complying with environmental responsibility stated by legislations such as law no. 7 of 1982; (4) to tell the Basic People’s Congresses what the company has done in relate to environmental protection and (5) to inform employees in the company. Table 7.7
indicates that there is a general agreement among the respondents that the reasons were low in importance relative to the above three reasons. They received low mean scores of 2.97, 2.95, 2.86, 2.74 and 2.70 respectively.

7.4.2 The Reasons for Non-Disclosure of Environmental Information

Participants were provided, in section (b), by a list of possible reasons which may dissuade the Libyan companies from making CED disclosure and were asked to indicate their appraisal of the level of each of these reasons. This may provide insight about some of the possible ways for implementing this sort of disclosure in Libya. Table 7.8 presents the frequencies (accounts and percentages) and the average score for each reason. The reasons are listed in order of importance determined by their average scores. The position in which each reason appeared on the questionnaire is indicated by the numbers in parentheses. In addition, the standard deviation of the scores is shown in the final column.

The results as exhibited in table 7.8 below divide these reasons into three groups namely very important reasons, important reasons and less important reasons.

a) Very Important Reasons

The table 7.8 shows that respondents to this survey thought that the main reasons dissuade the Libyan companies from making CED disclosure (especially voluntary one) are basically related to: (1) the company lacks such expertise, qualification and training; (2) absence of needed requirements and guidelines by central agencies such as GEA and IPA; and (3) absence of standards published by accounting professional bodies such as LAAA and IPC. These reasons received the highest ranking with mean scores of 4.36, 4.26 and 4.23 respectively. 49 percent of the respondents ranked the first reason at point 5 (very important), and an additional 38 percent at point 4 (important). The second reason was ranked by 51 percent of the respondents at point 5, and a further 32 percent at point 4. In regarding to the third reason, 40 percent of the respondents ranked it at point 5, and an extra 45 percent at point 4. Therefore, the respondents tended to believe that the companies should undertake their environmental responsibility (see table 7.5).
However, they claimed that a lack of legal and professional standards and guidelines established by both central authorities and accounting professional bodies, especially in the case of their lack of expertise, qualification and training in the field of CED, restricted their involvement in such disclosure.

### Table 7.8 Reasons for Non-Disclosure of Environmental Information

<table>
<thead>
<tr>
<th>Statements</th>
<th>USL. RES</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company lacks such expertise, qualification and training (7).</td>
<td></td>
<td>53</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>20</td>
<td>26</td>
<td>4.36</td>
</tr>
<tr>
<td>Absence of needed requirements and guidelines by central agencies such as GEA and IPA (2).</td>
<td></td>
<td>53</td>
<td>0</td>
<td>4</td>
<td>5</td>
<td>17</td>
<td>27</td>
<td>4.26</td>
</tr>
<tr>
<td>Absence of standards published by accounting professional bodies such as LAAA and IPC (1).</td>
<td></td>
<td>53</td>
<td>0</td>
<td>1</td>
<td>7</td>
<td>24</td>
<td>21</td>
<td>4.23</td>
</tr>
<tr>
<td>Have not been required by laws (3).</td>
<td></td>
<td>53</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>18</td>
<td>19</td>
<td>3.81</td>
</tr>
<tr>
<td>Lack of academic research in this field (6).</td>
<td></td>
<td>53</td>
<td>3</td>
<td>5</td>
<td>7</td>
<td>23</td>
<td>15</td>
<td>3.80</td>
</tr>
<tr>
<td>Secrecy of such information (9)</td>
<td></td>
<td>48</td>
<td>3</td>
<td>7</td>
<td>8</td>
<td>16</td>
<td>14</td>
<td>3.65</td>
</tr>
<tr>
<td>Avoiding any claim from Basic People Congresses (5).</td>
<td></td>
<td>44</td>
<td>7</td>
<td>14</td>
<td>9</td>
<td>8</td>
<td>6</td>
<td>2.82</td>
</tr>
<tr>
<td>Avoiding any intervention by central agencies (4).</td>
<td></td>
<td>53</td>
<td>13</td>
<td>14</td>
<td>12</td>
<td>8</td>
<td>6</td>
<td>2.62</td>
</tr>
<tr>
<td>Cost of data collection and publication (8).</td>
<td></td>
<td>50</td>
<td>18</td>
<td>19</td>
<td>9</td>
<td>4</td>
<td>0</td>
<td>1.98</td>
</tr>
</tbody>
</table>

**Key to Table 7.8:**

USL. RES= Usable Response (total response (53) - no response); M= Mean; SD= Standard Deviation; 1= Not at all Important; 2= Unimportant; 3= Moderately Important; 4= Important; and 5= Very Important.
b) Important Reasons
These reasons include (1) have not been required by laws (except health and safety information); (2) lack of academic research in this field; and (3) secrecy of such information. They were all regarded by the respondents as being of some importance in preventing the Libyan companies from making CED disclosure. They received relatively high mean scores which were higher than the mid-point on the scale (3.81, 3.80 and 3.65 respectively).

c) Less Important Reasons
These reasons comprise (1) avoiding any claim from the Basic People’s Congresses; (2) avoiding any intervention by central agencies; and (3) cost of data collection and publication. Table 7.8 indicates that there is a general agreement among the respondents that the reasons were low in importance relative to the other reasons. They received low mean scores which were lower than the mid-point on the scale (2.82, 2.62 and 1.98 respectively). 16 percent of the respondents ranked the first reason at point 1 (not at all important), and a further 32 percent at point 2 (unimportant). The second reason was ranked by 25 percent of the respondents at point 1, and an additional 26 percent at point 2. In concerning to the third reason, 36 percent of the respondents ranked it at point 1, and an extra 38 percent at point 2.

7.5 Summary
The perception of managers on corporate environmental responsibility and disclosure and the reasons for disclosure (or non-disclosure) of CED information were examined by this chapter. The chapter starts with background information about the respondents. The result indicated that Libyan managers are ill-equipped in handling environmental issues including CED. None of them had taken part in any training courses or programmes to improve their knowledge about the environmental management and/or accounting.

The discussion then moved to the attitude of managers on environmental responsibility and CED. The overall findings of such analysis of respondents’ views indicated that the
vast majority of them were willing to accept that Libyan companies should recognise their environmental responsibility. However, CED information was almost absent in their reports as concluded by the content analysis. This gap between their attitude and practices has been attributed to their lack of competence in such issues and the absent of standards and guidelines from both central authorities and accounting professional bodies.

In related to the main reasons for disclosure and non-disclosure of environmental information, the results indicated that managers thought that the main reasons for Libyan companies making CED disclosure are basically related to: (1) to inform the central authorities; (2) to provide useful information for sustainable development; and (3) to demonstrate a reasonable responsibility in accordance with Islamic Sharia values.

On the other hand, they thought that the main reasons which dissuade the Libyan companies from making CED disclosure (especially voluntarily one) are basically related to: (1) the company lacks such expertise, qualification and training; (2) absence of needed standards by central agencies such as GEA and IPA; and (3) absence of standards published by accounting professional bodies such as LAAA and IPC.

In seeking to get more understanding of evidence of CED practices, the next Chapter deals with the influence of Libyan environmental contexts upon such practices (the three-dimensional analysis suggested in Chapter two).
Chapter Eight
Environmental Influences on CED Practices in Libya: an Application of Environmental Determinism Theory

8.1 Introduction
8.2 Influence of Political Context
8.3 Influence of Economic Context
8.4 Influence of Socio-Culture Context
8.5 Summary
Chapter Eight
Environmental Influences on CED Practices in Libya: an Application of Environmental Determinism Theory

8.1 Introduction

Environmental Determinism Theory, as mentioned earlier in chapter three, suggests that Corporate Environmental Disclosure (CED) does not exist in a vacuum but interacts with the environment in which it operates. Indeed, each country has its own unique environment, which should play a vital role in moulding its accounting system, and, hence, its corporate reporting and disclosure practices. A proper explanation and understanding of a country’s accounting disclosure necessitates an understanding of the country’s environmental characteristics (Arpan and Radebaugh, 1985). Various environmental factors have been identified as affecting CED practice in a country, which include political, economic and social factors. These interrelated factors may influence individuals’ values, attitudes and behaviour towards and about CED practices.

Libya has unique political and economic systems which are not found in any other countries even either in other Arab or developing countries. They are based on the "Third Universal Theory" of the Green Book. The Libyan economy is neither bourgeois political economy nor classical political economy (see Chapter five). Thus, a discussion of these contextual (political, economic and social) factors, the main purpose of this chapter, will be helpful to give a better understanding of CED practices in Libya. The perceptions of managers which are reported in chapter seven will be used during the discussion to provide more appreciation on how internal and external factors determine or shape CED practices in Libya. Moreover, a comparison with other Arab and developing countries will be also used to give more impetus for the theoretical background of this study (Environmental Determinism Theory).

This chapter, thus, deals with the environmental influences on CED practices including: (1) the political context; (2) the economic context; (3) the socio-culture context. The final section provides a summary.
8.2 Influence of the Political Context

The discussion in chapter five signified that the political system in Libya rejects parliamentary democracy, political parties and any other kind of political system (in the world today) rather than people authority. Under this political system, there is a unique accountability structure as shown in Figures 8.1a, 8.1b.

Figure (8.1) The Structure of Accountability according to the Libyan Political System
(a) Hierarchical Direct and Indirect Accountability of Industrial Companies within the Society

Source: adapted (with some changes) from Saleh (2001, p.160)
(b) Reciprocal Direct and Indirect Accountability of Industrial Companies within the Main Central Authorities

In order to put the ideology of the Libyan political system\(^1\) in practice, people are grouped into the Basic People Congresses (BPCs) (at the top of the figure 8.1a) throughout the country in towns, villages and even in workplaces such as public enterprises. The BPCs are intended to discuss and decide upon local and nation issues, and to select the Congress Secretariat, which is responsible for organising the congress and writing down the decisions made by the participants. In other words, the Congress Secretariat of each BPC is responsible only for wording, in clear statements, and conveying these decisions to the General People Congress (GPC) where a final decision can be reached.

\(^1\) For more details see Chapter five.
Thus, the GPC (the highest legislative authority) can formulate political, economic and social policies for the country. Implementation of these polices is entrusted to the Secretariat of the General People Committee (executive committee) which comprises a general secretary and a number of secretaries and administrations including Industrial Production Administration (IPA) serving as a cabinet. During the GPC’s session, the members of these secretaries and administrations are chosen from among all the members of the GPC. The relationship, in sort, between the GPC and the General People Committee is that the latter implement what the former decide by determining practical strategies and then send them down to the appropriate secretariat or administration.²

For example, the IPA is responsible for planning, monitoring and controlling the industrial companies. Thus, the IPA’s accountability to the General People Committee is discharged through providing the latter with periodic reports about the sector’s plans and achievements. Although, the IPA does not have a direct and formal relationship with the BPCs and GPC, it is accountable to them indirectly through the General People Committee (see figure 8.1a).

The IPA is also accountable to other central authorities such as the Secretary of Financial (SF), the Secretary of Economic (SE) and the Institute of Public Control (IPC). It is accountable to the SF for advising the sector companies to make their payments of taxes, custom fees, social welfare and the state’s portion in the companies’ production to the SF. It is also accountable to the SF for providing it with the sector budget and foreign exchange needed. The IPA is also accountable to the SE through providing the later with periodic reports about the sector’s plans and achievements to be used in preparing the state’s annual plan and economic and social indicators. It is also accountable to the IPC in the sense that it must, in accordance with the law no 11 of

² The GP Committee has the ‘supreme’ position as is clearly stated in article 8 of the Law 13 of 1991 that the “GP Committee is supreme and its decisions and regulations are obligatory on all secretariats which come under it”.

203
1996 of IPC, provide it with the sector plans and achievements and justifications for any malpractice (see also figure 8.1a).

The industrial companies' relationship with central authorities is important (figure 8.1b), since the latter are accountable to the companies through providing them with all necessary means, financial or non-financial, (which include budget ratification; foreign exchange needed; importing and exporting facilitation; international relations; the needed instructions, recommendations, advice and consultations) to attain their objectives. A comprehensive plan and budget includes, training, production, sales, etc. should be proposed by the companies. A copy of this plan should be send out to the IPA in order to arrange with other authorities including GPB, SE and SF how to put this plan in practice (complementary accountability in figure 8.1b).

The SF authorises and attests the companies' budget and foreign exchange policy. The SF, in co-operation with Libyan Central Bank (LCB), allocates the available foreign exchange to secretaries, organisations, institutions, etc. (control and complementary accountability in figure 8.1b). The IPA distributes the allocated foreign exchange to the followed companies (industrial companies) and institutions (such as Industrial Research Centre). This is done in co-operation with companies, to know their capacities and targets (the comprehensive plan and budget), and with the GPB and SE, to compare the secretaries (GPB and SE)' production targets with companies' ability (control, planning and complementary accountability in figure 8.1b). The final companies' budget and plan are prepared upon the market demand, the companies' production ability, the production target of the IPA, GPB and SE and the foreign exchange available and allocated to the companies by the SF and LCB.

Therefore, to discharge their accountability, the companies are accountable to these central authorities through providing them with the needed information, both financial and non-financial, in making macro and micro decisions and to show whether they have achieved their targets. Companies act as both providers of information upon which decisions are based and as actors within society where decisions are to be implemented.
(Saleh, 2001). However, Saleh (2001) distinguishes between two ways through which the companies make their information available to these central authorities. First, the dissemination of the companies' information to those authorities (such as IPA, SF and SE) upon request and/or in compliance with laws and decrees. Second, those authorities (mainly IPC) come to companies to review or inspect their reports (auditing accountability in figure 8.1b).

One of the other indirect accountability of the industrial companies is that with GEA. The former (through IPA) is responsible to provide the needed information to the latter to evaluate companies' environmental responsibility (control accountability in figure 8.1b). GEA is accountable to the industrial companies through providing them (through the IPA) with all essential needs including international relations; the instructions, recommendations, to assist them to solve any environmental problems faced (complementary accountability in figure 8.1b).

It is worth mentioning, at the end of this discussion, that the central authorities and companies are joined with a reciprocal and complementary relationship to achieve the society's objectives. In supporting, the Head of Performance and Following-up Division in the Secretary of Industry (SI) describes the relationship between these central authorities, especially SI (presently IPA) and companies as a father-son relationship (Saleh, 2001). Saleh then stated that "embedded in this metaphor is the accountability relationship where the son (a company) is accountable to the father (the SI) for spending, protecting and managing his (the company’s) resources. The father on the other hand is accountable to the son for providing him with all necessary meanings-financial or non-financial- (which include foreign exchange needed in the case of companies) to achieve pre-agreed goals (the comprehensive plan and budget). The use of this metaphor also reflected the father's power (and help) through which instructions, (guidelines and advices) are given to the son. Therefore, reciprocal but unbalanced accountability relationships exist between the son and the father" (p. 161) (underline words added).
Based on the ideology of the Libyan political system and the above discussion, two concepts namely, "trust us" and "need-to-know" can be used to explain the low level of CED practices in Libya that was evidenced in Chapter six.

It is argued that providing information regarding environmental practices to society may be a function of the level of trust\(^3\) between a firm's management and the members of community (Wicks et al., 1999; Kulkarni, 2000, Tomkins, 2001). Companies by giving a message to the public of "trust us" suggest that society should accept that each company is acting in their best interest and not question or expect proof (high level of trust) (Kaptein and Wempe, 1998, Greenwood, 2001). Therefore, society does not need to get confirmation of this direct from the companies through the medium of CED. In other words, trust being an alternative to information (Luhmann, 1979, Zaheer and Venkatraman, 1995, Faulkner, 1999).

In the low level of trust, by contrast, the society wants to be told what is going on by giving a message to the companies of "show me" (Kaptein and Wempe, 1998, Greenwood, 2001). In other words, trust can not be increased without information (Tomkins, 2001). Hence, companies need to provide information to the society for the purpose of creating a trust between each others (Tomkins, 2001).

In the Libyan political context, it seems that there is a high level of trust between management of companies and the members of society. This is because, under the Libyan political system, the managers of Libyan enterprises (which owned by the society) are members of the Basic People Congresses (society). They consequently, share in laying down national public policies for the state. These policies will obviously reflect their opinions and attitudes and will be in harmony with the public interests of society. Thus, they act as both decisions-makers and as actors within society where decisions are to be implemented (accountability toward themselves). In other words,

\(^3\) For the purpose of this discussion, trust will be defined as "the adoption of a belief by one party (member of society) in a relationship that other party (managers of companies) will not act against his interests" (Tomkins, 2001, p.165).
managers will not act against their interests as members of the society. They represent the both sides of trust relationship. Thus, they believe that there is no need to provide the society with companies' information (Kilani, 1988, Buzied, 1998, Saleh, 2001). The result of this survey supports that. Since, the factor “to tell Basic People’s Congresses (society) what the company has done in relate to environmental protection” has been seen as a less important reason for Libyan companies making CED (see Table 7.7, p.195).

In this high level of trust, the managers of companies see their public accountability, not in term of providing explanations and justifications to the society (trust us), but through bringing new technologies and improving production techniques (Saleh, 2001). For example, the Executive Manager of the National Trailers Company (NTC) (one of the surveyed companies in this study) describes public accountability by saying that “of course, there is accountability to the State (society). Belonging to the industrial sector gives me the feeling that I have to provide something to the industry and thereafter to the benefit of the country (society). This may include the creation of a trained workforce, developing human resources, bringing new products and technology and changing some industrial ideas” (Saleh, 2001, p.193) (words in brackets added).

However, in this context, information needs to be provided by companies to the central authorities, which have been authorised by the society for the purpose of planning and control. The information provided by companies, as mentioned earlier, is used in preparing companies’ plans and budgets, the Production Activity Report (PAR), the development plans of the state and economic and social indictors including GDP, exports and imports, per capita, etc. It used also to determine the country’s budget and the foreign exchange needed by different sectors and how to allocate the available

4 The society believes that central authorities will deliberately set down the planning and control strategies in consistence with his interests (the act on behalf of the society) (see accountability structure in figure 8.1a).

5 This report is prepared by the API annually about the sector companies’ activities based on the annual report of companies and other information that is provided to the IPA by the companies. It contains information about each company's name, location, type of activity, capital, plants, foreign exchange needed and available, sales ...and problems facing companies.
foreign exchange. Therefore, companies' information, both financial and non-financial, plays an important role in making macro and micro decisions and to show whether the companies have achieved their pre-agreed targets. This is consistent with the argument provided by Luhmann (1979). He emphasises the difference between information needed when trust is either absent or at low level and information for the "mastery of events". The recognition of the need for information to master events is important. Whatever the level (even high) of trust in a relationship, information will still be needed to help plan a collaborative future (reciprocal and complementary relationship in figure 8.1b) by setting down what each party (central authorities on behalf of the society and managers of companies) wishes to achieve from the collaboration, how feasible the goals and relative roles are and what actions need to be taken. Information needed in the absence of trust is more related to the verification of actions of the other party in accordance with expectations (creating the trust) rather than what the parties should collectively do (reported in Tomkins, 2001).

Consequently, in the Libyan context, CED information flowed on the basis of the "need-to know" concept to make macro and micro decisions or to carry out routines within or outside the companies. It is based on meeting the needs and the requirements of the central authorities to help plan a collaborative future. This is in contrast with the liberal market economies where the information disclosure is based to some extent on the "right-to-know" with the aim of making the market more efficient by fully reflecting the available information (Ijiri, 1983; Stanton, 1997, Perry and Teng, 1999; Holland and Foo, 2003). The general public including customers, employees and environmental groups in such economies has increased the pressure on companies to disclose their environment-related activities. They want to be told what is going on by giving a message to the companies of "show us" (see Chapter two, pp.22-41).

This narrowing down of information accountability to the needs or requirements of the central authorities in Libyan context was identified by Kilani (1988); Baker (1997);
Buzied (1998); and Saleh (2001). The results of this survey also indicated that managers thought that the main reason for Libyan companies making CED disclosure is basically related to the factor "to inform the central authorities". It received the highest ranking amongst the other listed reasons (see Table 7.7, p.195).

This consideration with the needs or requirements of these central authorities was one of the fundamental determinants of the low level of CED practice in Libya that evidenced by this study (see Chapter six). This is because apart from the health and safety information these central authorities have not given any attention to the other CED information (see the later discussion). This translates into a lower level of CED by the companies, since they have paid particular attention to the area that has been concerned by the central authorities (need-to-know), namely health and safety information rather than other environmental information. They disclosed either only the minimum disclosure that is requested by the Libyan General Industrialisation Corporation (LGIC) (presently IPA) or more voluntary information which related to this specific area (health and safety disclosure) which has been considered by the LGIC (see Tables 6.4-6.10, pp.168-175). Companies have not disclosed other CED information as they may think that because central authorities have not asked for or required such information, it is not important to them. More support to this argument was noted by the researcher where he found that disclosing companies have made more information in related to other social disclosure categories such like employees and product disclosure as a response to the requirements of the SI and LGIC (see Chapter five, pp.148-149). Campbell et al. (1996) and Fekrat et al. (1996) suggested that when a given country has a high level of consciousness (e.g. among the central authorities) about a specific area (e.g. health and safety disclosure in the case of Libya), then the companies provide

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6. The provision of information to central authorities in Libyan context was explained by Saleh (2001) by using the notion of "information enclosure". Information enclosure occurs often upon request, by event or to meet legal and accountability requirements. Information enclosure differs from information disclosure in that the latter involves providing information to stakeholders who include the general public whereas the former involves providing information to a particular public.

7. This supported what has been indicated by the literature as the disadvantage of mandatory disclosure by saying "it would result in companies only complying with the letter of the law and not going any further" (Dierkes and Coppock, 1978; Huizing and Dekker, 1992).
more information voluntarily. Haniffa and Cooke (2002, p.327) also suggested that “corporations in general are unlikely to provide high-quality information if the demand function does not exist”.

This non-consideration on CED by the central authorities can be understood from the following discussion where Secretariat of the Industry (SI) (presently IPA) with the aim of narrowing the gap that has existed in the current accounting regulations⁸ and to obtain the needed information, the (SI) issued its decision no, 15 of 1995. It requires the companies to provide the SI with the required information quarterly and annually. The requested information included information about production, sales, costs and expenses, imports and exports, working hours, employees, wages, safety and healthy measures, foreign exchange needed, allocation spent, and investments. This information is provided on pre-designed forms (see Chapter five, pp. 149-150) that are designed by the SI and distributed to all companies to make inter-companies comparison easy. Libyan General Industrialisation Corporation (LGIC), which replaced SI in 2000 adopted these pre-designed forms with little changes according to its decision no, 18 of 2000. Most of these pre-designed forms restrict purely to monetary information such as production forms, sales forms, debts forms, current and new projects forms, foreign exchange forms, expenses forms, maintenance form and payments to the treasury forms (see appendix three).

However, either the SI or LGIC has not requested or provided instructions and guidelines (such the pre-designed form for health and safety information) for companies to disclose other environmental information. A possible reason for this could be that these central authorities work in unstable circumstances. For example, there were two secretariats of industry (light and heavy), and a few years later the GPC decided to join them together in one secretariat, namely Secretariat of the Industry (SI) (Agnaiia, 1997).

⁸These regulations inherited from the US, UK and Italian period, the outputs of accounting information systems in Libyan companies do not fit the requirements of social and economic development processes (Kilani, 1988; Baker, 1997; Buzied, 1998). Moreover, these laws were issued a long time ago and have not been modified to take into account the economic and political changes in the country (see Chapter five, pp.148-151).
The SI, however, changed to the Libyan General Industrialisation Corporation (LGIC) in 2000. The LGIC existed just for two years and was then replaced by Production Administration (IPA) in 2002. This resulted in the incapacity to complete replacement and development programmes in organising the industrial sector which normally require a stable period of time.

Moreover, IPC\(^9\) which has direct accountability with the industrial companies (see figure 8.1b) is no better than SI and LGIC in spreading awareness among companies concerning environmental disclosure. It has not played a significant role in establishing standards and guidelines in this area with which companies might comply. This is in addition to the lack of effort in the areas of scientific research\(^10\) and training courses and in the raising of awareness among managers of the companies of the importance of this kind of disclosure, whereas this is not comparable with the situation in western countries where many efforts have been made to encourage social and environmental reporting (see Chapter three, pp.90-91).

A possible reason for the lack of efforts that have been made by IPC in the field of CED could be that it operates within an unstable environment, with many organisational structures which were changed many times (see Chapter five, pp.155-156). More possible reason could be that as a result of the instability of the relationships with some countries (such as the USA and UK) and the international sanctions, there are many difficulties that faced the members of the IPC in attending CED international conferences and courses, because of visa problems and air transport sanctions. This also limits the cooperation between Libyan accounting professional bodies (IPC and LAAA) and international bodies which have taken many initiatives in CED field such as ACCA.

\(^9\)The IPC with the LAAA are the main professional bodies in Libya (see chapter five for more details). However, the IPC is the main body that is responsible for auditing the public companies' performance.

\(^10\)The managers, in this survey, claimed that the lack of research in this field has an important impact that restricted their involvement in such disclosure (see Table 7.8, p.197).
General Environmental Authority (GEA), as responsible for environmental protection, is no better than the previous authorities at participating in spreading awareness among companies concerning environmental disclosure. GEA is still in its first stage and has its own difficulties, which limited its role in environmental protection and disclosure fields. For instance, the head of the National Activity Section in the General Environment Authority, which had previously held the possession of the Authority, said in an interview with the researcher that "the main reasons behind the inability of the Authority to implement its part in environmental protection and disclosure are as follows: (1) administrational instability within the Authority, saying that six secretaries had successively taken control of the Authority, in its short life (since 1998), rendering it extremely difficult to draw up a fixed work strategy; (2) lack of specialist technical staff in this field. The Authority depends on specialist and scientific assistance from outside the Authority, on a part-time basis to perform its tasks; and (3) scarce and limited financial means". This does not compare with the situation in developed countries where environmental protection authorities or agencies have played a vital role in terms of environmental protection and disclosure.

Moreover, in spite of the increase in environmental-related legislation (see Chapter five, pp.142-146), the level of regulation is still low when compared to developed countries and, furthermore, this legislation has no direct implication for accounting and disclosure practices. Hence, despite the pre-empting legal requirements and build up expertise in advance of regulation are the most widely cited reasons in CED literature for disclosure of voluntary environmental information (Guthrie and Parker, 1989; Roberts, 1992; Patten, 1992, Gray and Bebbington, 2001), they were identified by this survey’s respondents as less important reasons for disclosing environmental information.

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11 This in addition to the instability in dependency, where it was established in 1998 as responsible to the GP Committee. However, in 2001, GEA became directly responsible to the GPC.
12 Such as, Corporate Environmental Reporting: Why and How of Australian Environmental Protection Authority (Cottrell and Rankin, 1998), and Corporate Environmental Reporting: Why and How of New South Wales Environmental Protection Agency (NSW EPA, 1997).
13 This contrasts with the situation in developed countries where environmental disclosure regulations have been introduced in countries such as Norway, Sweden, Denmark, the Netherlands, USA, Canada and most recently France (see Chapter two for more details). It would be, thus, unjust and impractical to expect Libya to have the same level of CED as the developed countries.
in Libya (see Table 7.7, p.195). A possible reason for that could be that respondents may think that it will take some time for this legislation to develop and for a widespread community-based recognition of the need for environmental accountability to take root, since central authorities provide little or nothing in the way of disclosing CED.

Hence, this non-consideration on CED by the central authorities, as mentioned earlier, has led to a low level of CED by the disclosing companies, since, the needs of central authorities are the ultimate determinants of what companies should disclose (need-to-know). Companies have paid particular attention to the area that has been concerned by the central authorities, namely health and safety information rather than other environmental information. Thus, CED practice in Libya is likely to catch on if central authorities ask for or require such kind of information (need-to-know) by issuing guidelines or standards such like the pre-designed form of the health and safety information. This will motivate the companies to do more CED information by way of voluntary in their report. This can be confirmed, as mentioned earlier, by employees and product disclosures that have been made by the companies in response to the requirements of SI and LIGC. More support can be understood from this survey, since the results revealed that the managers were willing to accept that Libyan companies should undertake their environmental responsibility (see Tables 7.5, p.185). However, they claimed that a lack of legal and professional standards, guidelines and requirements that were established by both central authorities and accounting professional bodies, especially in the case of their lack of expertise, qualification and training in the field of CED, restricted their involvement in such disclosure (see Table 7.814, p.197). Thus, the vast majority of managers asserted the need for guidelines and standards that show what and how companies should disclose in term of CED (see Table 7.6, p.189). This is consistent with the argument provided by Thompson and Zakaria (2004). They suggest that without legislation, standards or official recommendation encouraging companies to disclose environmental information there appears little likelihood of disclosure increasing.

14 Moreover, in table (7.6) the respondent asked the accounting bodies and central authorities to standardise and regulate what companies disclose in term of environmental performance (see p.189).
However, on the other hand there are three companies (non-disclosing companies) which did not even disclose this minimum information required by LGIC. This in part could explain the attitude of the managers in this survey, where they identified the reason “have not been required by laws” as important reason (rather than very important) for non-disclosing environmental information in Libya (see Table 7.8, p.197).

It is worth mentioning, however, that Libya shares this low compliance with disclosure requirements with other developing countries. Many of the empirical disclosure-related studies that have been conducted on developing countries such as Nigeria (Wallace, 1988), Egypt (Ibrahim and Kim, 1994), Saudi Arabia (Al-Modahki, 1995), Zimbabwe (Owusu-Ansah, 1998), and Bangladesh (Belal, 2001) concluded that many firms publish annual reports that do not adequately comply with these countries’ minimum disclosure requirements. For example, Belal (2001, p. 286) stated that “it may be noted that 51 percent of (Bangladeshi) companies did not disclose the mandatory information, such as, information on foreign currency transactions”. Ahmed and Nicholls (1995) stated that there are several reasons for companies not to comply with disclosure regulations in developing countries such as an inadequate regulatory framework and enforcement mechanisms and the absence of both an effective capital market and accounting profession.

However, not all these reasons can be accepted in the Libyan context, especially the effective capital market where there is no stock market in Libya. The more possible reason for this non compliance with law may be that these companies operate within a circumstance that is characterised by an unstable environment. More support for this argument can be understood from this study, where while the disclosing companies were supervised by both SI and LGIC (a stable environment), non-disclosing companies namely, the General Company for Abstraction and Clarification of Vegetative Oils (GCACVO), Arabian Cement Company (ACC) and Libyan Cement Company (LCC) had not been supervised by either SI and/or LGIC (an unstable environment) (SI, 1999;
For example, GCACVO has been subordinated to various control bodies, such as the Secretariat of Heavy Industry (SHI) in 1986; the Agricultural Secretariat (AS) in 1995; the General Secretariat of People Committee of Tripoli in 2001; the General Agricultural Authority (GAA) in 2001; and the Industrial Production Administration (IPA) in 2002. The legal advisor of the company said in an interview with the researcher that it takes a long time to be settled with any new control body that the company being followed to. Consequently, the company had not made any report, particularly external reports, during this period, which sometimes takes more than one year.

Furthermore, there is a lack of administrative stability in some of these companies. Confirming evidence came from Al-Hamroni (2000, p. 119) who found that “there is an instability of the People Committees (Managers) in some industrial companies”\(^{16}\). This may result in the incapacity to complete replacement and development programmes and follow up the requirements of LGIC which normally require a stable period of time, in which the management could understand the conditions in the policies. Moreover, central authorities themselves, as mentioned earlier, work in unstable circumstances which might cause a less enforcement of such authority. In this context, Haniffa and Cooke (2004) indicated that companies generally are unlikely to offer high-quality information if law and regulations governing information provision are not enforced.

Final example of the influence of the country’s political system on the CED is that under this system workers were given the right to establish self-management in their enterprises, most companies in Libya are managed by a People Committee (PC) (for more details see Chapter five, pp. 135-136). The PC’s members of each company are chosen from the employees in the company where the social relationships (see later)

\(^{15}\) This is because at the time of establishment of new central authority (e.g. SI, LGIC or IPA), the public industrial companies are reorganised according to their importance for the national economy. The strategic and largest companies continue to be supervised by the new central authority, whereas, others are supervised by local authorities (e.g. Shabiyat (governorates)) rather than central (national) authorities. This is done in accordance with specific studies undertaken by either the General Planning Board (GPB) or the P Committee (see for example, GPB, 2001; GP Committee, 2000, 2002).

\(^{16}\) This study also found that 42% of managers have less than five years experience in their current positions (see Table 7.1, p. 181).
play a vital role in this choice rather than practical experience and academic qualifications (Buzied, 1998). Thus, this may in part explain the low level of qualification of managers in this survey in terms of accounting and management (see Chapter seven, pp.180-183), which may limit their role in CED (Hambrick and Mason, 1984, Haniffa and Cooke, 2002).

Moreover, accountants in these companies did not attend to any training course or programme to improve their knowledge about the environmental management and/or accounting (see Chapter seven, p.180). Thus, they were ill-prepared to handle a totally new phenomenon such as CED. This might be as a result of the instability of the relationships with some countries (such as the USA and UK) and the international sanctions. Since they may face many difficulties in attending CED international conferences and courses, because of visa problems and air transport sanctions. Thus the respondents of this survey claimed that their lack of expertise, qualification and training in the field of CED was the most important reason that restricted their involvement in such disclosure (see Table 7.8, p.197). Moreover, the views of the accountants (see Table 7.6, p.189) highlight the fact that at present\(^{17}\) they are not prepared to extend their conventional roles to cover environmental issues.

### 7.3 Influence of Economic Context

The argument in Chapter five indicated that the economic system in Libya is based on the socialist-orientation of the Green Book. It is unique in many aspects accompanied by peculiar characteristics of its political regime. It is neither bourgeois political economy nor classical political economy. The basic characteristics of both systems\(^{18}\) are not applicable to Libyan economy system. It lays down the principle of individual ownership and public ownership. The individuals do not have absolute right over their

\(^{17}\) Especially, in the case of the low consideration of social and environmental accounting in the curriculums of accounting education in Libya (see chapter five, pp.157-160).

\(^{18}\) The private ownership is the characteristic of western societies, whereas, eastern societies are characterised by the complete opposite.
wealth as in western countries.\textsuperscript{19} The Green Book (pp. 56-57) said that “the legitimate purpose of an individual’s economic activity is solely to satisfy his needs. For the wealth of the world has limits at each stage as does the wealth of each individual society. Therefore, no individual has the right to carry out economic activity in order to acquire more of that wealth than necessary to satisfy his needs, because the excess amount belongs to other individuals... the savings which are in excess of one’s needs are another person’s share of the wealth of society” (social justice). Moreover, individuals have to carry their economic activities within the bounds of the range of spiritual and moral values in which society believes. Workers in such activities, also, must be treated as partners (not wage workers). On the other hand, the public companies are owned by society with aim of offering services and goods rather than making a profit (GPC, 1981).

Libya, as a developing country, has been engaged in social and economic development programmes since 1963 (see Chapter five). Such development plans are characterised by the establishment of a specific set of national (society) objectives and identification of national resources which are employed to achieve those objectives (see Chapter five). However, it is worth mentioning here that the literature states that accounting plays a significant role in the development process through its role in providing information about macro and micro economic activities to decision makers at different levels (Winjum, 1971; Mirghani, 1982; Samuels and Piper, 1985; Perera, 1989).

However, despite the respondents of this survey who thought that one of the main reasons for Libyan companies making CED disclosure is basically related to provide useful information for sustainable development (see Table 7.7, p. 195), the result of content analysis indicated that Libyan companies have not provided CED information (except health and safety information) (see Chapter six). This is simply because, as mentioned earlier, this information was not given more attention and have not required

\textsuperscript{19} In western countries, individuals have unconditional and absolute rights over their wealth and are allowed to use it as they please. The individual’s main aim is to maximize their wealth and the bottom line in western profit making enterprise is maximisation of profit and minimization of loss (Taheri, www.Islamic-Accounting.com).
by the central authorities (need-to-know) for the purpose of preparing the development plans. More possible reason could be that Libya is still a developing country. Thus, Libyan companies still have a long way to go in order to reach the level of CED disclosure reached by their counterparts in developed countries. This may give more support to the result that has been established by Xiao et al. (forthcoming). They found that the level of economic development was a significant explanatory variable of noted variations in CED practices between developed and developing countries.

Furthermore, the absence of the stock market (non-competitive market) and the limited number of interest groups (mainly central authorities rather than investors, shareholders etc., which almost do not exist) distinguish the level of disclosure that has been made by the Libyan companies from their counterparts in other countries even in developing countries. Since, in Libya the national interest is given priority over the individual or corporate interests by both companies and central authorities (Buzied, 1998). However, in such countries, interest groups have a conflict interests between each other and with the management of the companies (Ullmann, 1985; Roberts, 1992), and then the level of trust will be decreased between these parties and the management of the companies (Tomkins, 2001). Thus, as mentioned earlier, the former will want to be told what is going on by giving a message to the companies of "show us"\(^{20}\), and the later will be more open and provides further information.

For example, in Jordan\(^{21}\), as an Arab country, Amman Financial Market (AFM) was established in 1976 (Suwaidan, 1997). AFM has pressed listed companies and those who want to be listed companies for more open disclosure. For example, companies seeking listing in the market must submit their financial statements to the market as early as possible previous to the listing date, and must moreover publish the balance

\(^{20}\) In the free market economies, there are many powerful interest groups that put pressure on companies to be socially responsive (see chapter two to know their role especially in developed countries).

\(^{21}\) The only one study in the literature of corporate social and environmental disclosure relating to Arab region was undertaken in Jordan (see chapter two for more details). Jordan's political system absolutely differs from that of Libya. The 1952 constitution declared Jordan to be a constitutional monarchy. Moreover, its economic system also completely differs from that of Libya. Jordan adopted an economic system based on free enterprise and private initiative (National Planning Council, 1981, The Jordanian National Charter, 1990, Abu-Baker, 1996).
sheet and the profit and loss account of the year prior to listing in two daily newspapers for two consecutive days. The company must in addition submit the net results of operations for the last month before the date of applying for listing (AMF, 1991a, p. 47). Moreover, listed companies face pressure from investors and potential investors to disclosure more information in order to be used to assist their investment decision. For instance, El-Essa (1991) carried out a research study on the importance given to the companies’ annual reports by investors in making their investment decisions in the AFM. The results of the research indicated that Jordanian investors rely on corporate annual reports in their investment decisions (e.g. buying, holding, or selling common stock).

More confirming evidence came from Abu-Nassar and Rutherford (1996) who investigated the awareness of five Jordanian user groups that are individual investors, institutional investors, stock brokers, bank loan officers and academics as to the importance given to companies’ information in their decision-making. They concluded that “users groups in Jordan...employ annual reports in broadly the same way as those in the developed countries with highly sophisticated capital markets” (p. 85) (reported in Suwaidan, 1997). Therefore, the investors might demand a more sophisticated form of corporate disclosure including social and environmental disclosure affecting disclosure practice in Jordan. In supporting, a study conducted by Naser and Abu-Baker (1999) (see also Abu-Baker, 1996) indicated that various users, including investors of information disclosed by the listed companies on the AFM were enthusiastic about the idea of introducing rules that can govern the disclosure of social and environmental issues. Moreover, the regulation of the AFM itself might push the listed companies to provide social disclosure. For example, Abu-Baker and Naser (2000, p. 27) stated that “the main explanation for such disclosure (involvement with community) is that companies listed on the AFM are required by law (The Companies Act) to assign a certain percentage of their annual profit as provisions for Jordanian university fees and

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22 The governmental departments and agencies in Jordan received less attention from the companies compared with other interest groups such as investors and creditors when disclosing their information (Abu-Baker, 1996).
scientific research and vocational training support. Such a contribution to the community was reflected in the sample companies’ accounts”.

This open disclosure strategy that reflects the free market economy in Jordan is in contrast with the situation in Libya where, as mentioned earlier, companies’ information was enclosed to central authorities rather than disclosed to wide interested groups which do not exist (Saleh, 2001). In other words, the absence of a “right-to-know” and little or none conception of stakeholder interests distinguish the context for disclosure in Libya from other countries, even developing countries. The needs of central authorities are the ultimate determinants of what companies should disclose (need-to-know).

Finally, the country’s economic system seems to be the more fundamental determinant of disclosing negative news by the surveyed companies. Since, most of these companies are owned by the whole society and operate within a central planned economy. The main objective of such enterprises is to offer services and goods to the public rather than to make a profit (GP Committee, 1980; GPC, 1981). In other words, the national interest is given priority over the individual or corporate interests by both companies and central authorities (Buzied, 1998). Buzied (1998, p.215) stated that “profit maximisation has a lower priority for Libyan companies. Instead meeting social responsibilities towards society at large, whilst achieving sufficient profit to help the company to survive and expand, is the main priority for most companies”. This was supported by this survey, since the results revealed that more than half (55%) of the managers agree with the suggestion that “achieving environmental protection, even if it leads to less profit should be accepted by a company” (see Table 7.5, p. 182). Moreover, there was general agreement among them that the reason “cost of data collection and publication” was low in importance relative to the previous reasons (see Table 7.8, p.195). Thus, maximising their market value is not considered as the companies’ main objective, especially in the case of the absence of stock market (absence of the competitive). Therefore, managers in these companies seem not to be using disclosure to justify their companies’ continued existence, enhancing the corporate image or the reputation status of the corporate, and anticipate or avoid social pressure. The was
supported by this survey were “avoiding any intervention by central agencies” and “avoiding any claim from Basic People Congresses or employees” were less important reasons for non-disclosure of CED (see Table 7.8, p.197). Hence, they do not hesitate to disclose negative or bad news or hide the requested bad news (see Table 6.6, p.172). Since this bad news is included in the Production Activity Report, which is prepared by IPA and send out to other appropriate central authorities (such as GP Committee) to arrange how to contribute to solving these problems, which are confirmed by this information (father-son relationship). This can be achieved by providing the companies with all necessary means, financial or non-financial for the purpose of the general benefit of society (social-interest), which is the main aim of these companies and central authorities (the unity of the objective) (Buzied, 1998). This contrasts with the arguments of Verrecchia, (1983) and Tomas et al. (1997) which have been developed in liberal market contexts. They would expect most corporate disclosure in the annual report to be positive in tone. They also would expect companies that are not good environmental citizens to do little, if any, self-reporting in the annual report (see Chapter 2, pp. 50-51).

Moreover, the consideration of Libyan companies on bad news conflicts with even the results of the studies that related to developing countries. For example, in Jordan companies might avoid disclosing bad or negative news in their reports, since such kind of information are not favourable to their corporate reputation and therefore may decrease the company’s profit or share in the stock market (self-interest). For example, although Abu-Baker and Naser (2000) did not investigate the type of information or news that have been disclosed by the surveyed companies, they indicated that company tends to adopt a disclosure policy that protect their reputation in the stock market. In particular, they stated that “large size Jordanian companies are monitored more closely by potential investors...Hence, they tend to disclose more information to satisfy the demands of potential investors, to attract more sources of finance and to maintain the value of their shares...the former (large size companies) are therefore more likely to continue to disclose more information to maintain their reputation” (p.29). Maintaining of the value of their shares and reputation however, can not be achieved by disclosing bad news (Deegan and Gordon, 1996; Jaggi and Zhao, 1996).
Imam (2000) in his study about the environmental disclosure in Bangladesh found that "environmentally sensitive companies have shared only qualitative and positive information (i.e. information about positive contribution made to the environment"

This result was supported by Belal (2000) who found also that "in most cases, it (CED) was purely descriptive statements, giving 'good' news only. In no cases, subject to one exception, attempts were made to give bad news as well" (p. 119).

Moreover, Jaggi and Zhao (1996) in their study about environmental disclosure in Hong Kong stated that "the examination of annual reports indicates that most companies published only favourable information" (p. 340). Additional evidence can be understood from the following two quotations that related to the state of corporate environmental disclosure in Malaysia, Singapore and Thailand respectively.

"Very few companies reported environmental financial information and candid acknowledgment of negative information" (ACCA, 2002a, p. 46).

"There was no evidence of what could be termed 'bad' or negative news disclosures in any of the annual reports" (ACCA, 2002b, pp.3-4).

"Companies are not giving sufficiently detailed information about the impact of business activity and about the actions taken to prevent or counter negative effects on the environment" (Kuasirikun et al., 2000, p. 18).

The reason for this conflict is that these studies were undertaken in a different economic context to that in Libya, since in such market economics23, companies' unwillingness to disclose bad or negative news in their reports is due in part to the threat of entry by competitors (bad news is not favourable to their corporate image) which may reduce the company's profit or share in the stock market (self-interest) (see Chapter two, pp.49-

23 For example, in Bangladesh with the adoption of the principles of a market economy the country is currently placing much emphasis on industrial development led by the private sector. Several initiatives that have been taken in order to develop the private sector are particularly noteworthy in this regard. These include (1) the country has initiated a privatisation programme since the 1980s with the aim of privatising the loss-making public sector; (2) with the aim of developing private sector capital Dhaka Stock Exchange (DSE) has been re-activated together with the establishment of a new stock exchange called The Chittagong Stock Exchange (CSE); (3) a Securities and Exchange Commission (SEC) has been established to regulate the newly re-activated capital market and to protect the interests of investors; and (4) several incentives have been made available for the purpose of attracting investments from local private investors as well as overseas investors such as tax incentives, the establishment of a special industrial zone aimed at foreign investors and the provision of very cheap labour (Belal, 2001, p. 277).
50). Williams and Pei (1999, p.394) stated that “it has been argued that corporate social disclosure is a mechanism used by organisations to protect their own self-interests and deflect the attention and intervention of regulatory bodies (Guthrie and Parker, 1990). That is, companies make corporate social disclosures to advocate and enhance the entity’s position and image, promote customer and community relations with the incentive of indirectly assisting to promote products and customers. This view of corporate social disclosures fulfills the role defined by Zeghal and Ahmad (1990)”.

Haniffa (1998) found that the respondents of her survey in Malaysian context ranked enhancing corporate image as the main factor that may influence their decision to make voluntary social and environmental disclosure. Whereas, they ranked competitive disadvantage as the most important factor that may influence their decision to make no such voluntary social and environmental disclosure. Moreover, Perry and Teng (1999) found that a large of proportion of the non-disclosing organisations in Singapore did not believe that investment in environmental improvement offered their organisation either opportunities for cost saving or improved support from shareholders (self-interest).

7.4 Influence of Socio-Culture Context

The discussion in Chapter five indicated that social life in Libya centres traditionally on the Islamic religion and the individual’s family and tribe loyalty, which override other obligations in the community. Within the Libyan social context, Islamic religion is more likely to have contributed significantly to shaping Libyan behaviour and attitudes (Zarrugh, 1959; Kaabur, 1995). For example, Zarrugh (1959) stated that “it can be confidently asserted that the years of Arabic, Turkish and Italian rule and the final period of British-French rule all left their mark on the religious, social and political life of the people. But of all these conquests and occupations, none had a more profound and lasting effect than Arabic conquest, for throughout all these centuries the country has remained Arabic in culture and Islamic in religion”. Furthermore, Kaabur (1995, p.28) pointed out that “despite the continuous changes in the social structure and the way of life as a response to the change in political and economic structure started by 1969, the Islamic values and beliefs are still deeply ingrained in the Libyan society”.

223
Thus, it plays an important role in shaping personal accountability. Muslims, as required by Islam, have to question their actions or hold themselves accountable before being held accountable by Allah in the Day of Judgment for what they have done in their life (Abdul-Rahman and Goddard, 1998).

In relation to the environmental responsibility in Islam, the holy Qur’an states that “and do not mischief on the earth, after it has been set in order, and invoke Him with fear and hope; Surely, Allah’s Mercy is (ever) near unto the good-doers”, (Qur’an, Surat Al-Araf (7), Ayah 56). Moreover, the Prophet, upon him be blessing and peace, declares that “the world is beautiful and verdant, and verily Allah, be He exalted, has made you His stewards in it, and He sees how you acquit yourselves”. According to Masri (1992), beside the above, there are five hundred other verses in the Qur’an that relate to environmental issues and the manner such issues are to be addressed. Additionally, Bagader et al. (1994, p.viii) stated that “Islam offers great advantage for environmental conservation, protection and sustainable development in that it is a source for law that is consistent with cultural values of Islamic society and can be imported with ease into environmental policy that is both effective and implementable”.

It is, thus, argued that the management of enterprises in Libya has a greater incentive to protect the environment and undertake their responsibility in order to conform to the teachings of Islam, which made the protection and conservation of the environment a holy duty on every Muslim, male or female (Bagader et al., 1994; Mortadah and Al-Jabarei, 2001). However, despite the respondents of this survey who accept the suggestion which stated that it is an Islamic duty to protect the environment and then disclose the related information (see Tables 7.5 and 7.7, pp. 185-195), the results of the content analysis indicated the opposite, since, CED information was almost absent in the companies’ reports (see Chapter six). This contrasts with the literature where researchers such as Gambling and Karim (1986, 1991), Adnan and Gaffikin (1997), Baydoun and Willett (1997, 2000), Alam (1998), Mirza and Baydoun (2000), Suliman (2000), Haniffa (2001), Lewis (2001), Sulaiman and Willett (2003) and Anuar et al.
(2004) suggest that Islamic corporate reports should include reporting on the environment.

A possible reason for that could be that such respondents, especially accountants may not have knowledge about the requirements of disclosure in Islam, as the accounting under Islamic Sharia is not covered by the current accounting education curriculum (Ahmad and Gao, 2004). Furthermore, in general, all Libyan industrial projects were established by foreign companies obliged by their contracts to run these projects after completion for a certain number of years with the participation of Libyans by whom such projects will eventually be run. This means that as well as importing technology, managerial and financial experience are, unconsciously imported too. Since most of the contractors of these plants are western companies, adapting their managerial and accounting system cannot be suitable for a socialist country such as Libya (Gzema, 1998). In addition, all accounting disclosure regulations, as mentioned earlier, were inherited from the US, UK and Italian period and have not developed to fit the requirements of Islam (Kilani, 1988; Baker, 1997; Buzied, 1998). Moreover, even the attempts that have been made to bridge the existing gap in these regulations by either SI or LGIC have not taken into account such requirements (see Chapter five, pp.148-153).

Maali et al. (2003) stated that for historical, political and economic reasons, the Islamic societies have become affected, and in some cases dominated, by Western cultural values. This make it difficult for business enterprises operating in Islamic countries (even in countries where a full Islamic system applies, such as Sudan and Iran) to apply such accounting and reporting recommendations for either replacing or modifying the reporting of Islamic business entities. This is likely to continue into the foreseeable future, even though Western financial and social reporting frameworks may not be suitable for Islamic business enterprises.

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24 This information on environment is linked to use of resources and programmes undertaken to protect the environment (Haniffa, 2001) and to establish justice and solidarity among members of the society (Ibrahim, www.Islamic-Accounting.com). Thus, it is related to information which is needed to help plan a collaborative future in whatever the level (even high) of trust in a relationship (Luhmann, 1979).
However, since, as mentioned earlier, Islamic religion is more likely to have contributed significantly to shaping most of the personal behaviour in Libya, this can be used for interpreting the disclosure of negative news by Libyan companies. The duty to disclose or say the truth is a very important issue in the Islamic context and its duty applies to businesses as much as to individuals, even if such disclosure would work against the firm or person himself (Maali et al., 2003).

This duty is emphasised in the Qur'an which states that “and cover not the truth with falsehood, nor conceal the truth when you know” (Qur'an, Surat Al-Baqarah (2), Ayah 42), “O you believe, keep duty to Allah and fear Him, and speak always the truth” (Qur'an, Surat Al-Ahzab (33), Ayah 70). Askary and Clarke (1997, p. 142) stated that “six verses of Qur'an refer to relevance; one meaning of relevance referred to is disclosure of all fact”. Moreover, the Prophet, upon him be blessing and peace, declares that “truthfulness leads to Al-Birr (righteousness), and Al-Birr leads to paradise, and a man keeps on telling the truth until he becomes a truthful person. Falsehood leads to Al-Fujur (i.e., wickedness- evil-doing), and Al-Fujur leads to the (Hill) fire, and a man keeps on telling lies until he is written as a liar before Allah”, “it is great treachery that you tell your brother (Muslim) something he accepts as truth from you, but you are lying”.

Libyan social context also has in some extent influence on CED in other way, since, in Libya loyalty to family, clan, and tribe and the emphasis on regionalism and sectarianism occasionally outweigh loyalty to a profession and the law (Agnaia, 1997). Moreover, personal relations and family play a greater part in gaining business and career promotion rather than practical experience or academic qualifications (Buzied, 1998). According to El Fathaly (1977), it is the family unit that integrates virtually every aspect of the individual’s life... It is the family “which socialises the individual into his culture and which bears primary responsibility for his adherence to social norms”. As a result, management in Libya is more concerned about the creation of social relationships in their profession (Ejigu and Sherif, 1994; Agnaia, 1996, 1997; Buzied, 1998; Saleh, 2001).
In supporting this, the UN's report indicated that managerial appointments in Libyan industrial companies are not necessarily based on established procedures for assessing qualifications and excellence (Agnaia, 1996). Saleh (2001, 14) as well pointed out that "tribal and family collectivity is institutionalised in people's work-related practices and social relationships. The Libyan culture is characterized by the prevailing attitude of favouritism towards appointments to government jobs, which were and are frequently made on the basis of personal friendship or family connections rather than merit" (Wright, 1981). This may explain why the most of the surveyed managers held a qualification in areas which have nothing to do with management or accounting, nor were they subjected to any training courses or programme to improve their knowledge about accounting and management (see background survey, pp181-184), especially in the case that the political system, as mentioned earlier, requested that managers be chosen by the employees where social relationship plays the vital role.

However, Libya is not different from other Arab countries in having a number of traditional customs, which emphasise collective rights and obligations of families and tribes. For example, Al-Modhki (1995, p.130) stated that "Saudi Arabian society is a tribal society, the status of the individuals in Saudi Arabia is derived from membership in the group-family, village and tribe, and is not determined by individual capacities". Moreover, Adul-Khalik (1984) pointed out that "Kuwaiti employees have more loyalty to their family and tribe than to their organisations" (reported in Agnaia, 1997, p. 120). This was also the case in some of other developing countries. For example, Haniffa and Cooke (2002) analysed the qualifications of the financial controllers in Malaysian listed companies and found that not all controllers have accounting or finance qualifications. This was particularly the case in companies with substantial family shareholdings. Thus, these societies, including Libyan society are characterised as collectivist societies (Hofstede, 1991). Islam also reinforces the collectivism orientation between Muslims.

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25 The group of Arab countries included in Hofstede's (1991) study were Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia and the United Arab Emirates. According to Hofstede (1991), Arab countries scored high level of power distance with a score of 80 comparing with low levels of power distance in the UK and the US, 35 and 40 respectively. Furthermore, he stated that Arab countries tend to be collectivists societies, since they score 38 on individualism which is considered low compared to the UK and the USA with a score of 89 and 91 respectively.
They are required to co-operate with each other and to share one another’s sadness and happiness. The holy Qur’an, also, states “the Believers, men and women, are Auliya (helpers, supporters, friends, protectors) of one another” (Surah Al-Taubah (9), ayah, 71). Gray (1988) argued that secrecy is consistent with a preference for collectivism with its concern for those closely involved with the firm (central authorities) rather than external parties. However, the results of this survey indicated that secrecy of CED information was regarded by the respondents as being of importance (but not very important) in preventing the Libyan companies from making CED disclosure (see Table 7.8, p. 197).

Gray (1988) also indicated that such high level of collectivism and large power distance would lead to a high level of statutory control. This seems to be to some extent, but not completely, true in Libyan context where the value of statutory control is a higher than professionalism (Busied, 1998; El-Sherif, 1981), since, there is general agreement between public accountants that the LAAA has played only a limited role in almost all of its objectives that have been stated by the Law (see Chapter five, p. 153). However, on the other hand, the laws seem to be having not a significant (but some) impact upon the practice of accounting in Libya. Since, there were some companies which did not comply with the requirements of the law and made no health and safety information in their reports (see Chapter six). This can be supported by the view of the respondents where they identified the reason “have not required laws” as important reason (rather than very important) for non-disclosing environmental information in Libya (see Table 7.8, p. 197).

8.5 Summary

This chapter provides a discussion of the environmental influence upon CED practice within the context of Libya. Furthermore, to give more impetus for the theoretical background of this study (Environmental Determinism Theory), a comparison with other Arab and developing, and in some cases developed countries, was made during the discussion.
It started with the influence of political context upon CED practice. Under this political system, there is a unique accountability structure. The central authorities and companies are joined with a reciprocal and complementary relationship to achieve the society’s objectives. Based on the ideology of the Libyan political system and the above discussion, four concepts namely, “trust us”; “need-to-know” “less-compliance with disclosure requirements” and “insufficient role of professional bodies” were used to explain the low level of CED practices in Libya.

The discussion then moved to the influence of economic context. It provides more explanation for the low level of CED practices in Libya and consideration of companies with negative news rather than bad news. Two concepts were used to did so namely, “national-interest” and “non-competitive market”. The influence of social context finally was investigated. It provides more explanation for the disclosing of bad news. This because the duty to disclose or say the truth is a very important issue in the Islamic context and its duty applies to businesses as much as to individual, even if such disclosure would work against the firm or person himself.

It can be concluded from this chapter and the previous one that, the social context including religion seems to be having to some extent an influence upon the CED practice in Libya. However, the country’s unique political and economic contexts along with the managers’ attitudes and qualifications were the fundamental determinants of CED disclosure. Corporate environmental disclosure practices in Libya are shaped not only by one single factor but by both external and internal factors. The impact of the external factors, namely political, economic and social reflects the indirect influence on the disclosure environment. Whereas, the internal factors (perception and cognition) reflect the direct impact of those involved in the disclosure process, namely the managers, as they are the ones who have the final say on what information to disclose.

Based upon the data collected, analysed and discussion in this Chapter and the two previous Chapters, the next Chapter will provide the study’s conclusions, policy of implications and the area for further research.
Chapter Nine
Conclusions, Policy Implications, Limitations of the Research and the Areas for Further Research

9.1 Introduction
9.2 The Research Impetus and Scope
9.3 Conclusions Relating to the Research Questions
  9.3.1 First Question
  9.3.2 Second Question
9.4 Policy of Implications
9.5 Limitations of Research
9.6 Suggestions for Further Research
9.7 Summary
Chapter Nine
Conclusions, Policy Implications, limitations of the Research and the Areas for Further Research

9.1 Introduction
The focus of this study is on Corporate Environmental Disclosure (CED) in Libya. This chapter summarises the empirical findings presented in Chapters six and seven with respect to research impetus and scope, and questions stated in Chapter one. Explanation is suggested for the extent of CED by Libyan industrial companies quoted on the Industrial Production Administration (IPA) as indicated in empirical findings. The conclusions and interpretations are discussed according to the influence of both internal and external environmental factors on CED practices. Policy implications made to improve CED in Libya are also presented. Finally, the limitations of the research and some areas for further research will be identified.

9.2 The Research Impetus and Scope
Despite the fact that CED is often considered to be a contemporary phenomenon, companies have provided disclosures adumbrating their interactions with the environment since the 1970s (Mathews, 1997). However, such interplay between the environment and companies was not addressed separately, but was considered alongside, inter alia, employee relations and community involvement and subsumed under the term Corporate Social Disclosure (CSD) (Epstein et al., 1976, Ingram and Frazier, 1980, Mathews, 1997). In the early 1990s, however, the emphasis shifted to CED rather than CSD (Mathews, 1997, Ince, 1998). Thus, the CED moved from being an ‘also’ to being a matter of ‘central importance’ (Gray, 1992). Reviewing the prior studies related to CED and theoretical justifications represented in Chapters two and three made the following important points which provide motivation for this study:

1. Two approaches were mainly adopted in the previous studies in investigating CED practices namely: (1) one-dimensional analysis (content analysis); and (2) two-dimensional analysis (either intra-country factors, and content analysis; or inter-
organisational factors and content analysis). Most of the previous studies, especially those in developing countries adopted a one-dimensional analysis. Such studies fail to link their empirical results to the political, economic, and social context of the country. It is important to note that any analysis of CSED would be incomplete if it fails to capture the political, economic and social contexts in which the disclosures are made (Roberts, 1990; Andrews et al., 1989; Gray et al., 1996; Hackston and Milne, 1996; Adams et al., 1998; Belal, 2001; Kolk et al., 2001). Moreover, these studies also ignore the importance of inter-organisational factors (management attitude and cognition) which are more useful in evaluating reasons for certain environmental disclosure and, more importantly, why decisions not to include environmental information are made (O'Donovan, 2002, O'Dwyer, 2002, Anuar et al., 2004).

Second analysis approach was adopted by a number of other studies. This approach might use either (1) content analysis and intra-country factors; (2) content analysis and individuals’ perception; or (3) content analysis and characteristics of firms. Based on this approach, researchers have proposed various theoretical perspectives trying to justify why corporations should and should not disclose social and environmental information. These theoretical perspectives include agency theory, stakeholder theory, legitimacy theory and political economy theory which have been mainly developed in liberal market contexts (see Chapter three). The use of theories that were originated in a political, economic and culture setting to explain disclosure practices in a different political, economic and culture setting is questionable, as the application of these theories may not explain CED disclosure practices in a different political and economic setting such as Libya. Furthermore, the literature review in Chapter three identified that these theories do not see the world from a point of view that involves the interaction between both the internal (inter-organisational) and external (intra-country) factors with the results of content analysis. Therefore, a three-dimensional analysis that includes the interaction between external factors and internal factors, and content analysis might provide a fuller, richer and more comprehensive picture of environmental disclosure in a given country.
With respect to this proposition, the findings of this study provide support (see Chapters seven and eight). Evidence indicated that the impact of the external factors reflects the indirect influence on CED practice, whereas the internal factors (attitude and cognition) reflect the direct impact of those involved in the disclosure process, namely the managers, as they are the ones who determine what information should be disclosed, especially in the case of voluntary (see Figure 9.1 later). Thus, this study focused on Environment Determinism Theory, which takes a wider view in explaining the absence or presence of CED practices in a given country (see Chapter three). This theory adds a new dimension to the previous theories. It assumes that to get more appropriate understanding for CED practices in a given country, both internal and external factors should be taken into account.

2. The majority of previous studies have used the annual report as the basis of analysis for the reasons that it is produced regularly, that the company has a substantial editorial input into it and that it is widely read. However, despite of that, many authors are quick to point out this is not the only medium that could be used and offer this as a limitation of their research (Roberts, 1991; Holland and Foo, 2003; Campbell, 2004; Thompson and Zakaria, 2004). Most of these studies cite Zeghal and Ahmad (1990) as the one prior study that investigated other possible media. Since the Zeghal and Ahmad (1990) study, there have been little investigations conducted outside the annual reports. The constant reference to other possible avenues for disclosure found within the annual report studies provided the justification for this study by not limiting itself to annual reports, as it took into account the internal reports, and specific environmental reports (if any exist) as well. Web sites were excluded from this study, because established web sites by Libyan companies are still very much in their infancy. The findings of this study supported the fact that the annual report is not the only means which can be used by companies to disclose environmental information. Evidence indicated that four of the disclosing companies located their disclosure outside their annual reports. They placed it either in a specific external report (form) such as National Trailers Company (NTC) and Libyan Tractors Company (LTC) or in a specific internal report such as General Company for Chemical Industries (GCCI) and General Electronics Company (GEC). In
other words, if the disclosure in other media has been excluded, the percentage of disclosing companies will be reduced to only 30% instead of 70% (see Chapter six).

3. The very extensive literature in the theory and practices of corporate environmental disclosure that has been growing over the past years has largely restricted their focus to the European, North American, and Australian regions (Birch and Moon, 2004). Wallace (1990), Kisenyi and Gray (1998) and Tsang (1998) call for the need for this type of research in the context of developing countries, since there is a general lack of knowledge on the state of CED in developing countries. Very little attention was given to countries in the African region. The researcher has, therefore, taken the initiative to examine the state of CED in Libya, and to bridge this gap in the CED literature. It provided the first detailed longitudinal description of CED practice among Libyan industrial companies.

9.3 Conclusions Relating to the Research Questions
This study targets to examine the various aspects of CED in Libya with a view to testing the applicability of environmental determinism theory. It does not confine itself only to the content analysis measuring the volume of environmental disclosure, but also takes into account management’s perception and surrounding environmental contexts in which the environmental disclosures are being made (the three-dimensional analysis suggested in this study). Two primary research questions were explored.

9.3.1 First Question
In chapter one, the first research question to be addressed was outlined as follows:

To what extent do industrial companies in Libya disclose the interaction between their activities and the environment?

- What kinds of environmental information (categories) are mostly disclosed by the companies?
- Has the number of disclosing companies increased over the period covered by this study?
- What types of news (bad, neutral, and/or good) are mainly disclosed by the disclosing companies?
- What kind of media (annual report, internal report, and/or other specific report) is mainly used by the disclosing companies?
Consideration with the first question, the quantity of corporate environmental disclosure was measured over a four-year period (1998-2001) using content analysis. This technique has been readily applied in corporate social and environmental-based research (see Table 4.1, p. 97). Consistent with other studies (Cowen et al., 1987; Patten, 1991; Deegan and Gordon, 1996; Tile, 1997), all largest industrial companies (13), whose activities might have the most effects on the environment, quoted on the Industrial Production Administration (IPA) were selected as a subject of this study. Out of these 13 companies contacted, annual reports, other external reports and internal reports from 10 companies were received resulting in a 77% useable response rate. The survey reviewed the entire annual reports, other external reports and internal reports, for any disclosures pertaining to the interaction between companies' activities and the physical or natural environment (for more details see Chapter four).

A checklist instrument (see appendix two) categorised CED into five major themes, namely (1) environmental policies, (2) products and processes, (3) energy, (4) health and safety, and (5) others. Definitions applied in the checklist instrument were derived from an extensive review of the prior literature and in particular Guthrie and Parker (1990), Gray et al. (1995 a, b) and Hackston and Milne (1996). The unit of analysis for this study was word. This was in consistent with other studies (see Chapter four, pp. 102-103). Pictures and graphics reflecting environmental activities did not exist in the analysed reports, which give more impetus for using word as unit of measurement. To measure the extent of disclosure an un-weighted method, was used for this study, since it is not concerned with any specific user group. To analysis the nature and location of disclosure, each word was classified into three categories, namely (1) evidence (monetary, quantitative, and qualitative); (2) location in any kind of reports and (3) the type of disclosure (bad, neutral, and good). Moreover, a distinction between mandatory and voluntary disclosure was made. The instrument was pilot tested and reliability was obtained by using the test-retest procedures and multiple coders.

The findings of this study indicated that CED has not been developed yet in Libya. In particular the results showed that 70% of responding companies made some
environmental disclosure. However, the percentage comes down to zero if we exclude disclosure related to health and safety category (see Table, 6.2, p.164). Health and safety-related information is requested by Secretary of Industrial (SI) and Libyan General Industrialisation Corporation (LGIC) (presently IPA) by using pre-designed form. However, the information provide by companies varies, from those that report only that which is required by SI and LGIC such as GCCI, LTC and GNCFMF which restrict the pre-designed form, to those such as LVC, GEC, GTC and NTC that provide voluntary an extensive related information. The average volume of total health and safety disclosure over the four year period was 109 words (written by Arabic language) (Max170; Min 81) (see Table 6.2, p.164). There is an increasing trend in disclosing companies. GTC is the only company that made disclosure in all of the four years. The peak in the volume of disclosure is in 2001 (see Table 6.2, p.164) due to the level of health and safety reporting by GEC in 2001. Quantitative and qualitative methods were both employed by disclosing companies. The disclosure with financial value was made only by GTC in its annual report. Libyan companies, by contrast with their counterparts even in developing countries, have given more attention to negative news (for more details see Chapter six).

In seeking to explain and understand this evidence of CED practice (or non-practice), the study utilised (1) the perspectives of a sample of corporate managers regarding the nature of corporate environmental responsibility and CED; and (2) the political, economic and social context in which the CED is being made (the three-dimensional analysis suggested in Chapter two). It then attempted to answer the following question.

**9.3.2 Second Question**

The second research question to be addressed was as follows:

**How the environmental factors within Libya can be used to explore Corporate Environmental Disclosure Practice?**

- What is the managers’ perception toward environmental responsibility and disclosure?
- What are the main reasons for disclosure and non-disclosure of environmental information?
- How the political, economic and social contexts may influence CED practice in Libya?
Seeking the answer of the second question, the researcher used the historiography approach as complementary with the questionnaire approach. The historiography was used to review the literature so as to give a background to the evaluation and status of CED (see Chapter two). Moreover, by using this approach the social, political, economic and legal contexts were studied in Chapter five. Relevant information was obtained from public, archival sources, public documents and publications, from public authorities such as the IPA and the (GEA), and from relevant researches that concern the Libyan context. This provides a basis ground for the discussion in Chapter eight which deals with environmental influences on CED practices in Libya as an application of environmental determinism theory (see Figure 9.1 later).

The level of importance attached to different environmental influences on the managers’ decision to disclose environmental information was determined by using a questionnaire survey. Directors of Finance and Administration Management, and Secretariats and members of the General People’s Committee who worked for companies that formed part of the sample companies used in the content analysis above were selected as a subject of questionnaire survey. The reasons for that are: (1) this facilitates the use of their perspective, along with the environmental contexts in interpreting the results of the content analysis, (2) all of them had some input into the formulation of the corporate reports, in most cases performing either a preparation or review and approbation function (see Chapter five, pp. 148-151), and it is perceived that this might expose them to the issue of CED at some stage, and (3) individuals at a high level of management could be expected to have a broad perspective on their organisation’s operations (see Chapter five, p. 151) and may thus be viewed as being able to address questions investigating perceptions of CED.

The questionnaire consisted of three parts (see appendix one). In part one, demographic data of respondents were obtained. The second part contained questions on respondents’ perception on environmental responsibility and CED. The third part includes questions related to the possible influential factors on managers’ decision to disclose or do not disclose environmental information. Closed-ended questions were adopted in the
questionnaire of this survey, with responses requested on a five point Likert scale (see Chapter four). Fifty three questionnaires were used with a rate of response of 62%.

There are three main inferences to be drawn from the results of the survey. These relate, firstly, to the managers' apparent lack of knowledge (expertise, qualification and training) about the possibilities of CED; secondly, to the vast majority of managers' apparent willingness to accept that Libyan companies should recognise their environmental responsibility; thirdly, to the gap between respondents' attitudes and their action, since the analysis of actual CED practices reveals that companies have not been making adequate CED (see Chapter six). This gap was justified by respondents by saying that the scarcity of legal and professional standards and guidelines, along with their lack of knowledge in the field of CED are the main determinants that have prevented them from engaging in CED (see Chapter seven for more details).

In particular, managers thought that the main reasons for Libyan companies making CED disclosure are basically related to: (a) to inform the central authorities; (b) to provide useful information for sustainable development; and (e) to demonstrate a reasonable responsibility in accordance with Islamic Sharia values. On the other hand, they thought that the main reasons which dissuade the Libyan companies from making CED disclosure are basically related to: (a) the company lacks such expertise, qualification and training; (b) absence of needed requirements and guidelines by central agencies such as GEA and IPA and (c) absence of standards published by accounting professional bodies such as LAAA and IPC (see Tables 7.7 and 7.8, pp.195-197).

In seeking to get more understanding of evidence of CED practices, the influence of Libyan environmental contexts upon such practices was investigated (see Chapter eight). The results of this examination argued that the social context including religion seems to have in some extent an influence upon the CED practice in Libya. However, the country's unique political and economic contexts along with the managers' attitudes and qualifications were the fundamental determinants of CED disclosure (see Figure 9.1).
Figure (9.1) the Main Environmental Influences on CED Practices within the Context of Libya: an Application of Environmental Determinism Theory

Experent Influencing Factors

1. Political Context
   1. The managers, as a member of BPCs, act as both decisions-makers and as actors within society where decisions are to be implemented (high level of trust).
   2. The central authorities, as the main users of companies’ information, do not have conflicting objectives (disclosure is limited to the needs of such authors).
   3. The central authorities have not given any attention to the CED information (except health and safety disclosure). They have not requested or provided instructions and guidelines (such the pre-designed form for health and safety information) for companies to disclose other CED (there is no demand for other CED information).
   4. Central authorities operate in unstable political circumstances (they have been changed many times). There is also an administrative instability in some of these central authorities (low compliance with disclosure requirements).
   5. Libyan professional accounting bodies (LAAA and IPC) have not played a significant role in the raising of awareness among managers of the companies of the importance of this kind of disclosure (no standards, guidelines or recommendations for CED to be followed by companies).

2. Economic Context
   1. The main objective of such enterprises is to offer services and goods to the public rather than to make a profit. There is no stock market (non-competitive market).
   2. The unity of the objective between the central authorities and the companies (national-interest).
   3. There are a limited number of interest groups (mainly central authorities rather than investors, shareholders who almost do not exist) (the absence of a “right-to-know”).

3. Social Context
   1. Personal relations and family play a greater part in gaining business and career promotion rather than practical experience or academic qualifications (ill-prepared managers).
   2. The duty to disclose or say the truth is a very important issue in the Islamic context and its duty applies to businesses as much as to individuals, even if such disclosure would work against the firm or person himself (disclosure of negative news).
   3. Libyan society is characterised as collectivist societies (low level of disclosure).

Internal Influencing Factors

1. Perception of Managers
   1. They see their public accountability, not in term of providing explanations and justification to the society, but through bringing new technologies and improving production techniques (trust us).
   2. They limit their information to the central authorities (the ultimate user of companies’ reports) (enclosure information).
   3. They have paid particular attention to the area that has been concerned by the central authorities namely health and safety information rather than other environmental information (the need-to-know basis).
   4. Some companies do not comply with disclosure regulations as a result of the unstable circumstances.
   5. Maximising their market value is not considered as the companies’ main objective (non-competitive market). Therefore, managers in these companies seem not to be using disclosure to justify their company’s continued existence, enhancing the corporate image or the reputation status of the corporate, and anticipate or avoid social pressure either by the BPCs or central authorities (national-interest).
   6. The views of the accountants highlight the fact that at present they are not prepared to extend their conventional roles to cover environmental issues, and thus disclosure of environmental information is a subject to which they have not given substantial consideration with the limited role of the professional bodies (ill-prepared).

2. Cognition of Managers

Ill-prepared managers and accountants
   1. The qualifications of most of them were in areas which have nothing to do with management or accounting, nor were they subjected to any training courses or programme to improve their knowledge about accounting and management.
   2. They face many difficulties in attending CED international conferences and courses, because of visa problems and air transport sanctions. As a result they lack expertise, qualification and training in the field of CED.

They were willing to accept that Libyan companies should undertake their environmental responsibility. However, they claimed that a lack of legal and professional standards and guidelines that are established by central authorities including IPA, IPC and GEA, especially in the case of their lack of expertise, qualification and training in the field of CED, restricted their involvement in such disclosure.

Low level of Corporate Environmental Disclosure (CED), with more attention to negative news and limited to the use of central authorities.
Thus, the use of both intra-country factors (political, economic and social context) and inter-organisational factors (attitudes of managers and qualifications) identify the main reasons for the poor state of CED practices and the consideration with bad news in Libyan context (results of content analysis) as following:

1. Reasons for the Low level of Corporate Environmental Disclosure by Libyan companies
   - The high level of trust between companies and society (trust us) and the absence of a “right-to-know” and little or non-conception of stakeholder interests (no stock market and limited role of private sector).
   - Information needs to be provided by Libyan companies to the central authorities, which have been authorised by the society for the purpose of planning and control. Thus, the central authorities are the main user of companies’ information (enclosed information). However, apart from health and safety these central authorities do not require other environmental information (demand function does not exist).
   - The needs of central authorities are the ultimate determinants of what companies should disclose (need-to-know). Thus, companies have paid particular attention to the area that has been concerned by the central authorities, namely health and safety information rather than other environmental information.
   - The non-disclosing companies operate within an unstable environment. This leads to low compliance with disclosure requirements by these companies.
   - Libyan professional accounting bodies (LAAA and IPC) have not played a significant role in the raising of awareness among managers of the companies of the importance of this kind of disclosure. Moreover, Libyan managers and accountants did not have any training course or programme in the area to improve their knowledge about the environmental management and/or accounting. Thus, they were ill-prepared to handle a totally new phenomenon such as CED.

2. Reasons for the Consideration with Bad News
   - The central authorities require such kind of information (need-to-know).
   - The main objective of Libyan enterprises is to offer services and goods to the public rather than to make a profit. Maximising their market value is not considered as the
companies' main objective, especially in the case of the absence of stock market (absence of the competitive). Therefore, managers in these companies seem not to be using disclosure to justify their companies' continued existence, enhancing the corporate image or the reputation status of the corporate, and anticipate or avoid social pressure. Hence, they do not hesitate to disclose negative or bad news or hide the requested bad news.

- The duty to disclose or say the truth is a very important issue in the Islamic context and its duty applies to businesses as much as to individual, even if such disclosure would work against the firm or person himself.

It can be concluded from above that six concepts namely, "trust us"; "need-to-know"; "less-compliance with disclosure requirements"; "insufficient role of professional bodies"; "national-interest" and "non-competitive market" were used to explain the CED practices in Libya. This is in contrast with the liberal market economies where these concepts are replaced by the concepts of "show us"; "right-to-know"; "high-compliance with disclosure requirements" "sufficient role of professional bodies"; "self-interest" and "competitive market". This explains the differences between Libya and developed countries in term of level and type of environmental information disclosure (see Table 9.1).
<table>
<thead>
<tr>
<th>Concepts</th>
<th>Libya (observations of this study)</th>
<th>Developed Countries</th>
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<tr>
<td><strong>&quot;Trust us&quot;</strong> versus <strong>&quot;Show us&quot;</strong></td>
<td>There is a high level of trust between management of companies and the members of society. Companies by giving a message to the public of “trust us” suggest that society should accept that each company is acting in their best interest and not question or expect proof. The managers of companies see their public accountability, not in term of providing explanations and justifications to the society (trust us), but through bringing new technologies and improving production techniques.</td>
<td>The general public including customers, employees and environmental groups in such economies want to be told what is going on by giving a message to the companies of “show us”. Hence, companies need to provide information to the society for the purpose of creating a trust between each other (Wicks et al., 1999; Kulkarni, 2000; Tomkins, 2001) (for more details, see Chapter two).</td>
</tr>
<tr>
<td><strong>&quot;need-to-know&quot;</strong> versus <strong>&quot;right-to-know&quot;</strong></td>
<td>The central authorities are the main users of companies’ information (the conception of stakeholder interests almost do not exist). Thus, the needs of central authorities are the ultimate determinants of what companies should disclose. Apart of health and safety theses central authorities do not require other environmental information. Thus, companies are unlikely to provide high-quality information since the demand function does not exist.</td>
<td>The information disclosure is based to some extent on the right of stakeholders to know with the aim of making the market more efficient by fully reflecting the available information (IJiri, 1983; Stanton, 1997). Thus, the growing concern of stakeholders about green issues has forced many managers to produce environmental information (Azzone et al., 1996, Perry, 2000, Holland and Foo, 2003) (for more details, see Chapter two).</td>
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<tr>
<td><strong>&quot;less-compliance with disclosure requirements&quot;</strong> versus <strong>&quot;high-compliance with disclosure requirements&quot;</strong></td>
<td>The non-disclosing companies operate within an unstable environment. This leads to low compliance with disclosure requirements by these companies. Thus, they did not even disclose the information required by central authorities (health and safety information).</td>
<td>Management of companies in such countries considers legal obligations to be more important than other factors influencing the decision to disclose environmental information (Deegan and Rankin, 1999). Thus, the level of CED in those countries where such disclosure is required by law such as Norway, France has been improved (Nyquist, 2003, Owen, 2003) (see Chapter three).</td>
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<tr>
<td>Concepts</td>
<td>Libya (observations of this study)</td>
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<td>insufficient role of professional bodies versus sufficient role of professional bodies</td>
<td>Libyan professional accounting bodies (LAAA and IPC) have not played a significant role in the raising of awareness among accountants and managers of the companies of the importance of environmental disclosure (being ill-prepared). This includes even those elements that are simple extensions of current accounting practices such as contingent liabilities, remediation, provisions, environmental reporting in financial statements and statutory audit implications.</td>
<td>Many efforts have been made to encourage social and environmental reporting in developed countries (see Chapter three, pp.90-91). These efforts and recommendations on CED have had an undoubted positive impact on the development of environmental reporting in such countries (Gray and Bebington, 2001, Thompson, 2002).</td>
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<tr>
<td>“national-interest” and “non-competitive market” versus “self-interest” and “competitive market”</td>
<td>The main objective of Libyan enterprises is to offer services and goods to the public rather than to make a profit. Maximising their market value is not considered as the companies’ main objective, especially in the case of the absence of stock market (absence of the competitive). Therefore, managers in these companies seem not to be using disclosure to justify their companies’ continued existence, enhancing the corporate image or the reputation status of the corporate, and anticipate or avoid social pressure. Hence, they do not hesitate to disclose negative or bad news or hide the requested bad news.</td>
<td>In such countries, companies are unwilling to disclose bad or negative news in their reports. This is due to the threat of entry by competitors (bad news is not favourable to their image) which may reduce the company’s profit or share in the stock market (self-interest) (Verrecchia, 1983, Guthrie and Parker, 1990, Jaggi and Zhao, 1996, Tomas et al., 1997, Williams and Pei, 1999, Kuasirikun et al., 2000) (see Chapter two).</td>
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<td>Result</td>
<td>Low level of CED, more attention to negative news and limited to the use of central authorities.</td>
<td>High level of CED, more attention to positive news and widened to the use of different stakeholders (see Chapter two).</td>
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Therefore, one can say that by understanding the political, economic and social contexts of a country along with the perception and cognition of those who involved in the CED decision (suggested three-dimensional analysis approach), it is possible to explain the strategy of CED disclosure (limited/widely), the level of CED disclosure (low/high) and the type of news that has been disclosed (bad and good news/ avoiding disclosing bad news) in that country. This supports the Environmental Determinism Theory, as a more appropriate approach for exploring the absence or presence of CED in a country. This three-dimensional analysis approach (content analysis, internal and external environmental factors) goes beyond much of the literature seeking to explain and understanding CED as this tends to ignore the use of both internal and external environmental factors and their influence on CED practice in a given country (see Chapters two and three).

9.4 Policy Implications

The main observations of this study indicate the scarcity of legal and professional standards and guidelines, along with the lack of expertise, qualification and training of managers in the field of CED have lead to low level of such disclosure in Libya. Thus, the major policy implications for raising the level of CED by Libyan companies can be summarised as follows:

1. Guidelines and standards should be issued either by IPC, LAAA and IPA on the form and content of “best disclosure practice” to persuade the companies to be more involved in the CED especially in the case of their present lack of expertise, qualification and training in the field of CED. Moreover, this facilitates the comparability across companies over time particularly for the purpose of the economic development plans.

2. Academics in the accounting field who work in institutions of higher education can affect corporate reporting and disclosure practices in a country. They can carry and enter into a dialogue with practitioners and officials concerned. The educational institutions provide graduates with an initial training in accounting who then will proceed to membership of professional bodies, or work as accounting technicians. It is
recommended, therefore, that the structure of accounting education and accounting activities in Libya should take into consideration the country's economic, social and political objectives. Moreover, the accounting curriculum of Libyan universities and colleges should be adapted in a way that includes the social role of accounting and CSED reporting and disclosure in Libya. A professional requirement for the study of environmental accounting could also be imposed by the LAAA and IPC.

3. The necessity to give the chance to the current managers to take part in many training courses and activities regarding the administration, leading personal, accounting and environmental issues, including CED, environmental management system and sustainability development in order to make direct contact with any new theories and administrative opinions in those fields which help them to conduct their activities with skill and accuracy. The accountants also should be targeted by the training courses which relate to environmental issues.

9.5 Limitations of Research

The study shortcomings are categorised into theoretical and empirical. These limitations should be considered when interpreting the study’s observations.

Theoretically, environmental determinism theory could include another dimension namely, international factors which are important in accounting disclosure practices (Cooke and Wallace, 1990). However, although the study uses this theory in interpreting CED practice in Libya, it excludes such factors. There are two reasons for this. (1) Newson and Deegan (2002) conclude that there is a minimal association between global expectations and CSED practice. They reinforced the results of the previous study (Adams et al., 1998) which found that country of origin and industry appear significantly to influence CSED practices; and (2) Libya has suffered from international siege and sanctions since 1992, thus transnational corporations and international trade seem to have less influence. In this context, the Arab Banking Corporation (ABC) (2001) stated that foreign involvement in Libya was severely reduced as a result of the sanctions and embargoes emplaced upon it since 1992.
Empirically, the study is concerned with the Libyan industrial companies and their reports in the period of 1998-2001. Hence the generalisations might therefore be limited merely to manufacturing companies, the defined time and the obtained reports. Moreover, in seeking to understand the attitudes of managers toward the environmental performance and disclosures, the researcher contacted the General Secretariats of the Public Committee (General Manager), Memberships of the Public Committee, and Financial and Administrative Directors of the companies. Access, time and cost constraints prevented the researcher from expanding the research to other managers of other departments who could have a part in the issues of CED. Thus, any findings for using these particular managerial perspectives might therefore be limited to this particular sample and no claims can be made for their generalisability.

9.6 Suggestions for Further Research

This is the first study to be carried out on the extent of CED on Libyan companies' reports and the impact of environmental factors on it. Thus, the findings of this study raise many research possibilities related to CED. In this section, some suggestions for further research will be discussed.

1. The study looked at only the management's perception. To further understanding, a study identifying the users (central authorities) of CED and examining their perceptions about CED in Libya may be considered worthwhile and needs the urgent attention of future researchers. The issues addressed might include the areas to be covered by CED, the type of reporting required, the preferred disclosing medium, as well as perspectives on how to enhance the credibility of the information produced.

2. A study to investigate the needed role played by the professional bodies, central authorities and educational institutions in development of CED in Libya, and how it can be done may be considered valuable and needs the urgent attention of future researches.
3. A longitudinal study based on a reasonably large sample including the small, medium industrial companies and the non-industrial companies on other social disclosure categories including human resources, products, and community involvement is needed.

4. The similar kind of studies could be undertaken on the other Arabic countries, and further comparative studies between these countries could be made on the extent of CED. Such studies could give a better understanding of the CED practices in these countries and provide more support to environmental determinism theory.

9.7 Summary
This chapter has concluded with the findings in this study with respect to research questions. Overall, the thesis has made a contribution both at theoretical and practical level in the area of Corporate Environmental Disclosure. The work has achieved its objectives, has made policy recommendations, and has raised issues for future research in the area.
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279

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285


Bibliography


287

Appendixes

Appendix One: Questionnaire (English and Arabic Versions).
Appendix Two: The Definitions and Decision Rules for Disclosure Categories and Scoring Sheet (English and Arabic Versions).
Appendix Three: Sample of the Pre-Designed Forms of SI and LGiC
Appendix Four: The Structure of Annual Report for Some of Surveyed Companies
Appendix Five: Companies Quoted on the Industrial Production Administration (IPA) (Surveyed Companies).
Appendix Six: Published Papers (Abstracts)
Corporate Environmental Disclosure in Libya: Evidence and Environmental Determinism Theory

Questionnaire

Nassr S. Ahmad
PhD Student
School of Accounting and Economics
Napier University, Business School
Napier University, Sighthill, Edinburgh
EH11 4BN (Scotland, UK)
The Covering Letter

In the name of Allah

Dear respondents

In Libya, in line with other countries, there has been a growing interest in environmental issues in recent years. Under the theme of working together to achieve desired goals, the General Environmental Authority (GEA), as part of its participation in supporting interest in the environment, earmarked the 10th of April as a national environment day, on which the environment is commemorated, issues such as environmental protection, raising environmental awareness, and the roles of firms and organisations in rehabilitating the environment are addressed.

In view of the issues raised by this awareness programme, I am carrying out a study on Corporate Environmental Disclosure in industrial companies throughout Libya. I would be very grateful if you could help by completing this short questionnaire. Your time and effort spent in responding to this questionnaire, with as much objectivity as possible, will help me to arrive at real findings which will contribute toward the development of the accounting profession and environmental accounting in Libya.

I would like to assure you that all responses to the questionnaire will be kept confidential. After the completion of the results of this research, all forms will be destroyed.

Should you wish to receive a summary of the results of this study please write your name and address at the end of the questionnaire. It will be forwarded to you at a later date.

Thank you very much for your cooperation.

Yours Faithfully

Nassr S. Ahmad
PhD Student
School of Accounting and Economics
Napier University, Sighthill, Edinburgh
Scotland (UK), EH14 3HS.
Questionnaire

Part (1) - Personal Data

Please circle the letters that apply to you.

1. Present occupation
   a. Secretariat of General People Committee of a company
   b. Membership of General People Committee of a company
   c. Financial Director of a company

2. Your experience in your present occupation
   a. Less than five years
   b. Five to ten years
   c. More than ten years

3. What is your highest academic qualification?

<table>
<thead>
<tr>
<th></th>
<th>Management &amp; Business</th>
<th>Accounting</th>
<th>Economics</th>
<th>Other subjects</th>
</tr>
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<tbody>
<tr>
<td>Higher diploma</td>
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<td>PhD degree</td>
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<tr>
<td>Other (Please specify)</td>
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</table>

If your highest academic qualification is not related to management & business, accounting, or economics have you attended any training programme for management, business administration or accounting? Yes □ No □

4. Where did you achieve your highest academic qualification or training course in management, business administration, or accounting?
   a. Libya
   b. Other Arab countries
   c. UK
   d. Other (please specify)

5. Do you have any professional qualification in accounting or management? Yes □ No □

If yes, please circle the letter(s), which applies your professional qualification.
   a. Libyan Association of Accountants and Auditors (LAAA)
   b. The Institute of Arabic Accountants and Auditors (IAAA)
   c. The Association of Chartered Certified Accountants (ACCA)
   d. The American Institute of Certified public Accountants (AICPA)
   e. Other (please specify)
6. Have you or anyone from your company attended a training course concerning environmental management and/or environmental accounting?

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<thead>
<tr>
<th>Yourself</th>
<th>Staff (accountants)</th>
<th>Number of staff</th>
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<tr>
<td>Yes</td>
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7. If yes, where did the training course take place?
   a. Libya
   b. Other Arab countries
   c. UK
   d. Other (please specify)

8. Are environmental issues explicitly referred to in the accounting staff training plan within your company? Yes No

Part (2) – Management’s attitude towards environmental responsibility and disclosure
Could you please read carefully the following statements, which relate to environmental responsibility or environmental disclosure, and show for you agree or disagree with each statement by putting an “X” in the appropriate box?

0= Do not know; 1= Strongly Disagree; 2= Mostly Disagree; 3= Neutral; 4= Mostly Agree; and 5= Strongly Agree.

| 1. Management should contribute to a company’s environmental responsibility. |
| 2. Achieving environmental protection, even if it leads to less profit should be accepted by a company. |
| 3. The right to development must be fulfilled so as equitably to meet developmental and environmental needs of present and future generations. |
| 4. Environmental protection is an Islamic duty, which must be undertaken to protect human health. |
| 5. Any adverse effect on the environment from the production of goods and services is unavoidable. |
| 6. Companies should report on environmental performance along with economic performance in their annual reports. |
| 7. Companies should have a separate report on their environmental performance from their economical performance report. |
| 8. Independent accounting bodies such as (LAAA and IPC) should standardise what companies disclose in term of environmental performance. |
9. The central authorities should regulate what companies disclose in terms of environmental performance.

10. Accountants should be responsible for disclosing environmental performance information along with financial performance information.

11. Disclosure of environmental information is a subject to which I have given substantial consideration.

### Part (3) - the main factors that influence the management’s decision to disclose environmental information

0= Don’t Know 1= Not at all Important; 2= Unimportant; 3= Moderately Important; 4= Important; and 5= Very Important.

**(a) Reasons for disclosure of environmental information**

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**(b) Reasons for non-disclosure of environmental information**

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Please use the space provided below to write down any comments and/or suggestions you may consider appropriate in respect of the subjects covered by this questionnaire.

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Thank you very much for your co-operation

The Researcher
الإفصاح البيئي للشركات في ليبيا
الدليل ونظرية الحتمية البيئية

بيتيان

نصر صالح محمد أحمد
باحث لشهادة الدكتوراه
قسم المحاسبة والاقتصاد
جامعة نيبير، كلية التجارة
سايتل، أدنبرة
اسكتلندا- المملكة المتحدة
بسم الله الرحمن الرحيم

مقامة

السلامة المجيبون على الاستيابين
مع خديم الشكر وعزيم الامتنان

بدأ في ليبيا بشكل متنامي خلال السنوات الأخيرة، كما هو الحال في سواها من البلدان، الاهتمام بالقضايا البيئية على كافة مستويات الدولة، فتلتئم شعار "التكافل الجهود لبلوغ الهدف المشترود" حددته الهيئة العامة للبيئة يوم العاشر من ابريل (أبريل) من كل عام يومنا وطنينا للبيئة، تعالج فيه القضايا المتعلقة بحماية البيئة ورفع مستوى الوعي البيئي بالإضافة إلى دور المرتقب من الشركات المؤسسات والمنظمات في تحسن الوضع البيئي العالم.

وتواجد مع هذا التوجه و لما للمعلومات من دور فعال في هذا المجال، فأتى بإجراء هذه الدراسة المتعلقة بالإصلاح البيئي من قبل الشركات الصناعية الليبية والتي أي مدي يتأثر القرار الإداري يتعلى بالاقتصاد عن هذه المعلومات بالمحيط الاجتماعي والسياسي والاقتصادي. لذا فإن الوقت والجهد للذان تبذلونهما في الإجابة عن الأسئلة المرفقة. بكثير من الروية والتمعن الموضوعية، سيكون لهما عظيم الأثر في إعدادي على التوصل إلى نتائج حقيقية والتي تعكس طبيعة البحث وتساهم بشكل أو بآخر في تطوير مهنة المحاسبة في ليبيا من جهة و تعزيز الوعي البئاني و المساهمة في حماية البيئة من جهة أخرى.

وأود أن أؤكد لكم بأن كافة الإجابات التي تقدمها سوف تعامل بشكل سري، وللاعراض العلمية فقط ومن ثم سوف يتم إبلاغها جميعًا بعد الإنتهاء من استخلاص النتائج.

وفي حال رغبكم في الحصول على ملخص لنتائج هذا البحث، يرجى كتابة اسمكم وعنوانكم البريدي في نهاية الاستيابين، وسوف ترسل لكم النتائج عند الانتهاء من البحث لن شاء الله.

شكرًا مقداره لتعاونكم ومساهمكم.

السلام عليكم ورحمة الله وبركاته

نصر صالح محمد أحمد

باحث لشهادة الدكتوراه
قسم المحاسبة والاقتصاد
جامعة نيبير، كلية التجارة
ساتون، دبلن
اسكتلندا- المملكة المتحدة

296
القسم (1) - معلومات شخصية

لأجل الإجابة على هذا القسم من الاستبيان يرجى وضع دائرة على الأحرف التي تجدها ملائمة لشخصكم.

الوظيفة الحالية
أ- أمين اللجنة الشعبية العامة للشركة
ب- عضو اللجنة الشعبية العامة للشركة
t- المدير المالي للشركة

خبرتك في وظيفتك الحالية
أ- أقل من خمس سنوات
ب- خمس إلى عشر سنوات
t- أكثر من عشر سنوات

ما هي أخر شهادة دراسية في المجالات التالية:

<table>
<thead>
<tr>
<th>تخصصات أخرى</th>
<th>الإدارة الأعمال</th>
<th>المحاسبة</th>
</tr>
</thead>
<tbody>
<tr>
<td>دبلوم عالي</td>
<td></td>
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<tr>
<td>شهادة بكالوريوس أو ما يعادلها</td>
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<td>شهادة ماجستير أو ما يعادلها</td>
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<td>شهادة الدكتوراه أو ما يعادلها</td>
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<tr>
<td>شهادة أخرى (يرجى التحديد)</td>
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إذا كانت شهاداتك العلمية في غير مجال الإدارة أو المحاسبة، فهل حضرت دورة تدريبية في مجال الإدارة أو الاقتصاد أو المحاسبة؟ نعم □ لا □

مكان الحصول على آخر شهادة علمية أو دورة تدريبية في مجال الإدارة أو الاقتصاد أو المحاسبة
أ- ليبيا
ب- أحد الدول العربية
t- المملكة المتحدة
ث- غيرها (يرجى التحديد)

هل تتحمل مهامًا مهنية في مجال المحاسبة وإدارة؟ نعم □ لا □

إذا كان الجواب "نعم" فأي من المؤهلات التالية لديك؟
أ- عضوية نقابة المحاسبين المراجعين الليبين
ب- عضوية الجمعية العربية للمحاسبين والمراجعين
t- عضوية جمعية المحاسبين القانونيين البريطانيا
ث- عضوية الجمعية الأمريكية للمحاسبين القانونيين
ج- أخرى (يرجى ذكرها)

297
هل حضرت أنتم أو أحد العاملين في الشركة في دورة تتعلق بالإدارة البيئية أو المحاسبة البيئية؟

<table>
<thead>
<tr>
<th>العاملين (المحاسبين)</th>
<th>سببكم</th>
<th>نعم</th>
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مكان عدد الدورة (إذا كان الجواب السابق نعم)

أ. ليبيا
ب. البلاد العربية
ت. المملكة المتحدة
ث. غيرها (يرجى التحديد)

هل يتم الإشارة إلى القضايا البيئية بشكل واضح وصريح في البرنامج التدريبي الحالي و المستقبلي للموظفين؟

نعم ☐ لا ☐

القسم (2) - موقف الإدارة إزاء المسؤولية البيئية والاقتصادي البيئي

يرجى التذكر وقراءة الجمل التالية المتعلقة بالمسؤولية البيئية والاقتصادي البيئي، بكثير من التأني، ومن ثم الإجابة عما إذا كانت توافق أو لا توافق على الجملة وذلك بوضع إشارة X في العمود المناسب.

0 = لا أدرى 1 = لا توافق بشدة 2 = لا توافق 3 = لا أختار ولا توافق 4 = توافق 5 = توافق بشدة

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<tr>
<td>1. على الإدارة أن تساهم في رفع مستوى حساسية الشركة تجاه البيئة</td>
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<td>2. يحل الاهتمام بالمساهمة في حماية البيئة مكانة عالية لدى معظم الشركات الصناعية البيئية. أن لدي ذلك في مستويات أقل من الأرباح.</td>
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<td>3. حق في التنمية والتخطيط الاقتصادي يتعين أن يكون في خط مواجه مع المحافظة على البيئة لحماية الحقوق الخاصة والمستقبلية لأكثر الأجيال.</td>
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<td>4. حماية البيئة متطلب إسلامي ينبغي الوفاء به لمسن حياة الآخرين.</td>
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<td>5. مناصب من الأثر السلبي على البيئة الناجمة عن النفايات ومصادر الحماية.</td>
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<td>6. ينبغي على الشركات الاتصال عن أدائها البيئي إلى جانب أدائها الاقتصادي في تقريرها السنوي.</td>
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<td>7. ينبغي على الشركات أن تتد تقارير عن أدائها البيئي تكون منفصلة عن التقارير الخاصة بأدائها الاقتصادي.</td>
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</tr>
<tr>
<td>8. ينبغي أن تقوم الجهات المحاسبة المستقلة مثل نقابة المحاسبين والمحاسبين البيئيين ودائما الرقابة الشخصية بتحديد معايير أداء الإصلاح البيئي.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. ينبغي على الجهات المركزية أن تتم بوجه القانون ما يجب أن يسمح عليه الشركات فيما يتعلق بأدائها البيئي.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. ينبغي أن يكون المحاسبين مسؤولين عن الإصلاح عن المعلومات الخاصة بالأداء البيئي إلى جانب المعلومات الخاصة بالأداء المالي.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. الإصلاح عن المعلومات البيئية موضوعا أعطيه انتباه كبيرا.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
القسم (3) - العوامل الرئيسية التي تؤثر في قرارات الإدارة بالإفصاح عن المعلومات البيئية

يرجى التكرم والإشارة إلى الأسباب التي تدفع شركتك إلى الإفصاح أو عدم الإفصاح عن المعلومات البيئية، وذلك بوضع إشارة في العمود المناسب.

<table>
<thead>
<tr>
<th>0 = لا أجري</th>
<th>1 = غير مهم على الإطلاق</th>
<th>2 = غير مهم</th>
<th>3 = مهم إلى حد ما</th>
<th>4 = مهم</th>
<th>5 = مهم جداً</th>
</tr>
</thead>
</table>

(أ) أسباب الإفصاح عن المعلومات

<table>
<thead>
<tr>
<th>السبب</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. إملاء متطلبات الشريعة الإسلامية و التي تتطلب اعلام الآخرين بكافة المعلومات ( سواء كانت إيجابية أو سلبية) المتعلقة بتأثيرات الإنشطة الاقتصادية على البيئة و على صحة الآخرين ( الإفصاح الشامل).</td>
</tr>
<tr>
<td>2. إعلام المؤتمرات الشعبية الأساسية منطلب ضروري وذلك لأن حماية البيئة أمر يخص كافة المواطنين.</td>
</tr>
<tr>
<td>3. حق العاملين بالشركة في الحصول على المعلومات البيئية المتعلقة بالأنشطة هذه الشركة.</td>
</tr>
<tr>
<td>4. توفير المعلومات التي تساعدي في تحقيق التنمية المستدامة.</td>
</tr>
<tr>
<td>5. لأجل الاحتراس لا تتعلق قانونية أكثر صرامة.</td>
</tr>
<tr>
<td>6. عاجلاً أم أهجاً سيكون الإفصاح البيئي مختلف قانونياً وبالتالي فإن الشركة سوف تبني خبرة مسبقة من خلال الإفصاح عن مثل هذه المعلومات بشكل اختياري.</td>
</tr>
<tr>
<td>7. لأجل إعطاء صورة عن مدى التزام الشركة بالقوانين البيئية المنصوص عليها مثل قانون رقم 7 لعام 1982.</td>
</tr>
<tr>
<td>8. حق الجهات المركزية في الحصول على مثل هذه المعلومات.</td>
</tr>
<tr>
<td>9. أسباب أخرى للإفصاح (يرجى التحديد).</td>
</tr>
</tbody>
</table>

(ب) أسباب عدم الإفصاح عن المعلومات البيئية

<table>
<thead>
<tr>
<th>السبب</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. عيب المعارف المتوقعة من قبل الجهات المعنية المختصة ( نقابة المحاسبين والمحاسبين البيئيين / جهاز الرقابة البيئية) في هذا المجال.</td>
</tr>
<tr>
<td>2. عيب المعارف المتوقعة من قبل الجهات المركزية المختصة ( الهيئة العامة للتصنيع أوب شروط الاتصال بالجهة البيئية العامة) في هذا المجال.</td>
</tr>
<tr>
<td>3. غیر متوقعة من قبل القوانين.</td>
</tr>
<tr>
<td>4. يجب أن تكون مسألة من قبل الجهات المركزية.</td>
</tr>
<tr>
<td>5. يجب أن تكون مسألة من قبل المؤسسات البيئية أو العاملين بالشركة.</td>
</tr>
<tr>
<td>6. الاختلاف في الحالات الإدارية في هذا المجال (الأفصاح البيئي).</td>
</tr>
<tr>
<td>7. الشركه تقلد في الخبرة والمؤهلات والدبيبة الكافية في هذا المجال.</td>
</tr>
<tr>
<td>8. تجميع البيانات المتعلقة بالأداء البيئي و الإفصاح عنها عملية مكلفة.</td>
</tr>
<tr>
<td>9. سرية هذه المعلومات</td>
</tr>
<tr>
<td>10. أسباب أخرى (يرجى التحديد).</td>
</tr>
</tbody>
</table>

299
يرجى استخدام الفراغ التالي لتدوين أي ملاحظات أو تعليقات تعتقد أنها مناسبة فيما يتعلق بالموضوعات التي اهتم بها الأستبيان.

شكراً جزيلاً لتعاونكم معاً.
Appendix Two-The Definitions and Decision Rules for Disclosure Categories and Scoring

Sheet

1. The Definitions and Decision Rules for Disclosure Categories

(a) Content Categories (themes)

1. **Environmental Policies:** indicates actual statement of policy; statements of formal intentions; objectives and general statements of “the company does” nature; and standards, directives complied with, intentions to standardise.

2. **Products and Processes:** signifies environmental degradation; recycling, waste(s); packaging; product development; air emission information; water discharge information; land contamination and remediation; and other population abetment actions.

3. **Energy:** denotes saving and conservation, use/development/exploration of new sources; efficiency; insulation etc.

4. **Health and Safety:** turns to health and safety at work; toxic hazards (e.g.) to employees and the public; accidents statistics, and others.

5. **Others:** signifies those which could not be classified into the above categories, such as environmental awards; sustainable development; landscaping; public amenity provision; environmental education schemes; compliance with the ISO 14001 standards; general information on lawsuits with respect to environmental issues; discussion of the impact of new laws and regulations regarding environmental issues; etc.

(b) Evidence

1. **Monetary:** refers to a disclosure expressed, or including the use of monetary terms.

2. **Quantitative:** means a disclosure expressed in quantitative terms.

3. **Qualitative:** signifies a disclosure, other than monetary, or quantitative, such as an opinion, and discussion, etc.

(c) The Type of Disclosure

1. **Bad:** any statements which reflect/might reflect discredit on the company, including, for example, amount of air pollution, increase in accidents, etc.

2. **Neutral:** statements of policy, recommendations or intent within statutory minimum with no details of what or how; statement of facts whose credit/discredit to company is not obvious unaccompanied by editorializing.

3. **Good:** statements beyond the minimum which include (for example) specific details where these details have a creditable reflection on company, any statements which reflect credit on company, upbeat analysis/discussion/statements, etc.
(d) Mandatory v Voluntary

1. Mandatory disclosure: refers to any kind of CED that has been asked or required by the law and regulation.
2. Voluntary disclosure: refers to any type of disclosure that has been made by the company optionally.

(e) Location in report: refers to a disclosure that made on the annual report, internal reports, or specific environmental reports (if there).

Source: adapted from Gray et al. (1995b); and Hackston and Milne (1996)

2. Scoring Sheet for Environmental Disclosure within Reports of Surveyed Companies

<table>
<thead>
<tr>
<th>Name ......................................</th>
<th>Year ...................................</th>
<th>Type of report ........................</th>
<th>Report's page number ( )</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Text disclosure Words characteristics</th>
<th>Environmental policy</th>
<th>Products and Processes</th>
<th>Energy</th>
<th>Health and Safety</th>
<th>Others</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary/ Bad news</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary/ Neutral news</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary/ Good news</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantitative / Bad news</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantitative/Neutral news</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantitative / Good news</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualitative / Bad news</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualitative / Neutral news</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualitative / Good news</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (number of words)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total amount of measured disclosure (with previous pages)

Source: adapted from Gray et al. (1995b); and Hackston and Milne (1996)
تعريفات وضوابط اتخاذ القرار الخاصة بفنان الكشف

(أ) الفئات بالموضوعات

1. السياسة البيئية: تشير إلى البيان السياسيبطل; والإعلانات عن النوايا الرسمية، والأهداف والبيانات العامة مثل "الشركة سوف، أو الشركة تقوم ب ... " والمعايير، والاتجاهات الرسمية التي تم تنفيذها، ونوايا توحيد المقياسات.
2. المنتجات والعمليات: تشير إلى الإحرازات البيئية، التكرير، والتفاعلات، وتطوي المنتج وإعادة التدوير، والبيانات حول بث الهواء، والبيانات حول صرف المياه، وتوثيق واستصلاح الأراضي، والإجراءات الأخرى لتشجيع السكان.
3. الطاقة: تشير إلى التوافر وحفظ الطاقة، واستعمال/تطوير/استكشاف مصادر جديدة، والتكاية، والمصطلحات والملف: تشير إلى الصحة والأمان في العمل، والأخطار السامة على سبيل المثال للخدمتين، والجهود، وملخصات الحوارات، ووسائل أخرى.
4. فئات أخرى: تشير إلى البيانات التي لا يمكن تصنيفها ضمن أي من الفئات المذكورة أعلاه مثل الجوانز، التقديرية في المفاصلة على البيئة، والتمية المستدامة، ونفس النماذج الطبيعية، وتفجير المراقبة العامة، وبرامج التعليم البيئي، ومدينة مقياس ISO 14001 ومعادلة مقياس ومعالجة المواقع. ومعلومات عامة حول الدعاوى القانونية المتعلقة بالقضايا البيئية، ومناقشة أدلب التشريعات واللوائح الجديدة خاصة بقضايا البيئية. إلخ.

(ب) الضمان

1. النصي: يشير إلى الإقراض عن المعلومات التي تتم على، أو المتضمن استعمال، وحدات نقدية.
2. الكمي: يشير الإقراض لمعلومات التي يتم على وحدات كمية.
3. التوصي: يشير الإقراض عن المعلومات في شكل غير النصي والكمي، مثل الرأي والمناقشات. إلخ.

(ج) نوع الإقراض عن المعلومات

1. الاسمي: يشير البيانات تلك التي تعكس سلبًا على الشركة، أو تسقط سعتها، بما في ذلك، على سبيل المثال المساهمة في تلوث الهواء، زيادة حوارات العمل، إلخ.
2. المعلومات: بيانات السياسة، أو البيانات ضمن الحد الأدنى المطلوب، كالقانون، إن إعطاء تفاصل (ما هو) وبينات الحقائق، التي ليس واضحا ما إذا كانت تحسن من أو تعيق إلى سمة الشركة، وغير المفيدة بحالات تحريرية.
3. الجدد: بيانات تمتقد الحد الأدنى تتضمن (على سبيل المثال) تفاصلات محددة ذات انعكاسات حديدية على سمة الشركة، أو بيانات تعكس ليجابة على سمة الشركة، أو تحايلات ومناقشات وبيانات متوقعة. إلخ.
### سجل النقاط للأفصاح البيئي محل الدراسة

<table>
<thead>
<tr>
<th>الاسم الشركه</th>
<th>السنة</th>
<th>نوع التقرير</th>
<th>رقم الصفحة</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>السياسات البيئية</th>
<th>المنتجات البيئية</th>
<th>الصحة و السلامة</th>
<th>الطاقة</th>
<th>أخرى</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>البيانات</th>
<th>إجمالي عدد الكلمات</th>
<th>إجمالي عدد الكلمات (بما في ذلك الصفحات السابقة)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Source: adapted from Hackston and Milne (1996)</td>
</tr>
</tbody>
</table>

Source: adapted from Gray et al. (1995b); and Hackston and Milne (1996)
Appendix Three: Sample of the Pre-Designed Forms of SI and LGIC

### Production Form

Libyan General Industrialisation Corporation (LGIC) (presently IPA)

**Name of the Company** ............................................................

Production during the Period from -/ -/ 200 to -/ -/ 200

Amounts are in thousands of Libyan Diners

<table>
<thead>
<tr>
<th>Production unit</th>
<th>Measurement unit</th>
<th>Maximum capacity</th>
<th>Production</th>
<th>Achieved ratio</th>
<th>Achieved production in the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Targets</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quantity</td>
<td>Amount</td>
<td>Quantity</td>
<td>Amount</td>
<td>To capacity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>To target</td>
<td>Quantity</td>
<td>Amount</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Secretariat of General People Committee of the Company

Source: (SI, 1995; LGIC, 2000)

### Sales Form

Libyan General Industrialisation Corporation (LGIC) (presently IPA)

**Name of the Company** ............................................................

Sales during the Period from -/ -/ 200 to -/ -/ 200

Amounts are in thousands of Libyan Diners

<table>
<thead>
<tr>
<th>Production unit</th>
<th>Measurement unit</th>
<th>Direct sales</th>
<th>Distribution branches</th>
<th>Public bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Quantity</td>
<td>Amount</td>
<td>Quantity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Secretariat of General People Committee of the Company

Source: (SI, 1995; LGIC, 2000)

### Foreign Exchange Form

Libyan General Industrialisation Corporation (LGIC) (presently IPA)

**Name of the Company** ............................................................

Foreign exchange during the Period from -/ -/ 200 to -/ -/ 200

Amounts are in thousands of US $

<table>
<thead>
<tr>
<th>Budget</th>
<th>Executed amount</th>
<th>Funds account awaiting banks approval for execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggested by the company</td>
<td>Initially allocated</td>
<td>Allocated</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Secretariat of General People Committee of the Company

Source: (SI, 1995; LGIC, 2000)
### Current Projects Form

Libyan General Industrialisation Corporation (LGIC) (presently IPA)

Name of the Company ............................................................

Current projects during the Period from -/ -/ 200 to -/ -/ 200

<table>
<thead>
<tr>
<th>Project</th>
<th>Total cost</th>
<th>Expenditures during the period</th>
<th>value of contract</th>
<th>Technical achievement ratio %</th>
<th>Expected data of complementation</th>
<th>Implementation problems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Paid up data</td>
<td>The rest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Secretariat of General People Committee of the Company

Source: (SI, 1995; LGIC, 2000).

### Employees Turnover Form

Libyan General Industrialisation Corporation (LGIC) (presently IPA)

Name of the Company ............................................................

Employees turnover during the Period from -/ -/ 200 to -/ -/ 200

<table>
<thead>
<tr>
<th>Production unit</th>
<th>Numbers of employees</th>
<th>Total</th>
<th>Employees turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Technical employees</td>
<td>Non-Technical employees</td>
<td>Leave</td>
</tr>
<tr>
<td>Engineers</td>
<td></td>
<td>Managers</td>
<td>Accountants</td>
</tr>
<tr>
<td>Technicians</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Secretariat of General People Committee of the Company

Source: (SI, 1995; LGIC, 2000).

### Cost of Foreign Employees Form

Libyan General Industrialisation Corporation (LGIC) (presently IPA)

Name of the Company ............................................................

Cost of foreign employees during the Period from -/ -/ 200 to -/ -/ 200

<table>
<thead>
<tr>
<th>Production unit</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contracts</td>
</tr>
<tr>
<td></td>
<td>Individual contracts</td>
</tr>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

The Secretariat of General People Committee of the Company

Source: (SI, 1995; LGIC, 2000).
Employees Training Form
Libyan General Industrialisation Corporation (LGIC) (presently IPA)
Name of the Company ............................................................
Training during the Period from ~ / ~ 200 to ~ / ~ 200
Amounts are in thousands of Libyan Diners

<table>
<thead>
<tr>
<th>Type of training</th>
<th>Internal training</th>
<th>External training</th>
<th>Training cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Planned</td>
<td>Achieved</td>
<td>Difference</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Secretariat of General People
Committee of the Company
Source: (SI, 1995; LGIC, 2000)

Health and Safety Form
Libyan General Industrialisation Corporation (LGIC) (presently IPA)
Name of the Company ............................................................
The State of Health and Safety during the Period from ~ / ~ 200 to ~ / ~ 200

<table>
<thead>
<tr>
<th>Production unit</th>
<th>Number of injuries</th>
<th>Type of injury</th>
<th>Place of injury on the body</th>
<th>Causes of injury</th>
<th>Total number of days absent as a result of the injuries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* In the case of death or a big material loss, it is necessary to inform the LGIC within 24 hours.

The Secretariat of General People
Committee of the Company
Source: (SI, 1995; LGIC, 2000).
## Production cost form

**Libyan General Industrialisation Corporation (LGIC) (presently IPA)**  
Name of the Company ............................................................

<table>
<thead>
<tr>
<th>Factory</th>
<th>Name and type of the good</th>
<th>Year</th>
<th>.................</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measurement unit</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Inventory at the beginning of the year

<table>
<thead>
<tr>
<th>Amount</th>
<th>Value</th>
<th>Amount</th>
<th>Value</th>
<th>Amount</th>
<th>Value</th>
</tr>
</thead>
</table>

### Production during the year

<table>
<thead>
<tr>
<th>Amount</th>
<th>Value</th>
<th>Amount</th>
<th>Value</th>
</tr>
</thead>
</table>

### Inventory at the end of the year

<table>
<thead>
<tr>
<th>Amount</th>
<th>Value</th>
<th>Amount</th>
<th>Value</th>
</tr>
</thead>
</table>

### Title

<table>
<thead>
<tr>
<th>Local by Libyan dinar</th>
<th>Imported by Libyan dinar</th>
<th>Total by Libyan dinar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>A.C.</td>
<td>Cost</td>
</tr>
</tbody>
</table>

**First: manufacturing costs**

1. raw materials
2. labour cost
3. factory overhead costs
   a) operation equipments
   b) spare parts
   c) depreciation
   d) energy
   e) other overhead costs

**Second: administrative and selling costs**

1. salaries and wages
2. depreciation of the general assets
3. other general and administrative expenses

<table>
<thead>
<tr>
<th>Total costs</th>
<th>Fixed costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>A.C.</td>
</tr>
</tbody>
</table>

### The price of imported ready good ( ) $  
### The price of final production ( ) LD

* Fixed costs = first section (2+ 3 e) + all second section of manufacturing costs.

** Variable costs = total costs – fixed costs.

The Secretariat of General People  
Committee of the Company

Source: (SI, 1995; LGIC, 2000).
Appendix Four: The Structure of Annual Report for some of Surveyed Companies

(1) The Structure of Annual Report of General Tobacco Company (GTC)
After providing a short introduction about the company, annual report is divided into the following sections:

- **1. Industrial Activities**- (presented in table by using monetary and quantitative data). It includes:
  - Production indicators.
  - Local sales indicators.
  - Imported sales indicators.
  - Breakdown indicators.
  - Foreign exchange budget.

- **2. Financial position of company**- it contains:
  - Financial statements (balance sheet and income statement) and auditor’s report.
  - Expenditures indicators (presented in table by using monetary data).
    - Current expenditures.
    - Capital expenditures.
  - Production requirements (presented in table by using monetary and quantitative data).
  - Revenues indicators (presented in table by using monetary and quantitative data).
  - Debts position (presented in table by using monetary and quantitative data).
    - Debts.
    - Procedures that have been taken to collect these debts.

- **3. Company and general treasury**- (presented in table by using monetary and quantitative data). It includes:
  - Treasury payments.
  - Social security payments.

- **4. Current and future projects position**
  Presented in table by using monetary and quantitative data

- **5. Company’s employees**
  Presented in table by using monetary and quantitative data

- **6. Training programmes**- (presented in table by using monetary and quantitative data). It contains;
  - Local training programmes.
  - External training programmes.

- **7. Production quality**
  Presented by using monetary, quantitative and quantitative data

- **8. Health and safety**
  Presented by using monetary, quantitative and quantitative data

- **9. The works of law consultations office**
  Presented by using quantitative and quantitative data
(2) The Structure of Annual Report of Libyan Tractor Company (LTC)

After providing a short introduction about the company, annual report is divided into the following sections:

1. **Tractors production**-(presented in tables by using monetary and quantitative data). It includes:
   - New tractors production.
   - Used tractors reproduction.
   - Engines production.

2. **Sales indicators**- (presented in tables by using monetary and quantitative data). It includes:
   - New tractors sales.
   - Used tractors sales.
   - Engines sales.
   - Spare parts sales.

3. **Budgets**- it includes all company’s budgets for the following year. They are presented in tables by using monetary and quantitative data.

4. **Activities costs**- it is presented by using monetary and quantitative data. it includes:
   - Costs of production.
   - Costs of commercial activities.
   - Employee’s costs.
   - Depreciation expenses.
   - Administrative expenditures.
   - Industrial expenditures.

5. **Revenues indicators**- it is presented by using monetary and quantitative data.

6. **Cash flow**- it is presented by using monetary and quantitative data.
(3) The Structure of Annual Report of General Electronics Company (GEC)

After providing a short introduction about the company, annual report is divided into the following sections:

1. Production indicators - (presented in tables by using monetary and quantitative data). It includes:
   - Production amounts and values.
   - Problems which face the productive operations.

2. Commercial activities - (presented in tables by using monetary and quantitative data). It contains:
   - Importation activities.
   - Local sales.
   - Spare parts sales.

4. Administrative and organisational activities
   It is presented by using quantitative and qualitative data. It includes information about activities of company's financial and administrative management, employees including training programmes, current projects and expected projects.


6. Budgets - it includes all company's budgets for the following year. They are presented in tables by using monetary and quantitative data.
(4) The Structure of Annual Report of General National Company for Flour Mills and Fodders (GNCFMF)

They include the pre-deigned forms of LGIC. These forms are:

1. Current project forms.
2. Production forms.
3. Breakdown forms.
4. Foreign exchange forms.
5. Sales forms.
6. Exportation forms.
7. Production quality forms.
8. Maintenance forms.
9. Employees position form.
10. Employees turnover form.
11. Employees training form.
12. Cost of foreign employees form.
15. Debt forms.
16. Expenditures forms.
Appendix Five: Companies Quoted on the Industrial Production Administration (IPA) (Surveyed Companies).

(1) General Electronics Company (GEC).
(2) Arab Company for Engineering Industries (ACEI).
(3) Libyan Tractor Company (LTC).
(4) National Trailers Company (NTC).
(5) Lorries and Vehicles Company (LVC).
(7) General Tobacco Company (GTC).
(8) General Company for Abstraction and Clarification of Vegetative Oils (GCACPO).
(9) Arabian Cement Company (ACC).
(10) Libyan Cement Company (LCC).
(11) General Company for Engineering Industries (GCEI).
(12) General Company for Chemical Industries (GCCI).
(13) Libya Steel and Iron Company (LSIC).

Source: General Secretariat of People's Committee, Decision no, 72 of 2002.
ACCOUNTING EDUCATION: INTERNATIONAL JOURNAL, VOL. 13 (3), (SEPTEMBER, 2004), PP. 365-390

CHANGES, PROBLEMS AND CHALLENGES OF ACCOUNTING EDUCATION IN LIBYA

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Received: June 2002
Revised: February 2003; May 2003
Accepted: September 2003

ABSTRACT

While accounting education has existed in Libya for over forty-five years, knowledge about it is scarce among Western accounting academics. This paper reports the development of accounting education and curricula since Libya’s independence in the 1950s and examines its current problems during a decade of United Nations (UN) sanction. Following an introduction to the accounting profession in Libya, this paper provides an overview of the changes accounting education since 1957 and analyses major issues currently faced by the Libyan accounting educators, including 1) a shortage of qualified accounting academics; 2) inappropriateness of imported syllabuses to the peculiarities of the economy; 3) the unfit marriage of academic teaching and professional training in the accounting curricula; and 4) inadequate accounting research. The paper concludes that social and economic characteristics must be fully taken into account in the case of Libya in importing accounting education systems from the West.

Key words: Accounting Education; Accounting Profession; Accounting Research; Curriculum; Islam Accounting; Libya.
The State of Corporate Environmental Disclosure (CED) in Libya

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ABSTRACT

This paper attempts to provide a study of corporate environmental disclosure (CED) practice by Libyan industrial companies over the period 1998-2001. Libya is a country with its unique social and political system and the dominance of state/people-owned enterprises. The objective of the business in Libya is to serve the society, rather than to maximise profits. Under this environment, it is expected that Libya companies would publish more information on environmental performance. However, the results showed that CED has not been developed yet in Libya. Apart from health and safety disclosed, the companies studied have disclosed no other environmental information. The lack of CED in Libya is largely shaped by the environment prevailing in the country. In terms of research methodology, the study does not confine itself only to the use of content analysis to measure the volume of environmental disclosure, but also takes into account the political, economic and social contexts in which the environmental disclosures are being made.