DISCLOSURE IN THE FINANCIAL STATEMENT OF BANKS: INTERNATIONAL ACCOUNTING STANDARD No.30 AND THE LIBYAN BANKS

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DEDICATION

I would like to dedicate my thesis to my late father' spirit **(ALBASHER)** who died in 1982 before getting my first degree. Also, to my Mother (**HORIA**), my Mother- in - law (**AFAF**) and my Brother (**ALI**). All of them have encouraged me throughout my research period. My gratitude is to my wife (**MARWA**), who as well looking after the children was patient, immense enthusiasm and helpful at all the time throughout the duration of the research. In addition, my thesis dedicates to my sons; **(MAHMOUD)** and **(MUHANNED)** as well as my daughter (**MAHA**), who were all very patient and helpful, when I was spending a lot of time far of them in my office. Finally, my dedication also, to my **(NEW DAUGHTER)** who will be born in 24/03/2009.

ABSTRACT

The research investigates three issues: firstly, the financial statements users' attitudes towards financial disclosure. Secondly, the participants are asked to address their attitudes concerning whether the financial statements of Libyan banks satisfy their needs. Finally, the level of financial disclosure was examined through Libyan banks' financial statements compared with the requirements of International Accounting Standard 30 (IAS30).

To achieve the research objectives, two methods were used. Firstly: Questionnaires were used to collect attitudes of financial statements' users regarding financial disclosure and how financial statements can meet users' needs. Second: The Mann-Whitney test was used as a proxy of the index method to gauge whether there are significant differences between what Libyan banks disclose in their financial statements and the requirements of IAS 30. For this research, 540 questionnaires were distributed among target groups in order to assess attitudes towards financial disclosure and the importance of annual reports. A total of 384 questionnaires were received at the end of the study. In addition, 111 annual reports from Libyan banks covering years from 2005 up to 2008(second quarter), were used to test the level of financial disclosure in financial statements of Libyan banks compared with the requirements of IAS 30.

The findings from questionnaires indicate that there are significant differences among the users' attitudes towards the financial disclosure and satisfaction with financial statements published by Libyan banks. Index method showed that Libyan banks are not in line with the IAS 30 requirements.

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I want to give a special mention to all staff of my Accountancy office in Libya for assisting in distributing and collecting the questionnaires. Finally, special thanks also go to a few personal friends, especially **Sadik Alraiss**. I will not forget your kind work for collecting my data.

DECLARATION

I declare that this thesis is my own unaided work. It is being submitted for the degree of Doctor of Philosophy at the Liverpool John Moores University. It has not been submitted before for any degree or examination in any other University.

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CHAPTER ONE

INTRODUCTION TO THE RESEARCH

1.1 Introduction

The present reality is that there is an increasing trend of globalization and the main players in the process are the economic entities - companies, firms, enterprises, banks (Larson, 1993). They have local and worldwide audiences such as: investors, shareholders, lenders, financial institutions, academics, researchers, security analysts, and the society as a whole - commonly known as stakeholders (Sejjaaka, 2005). As a result, it is inevitable that there is a requirement for disclosure of a whole range of information in the published financial reports, notes, circulars, and the like of an economic entity (Haque and Islam, 2005). The authors go further in their study when arguing that to fulfil this requirement, there is pressure from different quarters for more understandable, comprehensive and credible disclosures of financial and non-financial information of a bank / company or of an entity. Therefore, IAS 30 was issued in 1991 by International Accounting Standard Board (IASB), and various accounting scholars, practitioners and institutions have undertaken different studies on many issues surrounding the disclosure of accounting information and determination of professionalism in the accounting profession (Abad *et al.,* 2007).

After the United Nations lifted its sanctions on Libya in 1999, the Libyan government took steps towards a free-market economy (e.g. a privatisation program, stock exchange development, direct foreigner investment law). These steps have sought to make the Libyan economy more attractive to all investors whether, Libyan or foreigners (Central Bank of Libya, 2007). One of the sectors, which have been subjected to the privatisation program by the Libyan government, is the banking sector. According to Shaglapo (2006) privatisation program has led Libyan banks to face new challenges to provide financial statements users with sufficient information to assess their investments.

All users of financial statements (e.g. investors, creditors, etc), need relevant information to make sound decisions about their investments. Investors demand additional financial disclosure in annual reports. This information comes through accounting disclosure in the financial statements (Al-Razeen and Karbhari, 2004). It is important for all investors to assess their investments. Accounting disclosure through financial statements is one of the most important principles, not only in accounting theory, but also in accounting practice and in the profession, (Alhajraf, 2002). Furthermore, with the movement towards economic globalisation, the need to adopt IASs has become necessary for the Libyan banks. Accounting practice in the Kuwait banking industry improved due to the implementation of the IAS 30 Shuaib and Douglas (1996). Meanwhile, Riahi-Belkaoui (2000) believes that adopting IASS may be to reduce the cost of setting accounting standards; link with the international trend; facilitate the increase in foreign investment that may be needed; and empower its profession to emulate well-established professional standards of behaviour and conduct. Consistent with these results, Curuk (2007) agrees that adopting IASs would allow developing countries to immediately become a part of the mainstream of accepted IAS and these countries benefit from the greater standardisation that can be achieved by adopting the IASs.

It is now becoming increasingly evident that the existence of a properly functioning banking system facilitates the development process in many important ways. Adequate accounting and reporting positively contribute to effective functioning of banks. That is why the International Accounting Standard IAS 30 was developed to standardize reporting aspects for the banking sector.

The banking sector in Libya has become one of the important sectors in the Libyan economy, especially after the Libyan government decided to apply the privatisation program in 2000 (Shaglapo, 2006). Responding to the banking law (1993) and its amendments in (1999 and 1997) and banking law no 5 (1997) and banking law no1 of 2005 has been to encourage foreign investments in the Libyan economy. The Central Bank of Libya has requested all Libyan banks to apply IAS 30 to enhance their financial disclosure to meet the requirements of users especially the foreigner investors since 2005. Therefore, this study seeks to examine financial disclosure from three ways: firstly, the opinions of users regarding the importance of financial disclosure. Secondly how financial statements can satisfy users' needs. Thirdly, to assess financial disclosure within Libyan banks' financial statements compared with IAS 30 requirements.

The Libyan government decided to adopt International Accounting Standard 30 in 2005 and, despite there being some national constraints that were challenging for the banking industry in Libya, such as lack of knowledge regarding IAS in general, and the recent privatisation programme in Libya (Shaglapo, 2006). The Central Bank of Libya has tried to enhance financial disclosure in its financial statements by issuing legislation to encourage Libyan banks to comply with IAS 30 (Central Bank of Libya, 2006).

It is important to mention here that the scope of this research will focus on IAS 30 requirements, despite it being superseded by IFRS 7 in 2007. The reasons are: first, the problem with IFRS 7 is that it has only recently been implemented so little data is available to be disclosed; second, it is not required by the Central Bank of Libya so far. So IAS 30 is still relevant to the Libyan banks (Central Bank of Libya, 2008).

1.2 Value and justification for this research

The justicafition for this study stems from the fact that there is no studied carried out in Libya concerning financial disclosure in the light of IAS 30 requirements in Libyan banks. This was noted by Karim and Ahamed (2006) when they stated that there are no studies achieved in Libya concerning financial disclosure. The same view is shared by Basoglu and Goma (2007) when they found no information is disclosed in the dimension of IAS 30 about Libyan banks. With regard to assessing users' opinions about financial disclosure in Libyan banks, there is no study carried out in the context of Libya regarding financial disclosure (Bribesh, 2006).

In addition, motivation is classified by the researcher as the most important when adopting IASs standards, which would allow developing countries such as Libya to immediately join the mainstream countries by adopting International Accounting Standards and then benefit from the greater standardisation that can be achieved by adopting the IAS standards giving access to international capital markets, Belkaoui (1992) states that adopting IASs in developing countries is a cheaper route for these countries than creating their own standards. Larson (1993) observed a higher level of macro-economic growth for African countries that adopted and modified IASs to meet local environmental factors. In addition, Al-Bastaki (1996) in his study found that the adoption of IASs is one of the most effective strategies for enhancing the accounting profession in Bahrain (one of the developing countries). The same view is shared by Zarb (2006) when he said that the key benefit in adopting IAS is that financial statements will be more transparent and easily comparable, leading to more efficient capital markets. In a recent study carried out in Greece, Floropoulos (2007) confirmed that a member of the IASC (1998) believed that the adoption of IAS in their countries and the disclosure of compliance requirements would, over the year, have a significant impact: the quality of financial statements would be improved and there would be increasing comparability, thus enhancing the credibility and consequently the usefulness of financial statements around the globe. Moreover, the investment law no. 5 of 2005 allows foreign banks to open branches in Libya. Therefore, the researcher believes that an increase in the competition with these banks will be a crucial issue that would face Libyan banks in the near future. According to Shaglapo (2006), Libyan banks would face high competition, especially after issuing law no. 5 of 2005. Finally, this study will open up a way to achieve other research related to financial disclosure particularly in the light of International Accounting Standards and other developments. The reform of the Libyan banking sector still faces a crucial problem, when the IMF (2006) reported that "a more efficient, market-oriented and sound banking system is also needed if Libya is to succeed in reforming its economy. This will require (i) enhancing banking supervision (ii) restructuring the banking system; (iii) modernizing the domestic payment system (iv) revising the legal and regulatory frameworks". Also, Mansfield *et al.* (2004) believe that the international demand for standardised regulatory systems and processes has many benefits and it is of critical importance for preparers and users to be fully aware of the changes in the various influencing regulatory systems. Shaglapo (2006) agreed with IMF (2005) when he said that new steps which have been taken by the Libyan government have led Libyan banks to face new challenges to provide users of financial statements with acceptable annual reports according to IAS to assess their investments. Finally, as financial disclosure classified as important approach to provide users whether insider or outsider with feasible information (Al-Saeed, 2006), the researcher believes that the Libyan banks by applying IASs would obtain more benefits.

1.3 Lack of Literature and researches

By reviewing all relevant material (journals and theses), it is obvious that little , if any , information is presented concerning financial disclosure as a result of needs of users of financial statements, no significant mention is made relating to financial disclosure in Libya. A thorough review of the literature for this study revealed a total inadequacy which the current body of knowledge has in relation to financial disclosure. Therefore, it was not difficult to establish the fact that a sufficient gap in the literature exists to indicate that this study is justified and needed.

The value of this study will be justified by this research that will attempt to make an important contribution to the body of knowledge and the literature in the area of financial disclosure. Hence, the intention of this research is to contribute to the literature in the field of financial disclosure by providing analysis of the data of users concerning financial disclosure. Likewise, it should make a contribution to the general body of knowledge on financial disclosure.

1.4 Research aim and objectives

Choosing the Libyan banking sector to be the primary focus of this study has been made for number of reasons: firstly, the absence of specific studies concerning financial disclosure and importance of annual reports in Libya (Karim and Ahmed, 2006 and Basoglu and Goma, 2007); secondly, quality of financial disclosure is the backbone of making a sound decision, Glautier and Underdown (2001) argue that the process of providing sufficient quantitative and qualitative information to help investors to make a prediction about future performance; thirdly, an opportunity exists for this study to not only evaluate user's needs and opinions concerning financial disclosure, but also to identify what Libyan banks disclose in the light of IAS 30.

The following paragraph offers specific summaries of aim and objective of this study:

The main aim of this study is: - to investigate the extent of compliance by Libyan banks financial statements with IAS 30, meanwhile the following objectives were formulated to achieve the above main aims of this study:-

1) To examine the financial statement users' opinions to financial disclosure.

2) To investigate how financial statements can be used to satisfy the users' requirements.

3) To assess the financial disclosure practices within the Libyan banking industry in the light of IAS 30.

To accomplish the above objectives, a critical literature review was carried out using relevant material to the topic under consideration. The review included both Arabic and English studies, articles, theses as well as the annual reports of Libyan banks, to assess levels of financial disclosure compared with IAS 30 requirements.

1.5 Research hypotheses

The following three hypotheses were set up to fulfil the objectives of this study:

1) Hypothesis one is: There is no significant difference between the sample means in their opinions about financial disclosure when factored by groups.

This hypothesis will be tested to examine the users' opinions concerning the importance of financial disclosure. The one way ANOVA test will be applied to test the users' opinions.

2) Hypothesis two is: There is no significant difference between the sample means in their opinions that the information in the financial statements of Libyan banks that should satisfy user' needs when factored by groups.

This hypothesis will be tested to find out whether there is any difference between users of financial statements about how these statements can meet users' needs. The one way ANOVA test will be used for this purpose.

3) Hypothesis three is: There is no significant difference between what the Libyan banks disclose in their financial statements as a whole and the disclosure requirements of IAS 30.

This hypothesis aims to determine whether the Libyan banks disclose their financial statements according to requirements of IAS 30. The Mann-Whitney test was applied to test whether there is any significant difference between two independent groups (requirement of IAS 30 and what Libyan banks disclose).

1.6 Research design and methodology

A survey was developed based upon a critical literature review, the researcher's past experience, and discussion with some user groups (e.g. bankers, auditors and investors) and PhD student colleagues as well. After the initial instruments were prepared, a pre-test was conducted. Users of financial statements were asked to complete the survey and evaluate the documents. Furthermore, both the users and the colleagues interpretation, matched the intended research interpretation lending support to the validity of the modified questionnaire instrument.

The users of financial statements indicated a level of comfort in answering the survey. Based upon suggestions, it was determined that a more valuable body of data to be collected would be a ranking by the users concerning quality of financial disclosure. The survey was modified to include their suggestions.

As for part two of the research, the index method was found to be appropriate to test the level of financial disclosure within the financial statements of the Libyan banks. It is based on the findings of prior studies and the economic environment of the countries similar to Libya.

1.7 The research sample

384 participants on the basis of their status as users of financial statements were interviewed in the context of Libya. The rationale for choosing this sample is to reflect different views of user groups. They were asked to express their views regarding the importance of financial disclosure and how these statements can meet their needs by addressing their opinions in the questionnaire tool. In addition, 111 annual reports from 37 Libyan banks for years from 2005 up to 2008, which currently operate under the supervision of the Central Bank of Libya, were used to evaluate level of financial disclosure. The financial statements of each Libyan bank during between the period of 2005 and 2008 were used to gauge the level of financial disclosure compared with the requirements of IAS 30. Out of 148 annual reports were requested by the researcher, 111 annual reports representing 75 % of total sample were received by the end of the study.

1.8 Analysis of the data

As regards the questionnaire tool, a five-point Likert scale was used to find out the opinions of users of financial statements concerning two issues: The second section of the questionnaire is devoted to gain users' opinions concerning financial disclosure. 36 questions were forwarded to them to assess their opinions. In the third section of the questionnaire, the participants were asked 11 questions to obtain their views regarding how financial statements published by Libyan banks can satisfy their needs. The one way ANOVA test was applied in both sections of the questionnaires to test whether there are any significant differences between participants' views.

To accomplish the second part of this research, a five scale index method was used to weight the items which have been disclosed by the Libyan banks compared with the requirements of IAS 30. The Mann-Whitney- test was applied to determine whether there are any significant differences between what the Libyan banks disclose in their financial statements compared with the requirements of IAS 30.

1.9 Contribution to existing knowledge

Despite adopting IASs since 2005, the Central Bank of Libya reported in 2008 that most Libyan banks appear not to be producing financial statements complying with IAS 30 requirements. It might be that this reflects that Libyan banks do not have sufficient knowledge regarding IAS applications. Shaglapo (2006) states that Libyan banks still struggle to apply IAS 30 due to a shortage of IAS 30 knowledge among bankers. This view is consistent with Desoky's (2004) results when he stated that international standards might face some problem in their application and acceptance in developing countries. In addition, this standard was not legally required in Libya before 2005, Hossain *et al.* (2007) state that in most of the developing countries compliance with the accounting standards is not legally required.

Initial literature review revealed that none of the previous studies concerning financial disclosure were carried out in the Libyan context. It is worth noting that literature regarding financial disclosure is limited as many studies suggest (Mostafa, 1994; Talib, 1998; Handi, 1999; Alhajraf, 2002; Hussain *et al.* 2002; Bhuiyan and Kamal 2003; Haque and Islam, 2005; Sejjaaka, 2005 and Islam and Hepp, 2005).

As far as the researcher is aware, this study is the first to evaluate the level of financial disclosure in the context of Libya. Therefore, this research aims to reveal how Libyan banks react to users' requirements in the light of IAS 30 and how user groups evaluate satisfaction and importance of annual reports presented by Libyan banks.

This research attempts to fill in the gap in the literature. Therefore, this research contributes to the literature in several ways. It can provide findings that can be generalised to countries at a similar stage of development, and with a similar culture to Libya. It will also contribute to the accounting literature and bridge the gap in the literature which has been identified in the area of financial disclosure. There are few studies that analyse the quality of financial statements prepared under IAS in developing countries (Barth *et al,*. 2005). The vast majority of studies related to financial disclosure have been carried out in developed countries and a few only dealt with developing countries, but not Libya (Karim and Ahmed, 2006). Similarly, the same view is shared by Basoglu and Goma (2007) when they stated that no studies were carried out in the dimension of International Accounting Standards and Libyan banks.

This research seeks to examine to what extent do Libyan banks prepare their financial statements in accordance with the requirements demanded by IAS 30, and to what extent have they responded to shareholder requirements. Through this research the understanding and awareness of financial statement user groups on financial disclosure and importance of the annual report will be examined and levels of financial disclosure in financial statements of Libyan banks will also be measured. In addition, it is anticipated that the results of this study is likely to be useful not only locally to reform the economy, but also internationally (especially some developing countries which have similar characteristics to Libya). It will clarify many current and future obstacles and their cause which need to be solved in order to achieve successful reform. It also provides insights into the issue of financial disclosure and acts as a guide and basis for more studies on financial disclosure. Finally, the researcher believes that the knowledge gained from this study will be valuable to the Libyan government, particularly to the Central Bank of Libya as well as the others which are interested in the same sectors.

1.10 Limitations of the Research

Denscombe (2002) states, "*every piece of research has its limitations*" (P.126). The limitations of this dissertation have been considered and are addressed below. Firstly, relatively little research has been published on this topic, in other words there are not many studies previously carried out concerning financial disclosure in the context of Libya (Basoglu and Goma, 2007). Secondly, accessing the data in Libya was a major challenge for the researcher. The researcher has faced many difficulties regarding collecting data to discover the number of Libyan investors (individuals) and their contact details. To resolve this issue, the investors' details were accessed directly from Libyan banks' records after permission to obtain their addresses was obtained from the managements of Libyan banks. Thirdly, this research documents that IAS 30 is inconsistent with Libyan banks' circumstances, where the Libyan banks suffer from lack of information and training about IAS in general (Shaglapo, 2008). Fourthly, the present study not has been free from potential biases on the grounds that:

1) This study also only uses Libyan banks' annual reports to measure the level of financial disclosure (a single country). The survey only covers the main documents information sources (annual reports), and has not considered other disclosure channels such as information disclosure on the Web.

2) Negative questions have not been used in the questionnaire in this study, and only positive questions were presented which may lead to positive replies. It is normally considered good research practice to include both positively and negatively worded questions (Churchill, 1979). A failure to use both negative and positive questions may lead to further limitations on research findings. This may lead to limited ability to provide substantial findings. For instance (Gendall, *et al*, .1996) found that a negative cue

produced the most negative responses and a positive cue produced the most positive responses. They also found that the longer responses and a greater number of ideas could be elicited by using different cue tones in separate questions rather than combining them in a single long question. Therefore, using positive questions in this study may have lead the respondents to a specific answer, and then this will be considered in the conclusions concerning the reliability and validity of this study.

3) Only a small number of external and interested user groups exist in Libya, and many people in Libya are not as familiar with research as in other societies and some of them do not realise the importance of the research and its impact on their lives (Bribesh, 2006). Therefore, this research has focused on a limited number of users of financial statements. This may have an impact on the research results. To ensure that the statistical analysis of survey data is valid, a sufficiently representative sample is required (Diamantopoulos and Schlegelmilch, 1997), and therefore, the total population in the groups was sampled and targeted. Libya is emerging as a market economy and the business community is relatively small compared to developed countries, the adoption of IAS is seen as part of this possess.

4) Accounting standards in general provide the basis, limitation, and instructions for handling accounting issues, general or specific, in accordance with generally accepted accounting principles. They promote a degree of harmonisation in presentation of financial statements, in order to make it easier to compare different entities within a particular sector. The required disclosures are comprehensive and detailed; however, it is important to note that these requirements are based on the IAS 30 requirements and not on the users information needs.

5) The results also are based on a small sample of respondents who are interested in using financial statements. The Libyan government was the only user of financial statements before 2005. Despite this, the number of user groups (e.g. investors, dealers in stock exchange market) has increased since 2005, as a result of establishing the stock exchange and allowing investors (domestic and foreign) to participate in the Libyan economy. The

whole number of users is considered as small number so far (Bribesh, 2006). Therefore, the small size of the business community has a direct impact on the study's findings.

6) Non- response bias is also a problem with questionnaires which are mailed, where, low response rates therefore can create sampling bias. The lower, the response rate the greater the risk of such bias. Comparison of the responses from "early respondents" with those of "late respondents" is a way of detecting differences between those who were eager to respond and those who held back. Therefore, the results must be interpreted with caution. In this study, the researcher did his best to maximise the return response rate by using a high quality of presentation of the questionnaire, recorded delivery, stamps instead of business reply, first class post, pre-contact as soon as possible and follow up procedures. Also, the questionnaire length has an influence on the response rate. Long questionnaires do decrease response rates. Therefore, the researcher kept the questionnaires as short as possible (There were no complaints from participants regarding the length of the questionnaire during the piloting of the questionnaire, see section 5.9.6). In addition, there is also some possibility that some respondents might have a bias toward providing average or non-committal answers to the questions in the questionnaire. The very high response rate (71%) was an important consideration. The return rates of mail questionnaires are typically low. But, a 30 % response rate is considered acceptable Collis and Hussey, (2003). Also, part of the results of this research is based on respondents' attitudes which may not reflect the actual practices regarding financial discourse in Libya. For instance, sometimes respondents may answer questions to meet what they think the researcher is expecting. Moreover, as a result of adopting IAS 30 in 2005, a lack of knowledge and training might exist among user groups about IAS 30, therefore, some of the limitation presented in this research are likely to be have been are caused by the period of practical implementation of IAS 30 in Libya (four years).

Fifthly, the results are based on respondents' attitudes in the context of Libya. These results may not be applicable to other developing countries as a result of the different economy and culture. In addition, the analysis of the data from 2005 up to 2008 using IAS 30 is more readily generalizable across Libyan banks which are currently operating in Libya. The findings are limited to a period of only four years and commercial banks (specialised banks are excluded).

Finally, even though IAS 30 is more than 18 years old and IFRS 7 superseded IAS 30 in 2007, there are some reasons for conducting this research:

1) There is a sufficient volume of data for analysis for this study compared with IFRS 7 requirements.

2) The problem with IFRS 7 is its very recent implementation. So, little data is available and it is not relevant to Libyan banks as IAS 30 is still important, relevant and is required by the Libyan government (Central Bank of Libya, 2007).

3) Libyan banks will not be able to apply any recent standard as a result of a lack of up to date international knowledge amongst bankers, especially knowing that Libyan banks have applied the IAS since 2005 (Shaglapo, 2008).

Overcoming these limitations provides an opportunity for conducting future research. This study focuses on the banks in Libya and currently user groups who are interested in using financial statements. Although, there is adequate justification for the methodology followed in the study, further research can aim both at increasing the sample of banks being surveyed and studying banks over time as well as other groups (e.g. dealers and analysts). This could take the form of a comparative study. In addition, a follow up study could analyse compliance with later standards requiring banks to quantify the impact of IAS 30.

1.11 Structure of the study

This study consists of seven chapters as can see in Table no 1.1.

Table no (1.1) Structure of the study

Chapters	Subjects
Chapter 1	Introduction
Chapter 2	Libyan Banking Sector
Chapter 3	Financial Disclosure and International Accounting Standard(IAS30)
Chapter 4	Literature Review
Chapter 5	Research Methodology
Chapter 6	Data Analysis and Results
Chapter 7	Discussion, recommendations, scope for further research and Conclusion

Chapter one provides background impact of this study. It introduces the research aims and hypotheses and discussion the limitation of this study. Chapter two critically reviews the history of banking in Libya. Banks are selected to show the particular segment of the research study. Finally, this chapter presented history of financial disclosure in Libya. Chapter three focuses on financial disclosure and IAS 30. This chapter begins by presenting definitions, benefits, costs and scope of financial disclosure, followed by reviewing the history of IAS 30, followed by objectives, importance, and scope of IAS 30. Chapter four, analyses the relevant material (prior studies, reports and theses), to identify the gap in the literature concerning financial disclosure and to find out what the methodology used in the prior study, to decide what the appropriate method to be followed in this study. Chapter five discusses the research methodology and highlights the methods used and explains why there are appropriate. It begins with a discussion of the aims, objectives and research hypotheses; a detailed discussion is followed on designing and development of both methodologies (questionnaire and index method). Chapter six is devoted to data analysis and results of this research. It begins with detailed justifications for using parametric tests followed by the analysis procedure, and presents the data analysis concerning evaluation of financial disclosure in Libyan banks' financial statements. It ends with giving full details about the research findings. Chapter seven aims to give a summary of findings and discussion followed by giving recommendations that might be useful for enhancing financial disclosure in Libyan banks and ends with the conclusion of this research.

CHAPTER TWO

BANKING SECTOR IN LIBYA

2:1 Introduction

This chapter presents an overview of the nature of the Libyan banking sector. A summary of the history of the banking sector in Libya provides the reader with an insight into the economic, political, legal, and business events that have shaped the banking sector from the establishment first bank in the nation to the present. Likewise, the history of banking in Libya informs the reader about the resistance of the Libyan' government toward banks formed in colonial times and their branches. In addition, this chapter gives the reader a background into the type of banks being studied, the nature of banking in Libya and its special position in the economy as evidenced by events of history. It helps also the reader to understand factors that affect Libyan banks performance today. Finally, this chapter presents a brief explanation concerning Libyan banks activities and regulation of Libya's banking sector and a notion about adopting of IAS 30 requirements in Libya.

2.2 Review of economic, political, legal and business events

Libya is a small Arab country located in North Africa. It was occupied by the Phoenicians, the Greeks, the Romans, the Spanish, the Turks and Italians before independence was achieved in 1952. It became a republic in 1969. Islam is the religion of the state with a population of Arab and African origin. The International Monetary Fund (IMF) reported in its annual report in 2006 that with a stable democracy, the country has earned one of Africa's highest per capita incomes reaching us dollar 7,600 in 2004.

After the United Nations lifted sanctions (e.g. embargo dealing with Libyan banks and prevention of travel to Libya), in 1999, the Libyan government has attempted to have a higher profile on the global political stage and encourage foreign investors to invest in the Libyan economy. These sanctions remained for 12 years, affecting the Libyan economy negatively

(Shaglapo, 2006). To minimise the effects of these sanctions, and to encourage foreign investors to participate in Libya, the Libyan government has issued Law no 5 of 1997. This law allows private capital whether national or foreign to invest in all sectors in the Libyan economy, (Central Bank of Libya, 2006).

In recent years, Libyan officials have made some progress on economic reforms as part of an extensive campaign to reintegrate Libya into the international fold (IMF, 2006). But the economy of Libya still faces a shortage of human manpower, both skilled and unskilled (Central Bank of Libya, 2006).

The Libyan economy remains heavily dependent on the oil and natural gas revenues. Oil sector accounts for 95 per cent of export earnings. After some fluctuations in the mid 1990s, the overall growth recorded since the early 1990s has been strong, averaging real Gross Domestic Product (GDP) growth of 4.5 per cent year in the period 1990- 2004 (IMF,2005).

2.3 Libyan banking System.

This section aims to present background information on the Libyan Banking System (LBS) and the developments which have taken place in this system in three stages. This section also provides a review of the structure of the Libyan banking sector.

2.3.1 Background to the Libyan financial and banking system.

Nowadays, the service sector in Libya plays an important role in the economy, both in terms of contribution to GDP and in terms of employment to serve its approximately 6 million people (Central Bank of Libya, 2006). According to El-Shukri (2007), the banking sector in Libya comprises of one of the most important and at the same time most sensitive, structural constituents of the economy of the country, because banks perform a number of important functions in the economy. Libyan banks play a major role in the Libyan financial sector (Central Bank of Libya, 2006). However, as mentioned earlier, the Libyan economy faced many crises during the twentieth century because of the changes in the political system and wars in the area. Thus, the Libyan Banking System (LBS) witnessed many changes 0ver the last century.

2.3.2 Historical background of the Libyan banking sector

This section of the chapter consists of a brief historical background of the Libyan financial and banking system, and the changes which happened in (LBS), through three main stages: the period before 1952, the period between 1952 and 1969 and the period after 1969. As mentioned previously this division is based on the major changes in the governmental orientation during recent Libyan history. Every stage has its own development characteristics, which differentiates it from other stages.

2.3.2.1 The period before 1952:

This colonial period was called the Italian era (Al-Arbah, 1985). The first bank branch opened by Italy in Libya was a branch of the Bank of Rome. On April 1907 in Tripoli city (Capital of Libya) the Bank of Rome opened another branch in Benghazi city in September of the same year. Moreover, the Bank of Napoli opened a branch in Tripoli in 1913 and then the Bank of Seshlia opened a branch in Tripoli in the same year.

However, the aim of establishing all these banks was to serve the Italian and foreign people, not for the sake of the Libyan people. The staffs of all these banks were Italians. The services of these banks were current accounts and short-term loans to support agriculture and Italian industries in Libya. The Italian Lira was the only currency accepted in these banks, and for purchasing and sales transactions (Central Bank of Libya, 2006).

Furthermore, the purposes of these banks were essentially gaining profit without any social or economic role for the benefit of Libyan society (Al-Baih, 1970).

After Italy was defeated in the Second World War, its banks lost their dominance over the Libyan banking market. Libya then came under the British and French military administration. Barclays Bank opened two branches, one in Tripoli and another in Benghazi (East Libya). Accordingly, the currency used in Tripoli was the Pound Sterling, while in Fazzan (south Libya) they used the French Franc and in Benghazi they used the Egyptian Pound.

In conclusion, it could be said that this period witnessed a lot of confusion and instability in financial and banking systems because Libya had over three different currencies (Central Bank of Libya, 2006).

2.3.2.2 The period between 1952 and 1969:

Following the decision of the United Nations in 1949, Libya became an independent country under the name of the Kingdom of Libya. Libya became a member of the British Sterling bloc when independence was established in 1952.

Shortly after independence, a national currency was created, the Libyan pound, as it was then known, equivalent to US$2.80. Libya established the first Libyan bank under the name of the Libyan National Bank in 1955. However, some of the Italian banks (e.g. Bank of Rome and Sicilia Bank in Tripoli), continued to provide their services for the Italian people who were resident in Libya (Al-Baih, 1970).

The National Bank of Libya issued some banking legislation in 1955 (amended in 1958), which gave the National Bank of Libya the right to perform some of the functions of a central bank under the authority of the Ministry of Finance. However, the commercial banks for the most part of the country were branches of major international banking institutions. They mainly engaged in providing short-term international and domestic commercial credits (Al-Arbah, 1985).

In 1963, Libya established a central bank under the name, Bank of Libya (BL), formerly the National Bank of Libya (El-Shukri, 2007). The government gave the BL the sole right of currency issuing. It was responsible for maintaining monetary stability and the external value of the Libyan currency and for regulating currency and credit (Central Bank of

Libya, 2001). The BL issued the law No 4 of 1963 which regulated the banking sector in Libya. As a part of this legislation, some Libyan commercial banks were established (e.g. Nahda Bank, Bank of North Africa and African Banking company). A commercial bank was identified in Article (50) of this law as:

> *"Any company that regularly accepts deposits in current accounts that are payable when required or at an appointed time, opens documentary credits, collects cheques, gives loans and credit facilities and the other functions of the banking business"*.

However, foreign banks were still working in the country such as Barclays Bank, Bank of Rome, Bank of America and other Arab banks such as Al-Arabi bank, Al-Nahda bank and Al-Wahda bank. The BL still lacked full control of the banking sector, because of the domination of foreign banks (El-Shukri, 2007).

In conclusion, during this period (1952 – 1969) the Libyan people had no real dealings and contacts with these banks. Those weak relations with banks can be attributed to poverty, lack of education and health services, and ignorance of banking, (Al-Baih, 1970).

2.3.2.3 The period after 1969:

The Libyan government declared independence from the domination of foreign countries. Libyanization (means that the Libyan nationals own more than 51 per cent of commercial banks' stock) the Libyan banking sector was made a primary target of the revolution general programme. Thus, the new government gave the banking sector a lot of attention because of its impact on other sectors of the economy of the country. Furthermore, the new government issued many laws concerned with the reorganisation of the banking system in Libya (Al-Arbah, 1985).

When the new regime took over on September 1, 1969, action was taken against the banks that disregarded the Libyanization policy. It bought 51 percent of the shares of these commercial banks. By July 1970, four of the major banks with minority stakes in foreign ownership had been totally brought under Libyan government ownership (El-Ghmati, 1979). In

December 1970 the government purchased the ownership of all banks that still had some foreign participation. Then, these banks were merged to reduce the number of commercial banks to five. According to Al-Arbah. (1985), they became state-owned commercial banks and are named as follows:

1) Jamahiriya Bank, formerly Barclays Bank (British Bank),

2) National Commercial Bank SAL formerly the Commercial banking division of CBL, Istiklal Bank and Orouba Bank

3) Sahara Bank which was formerly the Banco di Sicilia (Italian Bank).

4) Umma Bank formerly the Bank of Rome (Italian Bank).

5) Wahda bank, which was formed in 1970 from a merger of five other banks.

In addition to these commercial banks, there are some specialised banks such as Agricultural Bank, Savings and Real Estate Investment Bank, and Development Bank (Central Bank of Libya, 2006). The table below shows the commercial banks, specialised banks, their respective capital structures and type of ownership as stated in Law No. 153 of 1970.

Table (2.1) List of banks after Libyan government purchased foreign banks in 1970

Name of the bank	Type of the bank	% of share owned by LCB	% of share owned by privet sector	Formerly
Central Bank of Libya	Central	100%	--	Bank of Libya
National Commercial Bank SAL	Commercial Bank	100%	--	. Commercial banking division of CBL . Istiklal bank . Orouba Bank
Umma Bank	Commercial Bank	100%	--	Bank of Roma
Jamahiriya Bank	Commercial Bank	100%	--	
Sahara Bank	Commercial Bank	70.5%	29.5%	Bank of Sicilia
Wahda Bank	Commercial Bank	78.3%	21.7%	. Bank of North Africa . Nahda Arabia Bank .African Banking company .other small banks
Agricultural Bank	Specialised bank	100%	--	Agricultural Bank
Savings and Real Estate Investment Bank	Specialised bank	100%	--	Established in 1981
Development Bank	Specialised bank	100%	--	Established in 1981
Libyan Arab Foreign Bank	Specialised bank	100%	--	Established in 1972

In 1971, law No 63 was issued which modified law No 4 1963 by this law the government established the Libyan Arab Foreign Bank (LAFB) in 1972. This bank came into existence by force of Law No. 18 of 1972, enacted on February 2 of that year. It opened on June 17, 1972, with a capital of 20 millions Libyan Dinar (LYD) and is fully owned by the Central Bank of Libya. The same law allowed the minister's council to raise capital by a decree, if the Secretary of Treasury so desired. It deals with Libyan investments activities and external financial business outside Libya (El-Ghmati, 1979).

From 1972 until 1993 the LBS structure did not witness any changes. During these period commercial banks opened 22 branches whereas, specialised banks opened 5 branches around Libya (Central Bank of Libya, 2003).

In 1993, the Central Bank of Libya issued law No. 1 of 1993 concerning banking, currency and credit which was then modified by Law no. (1) 2005. This law permitted foreign and private banks to operate in the banking sector. It gave the private sector the opportunity to participate in the Libyan banking system (El-Shukri, 2007).

The Bank of Commerce and Development is the first private bank in Libya established in December 1996. Many private banks were established such as Alaman bank in 2000; Alajmaa Al-Arabi bank in 2003 and Alwafa bank in 2004. Subsequently, these banks opened 10 branches in different cities and towns (Central Bank of Libya, 2006).

2.4 Current Libyan banks structure

This section introduces the current structure of the Libyan banking system, especially since the Libyan government decided to give the private sector the right to establish private banks, which made significant changes in the Libyan banking system. Also, the CBL has issued the law No.1 of 1993, which encouraged the private sector to participate in development the banking sector (Masoud, 2003).

El-Shukri (2007) in his research states that one of the improvements since 1970 to the banking system in Libya has been the simplification of the types of banks. Formerly there were three types of banks: Central bank, state-owned commercial banks, and specialised banks.

According to the Central Bank of Libya (2006), the banking system in Libya is classified into four different categories as follows:-

2.4.1 The Central Bank of Libya (CBL)

Under the National Bank law, the Central Bank of Libya was set up and began operation in April 1956. Originally, the government was to have part ownership of the CBL at a cost of 700,000 LYD while the public subscribed 300, 000 (LYD) for its shares (El-Ghmati, 1979).

The government paid particular attention to the CBL; it plays an important role in drafting policies of the financial market and other banks in Libya. The CBL is 100% state owned and represents the monetary authority in Libya. It enjoys the status of an autonomous corporate body. The capital of the CBL has increased from one million LYD in 1963 to one hundred million in 1981, and reached 500 million LYD in 2006.

The management of the general affairs of the bank within the policies of the country is entrusted to a Board of Directors, which consists of the Governor as chairman, Deputy Governor as Vice-chairman, and six other members (El-Ghumati, 1979). Its headquarters are located in Tripoli. Also, it has opened another three branches in different areas in Libya, one located in Benghazi to serve the banks and public in the Eastern area of Libya, another located in Sebha city to serve the banks and public in the southern area of Libya, and another located in Sirte city to serve the banks and public in the central region area of Libya (Central Bank of Libya, 2002).

Law no. 4 of 1963 continued to operate even after the 1969 revaluations. In 1993 the bank issued law No. (1), concerning banking, currency and credit, this law focused on the responsibilities of the Central Bank and its functions in the banking system. The functions of the CBL include note and coin issues, the maintenance of international liquidity, and the regulation of domestic money and credit expansion in line with government monetary policy. The CBL is also required to help the government in achieving its economic development objectives and to encourage the development of the banking industry in Libya. Additionally, the CBL collects statistical data on the economy in general and the financial sector in particular. Its various publications, daily, weekly, monthly, quarterly and annually, are a major source of information on banking and financial issues.

El-Shukri (2007) in his study provided the following objectives:

1) Issuing and regulating the currency:

The CBL has established a department in the bank to issue currency and regulate it. This department is called the Department of the Currency, and it is concerned with the issue of currency, whether banknotes or coins. Table shows the currency issued (LYD Million) from 2000 up to 2007.

Table (2.2) issuing Libyan currency

End of Year	Currency issued
2000	28267300
2001	26907700
2002	27518100
2003	28832800
2004	27947400
2005	34820600
2006	41345200
2007	49523600

Source: CBL, Research and Statistics Department. 2007

2) Acting as a banker to Commercial banks

The CBL keeps the legal cash reserves required from commercial banks as a percentage of their clients' deposits. In addition, it accepts interest-bearing time deposits from these banks. Naturally, the CBL is the lender of last resort for the commercial banks and provides them with extraordinary loans in any critical exceptional circumstances it deems threatening to monetary or banking stability in Libya.

3) Supervision and Regulation of banking Activities

The Central Bank of Libya took a prompt initiative to respond to the framework of Basel in terms of the implementation of the 1988 Accord. Therefore, The CBL examines and analyses the financial positions of the Libyan commercial banks and other Libyan banks to ensure that they keep within the main stipulated ratios such as the cash reserve and legal liquidity. In this regard, the Central Bank of Libya requires all Libyan banks to keep 15 % of demand deposits and 7.5 % of time deposits as cash reserves meeting legal liquidity requirements (Article 50 banking Law no 36 of 1963 amended in 1966 and 1970). It also issues directives to the commercial banks regarding the volume and direction of credit extended by the banking sector, especially credit for the more productive sectors of the economy (Central Bank of Libya, 2006).

The CBL officials inspect Libyan banks and their branches and examine their books and records to ensure the soundness of their financial positions and the accuracy of statistics, which they furnish to the bank, and finally, the suitability of their services. Also, the CBL provides the banks with cheque clearing services, as well as the services of a centralised credit risk office. In addition, the CBL issues guidance for banks, either in terms of imposing sanctions or providing banking facilities to support the development of a sound banking system.

4) Management of reserves and control of foreign exchange

The CBL keeps and manages Libyan gold and foreign exchange reserves. Thus, the bank is responsible for selecting suitable investments and amounts to be invested in each currency, taking into consideration developments in foreign exchange and money and capital markets to ensure safety and profitability. The bank allows commercial banks to keep foreign assets in accordance with regulations it issues from time to time in conformity with the general economic interests of the country.

In addition, the CBL has gradually dismantled foreign exchange controls in the light of the economic stability that Libya has enjoyed and in order to encourage foreign investors.

2.4.2 The Public Commercial Banks (PCB)

As mentioned earlier in this chapter, the commercial banks after the military coup of 1969 were reduced to five commercial banks: these banks are National Commercial Bank, Umma Bank, Jamahiriya Bank, Sahara Bank and Wahda Bank. However, only these banks worked in the field of banking in Libya until 1993, when the CBL issued law No. 1 of 1993, which gave the opportunity to the private sector to establish commercial banks.

The Public commercial banks (PCB) opened many branches around the country which increased the competition among these banks. The total capital of these banks is 960.2 Million LYD, and total assets are 31176.1 Million LYD (Central Bank of Libya, 2007).

These banks serve the public and organisations in Libya. Also, PCBs have a significant role in the Libyan economy, as can be seen through the functions of these banks. The PCBs perform universal banking functions such as the creating of money, maintenance of payment mechanisms, pooling of savings, credit extension, facilitation of foreign trade financing, and safekeeping of valuables. The scope and nature of these activities are well described in Article 50 in law 63 of 1971.which states:

> "*Every institution shall be deemed to be a commercial bank if it regularly conducts the business of accepting deposits in current accounts payable on demand or deposits payable on time, opening of credits, paying and collecting of cheques drawn or deposited by customers, making advances and other banking transactions. A bank which conducts mainly the business of real estate, agricultural or industrial financing and which does not make the business of receiving demand deposits a principal part of its activities shall not be considered a commercial bank under this article*".

Nevertheless, Libyan PCBs focus on two main banking functions, acting as a depository and offering loans to the public and organisations in Libya. Commercial bank deposits fall into categories of time and demand. One distinctive characteristic of the latter is that demand deposits are not generally accepted as a means of exchange because the business community has not developed a well structured credit evaluation system. Without a free flow of credit information, demand deposits will have a very difficult time becoming a major component of the medium of exchange (Central Bank of Libya, 2006).

Bank lending activity may be classified into short-term loans and overdrafts with most of these loans and advances going to the business sectors to facilitate commerce. Loans and other credit facilities are normally restricted to those who can offer sufficient collateral for loan security (Central Bank of Libya, 2006). The commercial banks are organisations with their main function being to manage financial assets, so they work as a link between the economic units that have monetary surplus to invest and the other economic units that need these funds (Masoud, 2003).

El-Shukri (2007) presents more explanations on each single Public Commercial Bank as follows:-

1) National Commercial Bank

It is one of the largest commercial banks in Libya. It was established in 1970. Its capital is 35 Million (LYD), and has about 60 branches around Libya.

2) Al-Umma Bank.

It has been located in Tripoli since 1970. It was founded after the decree of the new regime (new government), that stipulated Libyanisation of the foreign banks, and therefore, 51% of the Rome Bank's shares were transferred to the Libyan government and its name changed to Al-Umma Bank. With promulgation of the decree appropriating the properties previously taken by Italy, the Italian shares in the Bank were transferred so that the Bank became completely owned by the State. Its capital is 23 Million (LYD), and has about 50 branches around Libya.

3) Jamahiriya bank.

The head office of Jamahiriya bank is located in Tripoli. It was established in 1970 according to Law no (153) 1970. Its capital is 66 Million (LYD), and has about 60 branches around the country.

4) Sahara Bank.

The Sahara Bank is located in Tripoli. It was created due to the takeover of the Sicilia bank of Italy in 1970. Its capital is 63 Million (LYD), and has about 39 branches around the country.

5) Wahda bank.

It is located in Benghazi. It was founded according to Law No (153) 1970 as a Libyan joint stock company under name Al-Wahda Bank. Its capital consists of the net assets of North Africa Bank, Commercial Bank, Al-Nahda, Al-Arabia Bank, Africa Banking Company and Aqaffilah Alahli Bank. It took over all these banks with all their rights and obligations. Its capital is 36 Million (LYD) in 2006, and has about 69 branches around Libya.

2.4.3 Private Commercial Banks

According to Law no.1 year 1993, Libyan citizens were permitted to purchase shares in these banks. This Law opened up a way of granting licences to new privately-owned commercial banks, Private Banks started their operations in Libya. The Bank of Commerce and Development, which began its operations in 1994, was the first private commercial bank established in Libya. Some other private banks have been established such, as Alaman Bank (Central Bank of Libya, 2001). However, these banks are still in the early stages according to their activities and branches. Table below shows these banks and their capital and assets and branches:

Table (2.3) Names of Private Commercial Banks **(Million LYD)**

Bank Name	Established year	Number of agencies	Number of branches	Capital and reserves in 2006	Assets in 2006
Bank of Commerce and Development	1996	-	7	47.1	396
Bank Alaman for Investment and Commerce	2000	-	4	3.6	180
Alajmaa Al-Arabi	2003	1	3	3.1	83.4
Alwafa bank	2004	1	3	5	

2.4.4 Alahli Banks

There were 48 private banks in Libya. These banks were located in each of Libya's 32 regions and owned by citizens of each region (Central Bank of Libya, 2004 and Luxford, 2005). According to Decision No 49 year of 2006, has issued by the Central Bank of Libya, these banks were reduced to 27 after some of them merged at the end of 2006 (Central Bank of Libya, 2007). The table below shows these banks:

Table (2.4) List of Ahli banks

No	Banks Name	Locations
1	Ahli bank Tripoli	Tripoli
2	Ahli Abu-Slim bank	Tripoli
3	Ahli Souk Aljouma bank	Tripoli
4	Ahli Hai- Alandalis bank	Tripoli
5	Ahli Ean Zara bank	Tripoli
6	Ahli Tajoura bank	Tajoura
7	Ahli Gaser Ben Gasher bank	Ben Gasher
8	Ahli Alkams bank	Alkams
9	Ahli Zleaten bank	Zleaten
10	Ahli Tawarga bank	Tawarga
11	Ahli Misrata bank	Misrata
12	Ahli Ejdabia bank	Ejdabia
13	Ahli Benghazi bank	Benghazi
14	Ahli Almaraj bank	Almaraj
15	Ahli Albida bank	Albida
16	Ahli Derna bank	Derna
17	Ahli Sebha bank	Sebha
18	Ahli Morzag bank	Morzag
19	Ahli Garian bank	Garian
20	Ahli Souk al ahad bank	Souk al ahad
21	Ahli Sahal Jafara bank	Elazizia
22	Ahli Surman bank	Surman
23	Ahli Janzour bank	Janzour
24	Ahli Tarhowna bank	Tarhowna
25	Ahli Serat bank	Serat
26	Ahli Misalata bank	Emsalata
27	Ahli Ben Walid bank	Ben Walid

Sources, Research and statistics Dept, 2007

These banks offer medium-term loans for the acquisition of fixed assets, and personal loans to individual customers. Also, these banks accept deposits in the form of time deposits, savings deposits and other non-demand accounts, as do commercial banks (Central Bank of Libya, 2007). The table below provides development of resources of funds of these banks.

Table (2.5) capital, reserves, deposits, facilities and advances of Ahli banks **Millions (LYD)**

End of year	Capital and reserves	Deposits	Facilities and Advances
2000	20.4	547.0	264.4
2001	29.4	741.4	396.8
2002	62.6	785.9	508.5
2003	75.3	638.8	523.3
2004	81.5	862.4	494.3
2005	88.4	947.2	503.1
2006	66.0	439.4	375.3
2007	52.1	243.5	177.5

Sources, Research and statistics Dept, 2007

2.4.5 Specialised banks

One of the improvements since 1970 to the banking system in Libya has been the simplification of the types of banks. Formerly there were three types of banks: central bank, state-owned commercial banks, and specialised banks (Central Bank of Libya, 2006).

Since 1969, the Libyan government has established four specialised banks. These banks work in different fields such as agriculture, housing and building, and the industrial field. The specialised banks supply the different sectors with loans needed for projects owned by the Libyan Government or private sector project (Central Bank of Libya 2006).

The following is a brief explanation of these banks:-

1) Agricultural Bank.

In July 1955, the Agricultural Bank was established and began operations in September 1957, originally with an authorized capital of 5 million (LYD), fully paid by the government. This specialised bank has sought to help farmers develop the nation's agricultural potential. In 1970 it was re-established by law No. 133 (El-Ghumati, 1979).

2) Savings and Real Estate Investment Bank.

It was established and began operations in 1981 with an authorised capital of 10 million LYD financed totally by the government. The law stipulated that half of the bank's capital had to be invested in industrial projects and the rest in construction projects (Otman and Karlberg, 2007).

3) Libyan Arab Foreign Bank.

It was created following the law No. 18 of 1972, enacted on February 2 of that year. It opened on June 17, 1972 with a capital of 20 million LYD and is fully owned by Central Bank of Libya. The bank also gained the legal right to conduct local banking activities for non-residents and accepting non-residents accounts in foreign currency (El-Ghumati, 1979).

4) Development Bank.

In 1981, the Development Bank was established and began operations in the same year, originally with an authorized capital of 69.6million LYD, fully paid by the government (Otman and Karlberg, 2007).

Table (2.6) show some figures on these banks in 2006. **Million LYD (unless stated otherwise)**

Bank name	Capital	Assets	Deposits with resident banks
Agricultural Bank	454.7	1508.1	203.0
Savings and Real Estate Investment Bank	1101..5	4584.8	894.4
Development Bank	628.8	1695.1	100.6
Libyan Arab Foreign Bank	1915..3	21721.0	300.6

2.5 Factors affecting the Libyan Banks' performance (after 1969)

This section describes internal and external factors affecting the Libyan banks' performance. These factors include: the conditions of the economy, bank competition, and the state regulations regarding the bank system.

The Central Bank of Libya (2006) reported that there are many factors whether external and internal factors that put pressure on Libyan banks, which may affect Libyan decisions and policies. The following is a brief explanation of these effects:

» **Condition of the Economy**

Major changes and circumstances in economic development and financial institutions in Libyan economy occurred over the period from1969 until now. The banks have witnessed great development, and the banking sector has grown rapidly in terms of the number of banks and their branches, and increased numbers of Libyans working in the banking sector due to economic development (Central Bank of Libya, 2006). Similar development has taken place in the other sectors and in the economy in general. Also, the country has invested heavily in capital-investment projects. However, the over manning and the opening of unnecessary branches in some parts of the country have affected the performance of the banking system negatively (Central bank of Libya, 2007).

» **Banks Competition**

As mentioned in the previous section in the two first stages (before 1952, and between 1952 and 1969), the country suffered adverse economic conditions, poverty and poor education, all of which affected the banking sector and reduced competition. Since 1969 the banking sector has grown rapidly in terms of numbers of the banks and their branches, due to economic development and deregulation, and in terms of introducing new services and improving existing services to meet new customer requirements.

The Libyan government established many new banks as state banks; these banks provide short-term and long-term loans at low interest rates for all Libyan people in order to solve the housing problem and to meet the rate of growth in the construction sector by providing all new projects with loans. For that reason, bank competition increased in attracting customers and companies, although the level of competition was still low overall.

In 1993, when the Central Bank of Libya issued new law No.1 to encourage both the private sector to establish new banks, and in 1996, the Libyan government issued law No.5 of 1997 to encourage foreign direct investment in Libya, Competition between Libyan banks increased.

The new private banks, which have already started their business, are complementary to the existing ones, as they introduced new types of banking services; this put pressure on state-owned banks to match these developments, and led them to provide new banking services. Thus, banking competition has increased to a high level between state banks aiming to keep their customers and private banks seeking to attract the customers from state banks.

By the end of 2007, there were 40 licensed banks totalling 49 banks and financial institutions operating in Libya, therefore, the future will not be so easy for Libyan commercial banks, with competition coming not only from national banks but also from foreign banks. The Table (2.7) below shows numbers of branches of each Libyan bank.

Table (2.7)

Names of the banks	NUMBERS OF BRANCHES	Branches
Public Commercial Banks	5	319
Private Commercial Banks	4	49
Specialised banks	3	80
Libyan Arab Foreign Bank	1	15
Alahlie banks	27	27
Total branches	**40**	**490**

Source: The Libyan Central Bank, (2007)

»State regulations

The first financial and banking legislation issued in Libya was the Law No. 4 of 1963, which gave the Central Bank of Libya all rights to control the banking system in Libya. In 1969, the CBL developed and amended this legislation to meet the changes in the business environment, and to ensure that banks serve the Libyan people. Therefore, all banks have to get a license before carrying out their activities or opening any branches, and have to follow the instructions, legal procedures and legal ratios imposed on licensed banks by the CBL during their operation in the country.

2.6 Liberalization and privatisation of Libyan banks

Financial liberalization is best appreciated from the perspective of its absolute antagonist; financial repression (El-Shukri, 2007). Financial repression is characterised mainly by regulated fixed rates of interest on loans and deposits, restraint of capital flows in and out of the country, deliberate disfavour toward foreign financial competitors, controlling the exit of financial mediators from the market and non-competitively soliciting work for the banking sector through insurance programmes that are financed by the government sector.

The objectives of liberalisation are to increase the level of competitiveness in the financial sector by opening the door to entrants, increasing and upgrading the available financial tools and options for investors and depositors by expanding the financial infrastructure of the sector, improving the process of determining and deriving interest rates so that these rates reflect actual costs of financial resources, improving foreign exchange distribution so that real costs are reflected and improving the packaging and customisation of financial resources, (Central Bank of Libya, 2006).

Libyan banks may be affected by liberalisation in ways such as profitability, development and market share, pricing policy, levels of risk and the quantity and quality of financial services (Central Bank of Libya, 2006).

2.7 Libyan banks' activities

In Libyan banks, the two chief banking functions involve acting as a depository and offering loans. One distinctive characteristic of the latter is that demand deposits are not generally accepted as a means of exchange because the business community has not developed a well structured credit evaluation system. Without a free flow of credit information demand deposits will have a very difficult time becoming a major component of the medium of exchange (Central Bank of Libya, 2006).

The distinctive feature of time deposits is that they are the only source where the public invest their funds because of the lack of alternative money market instruments (Shaglapo, 2006).

Nevertheless, the percentage of savings in the total deposits is limited for the following reasons: first, it is a common belief that obtaining interest from deposits violates the teaching of the Islamic religion; secondly, the traditional hoarding habit was the outcome of this belief (Central Bank of Libya, 2006). Holding all available cash at home or buying gold and other jewellery are common Libyan customs, and this hoarding is repeatedly mentioned in annual reports of the Central Bank of Libya.

Table and Figure below shows the money movements and the amount of money held out side the banks.

Table (2.8) Money Movements **Million LYD (unless stated otherwise)**

End of Year	Currency out side banks	Demand Deposits	Quasi Money
2000	2699.2	4843.9	2934.6
2001	267947	5711.2	4017.6
2002	275060	6091.9	5298.3
2003	287298	6265.7	5022.0
2004	277822	7923.9	4807.0
2005	346689	10719.4	5793.5
2006	3920.2	12410.1	7343.6
2007	4582.1	18262.8	11382.0

Source: The Libyan Central Bank (from different reports from 2000 to 2007)

Bank lending activities may be classified into short term and overdrafts with most of these loans and advances going to the business sectors to facilitate commerce. Loans and other credit facilities are normally restricted to these who can offer sufficient collateral for loan security. However, long term loans have increased after 2000 when the Central Bank of Libya offered a rediscount of 2.5 per cent when such loans were used for construction (Central Bank of Libya, 2007).

In performing their functions, the CBL reported in 2006 that the Libyan banks are forbidden to engage in wholesale or resale trade, issue notes payable on demand to the bearer, own or lease real estate for business purposes or purchase stocks in any domestic bank. Furthermore, Libyan banks may not own stock in any corporation exceeding 5 per cent of the bank's capital and reserves, nor can the bank accept shares of its capital as security for a loan or deal in or own such shares unless they have been given to the bank for settlement of an outstanding debt, and this is only on condition that the bank should sell the shares within the year following their acquisition.

Moreover, every bank is prohibited from granting loans or financial guarantees to any person if the transaction exceeds 20 per cent of the bank's capital and reserves (Central Bank of Libya, 2006). Such services cannot be granted to an employee if the transaction value exceeds his six-month salary, unless he presents adequate security; likewise these services are denied to members of the banks' board of directors unless the member presents adequate security and the board of the Central Bank of Libya concurs with the transaction.

Libyan dinar (LYD) exchange rate:

The unit of currency in Libya is the Libyan Dinar (LYD), which for the sake of exchange rate stability was pegged to Special Drawing Rights' basket since March1986 to reflect the relative importance of each currency in Libya's international economic relations. The table below show the rates of LYD against major international currencies during the period of 2000 up to 2007:-

Table (2.9) rates of Libyan currency against foreign currency

End of year	Currencies			
	Sterling	US Dollar	Swiss Frank	Euro
2000	0.79603	0.54613	0.32227	0.48745
2001	0.93009	0.64732	0.39206	0.57800
2002	1.94902	1.21669	0.87275	1.26804
2003	2.32357	1.30839	1.04839	1.63496
2004	2.40385	1.25064	1.10141	1.70188
2005	2.33386	1.35540	1.03128	1.59897
2006	2.52631	1.28821	1.05608	1.69515
2007	2.45432	1.22728	1.08714	1.80312

Sources: CBL, Research and Statistics Department. 2007

2.8 Regulating Libya's Banking Sector: towards a Modern System and international dimension

In a domestic Libyan context one of the main results of the 1993 Law was the establishment of the Bank of Commerce and Development (BCD) in 1994, with 2,000 private shareholders, the only privately owned commercial bank in the Libyan market, which started its operations in 1996. Since then it has grown rapidly, from having one branch in Benghazi to eleven branches throughout Libya (Shaglapo, 2006). According to Otman and Karlberg (2007: 285):

> "*The most comprehensive banking legislation approved for many years, the two Banking Laws No. 1 and 2 of 2005 have finally attempted to deliver a banking system to Libya corresponding to its international aspirations for economic renewal and globalization*".

By issuing these laws, the researcher believes that the Libyan government, realizing the fundamental role of the banking sector, as one of the main pillars for the development of the private sector.

To strengthen and broaden the role of the Libyan Central Bank, these laws also have instructed the Central Bank of Libya to take steps towards transparency in financial statements, as well as making a major effort to place Libya with international financial institutions and practices, at the same time opening the door for the establishment of foreign banks (Banking Law No.1and 2 of 2005).

Despite all the efforts that have been made by the Libyan government, there is still a long way to go in banking reform, and clearly before any new banking licences are issued many generic problems covering the entire banking sector need to be addressed. This is consistent with the IMF report which stated in 2006 that "A more efficient, market-oriented and sound banking system is also needed if Libya is to succeed in reforming its economy. This will require (i) enhancing banking supervision; (ii) restructuring the banking system; (iii) modernizing the domestic payment system; (iv) revising the legal and regulatory frameworks". However, Otman and Karlberg (2007) believe that in certain other ways Banking Law No. 1, although recapitalizing and bringing the CBL with global norms in the banking industry is still a fundamentally flawed piece of legislation.

In this regard, the Libyan government has taken more steps towards privatisation of the public banking sector. A Stock Market has been established in Tripoli and it plans to sell two large public commercial banks (Al-Sahari Bank and Al-Wahda Bank), to private investors, (Central Bank of Libya, 2007).

2.9 IAS adoption and compliance in disclosure in Libya

Before 2005, Libyan banks were not requested to apply the International Accounting Standard 30, because, the Libyan economy was a planned economy and isolated from the world. After the United Nations lifted its sanctions on Libya in 1999, the Libyan government in 2000 started a programme of economic reform and restructuring towards a free-market economy, and Libyan banks were required to comply with IASs according to banking law No. 1, of 2005 (Shaglapo, 2006). Therefore, the newly enhanced rules now require Libyan banks to prepare their financial statements in compliance with IAS 30 (Banking Law, no 1, 2005). To meet users' needs, Libyan banks have to prepare their financial statements according to IAS 30. In the absence of other national standards, Libyan banks should prepare their financial statements in the light of IAS 30 (Central Bank of Libya, 2007), and based on the banking law no 1 of 2005 also, requires all Libyan banks to comply with the International Accounting Standards 30. According to Article 26 in law No. 5 of 2005 which states:

> "*All Libyan banks shall prepare within four months of the end of fiscal year: Financial statements for the ending fiscal year according to the nature of the activity of commercial banks and the International Accounting Standards (IAS30)*".

Even though, this standard was superseded by IFRS 7, the Central Bank of Libya still continues to require it, because of the absence of local standards and the lack of awareness of IFRS 7 implementation (Central Bank of Libya, 2007).

2.10 Chapter summary

This study takes the view that despite the enormous progress achieved by the Libyan banks sector over the years, in term of increasing the number of public and private banks, encouraging various investments and improving the quality of services provided by banks, there is still a considerable sense of uncertainly of decision, constraints regarding the implementation of regulations, confusing and unclear banking legislate.

CHAPTER THREE

FINANCIAL DISCLOSURE AND (IAS 30)

3.1 Introduction

This section of the thesis has three objectives:

a) To define financial disclosure, to provide a brief explanation of benefits and costs of financial disclosure.

b) To analyse the overview literature regarding the use of IAS 30.

c) To discuss how IAS 30 was issued and developed. It will also highlight the objectives, the importance and the scope of IAS 30.

3.2 Definitions of financial disclosure

Financial disclosure is widely regarded as a necessary condition for market discipline in the modern financial sector (Spiegel and Yamori, 2003). Increased transparency, achieved through the disclosure of timely and accurate information, should enable a bank to access the capital market more efficiently (Gordan *et al*,. 2000).

The distinction between management and ownership raised the need for a third party to check out the work of the former and then to report to the latter in such a reporting process, known as financial reporting. This report aims to provide crucial information about the performance of institutes. Therefore, disclosure is required for evaluating their economic decisions. Healy and Palepu (1993) state that it is reasonable to expect some conflict of interest between the managers and the outside parties as everyone maximises his/her own interest. Therefore, the managers may not fully report all of the information they possess (Lev and Penman, 1990; Samuels, 1990).

To evaluate their economic decisions, the users require, sufficient financial information, therefore, Hossain (2007) suggests that disclosure in the financial statements of a bank needs to be sufficiently comprehensive to meet the needs of users, within the constraint of what it is reasonable to require of management. In this regard, Financial Accounting Standards Board (2006) stated that financial reporting should include management's explanations and other information needed to enable users to understand the information. Healy and Palepu (2001) stress the demand for financial reporting and disclosure arises from information and agency conflicts between managers and outside investors. They added that the information problem arises from information differences and conflicting incentives between managers and outside investors.

Because management knows more about the entity and its affairs than external users, they can often increase the usefulness of financial reports, (FASB, 2006). Kreps (1990) points outs that there are several well-known solutions to the information problem. Optimal contracts between managers and investors will provide incentives for full disclosure of private information, thus mitigating the misevaluation problem danger of uneven disclosure.

In line with Kreps' (1990), Healy and Palepu (2001) agree that there are several solutions to the agency problem. Optimal contracts between entrepreneurs and investors, such as compensation agreements and debt contracts, seek to align the interests of the entrepreneur with those of external equity and debt claimants. These contracts frequently require entrepreneurs to disclose relevant information that enables investors to monitor compliance with contractual agreements and to evaluate whether entrepreneurs have managed the firm's resources in the interests of external owners. A second mechanism for reducing agency problems is the board of directors, whose role is to monitor and discipline management on behalf of external owners. Finally, information intermediaries, such as financial analysts and rating agencies, engage in private information production to uncover any management misuse of firm resources. The market for corporate control, which includes the threat of hostile takeovers and proxy contests, also mitigates agency problems between corporate insiders and outside shareholders.

The information and agency frameworks raise a number of important questions for financial reporting and disclosure researchers. These include questions on (i) the role of disclosure and financial reporting regulation in mitigating information and agency problems, (ii) the effectiveness of auditors and information intermediaries as a means of increasing the credibility of management disclosures and uncovering new information, (iii) factors affecting decisions by managers on financial reporting and disclosure, and (iv) the economic consequences of disclosure (Verrecchia, 2001).

Based on the above discussion, the financial disclosure has become the most important part of financial disclosure with greater disclosure being reported in the annual report (Handi, 1999). Hence, many authors have given attention to financial disclosure and gave several definitions for financial disclosure. The following are some definitions presented in chronological order: Abdeen (1989) states that "*Disclosure aims to make sure that all material and relevant factors concerning the financial position and results of operating is communicated to users*" (P.51). Gibbins *et al.* (1990) defined financial disclosure as any deliberate release of financial information, whether numerical or qualitative, required or voluntary, or via formal or informal channels. Hussey (1999) provides a very comprehensive definition of financial disclosure as:

> "*The provision of financial and non-financial information on a regular basis, to those interested in the economic activities of an organisation, the information is normally given in an annual report and accounts, which includes financial statements and other financial and non-financial information. The annual report and accounts of limited companies is regulated by company legislation, accounting standards, and in the case of a quoted company, by stock exchange regulations*" (P.131). Gordan *et al.* (1999) defined the financial disclosure as:
>
> "*It can provide information that is useful for evaluating competitor banks*". Whereas, Riahi and Belkaoui (2000,

p.p205-206) state that disclosure is "*An expansion of the conventional accounting disclosure to accommodate all the other interest groups, in addition to investors and creditors, that have a vested interest in the affairs of the firm*" (P.3).

In addition, Glautier and Underdown (2001) referred to disclosure as: the process is one of providing sufficient quantitative and qualitative information to help investors to make predictions about future performance.

In another a definition, Gibbins (1999) cited in Al-Razeen and Karbhari (2004) said the disclosure is:

> "*Any financial information, quantitative or qualitative, that is deliberately released by the firm through formal or informal channels*" (P.351).

However, the problem of information disclosure is of considerable relevance to the banking industry since the very nature of the banking business involves advice about the issuing of stocks and public debt to investors. According to Spiegel and Yamori (2004), the determinants of disclosure decisions are still unknown, particularly among banks, and in order to formulate optimal disclosure policy. It is necessary to know what factors affect banks' disclosure decisions. Despite these limitations the financial report was recognised as a central component of a comprehensive disclosure system, and it is part of a wider disclosure process (Holland, 1998).

3.3 Benefits of financial disclosure

The benefits of financial disclosure should justify the costs of providing and using it. In the following set, the benefits of financial disclosure and cost will be briefly covered.

The benefits of disclosure have received attention from many authors. According to American Institute of Certified Public Accountants (1994), many insiders and outsiders are interested in financial disclosure, though their needs are different. The major benefit of extra disclosure is the reduction in the cost of capital. Lev (1992) argues that the major beneficiaries are, in general, the company's managers and its stakeholders.

Two largely unappreciated phenomena lead to this conclusion: disclosure has a significant effect not just on outsiders but also on managers' decisions and corporate activities; and a substantial and permanent information gap generally exists between company insiders and outsiders. The Basel Committee (1998) provides a list of the benefits of disclosure, not only for banks but also for the supervision process as well as the economy in general these benefits are:

» Market participants benefit from disclosure if they can use the information as a basis for making various types of economic decisions. High-quality public disclosure improves their capability to make informed decisions by:

(1) allowing them to more accurately assess a bank's financial strength and performance (2) increasing the credibility of information disclosed by a bank (3) demonstrating a bank's ability to monitor and manage its risk exposures, e.g., by the disclosure of quantitative and qualitative information about its risk measurement methodologies (4) □reducing market uncertainty.

» Disclosure helps prevent the occurrence of problems in banks. Enhanced public disclosure allows market discipline to work earlier and more effectively, thereby strengthening the incentives for banks to behave in a prudent and efficient manner. To the extent a bank's management knows its activities and risk exposure will be transparent, various actions by market participants can provide a strong incentive for bank management to improve risk management practices and internal controls. Market discipline based on adequate public disclosure can, therefore, be an effective complement to supervisory effort to encourage banks to maintain sound risk management systems and practices.

» Apart from being a condition for effective market discipline, there are other benefits of transparency to financial stability, market disruptions are likely to be greater if the flow of information is irregular, with long periods of good or no news and sudden releases of negative information. If disclosure is ongoing, the mechanisms of market discipline can work earlier and more effectively. Timely public disclosure can reduce the severity of market disruptions because market participants are informed on a more ongoing basis and therefore not as likely to overreact to information about current conditions.

» Public disclosure can also help limit the systemic effort of market disruptions by increasing the ability of the market in times of stress to distinguish those banks that are vulnerable from those that are not. Banks that are prone to hide or significantly delay disclosure of problems are likely to be more exposed to market overreaction than banks that have a track record of prompt and balanced disclosure.

» Furthermore, enhanced public disclosure can strengthen the control institutional shareholders can exercise over a bank's management by enabling a wide set of shareholders to participate effectively in the governance of the bank and by making the corporate governance process more transparent.

» Moreover, public disclosure can support specific supervisory measures designed to encourage banks to behave prudently by requiring banks to disclose whether or not they are in compliance.

» Finally, adequate public disclosure facilitates a more efficient allocation of capital between banks, since it helps the market to accurately assess assets and compare the risk and return prospects of individual banks.

Glautier and Underdown (2001) explained the benefits of financial disclosure as follows:

» The amount and quality of the information available to the market will be enhanced, which should help the efficiency of the market, and should also improve the market's ability to value the entity concerned.

» The control of investors over management and their decisions will be improved.

» Investors, while they will still have to make their own judgements about the past, present and future of the entity will be provided with a firmer foundation on which to base those judgements.

» The reputations of entities that take a forward-looking stance are normally enhanced.

In recent study, Page and Spira (2007) argue that disclosure is seen to be beneficial from three linked and overlapping perspectives: in securing corporate accountability and the exercise of good corporate governance , in enabling better investment decisions and the smooth running of capital markets, and in providing information for regulators.

In spite of above benefits of financial disclosure, Cullinan *et al.* (1994) believe that disclosure may bring about a negative impact on the disclosing banks. Gigler (1994) gave example of such negative impact such as a creation of competitive disadvantages by disclosing information that eventually benefits competitors. But he added that it is not if all banks comply with IAS 30.

3.4 Cost of financial disclosure

The development of a disclosure strategy, as that of any other strategy, involves the evaluation of benefits against costs, Eva (2007) stresses that the objective of financial disclosure of the term "quality" is to achieve maximum usefulness at a minimum cost. Lev (1992) said that the cost of disclosure can be broadly classified into two categories: the direct costs of processing and disseminating the information; and the indirect costs, include those resulting from the impact of disclosures on company decisions and activities, the competitive position cost, and litigation costs. He argues that the indirect cost can be substantial, yet no systematic evidence exists about the magnitude of these costs. While the direct costs are substantial, the incremental costs of implementing a disclosure strategy are probably of secondary importance, since much of the information required is routinely generated by a firm's accounting system. Botosan (1997) found that greater disclosure is associated with a lower cost of equity capital. Depoers (2000) argues that disclosure is significantly related to size, foreign activity and to a proxy for proprietary costs.

Nevertheless, Sengupta (2004) found in his study that costs and benefits of financial disclosure not only affect the nature of information to be disclosed but also the timing of such disclosure. Topping (2006) suggests that banks may take a little time to fully realise the benefit of improving their disclosure. But over the long run the benefits will more than outweigh the compliance costs.

3.5 Background of IAS 30

Economic globalization leads to integration of capital markets in the world and the process of that integration is inevitable and will accelerate. As the forces of globalization prompt more and more countries to open their doors to foreign investment and as business expands across borders, both the public and private sectors increasingly recognise the benefits of having a commonly understood financial reporting framework supported by strong globally accepted accounting and auditing standards (Wong, 2004). In this regard, Mansfield *et al.* (2004) stated that the continued globalisation of investment has led to revisions in various regulatory systems and to the development of internationally applicable standards.

To enhance international cooperation and provide a standing mechanism to respond to future international financial issues (e.g. to make comparison easier between different entities within a particular sector and mitigate informational asymmetry problems), the International Accounting Standards Committee (now IASB), has since its establishment, sought to develop standards that have universal applicability (Mir and Rahaman, 2005). In this regard, Zarb (2006) believes that a year of effort towards international accounting harmonization have culminated in the acceptance of accounting standards from the International Accounting Standards Board (IASB), and auditing standards by the International Federation of Accountants.

Bribesh (2006) defines the IAS, as authoritative statements of how particular types of transaction and other events should be reflected in financial statements. Meanwhile, in a recent definition, Floropoulos (2007) considers it as a set of accounting standards that can be used to bring about uniformity in financial reporting on a global basis.

The need for international standards arises from the increasing internationalisation of business and, in particular, the growth of international capital markets, in which there is a demand for accounting information that, is comparable across companies/banks that are located in different countries. Zarb (2006) stated that users of financial statements should be aware of the convergence initiative especially when operating in the global economy.

The users of financial statements of a bank need relevant, reliable and comparable information which assists them in evaluating the financial position and performance of the bank and which is useful to them in making economic decisions. IASB (2001) states that the purpose of financial statements is to provide investors, both current and potential, with relevant information that might help them in making their financial and economic decisions. Also FASB (2006) states that the objective of general purpose external financial reporting is to provide information that is useful to present and potential investors and creditors and others in making investment, credit, and similar resource allocation decisions. In addition, users need information which gives them a better understanding of the special characteristics of the operations of a bank. In this regard, FASB (2006) reported that standard setters, together with those who prepare financial reports, should take whatever steps are necessary and feasible to improve the clarity and conciseness of financial reporting information so that the intended users can understand it.

Alhajraf (2002) cited in his research some issues that the users of the financial statements of a bank (e.g. investors), are interested in. These include liquidity, solvency and profitability and the risks related to the assets and liabilities recognised on its balance sheet and off balance sheet items. Jolly and Vontalge (2004), in their study state that liquidity refers to the availability of sufficient funds to meet withdrawals and other financial commitments as they fall due, meanwhile solvency refers to the excess of assets over liabilities and, hence, to the adequacy of the bank`s capital. Gatev *et al.* (2006) pointed out that banks primarily use three funding sources to finance lending (customer deposits, equity capital and bonds) and a bank is liquid if it succeeds in meeting its commitments as they fall due. A major risk a bank runs is liquidity risk. It has been attributed to withdrawals related to deposits and their potential to trigger runs or panics.

According to Freixas and Rochet (1997), banking sector intermediation exists to mitigate informational asymmetry problems – financial frictions – between borrowers and lenders and how to manage their liquidity. Therefore, Alhajraf (2002) believes that banks must honour their commitments by making sure that there is enough liquidity to meet funding requirements. To ensure adequate liquidity, banks must monitor the gap between assets and liabilities in terms of maturities. Diamond and Dybvig (2000) point out during a bank run, depositors rush to withdraw their deposits because they expect the bank to fail. In fact, the sudden withdrawals can force the bank to liquidate many of its assets or borrow cash to meet its short term commitments.

Even though, Venkatachalam (1996) stresses that banks are exposed to a multitude of financial risks (e.g. interest rate risk, foreign exchange risk, credit risk, liquidity risk) due to the nature of their operations. These risks may be reflected in the financial statements, but users obtain a better understanding if management provide a commentary on the financial statements which describes the way it manages and controls the risks associated with the operations of the bank, (Hong Kong Accounting Standard 30). Therefore, financial reporting should include management's explanations and other information needed to enable users to understand the information provided. The usefulness of financial reports to investors, creditors, and others in forming expectations about an entity is enhanced by management's explanations of the information in them (FASB, 2006).

3.6 Issuing and developing the IAS by IASC (now IASB)

The disclosure of financial information is widely regarded as a necessary condition for market discipline in the modern financial sector (Spiegel and Yamori, 2003). In addition, increased transparency, achieved through the disclosure of timely and accurate information, should enable a bank to access the capital market more efficiently (Gordan *et al.*, 2000).

Therefore, the IASB carried out the task of issuing and developing accounting standards applicable to all kinds of business entities in all sectors aiming to reach international harmonization (Mostafa, 1994).

IASs have an important role globally as they enable similarity to be achieved regarding accounting disclosure in the financial statements (Alhajraf, 2002). A general understanding of the financial statements of different kinds of entities in different sectors might be beneficial for the financial statements users in order to evaluate an entity's financial position and performance (Sullivan, 2005).

The International Accounting Standards Committee (now IASB) started its work to issue standards about banks in March 1977 after discussion with the Basel Committee (Mostafa, 1994). In 1980 (IASC) issued a discussion paper dealing with the classification and explanation of the financial statements in the banks. Based on the responses from different participants, the IASC decided to issue a special standard for banks (Alhajraf, 2002). However it carried out field work in 1984 to examine and evaluate the ways of preparing and presenting the financial statements in banks. Finding that there was great similarity in that regard, the IASC reconsidered issuing a special standard related to the banking industry once a common basis had been found to establish such a standard. IASC (1984) started its work towards issuing a special standard for banks by issuing guidebook no 29 related to the footnote explanation about the financial statements (Mostafa, 1994).

In 1989, IASC presented exposure draft no 34 about the explanation of the financial statements of banks. This draft reflected the result of several discussions with Basel Committee representatives (http://www.iasplus.com). This reformatted International Accounting Standard superseded the Standard originally approved by the Board in 1990. It is presented in the revised format adopted for International Accounting Standards from1991 onwards (http://www.iasplus.com).

No substantial changes had been made to the original exposure draft. Certain terminology has changed to bring it into line with IASC practice. In 1998, paragraphs 24 and 25 of IAS 30 were amended. The amendments replace references to IAS 25, accounting for investments, by references to IAS 39, financial instruments: recognition and measurement. In 1999, paragraphs 26, 27, 50 and 51 of IAS 30 were amended. These amendments replace references to IAS 10, Contingencies and Events occurring after the Balance Sheet date, by references to IAS 37, provisions, contingent liabilities and contingent assets (Official Journal of the European Union, 2003). The Standard is important in the light of the significance of international trade and development. Basel Committee on Banking Supervision (2000) stated that accounting standards should satisfy three general criteria:

* Accounting standards should provide a prudent and reliable framework for the generation of high-quality accounting information in banks.

* Accounting standards should facilitate market discipline by promoting transparent financial reporting of the bank's financial position and performance, risk exposures and risk management activities.

* Accounting standards should facilitate and not constrain the effective supervision of banks.

Page and Spira (2007) state that users need information in order to make a broad range of economic decisions. In addition, the disclosure has become viewed as a tool of regulation. According to Hossain (2007) enterprises dealing across borders also, need reliable information about local institutions if they are to use them for their banking requirements.

Regulators and investors need reliable and consistent financial information when assessing the performance and health of financial institutions.

The nature of operations in the banking sector is different to any other institutions in regard to disclosure of financial information in financial statements. Disclosure of financial information in the banking sector is subject to security requirements more than other enterprises. However, Frolov (2004) regards the problem of information disclosure as of considerable relevance to the banking industry since the very nature of the banking business involves advice on the issuing of stocks and public debt to investors. Alhajraf (2002) in his research shared the same view when said the business characteristics of banks are sufficiently different from other enterprises to warrant a disclosure standard tailored to their needs.

IAS 30 aims to provide additional presentation and disclosure standards for banks and similar institutions, over and above those required by other standards to ensure availability of financial information which is useful to the financial statements users (http://www.iasplus.com). IAS 1 prescribes certain information to be included on the face of the income statement and balance sheet or in the notes to the accounts. Although, each component provides information that is different from the others, none is likely to serve only a single purpose or provide all the information needs for all users. Hence, the information contained in the notes to the accounts is of equal importance as the major statements such as the balance sheet and income statement, but the IAS 30 classification is more appropriate to banks (Sullivan, 2005). He added that an income statement should be presented grouping income and expenses by nature and disclosing the amount of the principal types of income and expenses. IAS 30 suggests banks should present a balance sheet, group assets and liabilities by nature and lists them in order that reflects their relative liquidity.

IAS 30 requires separate disclosure of certain income and expense items and assets and liabilities either in the statements or in the notes. These include the market value of dealing securities and marketable investment securities, an analysis of assets and liabilities into relevant maturity groupings, significant concentrations of assets, liabilities and off-balance sheet items by geographical area, customer or industry groups or other concentration of risks; and information concerning losses on loans and advances. Also IAS 30-44 stated that any amount set aside for loan losses in addition to those losses that have been specifically identified or which experience indicates are present in the portfolio should be accounted for as appropriations of retained earnings. Similarly, any amount set aside in respect of general banking risk, including future losses and other unforeseeable risks or contingencies, in addition to those for which accrual is required should be separately disclosed as appropriations of retained earnings. Disclosure should also be provided of the aggregate amount of secured liabilities and the nature and carrying amount of the assets pledged as security (IAS 30-50).

IAS 30 suggests that the required disclosure in the financial statements be accompanied by a management commentary which would expand and explain disclosure made in the financial statements. The standard encourages such disclosure, particularly when dealing with such matters as control of liquidity and risk. For example, many banks enter into transactions that are not recognized as assets or liabilities in the balance sheet but which gives rise to contingencies and commitments. Such off-balance sheet items are often an important part of the business of the bank and may have a significant bearing on the level of risk to which the bank is exposed. These items often derivative financial instruments add to or reduce other risks and may be entered into on behalf of the bank's customers or on the bank's own account (Alhajraf, 2002). In this regard, IAS 32 considers rules for the disclosure and presentation of on-balance sheet and off-balance sheet financial instruments in respect of an institution's financial position and performance (European Central Bank, 2003).

Verrecchia (2001), states that the main driver of disclosure is the intention to reduce information asymmetry, to fulfil disclosure rules, and to satisfy information users. In addition, the management commentary provides the bank with the opportunity to explain how it manages and uses derivative financial instruments in maintaining or enhancing its financial position.

The emphasis of IAS 30 on the enclosure of a management commentary is interesting especially in the light of recent developments which have seen a management commentary being mandated by a number of securities commissions and stock exchanges throughout the world. In many cases this management discussion and analysis is considered important for a proper understanding of the financial statements

In 2007, IAS 30 was superseded by IFRS 7. IFRS 7 Financial Instruments: Disclosures supersedes IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 Financial Instruments: Disclosure and Presentation

The IFRS 7 is required to be applied from 1 January 2007, but earlier application is encouraged (http://www.iasplus.com).

The scope of this research will focus on IAS 30 requirements despite it being superseded by IFRS 7 in 2007 as mentioned above. The reasons are: First, the problem with IFRS 7 is very recent implementation so little data will be available. Second, it is not required by the Central Bank of Libya so far, and IAS 30 is still relevant to Libyan banks (Central Bank of Libya, 2007).

3.7 IAS 30 objectives and importance

In the era of globalization, market economy and liberalization of trade, the importance of the banking system as well, as its smooth functioning, is very important (Haque and Islam, 2005). In addition, El-Shukri (2007) claims that the banking sector comprises of one of the most important and, at the same time, most sensitive, structural constituents of the economy of any country, because banks perform a number of important functions in the economy, such as promoting saving, playing intermediary roles, facilitating the flow of payments, allocation of credit and control of financial discipline for borrowers. Therefore, there is great interest from users such as depositors, creditors, financial analysts, shareholders, regulatory authorities and other authorities concerning the stability of the financial system (Hossain (2007). Therefore, disclosure in the financial statements of banks is of great interest to these parties as well as shareholders to enable them to understand the bank's activities, evaluate its financial position and performance and understand the monetary transactions within the banking industry (Mostafa, 1994). Lev (1992) points out that the major beneficiaries are, in general, the managers and stakeholders. Two largely unappreciated phenomena lead to this conclusion: disclosure has a significant effect not just on outsiders but also on managers' decisions and corporate activities; and a substantial and permanent information gap generally exists between insiders and outsiders.

IAS 30 aimed to provide additional presentation and disclosure standards for banks and similar institutions, over and above those required by other standards (IAS 1) to ensure availability of financial information which is useful to the financial statements users. For the purpose of evaluating the financial position and performance of the bank the users need relevant and reliable information. So, it was necessary to disclose sufficient information to meet users' needs and demands. This was to be achieved through issuing specific requirements that banks should meet (IAS 30).

3.8 Scope of IAS 30

Banks are defined as any financial institution, of which the main activities are to take deposits and to borrow with the objective of lending and investing and which is within the scope of banking or similar legislation (IAS 30.2). It applies to all enterprises where one of the principal activities is to take deposits and to borrow with the objective of lending and investing and which are within the scope of banking or similar legislation. Examples are banks, building societies, credit unions, savings and loan institutions and trust companies (Official Journal of the European Union, 2003). Several of the disclosures require a bank to rank assets and liabilities in terms of their relative liquidity, that is the length of time until an asset is realized or a liability is settled. Banks usually attempt to remain highly liquid to meet their commitments. Therefore their balance sheets typically include significant amounts of liquid assets and liabilities.

According to Mostafa (1994) most banks are required by their regulations to maintain specified solvency ratios. These regulations are designed to ensure that a financial institution does not expose itself to excessive risk. Difficulty exists in many parts of the world where financial institutions have invested heavily in commercial real estate and is a good example of the problem that can arise when an institution ties up excessive capital in non-financial assets. A result of their banking activities the financial institutions are exposed to a variety of risks. These include risks arising from currency fluctuations, interest rate movements, and changes in market prices and from counterpart failure. IAS 32 provides more details about these risks.

The IAS 30 deals with many items in the banks' financial statements. These items were classified into 11 groups by Mostafa, (1994), Talib, (1998), Hindi, (1999) and Alhajraf (2002) as follows:

1. Accounting Polices

In order to comply with IAS 1(presentation of financial statements), and thereby enable users to understand the basis on which the financial statements of a bank are prepared (Official Journal of the European Union, 2003). IAS 30 paragraph 8 suggests that the following items may need to be disclosed:

» Recognition of the principal types of income (paragraphs10and 11)

» Valuation of investments and dealing securities (paragraphs 24 and 25)

The distinction between those transactions and other events that result in the recognition of assets and liabilities on the balance sheet and those transactions and other events that only give rise to contingencies (paragraphs 26 and 29)

» The basis for the determination of losses on loans and advances and for writing off uncollectible loans and advances (paragraphs 43 to 49)

» The basis for the determination of charges for general banking risks and the accounting treatment of such charges (paragraphs 50 to 52)

2. Income Statement (paragraph 9)

A bank should present an income statement which grouping income and expenses by nature and discloses the amounts of the principal types of income and expenses (Official Journal of the European Union, 2003). IAS 30 paragraph 9 requires that a bank should prepare an income statement in which it groups income and expenditure by nature and discloses the amount of the principal types of income and expenditure.

Income

Paragraph 10 requires separate disclosure, either in the financial statements or in the notes, of a number of specific elements of net profit or loss. The disclosures in the income statement or the notes to the financial statements should include, but are not limited to, the following items of income and expenses (http://www.kpmg.dk/getMedia):

* Interest and similar income.

* Interest expense and similar charges.

* Dividend income.

* Fee and commission income

* Fee and commission expense.

* Gains less losses arising from dealing securities

* Gains less losses arising from investment in securities

* Gains less losses arising from dealing in foreign currencies

* Other operating income

* Losses on loans and advances

* General administrative expenses

* Other operating expenses.

IAS 30 paragraph 11 stipulates that the principal types of income arising from the operations of a bank include interest, fees for services, commissions and dealing results, should be disclosed separately in order that users can assess the performance of a bank. Such disclosures are in addition to those of the source of income required by IAS 14(now IFR 8) segment reporting.

Expense

To help users to assess the performance of a bank, paragraph 12 suggests that the principal types of expense arising from the operations of a bank should be disclosed as follows:

* Interest and similar expenses.

* Commissions.

* Losses on loans and advances (including late payments and bad debts).

* Charges for the reduction in the carrying amount of investment.

* General administrative expenses.

Gains and losses arising from each of the following are normally reported on a net basis:

* Disposals and changes in the carrying amount of dealing securities.

* Disposals of investment securities.

* Dealing in foreign currencies.

* Hedge transactions.

IAS 30 paragraph 17 states that interest income and interest expense are to be disclosed separately in order to give a better understanding of the composition of, and reason for changes in net interest. Net interest is a product of both the interest rate and the amount of borrowing or lending. It is desirable for the management to provide a commentary about average interest rates, average interest earning assets and average interest bearing liabilities for the period. According to IAS 30, each type of income and expense should be separately disclosed (Official Journal of the European Union, 2003).

Paragraph 13 stated that income and expense items are not offset except for those relating to hedges and to assets and liabilities that have been offset in accordance with IAS 32-42 (IAS 32) specifies that a financial asset and financial liability should be offset and the net amount reported when, and only when, an enterprise:(i) has a legally enforceable right to set off the amount; and (ii) intends either to settle on a net basis, or to realise the asset and settle the liability concurrently). IAS 30 also suggested that any assets /liabilities made available at non-commercial interest rates should be disclosed together with their effect on net income (Official Journal of the European Union, 2003).

3. Balance Sheet (paragraph 19)

The balance sheet sequence is to show groups of assets and liabilities in order of liquidity, most liquid first. IAS 30 paragraph 18-23 requires banks to present a balance sheet that groups assets and liabilities according to their nature and lists them in an order that reflects their relative liquidity. The balance sheet is not classified in terms of current and non-current assets and liabilities, because many assets and liabilities in a bank can usually be settled or realised in cash in the near future (Official Journal of the European Union, 2003). In addition to the requirements to disclose assets and liabilities contained in other IASs (for example, disclosure of share capital, fixed assets and deferred charges), IAS 30 paragraph 19 requires disclosure that is specific to banks. IAS 30 draws the distinction between balances with other banks, including the central bank, and those with other parts of the money market, usually evidenced by short-term financial instruments such as commercial paper and certificates of deposits, in order to provide an understanding of a bank's relations with and dependence on the wholesale and retail market. In addition, to the requirements of other standards, the disclosure in the balance sheet or the notes to the financial statements should include the following assets and liabilities:

Assets

According to IAS 30-19 the following assets should be disclosed:-

* Cash and balances with the central bank.

* Treasury bills and other Bills eligible for rediscounting with the Central Bank.

* Government and other securities held for dealing purposes.

* Placement with and loans and advances to, other banks.

* Other money market placements.

* Loans and advances to clients.

* Investment securities.

Liabilities

According to IAS 30-19 the following liabilities should be disclosed:-

* Deposits from other banks.

* Other money market deposits.

* Amount owed to other depositors.

* Certificates of Deposit.

* Promissory notes and other liabilities evidenced by paper.

* Other borrowed funds.

The distinction between balances with other banks and those with other parts of the money market, gives an understanding of a bank's relations with other banks and the money market. Some units of the money market insist on holding deposits of the bank, as security for the business transacted on its behalf (IAS 30-21). Hossain (2007) believes when banks depend on the Central Bank that means the bank suffers from lack of liquidity or solvency. Balances due from other banks are usually capable of being realised relatively quickly, whereas money market securities issued by a bank may have restrictions on their reliability (that is they must be redeemed in accordance with the terms of issue, or else at a premium). A bank discloses separately (IAS 30-21):

* Balances with the Central Bank.

* Placements with other banks.

* Other money market placements.

* Deposits from other banks.

* Other money market deposits.

* Other deposits.

Certificates of deposits (CD's)

According to IAS 30-22, a bank must disclose separately its own certificates of deposit from others. CD's are unsecured loans provided by investors to the bank. They are bearer promissory notes.

No offset (paragraph 23)

The offsetting requirements of IAS 32 supersede those in IAS 30 paragraph 23, which previously permitted, but did not require offsetting in similar circumstances. Assets and liabilities should not be offset unless a legal right of off-set exists and the offsetting represents the expectation as to the liquidation of the asset and liability. Alhajraf (2002) stated that banks are not excluded from the scope of IAS 32. They are therefore required to follow the provisions of IAS 32 paragraph 33 by offsetting financial assets and financial liabilities only when there is a legal right of off-set and parties intend to settle off-set or simultaneously .

Fair value (paragraph 24)

IAS 30 paragraph 24 requires disclosure of the fair (market) value of dealing securities and marketable investments if these values are different from the carrying amount in the financial statement. A bank should disclose the fair value of each class of its financial assets and liabilities as required by IAS 32 and IAS 39. A bank should disclose the fair values of its financial assets for the four classifications of financial assets set out in IAS 39:

* Loans and receivables.

* Held-to-maturity.

* Available-for-sale

* Financial assets at fair value through profit and loss (held for trading).

4. Contingencies and commitments including off- balance sheet items (paragraph 26-29)

According to IAS 10.3 this event is defined as an event, which could be favourable or unfavourable, that occurs between the balance sheet date and the date that the financial statements are authorised for issuing. Meanwhile, it says that an adjusting event is an event after the balance sheet date that provides further evidence of conditions that existed at the balance sheet, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. It also, gives explanation to a non-adjusting event: An event after the balance sheet date that is indicative of a condition that arose after the balance sheet (datehttp://www.iasplus.com/). The requirement of disclosure, in IAS 10.21 says that non-adjusting events should be disclosed if they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. The required disclosure is (a) the nature of the event and (b) an estimate of its financial effect or a statement that a reasonable estimate of the effect cannot be made. It also says in article 19 that a company should update disclosures that relate to conditions that existed at the balance sheet date to reflect any new information that it receives after the balance sheet date about those conditions. Finally, it declares that Companies must disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the enterprise's owners or others have the power to amend the financial statements after issue, the enterprise must disclose that fact (IAS 10.17). In addition, IAS 30 paragraph 26 contains specific requirements related to contingencies and commitments that are peculiar to the banking industry: A bank shall disclose the following contingent liabilities and commitments:

(a) The nature and amount of commitments to extend credit that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense; and

(b) The nature and amount of contingent liabilities and commitments arising from off balance sheet items.

The disclosure required by IAS 30 paragraph 26(b) deals with contingencies and commitments arising from various off-balance sheet items maintained by a bank. These will be supplemented by the disclosure required under IAS 32 and under IAS 39 "Financial instruments: Recognition and Measurement"

When IAS 32 and IAS 39 were revised in 2003, all of the disclosures about financial instruments that had been in the previous version of IAS 39 were moved to IAS 32. So IAS 32 Financial Instruments: Disclosure and Presentation now includes all financial instruments disclosure requirements and for disclosing information about them in IFRS 7 Financial Instruments: Disclosures (http://www.iasplus.com/).

On 22 July 2004, the IASB issued an exposure draft that would add certain new disclosures about financial instruments to those required by IAS 32 and would replace the disclosures required by IAS 30, and would put all of those financial instruments disclosures together in the new standard (IFRS 7). IAS 32 would then deal only with financial instruments presentation matters (http://www.iasplus.com).

The principal categories of disclosure requirements in IAS 32 (as issued in December 2003) relating to financial instruments is:

* Risk management policies and hedging activities; details of hedges;

* Terms, conditions and accounting policies – assumptions and methods applied;

* The entity's exposure to interest rate risk from financial assets and financial liabilities;

* The entity's exposure to credit risk, and

* The fair value of financial assets and financial liabilities.

In August 2005, the IASB issued a new standard, IFRS 7 to deal separately from IAS 32 with required disclosures relating to financial instruments. IFRS 7 is effective from 1 January 2007. The relevant paragraphs in IAS 32 are withdrawn (http:/www.iasplus.com). Also, IAS 37, provisions, contingent liabilities and contingent assets, deals generally with accounting for, and disclosure of, contingent liabilities. The standard is of particular relevance to banks because banks often become engaged in many types of contingent liabilities and commitments, some revocable and others irrevocable, which are frequently significant in amount and substantially larger than those of other commercial enterprises (Official Journal of European Union, 2003).

Many banks also enter into transactions that are presently not recognised as assets or liabilities in the balance sheet, but which give rise to contingencies and commitments. Such off balance sheet items often represent an important part of the business of a bank and may have a significant bearing on the level of risk to which the bank is exposed. These items may add to, or reduce, other risks, for example by hedging assets or liabilities on the balance sheet. Off balance sheet items may arise from transactions carried out on behalf of customers or from the bank's own trading position (Official Journal of European Union, 2003).

The users of the financial statements need to know about the contingencies and irrevocable commitments of a bank, because of the demands they may put on its liquidity and solvency and the inherent possibility of potential losses. Users also require adequate information about the nature and amount of off balance sheet transactions undertaken by a bank (Official Journal of European Union, 2003). According to IAS 37 paragraph 68, for each class of recognised non-financial liability, an entity shall disclose the carrying amount of the liability at the period-end together with a description of the nature of the obligation. For any class of recognised non-financial liability with estimation uncertainty, an entity shall also disclose:

(1) a reconciliation of the carrying amounts at the beginning and end of the period showing:(i) Liabilities incurred;(ii) Liabilities derecognised;(iii) Changes in the discounted amount resulting from the passage of time and the effect of any change in the discount rate; and (iv) Other adjustments to the amount of the liability (e.g. revisions in estimated cash flows that will be required to settle it).

(2) The expected timing of any resulting outflows of economic benefits.

(3) An indication of the uncertainties about the amount or timing of those outflows. If necessary to provide adequate information, an entity shall disclose the major assumptions made about future events, as described in paragraph 41.

(4) The amount of any right to reimbursement, stating the amount of any asset that has been recognised for that right.

IAS 37 Paragraph 69 stets that if a non-financial liability is not recognised because it cannot be measured reliably, an entity shall disclose that fact together with: (1) A description of the nature of the obligation; (2) An explanation of why it cannot be measured reliably;(3) An indication of the uncertainties relating to the amount or timing of any outflow of economic benefits; and (4) The existence of any right to reimbursement (American Security Council Foundation, (ASCF, 2005). Meanwhile, paragraph 70 states that in determining which non-financial liabilities may be aggregated to form a class, an entity considers whether the nature of the items is sufficiently similar for a single statement about them to fulfil the requirements of paragraphs 67-69. Thus, it may be appropriate to treat as a single class of non-financial liabilities amounts relating to warranties of different products, but it would not be appropriate to treat as single class amounts relating to normal warranties and amounts subject to legal proceedings (ASCF, 2005).

Paragraph 71 states that in extremely rare cases, disclosure of some or all of the information required by paragraphs 68 and 69 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the non-financial liability. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed (ASCF, 2005).

5. Maturities of assets and liabilities (paragraph 30-39)

A bank should disclose an analysis of assets and liabilities into relevant maturity groupings, based on the remaining period to maturity dates (IAS 30-30). IAS 30 paragraph 30 requires banks to disclose an analysis of assets and liabilities in maturity groupings based on the period remaining at the balance sheet date to the contractual maturity date. This information provides a measure of liquidity and is quite different from the current/non-current classification, which is based on a rather arbitrary assessment of when the individual assets and liabilities will be realised (Alhajraf, 2002).

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of a bank and that an unmatched position potentially enhances profitability but can also increase the risk of losses (IAS 30 - 31). The disclosure required by paragraph 32 assists users in assessing the liquidity of a bank and its exposure to currency rate and interest risk. The standard suggests grouping maturities as follows (IAS 30 – 33):

- Up to one month.

- From 1 month to three months.

- From 3 months to 12 months.

- From 1 year to five years.

- From 5 years and over.

When repayment is spread over a period of time, each instalment is located to the period in which it is contractually agreed to be paid, or received. It is essential that the maturity periods adopted by a bank are the same for assets and liabilities. This makes clear the extent to which the maturities are matched and the dependence of the bank on other sources of liquidity (IAS 30 – 34). IAS 30 paragraph 35 suggests maturities may be expressed in term of:

* The remaining period to the repayment date (for liquidity risk).

* The original period to the repayment date (risk from rescheduling).

* The remaining period to the next date at which interest rates may be changed. http:(www.iasplus.com):

Classification according to the first alternative (original period to maturity date) would maintain consistency between IAS 30 and IAS 7, but would be the least helpful in terms of reflecting the current liquidity position (Alhajraf, 2002).

Liquidity risk

The analysis of assets and liabilities by their remaining periods to the repayment dates provides a good basis to evaluate the liquidity of a bank. Although deposits may be withdrawn on demand and advances made may be repayable on demand, in practice they are often maintained for long periods without withdrawal or repayment (often referred to as "core" deposits / advances). So the effective date of repayment is later than the contractual date. A bank may also disclose repayment maturities based on the original period to the repayment date in order to provide information about its funding and business strategy. Some assets of a bank do not have a contractual maturity date (IAS 30 – 36). The assumed maturity date is taken as the expected date on which the assets should be realised (IAS 30 – 37). An evaluation of the liquidity of a bank from its maturity groupings is based on local banking practices, including the availability of funds to banks. In some countries, short-term funds are available, in the normal course of business, from the money market or, in an emergency, from the central bank. In other countries, this is not the case (IAS 30 – 38). To provide users with a full understanding of the maturity groupings, the disclosures may need to be complemented by information as to the likelihood of repayment within the remaining period (IAS 30 – 39).

Interest risk

A bank may disclose maturity groupings based on the remaining period to the next date at which interest rates may be changed, in order to demonstrate its exposure to interest rate risks.

Foreign exchange risk

Maturity analysis by currency measures the exposure to movements in the currency. Management may provide information about the effective periods and about the way it manages and controls the risks and exposures associated with different maturity and interest rate profiles.

6. Concentrations of assets, liabilities and off-balance-sheet items (paragraph 40-42)

According to IAS 30 paragraph 40-42, a bank should disclose any significant concentrations of its assets, liabilities and off-balance-sheet items. Such disclosures should be made in terms of geographical areas, client or industry groups, currencies or other concentrations of risk. These disclosures may occasionally be the same as some of the disclosure made for the purpose of complying with IAS 14, now IFRS 8 (Reporting Financial Information by Segment), but will usually supplement them. Mostafa (1994) and Alhajraf (2002) stated that the disclosures help users to identify concentration of lending to areas considered particularly risky. Users can also analyze mismatches and risk concentrations across time to identify trends in risk exposure. All these capabilities allow financial institutions to make more informed decisions in risk management (Hossain, 2007). A bank should disclose significant concentrations in the distribution of its assets and liabilities to indicate the potential risks (IAS 30-40). Such disclosures are made in addition to any segment information required by IAS 14 (now IFRS 8).

7. Losses on loans and advances (paragraph 43-49)

IAS 30 does not specify how a bank should identify and account for loans in respect of which it believes it will not recover all amounts of principal and interest in accordance with the original terms and conditions (Mostafa, 1994). IAS 30 does require detailed disclosure of the accounting policies followed in determining and measuring losses, as well as noting disclosure of the movements in the provisions for losses, the aggregate provision for losses at the balance sheet date and any recovery of amounts previously provided (Alhajraf, 2002). IAS 30 paragraph 43-49 suggests that a bank should disclose the following:

(i) The policy under which uncollectible loans and advances are recorded as an expense and written off.

(ii) The movements in the provision for losses on loans and advances during the period. It should disclose separately the:

1. Amount recognised as an expense in the period for losses on uncollectible loans and advances,

2. The amount charged in the period for loans and advances written off.

3. The amount credited in the period for loans and advances previously written off that have been recovered.

(iii) The aggregate amount of the provision for losses on loans and advances at the balance sheet date.

(iv)The aggregate amount included in the balance sheet for non-accruing loans and advances and the basis used to determine the carrying amount of such loans and advances.

Changes in specific loan loss provisions and general loan loss provisions are recorded as an expense and the total provision is deducted from the carrying amount of loans and advances. Management must apply its assessments consistently from period to period. The impact that losses on loans and advances have had on the financial position and performance of the bank helps in judging the effectiveness and efficiency of the management. Therefore, a bank discloses the aggregate amount of the provision for losses on loans and advances at the balance sheet date and the movements in the provision during the period. The movements in the provision, including the amounts recovered during the period that had been previously written off, are shown separately.

Non-accruing loans

A bank may decide not to accrue interest on a loan or advance, for example when the borrower is in arrears with respect to the payment of interest or principal. Also a bank should disclose the aggregate amount of loans and advances at the balance sheet date on which interest is not being accrued and the basis used to determine the carrying amount of such loans and advances. In addition, a bank should disclose whether it records interest income on such loans and advances and the amount of the non-accrual of interest (IAS 30- 48).

Uncollectible loans

A bank should disclose its policy for writing off uncollectible loans and advances. According to IAS 30, the amount of loans written off during the period must be shown (IAS 30- 49). Rosenberg *et al.* (2003) argue that according to IAS 30 requirements, the policy governing the amount written off should be stated clearly and in detail, including how other accounts are affected by the write-off.

8. General banking risks

According to IAS 30-50 any amounts set aside for general banking risks, including future losses and other unforeseeable risks or contingencies should be separately disclosed as appropriations of retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and should not be included in the determination of net profit or loss for the period (Official Journal of European Union, 2003).

IAS 30 paragraphs 50-52 discuss the required accounting treatment for provisions for general banking risks, that is, any amount set aside by a bank in respect of losses on loans or future losses and other unforeseeable risks for contingencies. In this paragraph, amounts set aside for general banking risks, including future losses and contingencies, should be separately disclosed as appropriations of retained earnings (IAS 30-50). These will be shown as other reserves within equity. Any reduction of these amounts should increase retained earnings and should not be included in the net profit for the period. This is necessary to avoid the overstatement of liabilities, understatement of assets, undisclosed accruals and provisions and the opportunity to distort net income and equity. Mostafa (1994) argues that the standard does not permit such provisions to pass through the income statement and requires that any such charge and the credits resulting from reductions in these provisions, be treated as a direct charge or credit to retained earnings.

9. Assets pledged as security (paragraphs 53-54)

According to IAS 30.53, a bank should disclose the aggregate amount of secured liabilities and the nature and amount of the assets pledged as security. Meanwhile, IAS 30-54 stated that in some countries, banks are required, either by law or custom, to pledge assets as security to support certain deposits and other liabilities. Also the amounts involved may be substantial and have a significant impact on the assessment of the financial position of a bank (Official Journal of European Union, 2003).

10. Trust activities (paragraph 55)

Banks often hold assets on behalf of individuals, trusts, pension funds and other institutions. These are not assets of the bank and therefore, are not included in its balance sheet (Mostafa, 1994). IAS 30.55 suggests disclosure of trust activates if the bank is engaged in significant trust activities that are acting as trustee or surety. Disclosure of that fact and an indication of the extent of those activities should be made in its financial statements because of potential liability if it fails in its fiduciary duties (Official Journal of European Union, 2003).

11. Related party transactions (paragraphs 56-58)

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged (IAS 24.9).

Related parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions (Haque and Islam, 2005). IAS 24 (now IFRS 8)deals only with the enterprises that are directly or indirectly controlled by reporting enterprise, associates or individuals owing directly or indirectly, the voting right of the reporting enterprise or key management personnel http:(www.iasplus.com).

Prior to the 2003 revision of IAS 24, state-controlled entities were exempted from the related party disclosures. That exemption has been removed in the 2003 revision. Therefore, profit-oriented state-controlled entities that use IFRS are no longer exempted from disclosing transactions with other state-controlled entities (http:// www.iasplus.com).

Relationships between parents and subsidiaries, regardless of whether there have been transactions between a parent and a subsidiary, an entity must disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so must also be disclosed (IAS 24.12). Related party transactions, if there have been transactions between related parties, disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. These disclosures would be made separately for each category of related parties and would include (IAS 24.17-18):

* The amount of the transactions.

* The amount of outstanding balances, including terms and conditions and guarantees.

* Provisions for doubtful debts related to the amount of outstanding balances.

* Expense recognised during the period in respect of bad or doubtful debts due from related parties.

Examples of the kinds of transactions that are disclosed if they are with a related party include:

* Purchases or sales of goods.

* Purchases or sales of property and other assets.

* Rendering or receiving of services.

* Leases.

* Transfers of research and development.

* Transfers under licence agreements.

* Transfers under finance arrangements (including loans and equity contributions in cash or in kind).

* Provision of guarantees or collateral.

* Settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

Rules relating to banks' dealings with related parties vary from country to country (Alhajraf, 2002).Certain transactions between related parties may be effected on different terms from those with unrelated parties (IAS 30-57). Even when related party transactions arise in the ordinary course of a bank's business disclosure is required by IAS 24.

IAS 30 paragraph 56-58 discusses the disclosure that would normally be made in respect of related party transactions and balances. As with any related party transaction, the very fact that the parties do not deal with each other at arm's length means that the transaction between related parties may be effected on terms that differ from those that would be achieved in the open market. Such transactions, even those arising from ordinary operations, should be disclosed. These disclosures provide useful information about the activities and customers of the bank. In particular, disclosure should be made of the bank's lending policy in relation to related parties. For transactions with related parties, the bank should disclose:

-The nature of the related party relationship,

-The types of transactions.

-The elements of transactions.

The elements that would normally be disclosed under IAS 24 include a bank's lending policy to related parties and in respect of related party transactions, the amount included in or the proportion of(IAS 30 – 58):

(i) Each of, loans and advances, deposits and acceptances and promissory notes. Disclosures may include the aggregate amounts outstanding at the beginning and end of the period, as well as advances, deposits, repayments and other changes during the period

(ii) The principal types of income, interest expense and commissions paid.

(iii) The expense recognised in the period for losses on loans and advances and the amount of the provision at the balance sheet date.

(iv) Irrevocable commitments and contingencies and commitments arising from off-balance-sheet items.

3.9 Chapter summary

The primary purpose of this chapter is to provide some definitions which have been presented by some authors regarding financial disclosure, and discusses the benefits and costs of financial disclosure. This chapter ends by giving a background about issuing and development of IAS 30, followed by objectives, importance and scope of IAS 30.

In the light of the above description of IAS 30, chapter six will concentrate on observing IAS 30 from two perspectives; first, by asking the financial statements' users to address their opinions regarding two issues: financial disclosure in the Libyan bank's financial statement and how these statements meet their needs. Second, by gauging the level of financial disclosure in the banks' financial statements in Libya compared with the requirements of IAS 30.

CHAPTER FOUR

LITERATURE REVIEW

4.1 Introduction

This chapter reviews the background and literature of financial disclosure, outlining practice applications in this area. It analyses critically a range of the existing literature on financial disclosure. The main purpose of this review is to identify any literature which provides the collective experience relevant to the research informing methodology.

The focus of this study is on the users' opinions to financial disclosure and how financial statements satisfy their needs. In addition, the study identifies the level of financial disclosure in the Libyan banks' financial statements. It examines the attitudes and perceptions within the Libyan context by identifying and analysing various users' views regarding financial disclosure, and financial disclosure practices within the Libyan banks compared with the requirements of IAS 30.

The chapter is organised into four sections followed by a summary. The first section deals with the purpose of the literature review. The second section discusses the characteristics of the literature. The third section presents the relationship between the literature review and this study. The last section identifies the literature gap followed by the summary chapter.

4.2 The purpose of the literature review

Gaining a better understanding of the subject requires a review of the prior literature. Searching the literature aims to identify as many analyses of secondary data as possible which are relevant to the research subject. According to Collis and Hussey (2003), the literature review aims to show that you know the literature and you have the intellectual capacity to read it and criticise it constructively.

There has been a growing interest regarding financial (Al-Saeed, 2006). Many authors have tended to come up with more than one definition of financial disclosure, but there is still a wide range of interpretations, because disclosure is not associated with specific users or a particular industry Inchausti (1997) states that there is no association between industry and level of financial disclosure. According to Bukh *et al.* (2005), the characteristic of the industry play a greater role in the assessment of how much information should be disclosed. Every user requires some financial disclosure, and users of financial statements still demand more information. Anderson and Epstein (1995) found that investors demand additional accounting information in annual reports. Therefore, knowing different needs and demands of users allows us to suggest that financial disclosure has more than one definition.

4.3 Characteristics of the Literature

This section is designed to analyse the literature available on financial disclosure in financial statements of the banking sector. The approach used is aimed at determining the extent to which previous studies are relevant to this research.

In the following, all relevant studies either in English and Arabic that have been carried in the area of financial disclosure and the importance of annual reports will be reviewed.

Reviewing the literature as can be seen later showed that few studies have been carried out to assess, examine and evaluate the financial disclosure in the banking industry in particular. Such literature helps in forming a structure for this study, and identifying general conclusions from previous studies that could be related to this study. Furthermore looking at previous studies was helpful in analysing the different methodologies and techniques that have been used, in order to decide which is the most appropriate for this study (Al-Saeed, 2006).

4.4 Previous Studies

Academic literature both in Arabic and English was researched to determine the relevant materials for this research. According to Alhajraf (2002) many studies examined the link between financial disclosure and many aspects such as international accounting standard setting, users' opinions, regulations, investors' needs, industry sector and adequacy (see Cohen, 1982, Inchausti, 1997, Rosengren, 2000 and Botosan, 2006). In addition, some of them dealt with standardisation (see Kahal and Belkaoui, 1981 and Rosengren, 2000).

Bribesh (2006) and Karim and Ahmed (2006) agreed that, there is a paucity of studies involving financial disclosure in the banking sector. They pointed out that this area has not received attention form Libyan researchers. In this regard little reference has been made in the literature to the developing countries, such as Mostafa (1994); Talib (1998); Handi (1999) and Alhajraf (2002).

Satisfaction with financial information included in the annual report that was published by the Libyan banks has also not received any attention from researchers (Bribesh, 2006). In other contexts (e.g. Jordan, Kuwait, Saudi Arabia and Iran), the satisfaction with financial information included in the annual report has been investigated in a number of studies whether in the banking sector or companies (see for instance, Solas and Ibrahim, 1992; Naser *et at.* 2003; Mirshekary and Saudagaran, 2005).Therefore, this study will concentrate on research that has been carried out in other countries.

In terms of compliance with IAS 30, Basoglu and Goma, (2007) state that a few studies were carried out in developing countries to assess the level of compliance with IAS 30 requirements, and none of them were carried out in the context of Libya. Other studies have pointed out similar results Barth *et al.* (2005) found there are few studies that analyse the quality of financial statements prepared under IAS requirements. Karim and Ahmed (2006) discovered that developed countries fully comply with IAS 30 requirements. A few studies are available were carried out in developing countries such as:

Mostafa (1994) and Alhajraf (2002) on Kuwait, Talib (1998) and Handi (1999) on Egypt, Hussain *et al.* (2002) on GCC countries, Bhuiyan and Kamal (2003), Haque and Islam (2005) and Islam and Hepp (2005) on Bangladesh, Sejjaaka (2005) on Uganda, and none of them were carried out in the context of Libya.

The following section provides a brief review of these studies. The studies will be presented in chronological order, from the earliest to the current:

4.4.1 Benjamin and Stanga (1977)

The authors sought to investigate the perceived information needs of two groups in the United States (commercial banks loan officers and professional financial analysts). To achieve their aim, the authors designed a questionnaire approach including 79 kinds of information that bankers and financial analysts might need for decision-making purposes. 1200 questionnaires were distributed among two groups, divided equally between them. At the end of study, 208 questionnaires were completely received from bankers and 207 from financial analysts making an overall response rate of 34 %. To find out whether there is any significant between the two groups, the following hypothesis was set up and tested:

» There is no difference between the perceived importances of financial information for the two groups.

In general, the authors found that differences do exist between financial information users, in term of their needs and objectives, and 64.6 % of the information items were considered differently.

4.4.2 Da Costa et al (1979)

The authors examined the link between the information needs of business groups and the internationalization of accounting. To fulfil the aim of the study, the authors used a questionnaire approach for collecting their data. The sample comprised responses of sample of 245 bankers, financial managers, investment analysts, institutional investors, and stockbrokers in seven countries in Europe and North America. The fundamental idea of their study was that important national users groups have common needs. This would be reflected in the similarity of accounting practices in those countries. Where previously separate national user groups evince similar value systems, one would expect a parallel development within the separate national accounting professions and practice they employ. The authors concluded that there was no case to support the claim that international convergence has occurred between users' needs and accounting practice.

4.4.3 Wallace (1988)

The author studied and compared the information needs of six user groups of financial reports in Nigeria with the needs of similar users in some developed countries. A questionnaire survey was distributed among Nigerian accountants for gathering data for this study. The major conclusion from this study is the lack of consensus between accountants as user- groups on the one hand and all other user groups on the other hand. The study also showed that, compared to users in some developed countries, Nigerian users do not perceive the same set of information items as very important.

4.4.4 Gniewosz (1990)

The author investigated the use of accounting and other relevant information. The research sample was the share investment decision process of institutional investors in Australia. To achieve the research aim, the author used a questionnaire approach to collect a qualitative data. Moreover, an analysis of case study was followed to reveal the research findings. The analyses occurred that the significance of the annual reports as an information source changes over the period of one year. He also pointed out that the significance of the annual report varies from serving as a primary information source to serving in a confirmatory role. In addition, the author discovered that the annual report acts as a motivation for identifying specific questions rather than merely as a source of information in response to prior questions.

4. 4. 5 Solas and Ibrahim (1992)

In their study, the authors analyzed the perceived usefulness and reliability of a set of twenty-three financial disclosure items, as well as five sources of information, for investment decisions using a sample of eighty-nine institutional and individual investors in two Middle Eastern countries (Jordan and Kuwait). Data were collected through questionnaires and were analyzed using parametric and nonparametric statistics to test for differences between the two user groups within each country and between the two countries.

The results reveal that there is a significant difference in the perceived importance of the special financial reports, as a source of information, between institutional and individual investors in both countries ($P = .092$). The results also indicate that there is a significant difference in the perceived usefulness of seven items out of twenty three financial items between investors in Jordan and Kuwait ($P = .065$). However, the difference in the perceived reliability of the items was significant for nine different items ($P = .063$).

4.4.6 Vergoossen (1993)

The research findings reported in this paper focus on the use and perceived importance of annual reports by investment analysts in the Netherlands. The study was undertaken among a member Dutch Association of Investment Analysts by means of a postal questionnaire survey. The research findings are compared with those of similar studies in the United States, the United Kingdom and New Zealand. Three main categories of investment analysts are distinguished via investment advisers, portfolio managers and directors/heads of department. The annual report appears to be a vital, though not sufficient source of information to investment analysts. However, there are some clear differences between the three categories concerning the use and perceived importance of (parts of) the annual report. The research findings are to a large extent, consistent with the results of similar studies among investment analysts from abroad.

4.4.7 Ibrahim and Kim (1994)

The authors assessed the degree of consensus on the perceived importance of items of disclosure using a sample of 311 Egyptian subjects representing four groups of financial statement users (i.e., Managers, investors, financial analysts, and accountants). To collect their data, a questionnaire approach was used. Meanwhile, Krukal- Wallis and Mann-Whitney tests were applied to test for differences between user groups. The analysis revealed a medium level of consensus between accountants and managers and between accountants and financial analysts. The study showed also the overall level of consensus was about 57 % when the data were pooled for all of the four user-groups.

4.4.8 Mostafa (1994)

The author investigated Kuwaiti banks' compliance with IAS 30 requirements. To meet with the research objectives the following hypotheses were set up and tested:

» There are no significant differences between the Kuwaiti banks in terms of the information they disclose in their annual reports.

» There are no significant differences between the disclosure practices of the Kuwaiti banks and the disclosure requirement as stated in IAS 30.

The author provided an index encompassing all the required items to be disclosed according to IAS 30 requirements. The author grouped the IAS 30 into 11groups with a total of 117 items, which IAS 30 demanded to be disclosed. Then the author provided a 5 point scale by which the disclosure level of each of the above 117 items were rated as follows: -

» 5 points to be assigned to an item that was disclosed according to IAS 30

» 4 points to be assigned to an item which was disclosed according to IAS 30 but in a different way, probably in the footnotes which are part of the financial statements.

» 3 points to be assigned to an item which was not really disclosed according to IAS 30 and more information was still needed for the reader to understand it.

» 2 points to be assigned to an item that was disclosed in a totally different way from that stated in IAS 30.The item could be disclosed as part of other items, offset with other items or disclosed qualitatatively.

»1 point assigned to item that was not disclosed at all, nor mentioned in the footnotes.

To test the hypotheses two tests were used. The Kruskal-Wallis test was applied to test the first hypothesis. In general, this test showed that a significant difference was found to exist between the Kuwaiti banks in terms of disclosure. Meanwhile, the Wilcoxon Signed test was followed to test the second hypothesis.

The test revealed that Kuwaiti banks are not in line with IAS 30 requirements, and significant differences between the disclosure practices within the Kuwaiti banks' financial statements and the requirements of IAS 30 existed. Mostafa (1994) found that out of 117 items required by IAS 30, 65 items representing 55.6 % of the total items were not in line with IAS requirements. Meanwhile, 52 items representing 44.4 % of the total items were disclosed according to IAS 30 requirements. The author also discovered that a different attention was given by the Kuwait banks for many parts required by IAS 30. For instance, 50 % (3 out of 6 items) of contingence and commitment's items were disclosed according to IAS 30 requirements. Meanwhile, 53 % (8 out of 15 items) and 68 % (13 out of 19 items) of income statement and balance sheet's items also were disclosed in the line with IAS 30 respectively.

4.4.9 Shuaib and Douglas (1996)

This study was concerned with examining how financial disclosure enhanced compliance with IAS 30 in Kuwait. To achieve this study the authors used the published annual reports from eight banks for the year

1995, and compared them with the published annual reports for the year 1982. The authors aimed to provide information on how Kuwaiti banks reports compare with other countries. The study showed that accounting practice in the Kuwaiti banking industry had improved compared with the 1982 report. Shuaib and Douglas (1996) believe that such improvement was due to the implementation of IAS 30.

4.4.10 Abu-Nassar and Rutherford (1996)

This article analyses the way in which users of external financial reports view those reports in a less developed country (Jordan). The questionnaire was administered to 100 institutional shareholders, 100 bank loan officers, 27 stockbrokers, 36 academics and 200 individual shareholders. Since the total population of academics and stockbrokers is relatively small in Jordan, it was decided to survey all members of these two groups. The samples of bank loan officers and institutional shareholders were drawn at random.

What different user groups say about the extent to which they use reports is examined together with what they say about the number of reports read and the time spent reading them. Most users consider that they make at least moderate use of annual reports. The pattern of usage of the individual report sections is broadly consistent with that in developed countries except that greater attention is given to auditors' reports. Users complained of a lack of comparability and consistency between different financial institutions within a single industry such as banks and about lack of reliability. By comparison with developed countries, users relied more heavily on information obtained from the annual report. All these findings may reflect the financial reporting environment to be found in a less developed country. Users do not perceive themselves to suffer from significant difficulty in understanding financial information.

4.4.11 Al-Mubarak (1997)

Using a questionnaire survey, the author examined the usefulness of the annual reports to the investment analysts in Saudi Arabia. He analysed 126 responses and found that the annual reports were the most important source of information to the analysts (86 % of the total sample), the income statements, followed by the balance sheet were the most important part of the report to most of the analysts in the Al-Mubarak's study. He found also that the most important factor the analysts believed will increase their confidence in the annual reports is the mandating of a standard format for the reports.

4.4.12 Talib (1998)

In this study, the author sets two aims, firstly, to examine whether there are any differences between what Egyptian banks disclose in their financial statements as a whole compared with the requirements of IAS 30. The second aim is to assess whether there are any significant differences among users' opinions concerning financial disclosure. To fulfil his objectives, the author formulated two hypotheses:

1) There is no difference between what Egyptian banks disclose in their financial statements as a whole compared with the requirements of IAS 30.

2) There is no significant difference among users' opinions concerning financial disclosure.

To test the first hypothesis, the index method was applied to find out whether there are differences between what Egyptian banks disclose compared with IAS 30 requirements. Meanwhile, the Mann-Whitney test was applied. The author grouped IAS 30 requirements with 117 items and 11 groups. He generated a 5 point scale to weight each item according to the way it was disclosed. He rates each of 117 items which IAS 30 requires to be disclosed as Mostafa (1994) did.

To obtain the users' opinions concerning financial disclosure, the author distributed a questionnaire survey among five user groups. Meanwhile, Chi-square was used to test whether there is any significant difference. The study revealed that in general, the Egyptian banks do not comply fully with IAS 30 and significant differences exist between users of financial statements regarding financial disclosure. The author also, found that the

Egyptian banks did not comply well with IAS 30 and financial disclosure needs to be improved to meet IAS 30 requirement. For example, the Egyptian banks disclosed 13 items out of 19 involving the balance sheet. Meanwhile, 10 items out of 15 related to income statements were disclosed. The study also revealed different views about financial disclosure and importance of annual report exist between user groups. For instance, Talib (1998) in his study found that participants gave high level of attention for some sections of annual report. For instance, they preferred income statement, balance sheet, reserves and footnotes are very important to be included financial statements. In addition, the study also revealed that users in Egypt agreed that financial statements should be audited before presenting to user groups. Knowledge about IAS 30 was found among user groups in Egypt.

4.4.13 Handi (1999)

In his study, the author focused on the level of financial disclosure within the Egyptian banks and views of users of financial statements regarding financial disclosure. The level of financial disclosure in Egyptian banks was examined to see whether Egyptian banks disclose financial disclosure in their financial statements according to IAS 30 requirements or not. Meanwhile, a questionnaire approach was conducted to gain views of financial statements' users in Egypt regarding the financial disclosure. Handi (1999) followed Talib's (1998) hypotheses, but he extended his sample to thirty three banks and seven groups of financial statements' users. The study revealed the following results:

The author agreed with Talib (1998), when he found that there were significant differences between what the Egyptian banks disclose in their financial statements compared with the requirements of IAS 30 and significant differences existed among users of financial statements concerning financial disclosure and the importance of the annual reports.

He agreed that the Egyptian banks did not comply with respect to the enhancement of financial disclosure. In addition to these, he also found that the financial disclosure in financial statements needs to be raised to meet with IAS 30 requirements, and the Central Bank in Egypt needs to adopt more regulations for enhancing financial disclosure. The Egyptian banks also disclose items differently and significant differences existed between what and how they disclose items in their financial statements compared with the requirements of IAS 30. The Egyptian banks gave higher scores to disclosure of items related to the income statement and the balance sheet more than other items. For example, the Egyptian banks disclosed 15 items out of 19 items related to the balance sheet. Meanwhile, 11 items out of 15 items related to the income statement were disclosed. In the line with this result, the study also found that users in Egypt gave different opinions towards the importance of annual reports, for example, they ranked the balance sheet and income statement as the two most important section of the annual report respectively. The provision of credit rating and reserves also have received higher level of attention when they ranked as very important information to be included in financial statements in Egypt. Despite, there were significant differences between user groups concerning financial disclosure; the author agreed with Talib (1998) that there is level of knowledge and awareness between user groups about the use of IAS 30 requirements.

4.4.15 Rahman (2000)

The author investigated whether the banks in the East Asia region comply fully with the requirements of IAS 30. The study covered five countries (Korea, Thailand, Indonesia, Malaysia and Philippines). The sample comprised 34 banks which operated in these countries. The study aims to test five main parts covered by the IAS (Related Party, Foreign currency, financial instruments, segment information and additional disclosure) by using the index method. The overall results revealed that a lack of compliance with applicable IAS 30 is far from unique to the East Asian region. The results also showed that there is a gap between the actual practices and requirements of IAS 30 and the related party, foreign currency, financial instruments, segment information and additional disclosure were disclosed differently with IAS 30 requirements

4.4.16 Hussain *et al.* (2002)

The authors in this study analysed the level of compliance with IAS30 followed by the banks in the Gulf Cooperation Council (GCC) countries (Bahrain, Saudi Arabia, United Emirates, Oman and Qatar). To achieve their aims, the authors used an index method to identify the differences between the regulations practised by banks in these countries with the requirements of IAS 30. The sample which was considered in this study was all commercial banks that operated in the GCC countries. The data was gathered from the annual reports for the year 2000.

The results revealed that the banks in GCC countries adopted IAS 30, but there are number of areas where they differ from being in line with IAS 30 requirements, for example, items of loans, provisions, assets, investments, liabilities, foreign exchange were differently disclosed by these countries.

4.4.17 Alhajraf (2002)

The author examined the users' evaluation of the disclosure level within the banks' financial statements in Kuwait, and he attempted to measure the level of financial disclosure in the banks' financial statements in Kuwait. The author in his research aimed to discuss the following points: -

» Provide a historical analysis of the banking industry in Kuwait and financial reporting practices within that industry.

» Emphasise the importance of financial disclosure.

» Study and examine the disclosure practices within the banking industry in the light of IAS 30.

» Study and examine financial statements users' understanding and awareness of the financial disclosure as required by IAS 30.

» Bridge the gap in the literature of the research subject.

To research the objectives, a survey method was applied to obtain the Kuwaiti financial statements users' opinions regarding the financial disclosure. To test whether there is any significant differences between user groups' views, the Chi-square test was used. To achieve part two of the research, the index method was applied for measuring the financial disclosure level in the Kuwaiti banks' financial statements compared with IAS 30 requirements. Meanwhile, to test whether there is any significant difference, the Mann-Whitney test was used.

In general, the study revealed that there are significant differences between users of financial statements concerning financial disclosure. Meanwhile, Kuwaiti banks disclose their financial statements differently to the requirements of IAS 30. For example, 61 of the items were disclosed according to IAS 30 requirements, representing 52 % of all the items. On the other hand, 56 of the items representing 48 % were disclosed differently from the way required by IAS 30. Specifically, there are significant differences between what Kuwaiti banks disclose in their financial statements regarding the Contingencies and Commitments' items compared with the requirements of IAS 30 where, 4 out of 6 items of the Contingencies and Commitments were disclosed by Kuwaiti banks. Meanwhile, the author noticed a lower level of disclosure concerning Related Party Transactions, where Kuwaiti banks disclosed 2 out of 11 items. Therefore, the participants (with 73 %) in this study believe that the role played by the Central Bank of Kuwait need to improved by adopting more regulation to enhance financial disclosure. In line with this, 82 % of the total sample agreed that the disclosure requirements within the Kuwait banks need to be improved. According to Alhajraf's (2002) view, these higher levels of attention might reflect the level of knowledge among user groups in Kuwait.

The participants gave different views when asked about financial disclosure. For example, 73 % of participants agreed that the Central Bank of Kuwait needs to adopt more regulation to enhance the disclosure in the banks' financial statements. The author also found that users of financial statements believe that more disclosure reflects more confidence among management in Kuwait banks. They were very well aware of the importance of financial disclosure as the most important tool for users to know and evaluate the management's performance in general and in banks in particular.

Alhajraf (2002) also found that 92 % of the total sample said that disclosure in financial statements is very important for foreign investors. Meanwhile, the changes that have taken place over the last 10 years in Kuwait regarding financial statements disclosure were very important according to 78 % of the total sample.

4.4.18 Naser *et al.* (2003)

In this study, an attempt was made to provide empirical evidence on the usefulness of different aspects of the annual report to various Kuwaiti user groups. To do so, eight Kuwaiti user groups were surveyed through a questionnaire. The groups were individual investors; institutional investors, bank credit officers, government officials, financial analysts, academics, auditors and stock market brokers. In general, the study indicated that significant differences existed between these groups about the importance of financial statements and how financial statements satisfy their needs. The analyses also, indicated that the user groups surveyed in the study rely mainly on information taken directly from the annual report in order to make informative decisions. It was also revealed that credibility and timeliness are the most important features of useful information and traditional financial statements are the most important and credible parts of annual reports.

4.4.19 Bhuiyan and Kamal (2003)

In their study, the authors examined how private banks in Bangladesh comply with IAS 30 requirements. In order to verify the degree of compliance and non-compliance between what commercial private banks disclose in financial statements compared with the requirements of IAS 30, the Chi-square test was used. For this test, the following null hypothesis was set up:

Ho: there is no significant difference in compliance with IAS 30 between what private banks disclose in their financial statements and the requirements of IAS 30.

The population for this study focussed on all private banks that operated in Bangladesh. The data was gathered from annual reports published by these banks in 2002.

The results showed that the private banks have improved their financial reporting and complied with IAS 30 requirements. The authors found that, due to globalization, private banking can capture the essence of the international requirements, which make them competitive in providing the services. They also, found that the private banks do not need to adopt more regulations, and they did well towards disclosing sufficient information according to the IAS 30 requirements. For example, all items related to the income statements and balance sheets were disclosed in full by these banks according to IAS 30 requirements.

4.4.21 Al-Razeen and Karbhari (2004)

The authors undertook an empirical study to investigate the perceptions of five users of the annual reports in Saudi Arabia. They focused on the use and importance of seven different sections of information. The sections included the board of directors' report, the auditor's report, the balance sheet, income statement, statement of retained earnings, the cash flow statement and the notes to the financial statements. To analyse their data, univiarate, bivariate and multivariate tests were used, where unvariate analysis was used to measure the central tendency and the dispersion of users groups' perceptions. Bivariate and multivariate test was used to test whether there is a significant difference between the various users groups. The results indicated that the annual report is the most important source of information. It also found that the balance sheet and income statements are the most important sections of the annual reports and most preferred by the users in Saudi Arabia.

4.4.22 Haque and Islam (2005)

In their study, the authors examined whether the commercial private and nationalised commercial banks in Bangladesh fully complied with IAS 30 requirements. In order to verify the degree of compliance and non-compliance with IAS 30 requirements, the authors used the Chi-square test to identify whether there are any significant differences between what these banks disclose in their financial statements and the requirements of IAS 30. To do so, the following null hypothesis was tested:

Ho: There is no significant difference in compliance with IAS 30 between private and nationalised banks.

Out of the Bangladesh banks, the sample consisted of two nationalised banks and five publicly traded private banks. Based on their analysis, they found that:

» No significant differences existed in terms of compliance with IAS 30 requirements between the commercial private and nationalised commercial banks.

» The sample of banks suggest that bank try to follow similar items needed to comply with the international standard in order to provide accountability and transparency in financial reporting, which ensures maximum disclosure of the relevant, reliable and useful information to the interested user groups.

» The Bangladeshi banks do not need to adopt more regulations, and the Bangladeshi banks did well towards disclosing sufficient information according to the IAS 30 requirements. For example, all items related to the income statement and balance sheet were completely disclosed by the Bangladeshi banks according to IAS 30 requirements.

4. 4. 23 Sejjaaka (2005)

The author investigated the extent of compliance by financial institutions (banks) with IAS 30 requirements issued by the (IASB) and adopted in 1999 in Uganda. To fulfil the research objectives, the author compared what two groups of banks that operate in Uganda disclose in their financial statement by using the index method. Despite the banking crisis of the 1990s and the drive to attract more foreign direct investment, Sejjaaka found that the extent of disclosure in the financial sector (banks) in terms of compliance with IAS 30 requirement is still poor. He also found a lower level of attention was given from banks in Uganda to some parties, such as Contingencies and Commitments' items. Sejjaaka (2005) argues that this result indicates that the problem of low compliance with IAS 30 requirements is sector wide, and regulators need to improve on the standard of reporting in Uganda in order to improve financial disclosure.

4. 4. 24 Islam and Hepp (2005)

In another study, the authors aim to make a contribution to the international accounting literature on emerging economies by examining compliance with IAS 30 by banks in Bangladesh. The final sample consisted of 13 banks listed in the stock exchanges in Dhaka. To find out whether there are any significant differences between what the Bangladeshi banks disclose compared with IAS 30 requirements, the author used the Mann-Whitney test. The overall results showed that Bangladeshi banks do not comply fully with IAS30 requirements for bank disclosures. The compliance with disclosure for related parties was incomplete. The authors also, found that banks provided balances of loans to directors but no information on transactions or terms, even when the balances were material in relation to the bank's stated capital. No other related parties were mentioned, while none of the banks disclosed the fair value of assets and liabilities. There was also inconsistent compliance with the disclosure requirements for presenting an analysis of liquidity. Nine out of 13 banks provided information on the liquidity of assets; only four of 13 banks provided information on the Maturities of Liabilities, Contingencies and Commitments, and none of the banks provided the information as a combined analysis. Instead, the information was disclosed in widely separated footnotes without showing net positions.

4. 4. 25 Mirshekary and Saudagaran (2005)

The authors carried out an empirical study to evaluate the perceptions and consensus among user groups of annual reports in Iran. To obtain the users' opinions, a questionnaire survey was used to express their views about different sectors of annual reports. The target groups were bank loan officers, academics, stock brokers, bank investment officers, institutional investors, and auditors and tax officers. They stated that the users group of annual reports in Iran depend more heavily on information obtained from published annual reports than on advice from stock brokers. The results also showed that the users groups ranked the income statement and the balance sheet as the two most important sections of the annual reports respectively. Furthermore the result showed that there was a lack of adequate disclosure is the main concern surrounding annual reports. The literature review is summarized in the table 4.1.

Table no 4.1 summary of previous studies

Authors	country	Sample size	Main findings	Methodology
Benjamin and Stanga (1977)	USA	79 banks	Differences do exist between financial information users in terms of their needs and objectives	A questionnaire approach
Da Costa *et al* (1979)	Europe and North America	245 participants	There is no case to support the claim that international convergence has occurred between users needs and accounting practice	A questionnaire approach
Wallace (1988)	Nigeria	Nigerian accountants	There is a lack of consensus between accountants as user groups	A questionnaire approach
Gniewosz (1990)	Australia.	Institutional investors	The annual report acts as a stimulus for identifying specific questions rather than merely as a source of information	A questionnaire approach
Soals and Ibrahim (1992)	Jordan and Kuwait	Two user groups within each country	There are significant differences in the perceived importance of financial reports	A questionnaire approach
Vergoossen (1993)	Netherland	Not stated	Annual report appears to be a vital though not sufficient source of information to investment analysts	A questionnaire approach
Ibrahim and Kim (1994)	Egypt	311 subjects	A medium level of consensus between accountants and managers and between accountants and analysts	A questionnaire approach
Mostafa (1994)	Kuwait	8 banks	There is significant difference between the disclosure practice in Kuwait and the requirements of IAS 30	Index method

Shuaib and Douglas (1996)	Kuwait	8 banks	Accounting practices and Financial disclosure improved after compliance with IAS 30	Index method
Abu-Nassar and Rutherford (1996)	Jordan	Not stated	Users in developing countries do not perceive themselves to suffer from significant difficulty in understanding financial information	A questionnaire approach
Al- Mubarak (1997)	Saudi Arabia	126 analysts	The annual report was the most concern source of information	A questionnaire approach
Talib (1998)	Egypt	20 banks	Differences in disclosure exist compared with IAS 30 and significant difference were noticed among users regarding financial disclosure	Index method and questionnaire
Handi (1999)	Egypt	33 banks	Differences in disclosure still exist comparing with IAS 30 requirements as well as significant differences were noticed among users regarding financial disclosure	Index method and questionnaire
Rahman (2000)	East Asia region	34 banks	The overall results revealed that the lack of compliance with applicable IAS 30 is far from unique to the East Asia region	Index method
Hussain *et al* (2002)	GCC countries	Not stated	There are number of areas where they differ in accounting practices with requirements if IAS 30	index method
Alhajraf (2002)	Kuwait	10 banks	Kuwaiti banks do not fully comply with IAS 30 requirements	A questionnaire and index methods
Naser *et al* (2003)	Kuwait	8 groups	The user groups rely mainly on information made directly from annual report	A questionnaire approach
Bhuiyan and Kamal (2003)	Bangladesh	Not stated	All the private banks disclose their financial statements according to IAS 30 requirements	Index method
Alrazeen and Karbhari (2004)	Saudi Arabia	Not stated	Annual report is the most source of information	A questionnaire approach
Haque and Islam (2005)	Bangladesh	7 banks	There is no significant difference in terms of compliance with IAS 30, between the publicly traded and nationalised banks	Index method
Sejjaaka (2005)	Uganda	2 groups of banks	The extent of disclosure in the financial sector (banks) in terms of compliance with IAS 30 is still poor	Index method
Islam andHepp (2005)	Bangladesh	13 banks listed on the stock exchanges in Dhaka	The overall results indicated that these banks do not comply with IAS 30 requirements	Index method
Mirshekary and Saudagaran (2005)	Iran	7 user groups	User groups gave different ranks to annual report contents	A questionnaire approach

4.5 The Summary of Previous Studies

The literature review covered previous studies that have investigated the level of financial disclosure in banking sector or any combination of these key words. Accounting researchers have recently increased their studies on disclosure, focusing on different topics, such as regulation of information, managers' disclosure decisions or capital market consequences of disclosure

(Abad *et al.,* 2007). Searching revealed many studies but, the focus was limited to studies that could contribute to and support this study. These studies might be considered more relevant to the Libyan environment.

Out of those studies, 23 studies were covered in detail; these studies formed a good basis for this research to proceed by showing the variety of methods and approaches that have been employed in conducting similar studies. The above studies covered a period of time ranging from 1977 up to 2005.

Nine studies used an index method for measuring level of disclosure in annual reports (Mostafa, 1994; Talib, 1998; Handi, 1999; Rahman, 2000; Alhajraf, 2002; Hussain *et al,*. 2002; Bhuiyan and Kamal 2003; Haque and Islam, 2005; Sejjaaka, 2005). These studies emphasized the IAS 30 requirements about level of financial disclosure in the banking sector. Meanwhile, the other studies used a questionnaire approach to investigate users' evaluation of the satisfaction and importance of annual report.

To achieve the research objectives, it is crucial to review the prior studies to make a general basis from other works and learn from their experience. In this study, two methods (questionnaire and index method) that were used by one or more of the 23 studies which are mentioned above were used. The relationship between the prior studies and this one will be explained:

In this study, the intention is to examine the opinions of user groups regarding financial disclosure according to IAS 30 requirements. Therefore, very few studies are available on measuring users' opinions. Ibrahim and Kim (1994); Talib (1998); Handi, (1999) and Alhajraf, (2002) examined users' opinions without including a list of items required by IAS 30 that are expected to appear in the annual report formed a part of their questionnaires. All these studies provided a good foundation to this one, regarding the financial statements users' opinions about the financial disclosure and how they react to answering questions presented in the questionnaire, because most of these studies were carried out in developing countries which have a similar context to Libya.

Studies by Benjamin and Stanga (1977); Da Costa et al (1979); Wallace (1988); Gniewosz (1990); Soals and Ibrahim (1992); Vergoossen (1993), Abu-Nassar and Rutherford (1996); Al- Mubarak (1997); Naser *et al.* (2003); Al-Razeen and Karbhari (2004) and Mirshekary and Saudagaran (2005) focused on an evaluation of users' opinions regarding satisfaction and importance of the information included in the annual report. All these studies have agreed that needs of users are different in terms of their needs and expectations. For the purpose of this research, all these studies have provided a good foundation to examine the users' views of the level of satisfaction with financial information. They are useful, because they have used the same method (questionnaire approach) which is followed in this study to evaluate how financial statements through information presented in the annual report, can satisfy users' needs.

Regarding the international dimension, there is limited literature on measuring the level of financial disclosure in the light of IAS 30 requirements in developing country contexts, and no study has been carried out in the context of Libya. Barth *et al.* (2005) found that there are few studies that analyse the quality of financial statements prepared under IAS 30. Basoglu and Goma (2007) added that no information is disclosed in the dimension of IAS 30 requirements in Libyan banks.

In the context of developing or emerging markets, the most prominent studies are those of Mostafa (1994), and Alhajraf (2002) on Kuwait, Talib (1998) and Handi (1999) on Egypt, Hussain *et al.* (2002) on GCC countries, Bhuiyan and Kamal (2003), Haque and Islam (2005) and Islam and Hepp (2005) on Bangladesh, Sejjaaka (2005) on Uganda, Rahman (2000) on the East Asia region. All these studies were very useful for this study in two ways; firstly these studies examined the level of financial disclosure presented by banks according to IAS 30 requirements in developing countries with a similar context to Libya (Kuwait, Egypt, GCC countries, Bangladesh and Uganda). Secondly, these studies applied the same approaches that were used in this study (index and questionnaire method).

4.6 The literature Gap

As discussed above, an evident gap has been identified in the area of financial disclosure in the context of Libya. Karim and Ahmed (2006) found that the developed countries are fully complied with IAS 30 requirements.

In relation to the Libyan context, no information is disclosed in accordance with International Accounting Standards and Libyan banks (Basoglu and Goma, 2007). Alsaeed (2006) stated that disclosure in financial statements in general has been the subject of many studies, yet disclosure in banks financial statements has not yet been given the attention and research if deserves.

Bribesh (2006) stated that there is a paucity of studies involving the satisfaction with annual reports, which was carried out in the developing countries. He goes further when arguing that this area has not received any attention from researchers. Although there were some studies that have examined the opinions of financial disclosure and satisfaction with annual reports in developing which were useful for this study.

In conclusion, there is a gap in the financial disclosure area in the context of Libya. Therefore, this research seeks to address this gap by examining the opinions of user groups regarding the level of financial disclosure in financial statements which are published by Libyan banks. This evident gap in the literature needs to be addressed by considering the paucity of longitudinal studies through an investigation of financial disclosure according to IAS 30 and satisfaction with financial statements published by Libyan banks. Therefore, this research seeks to address this gap by achieving the following objectives:

1) To assess the financial statement users' opinions to financial disclosure.

2) To analyse how financial statements can be used to satisfy the users' requirements.

3) To examine the financial disclosure practices within the Libyan banking industry in the light of IAS 30.

4.7 Chapter Summary

The conclusion that can be drawn from the above literature is that, there is little or no research that has been carried out in the Libyan banking sector regarding financial discourse. It is suggested that in order to gain international credibility the Libyan banking sector needs to put in place a transparent financial discourse system.

There has been no attempt to measure the level of financial disclosure in the annual reports published by the Libyan banks. Therefore, this necessarily increases the importance of the current study. The review of the prior research provided a basis for development of this study. Therefore, to understand how users of financial statements react to what Libyan banks disclose in their financial statements, a quantitative approach was found appropriate to provide better insights into levels of financial disclosure and how financial statements can satisfy user' needs.

CHAPTER FIVE

REASEARCH METHODOLOGY

5.1 Introduction

This chapter aims to discuss the research methodology used in the current study. It concentrates on methodology issues, justifies the choice of research method, and illustrates the reasons behind the choices made. The main themes to be discussed within the chapter are: research hypotheses; agency theory; research philosophy; methodology used in similar research; issues in designing the questionnaire; advantages and disadvantages of the questionnaire and interview instruments; advantages and disadvantages of index method; research methods used in this current study and its justifications.

In meeting the research objectives two methods were found to be appropriate to fulfil this research. The first approach is primarily based on sending questionnaires to a number of financial statements users requesting them to rate specified items in accordance with their degree of importance concerning financial disclosure, and ascertain how financial statements can satisfy their needs. The second approach addresses level of financial disclosure in the Libyan banks' financial statements, compared with the requirements of IAS 30. The index method was found to be appropriate to fulfil the second part of this research, where annual reports of Libyan banks, were examined. The research population includes all Libyan banks. The methods, their advantages and disadvantages will be discussed in detail later.

5.2 Research hypotheses

Many authors have come up with more than one definition of hypotheses. For instance, Nachmias and Nachmias (1992) defined it as a *"tentative answer to a research problem, expressed in the form of a relation between* *independent and dependent variables"* (P.61). Meanwhile, Collis and Hussey (2003) define it as:

> *"An idea or proposition which can be tested for association or causality by deducing logical consequences which can be tested against empirical evidence"* (P.77).

Researching the development of hypotheses are more like the identification of various courses of action that can be taken to investigate a practical problem. The hypotheses also can be derived deductively from theories directly, from observation intuitively, from literature review or in a combination of these approaches (Nachmias and Nachmias, 1992). It is important mentioning here that the developments of hypotheses for this research were directly deducted by reviewing the literature review.

5.2.1 Development of hypothesis one

As noticed by Ibrahim and Kim (1994), Talib (1998) and Handi (1999) in their studies that there are significant differences among user groups about financial disclosure in Egypt. Alhajraf (2002) in his research also found that there are different opinions among Kuwait financial statements groups' users which were interviewed via a questionnaire tool about financial disclosure. All the above authors agreed that significant differences were noticed among user groups in Kuwait and Egypt regarding financial disclosure. Based on the above discussion, the following hypothesis was set up to find out whether there are any differences between users of financial statements in Libya regarding financial disclosure:

Hypothesis one is: There is no significant difference between the sample means of financial statements users' opinions about financial disclosure when factored by groups.

5.2.2 Development of hypothesis two

There is strong support for this hypothesis from many studies such as Benjamin and Stanga (1977); Solas and Ibrahim (1992); Vergoossen (1993); Abu-Nassar and Rutherford (1996); Talib, (1998); Handi (1999) and Alhajraf (2002). The above studies have agreed that needs of users are different in terms of their needs and objectives, when they found that differences do exist between financial information users in term of their needs and objects. For example, Benjamin and Stanga (1977) in their study found that differences do exist between financial information users, in terms of their needs and objectives. This result is consistent with Abu-Nassar and Rutherford (1996) when found that significant differences existed among user groups about satisfaction of annual report. The above results showed that users still demand more information and financial statements should satisfy all users' requirements. Even though, in a recent study, Hossain (2007) argues that, there is no generally accepted theory to predict users' information needs and there is an absence of an appropriate generally accepted model for the selection of the items of information to be included in a disclosure index to judge the quality of information of annual reports.

Based on the above discussion, the following hypothesis two was set up to find out whether there are any differences between users of financial statements in Libya regarding how financial statements can satisfy their needs:

Hypothesis two is: There is no significant difference between the sample means of financial statements users' opinions that the information in the financial statements of Libyan banks should satisfy their needs when factored by groups.

5.2.3 Development of hypothesis three

Talib (1998) and Handi (1999) referred in their studies to the differences between the requirements of IAS 30 and what the Egyptian banks disclosed in their financial statements. In addition, Mostafa (1994) stated that there are differences between requirements of IAS 30 and what the Kuwaiti banks disclose in their financial statements. Meanwhile, Shuaib and Douglass (1996) found that accounting practices and financial disclosure had improved due to the implementations of IAS in Kuwait. Rahman (2000) examined the degree of compliance with IAS 30 among five countries in the East Asia Region. The author found that a gap between requirements of IAS

30 and the actual practices in these countries. Alhajraf (2002) in his research agreed with Mostafa (1994) that the differences still exist between what Kuwaiti banks disclose in their financial statements and the requirements of IAS 30. In another study, Hussain *et al.* (2002) examined level of financial disclosure in banks operated in Gulf Corporation Council countries (GCC). They found that all these countries adopted IAS 30, but there are number of area where they differ in accounting practices. Sejjaaka (2005) examined level of financial disclosure according to IAS 30 in banks in Uganda. He found that the extent of disclosure in the financial sector (banks) in terms of compliance with IAS 30 is still poor. Bhuiyan and Kamal (2003) and Haque and Islam (2005) focused on what Bangladesh banks disclose in their financial statements compared with requirements of IAS 30. The authors agreed that Bangladesh banks disclose their financial statements according to the requirements of IAS 30. Meanwhile, Islam and Hepp (2005) examined how 13 banks listed on the stock exchange in Dhaka act to IAS 30 requirements. They found that these banks do not fully comply with the IAS 30 requirements.

Based on the above discussion, hypothesis three was set up to find out whether there are any significant differences between what the Libyan banks disclose in their financial statements and the requirements of IAS 30:

Hypothesis three is: There is no significant difference between what the Libyan banks disclose in their financial statements as a whole and the disclosure requirements of IAS 30.

This hypothesis focuses on assessing financial disclosure practice within the Libyan banks' financial statements and, if it differs from the requirements of IAS 30.

5.3 The Research Philosophy

Many authors state that there are number of research paradigms or philosophies, which can be used in conducting research. In this regard, Collis and Hussey (2003) argue that there are two main ways: the epistemology-Positivism paradigm and the ontology-Phenomenology paradigm. The philosophers have not argued about which one of the two main philosophies is best and can be used to conduct research, Saunders *et al.* (2007) believe that both paradigms have an important part to play in business and management research.

The fundamental idea of the phenomenological philosophy lies in the fact that research focuses on the people and their experience, it depends on meanings that people place upon their experience rather than on the external factors. Phenomenological philosophy defined by Saunders *et al.* (2007) "*as the way in which we as humans make sense of the world around us*" (P.107). In contrast, the main idea in the positivist philosophy is that the social world exists externally and its properties should be measured by using objective methods rather than being inferred subjectively through sensation, reflection or intuition (Easterby-Smith *et al,*. 2004). Collis and Hussey (2003) argued that, although there is the wider use of the positivist paradigm, the following are considered as main criticisms of the positivism research approach; reality cannot be defined objectively but only subjectively, quantitative researches take the natural sciences as a model not dealing with social persons acting individually, and therefore, respondents treated as objects and producers of data. As a result of criticisms of the positivistic paradigm, the phenomenological paradigm is developed to stress the subjective aspects of human activity by focusing on the meaning, rather than the measurement. Hair *et al.* (2007) said that the components of positivism researches are the strengths of a quantitative study and such structure and is not typical in qualitative researches. Since in qualitative research respondents are free to use their own words which would not be revealed usually by structured questions, a quantitative approach provides objective testing and measuring the data by applying statistical criteria, the researcher's opinion clearly does not affect the result, although it does influence the design of the questions that are asked in the study. Hussey and Hussey (1997) also, argue that in "*a positivistic study you will be able to generalise from results*" (P.144). In addition, Patton (1990) argues that quantitative methods typically rely on large sample sizes.

Johnson and Duberley (2003) said that despite positivistic research having recently been under increasing attack from other orientations, positivism remains the dominant epistemological orientation of the management and business disciplines. Collis and Hussey (2003) suggested that positivism is founded on the assumption that studies conducted in human behaviour should be conducted in the same way as studies carried out in the natural sciences, so it attempts to place social research in the same realm as scientific research. Table 5.1 below provides the main features and the assumptions of each philosophy.

Table 5.1 features and the assumptions of each philosophy.

Positivistic paradigm	Phenomenological paradigm
Tends to produce quantitative data	Tends to produce qualitative data
Uses large samples	Uses small samples
Researcher must be independent of what is being investigated	Researcher is part of what is being investigated
Concerned with testing and measuring	Concerned with generating theories
Data is highly specific and precise	Data is rich and subjective
The location is artificial	The location is natural
Reliability is high	Reliability is low
Validity is low	Validity is high
Generalises from sample to population	Generalises from one setting to another

Source: Collis and Hussey (2003, p.55)

Based on the previous discussion, the positivist approach was found to be an appropriate approach to fulfil this research. The reasons for choosing this approach are: first, the purpose in this study is to use existing theory to develop hypotheses. The hypotheses developed will lead to the gathering of facts by quantitative approach that provides his basis for subsequent analysis. These hypotheses will be tested and confirmed, in whole or part, or refuted, leading to further development of theory which then may be tested by further research; second, the intention to generalise the result of the research. Saunders *et al.* (2007) said that in order to be able to generalise statistically about regularities in human social behaviour, it is necessary to select samples of sufficient numerical size. Finally, the researcher's intention to use a large sample in conducting this research (384 participants and 37 annual reports of Libyan banks). Based on the described fact, the positivist paradigm was found appropriate for conducting this research.

5.4 Methodological approaches

Choosing a particular research methodology is related to the research aims and objectives. In this sense, Oppenheim (1992) said that this is a strategy or plan concerned with making the definition of the problem researchable by carrying out the study in a way that will produce specific answers to specific problems. Creswell (1994) defines a research methodology as a scientific approach used for the purpose of gathering information that helps in answering the research question or to meet the research objectives. Burns (2000) defined research as a systematic investigation to find answers to a problem. Sekaran (2003) shared the same view with Burns when he defined business research as:

> "*An organised, systematic, data-base, critical, objective, scientific inquiry or investigation into a specific problem undertaken with the purpose of finding answers or solutions to it*" (p.5).

Yin (1994) stated that research design is concerned with the logic and sequence that links the initial questions of the study, with the findings obtained from the data, to the research conclusion. It can be argued that social research is a method of understanding and makes connections between actions, experience and change. In this sense, Gilbert (1993) explained that good social research should include three main ingredients: the construction of theory, the process of data collection and the design of methods for gathering data. Therefore, the first element that should be taken into consideration is the research strategy that is available to the researcher and the tactics for the work in hand. However, the research strategy could be a general plan of how to answer the research questions. It should include clear objectives that are derived from the research questions (Remenyi *et al*, 2002).

All researchers face a decision about the most appropriate means of collecting information for their research topic. Therefore, De Vaus (1996) believes that for a researcher, it is always difficult to decide which method should be applied and no single method is always the best.

The purpose at this stage is to elaborate how, in light of the literature review, one of the objectives of this study is to determine an appropriate methodology. According to Oppenheim (1992) the best design for research enquiry should be based on "Which" is most appropriate to the particular problem. Remenyi *et al.* (1998) argue that setting and choosing a research strategy that accompanied the tactics of the research is considered as the most important step in the initiation of the research work. They go further when adding that the researcher should first decide that if the research is theoretical or empirical. Remenyi *et al.* (2002) distinguish between strategy and tactics. However, the first refers to the overall approach adopted while the second one is about the specific details of data collection and analysis, therefore, the existence of the research strategy would allow researchers to ensure a conceptual framework for their studies.

According to Bryman (2004), there are two approaches of research that could be categorised into two types, namely, quantitative and qualitative which will be explained below:

5.4.1Quantitative approach

McClelland (2008) believes that:

> "*Quantitative approach generally converts observations into discrete units that can be compared to other units by statistical analysis; it focuses on explanation, prediction and proof*" (P.V).

Sarantakos (1998) argue that the quantitative approach is one of the most important benefits of quantitative research is the requirement that the sample used in the study reflects the attributes of the population under study. The findings produced by the study relate to the whole population and therefore, the conclusions drawn could be pertinent to the population. Patton (1990) states that:

> "*Quantitative methods entail the use of standardized measures so that the varying perspectives and experience of people can fit into a limited number of predetermined response categories to which numbers are assigned*" (P.14).

He goes further when adding that quantitative measures are "succinct, parsimonious, and easily aggregated for analysis .While, Bryman (1994) argues that quantitative researchers have inclined to view qualitative research as an exploratory way of conducting social investigation, perceiving as it a helpful tool at the foundation stage of a research project. Botosan (1997) added that, quantitative disclosure is understood to be a proxy of the quality of information, since numbers demonstrate reliability and function almost as a guarantee of facts. In a recent study, Hair *et al.* (2007) argue that the components of positivism research are the strengths of a quantitative study and such structure and are not typical in qualitative researches. They go further when arguing that quantitative approaches provide objective testing and measuring the data by applying statistical criteria, the researcher's opinion clearly does not affect the result, although it does influence the design of the questions that are asked in the study.

5.4.2 Qualitative approach

According to McClelland (2008):

> "*The qualitative approach generally examines people's words or actions in narrative or descriptive ways more closely representing the experience of the people involved, it focuses on understanding meaning and takes seriously lay accounts and concepts*" (P.V).

Fielding and Fielding (1986) point out that: qualitative work is inductive rather than deductive. One does not start with a hypothesis, but rather generates hypotheses from the data. Patton (1990) considers qualitative measures as:

> "*Longer, more detailed and variable in content; analysis is difficult because responses are neither systematic nor standardised*". He goes further when adding that "*qualitative data can put flesh on the bones of quantitative results, bringing the results to life through in –depth case elaboration*" (P.24).

Polit and Hungler (1995) described that*:* The underlying principles of a qualitative approach when they said it attempts to understand the entirety of a phenomenon rather than focus on specific concepts.

In a recent study, Hair *et al.* (2007) believe that in qualitative researches respondents are free to use their own words which would not be revealed by a structured questionnaire. Stake (1995) summarises the main differences between qualitative and quantitative methodologies as follows:

1) The distinction between explanation and understanding as the aim of the inquiry. Qualitative research is mainly interested in understanding the complex interrelationships between different variables while quantitative researches are concerned with explanation as the main purpose of the inquiry.

2) Qualitative researchers believe that knowledge is constructed rather than discovered. Proponents of qualitative research see this methodology as a useful tool to expose meanings and interpretations by users.

3) There is distinction between the personal and impersonal role of the researcher. The role of the researcher is different in both approaches. The influence of researchers on the research setting is limited in quantitative research, while it is more recognised in qualitative research. In addition, Patton (1990) argues that qualitative research normally relies on relatively small in-depth samples or even single cases that are selected purposefully. Nevertheless, dealing with all the population would allow to research's findings to be generalisable (Alhajraf, 2002).

The main purpose of this research is to investigate and measure the level of financial disclosure in the context of Libya in ordinal data, and the values will be measured numerically. For doing so, the hypotheses were developed after reviewing related literature and re- evaluating the proposed hypotheses to determine whether the predictive generalizations of a theory hold true. Quantitative research methods rely on the measurement and analysis of statistical data, to determine relationships between one set of data to another (Bryman, 1993). Also Hussey and Hussey (1997) argue that a quantitative approach involves collecting and analysing numerical data and applying statistical tests. Based on the described facts, and as a result of requiring a positivist approach, the quantitative method, this thesis will go on the quantitative basis.

5.4.3 Deductive or Inductive

Research can be distinguished as belonging to one of two models: inductive or deductive. Hussey and Hussey (1997) state that:

> "*Inductive research is a study in which a theory is developed from the observation of empirical reality; thus general inferences are induced from particular instances, which is the reverse of the deductive method*" (P.13).

It is referred to as moving from specific to the general. Deductive research is a study in which a conceptual and theoretical structure is developed and then tested by empirical observation; thus particular instance are deductive from general inferences. For this reason, the deductive method is referred to as moving from the general to the particular. Meanwhile, Sattari (2007) states that inductive are a model in which general principles (theories) are developed from specific observations. In deductive research specific expectations of hypotheses are developed on the basis of general principles (i.e. social scientists start from an existing theory and then search for proof). He added that the deduction approach, works from the general to the specific (it is knowledge- driven).

Based on the discussion above, this thesis is following deductive approach by having, asking research question, developing hypothesis, and finally collecting quantitative data in order to evaluate them. Hence, This Research is based on a deductive approach. The deductive approach is usually associated with quantitative research (Bryman, 2004). The other reason for conducting deductive approach, the researcher intends to generalise the results of this study. In this regard, Saunders, *et al* (2007) added:

> *"that in order to be able to generalise statistically about regularities in human social behaviour, it is necessary to select samples of sufficient numerical size, and the results collected by deductive approach able to be generalised"* (P.118).

In this study, the mail questionnaire instrument is appropriate to be used as a proxy for the quantitative approach to fulfil part one, whereas the index method will be used to accomplish the second part. These methods require a certain procedure to be followed. What follows is an identification of procedure with all its relevant steps concerning the questionnaire, whereas the index method will be discussed in more detail at a later stage.

5.5 Methodology used in similar research

In the light of the prior literature review, this section aims to determine the appropriate methodology, commencing with an examination of the methods that are used in prior studies and then address research methods that will be covered in this work.

As a justification for using the questionnaire tool and index methods in this research, the two main methods were used in similar studies. An index method was used by Mostafa (1994); Talib (1998); Handi (1999); Rahman (2000); Alhajraf (2002). Meanwhile, a questionnaire approach was used by many prior studies, for example, Soals and Ibrahim (1992) and Alhajraf, (2002).

Since the aim of this research is to evaluate the financial statement users' opinions concerning financial disclosure, and how financial statement satisfy users' needs, so the methodology in this regard should be identified. The two methods which were used in the previous studies will be considered.

The studies utilised two commonly applied methodologies to obtain the participants' opinions concerning financial disclosure. They are questionnaire and interview tools. Meanwhile, the index method (presented later) was used for examining level of financial disclosure in financial statements. These methods will be discussed followed by their advantages and disadvantages:

5.5.1 The questionnaire method

This stage commences with a definition of a questionnaire followed by advantages and disadvantages of a questionnaire instrument. An interview approach is also considered.

As mentioned earlier, the questionnaire instrument has been used to obtain the participants' opinions concerning financial disclosure and importance of annual report by prior studies such, Benjamin and Stanga (1977); Soals and Ibrahim (1992) ; Vergoossen (1993); Abu-Nassar and Rutherford (1996);; Talib, (1998); Handi (1999) and Alhajraf (2002);

Many authors have come up with more than one definition for a questionnaire. It is defined by Sekaran (1992) as:

> "*A pre-formulated written set of questions to which respondents record their answer, usually within rather closed alternatives*" (P.200).

Hussey and Hussey (1997) also view the questionnaire as:

> "*A method for collecting data in which a selected group of participants stands an equal chance of being randomly chosen for the sample*" (P.183).

Meanwhile, Remenyi *et al.* (1998) define it as:

> "*Collection of a large quantity of evidence, usually numerical, or evidence that will be converted to numbers, normally by means of a questionnaire*" (P.290).

In addition, Sarantakos (1998) states that the questionnaire is the most commonly used method of data collection in the social sciences, so much so that they are sometimes deemed to be the only method of data collection. Moreover, a survey is a straightforward approach to the study of opinions.

5.5.2 Issues in designing the questionnaire

Whilst the questionnaire tool was found appropriate to be one of the main methods of the research it is useful to start by giving a brief explanation about designing a questionnaire.

The design and layout of questionnaires are of paramount important to the achievement of a high response rate, (Kilcommins, 1997). Oppenheim (1992) stated that a questionnaire is an integral part of the research design. It is a measurement tool, an instrument for the collection of a particular kind of data. Hussey and Hussey (1997) identify two kinds of survey:

> *"A descriptive survey is concerned with identifying and counting the frequency of a specific population, either at one point in time or at various times for comparison. The other major type of survey is the analytical survey where the intention is to determine whether there is any relationship between different variables" (P.64).*

Alhajraf (2002) in his research provided two basic aims in questionnaire design: (1) to obtain information related to the purpose of the study, and (2) to collect information with maximum relevance. The researcher must be clear about the exact kind of data required in this study. What information is the question intended to obtain from the target groups is the first issue that should be addressed in designing a questionnaire.

It is necessary to know how to design effective questions, and they should be suitable for the study. Berdie (1986) notes that the appearance of the questionnaire frequently determines whether it is read or discarded because once the respondents take the effort to read it, she/he has made some psychological commitment to complete it.

Before the final version of the questionnaire is ready to be distributed among user group, some steps have taken as follows:

5.5.2.1Types of questions

Sekaran (2003) believes that one of the important steps in questionnaire design is how to choose the type of questions. Types of questions refer to whether the question will be open-ended or closed questions. In this sense, Sudman and Bradburn (1982) argue that a closed question format was used wherever possible, because closed rather than open ended questions are more suited to mailed questionnaires. Oppenheim (1992) added that the:

> "*Closed questions are easier and quicker to answer; they require no writing, and quantification is straightforward, this often means that more questions can be asked within a given length of time and more can be accomplished with a given sum of money*" (P.115).

Hussey and Hussey (1997) shared the same view when they said

> "Closed *questions are very convenient for collecting factual data and are usually easy to analyse, since the range of potential answers is limited*" (P.155).

Therefore, the closed question type has been chosen to create the questions for making the answers easier for respondents. In addition it makes coding and analysis easier for the researcher. Salant and Dillman (1994) declare that close-ended questions are less demanding for the respondent and much easier to code and analyse than open-ended questions. Hussey and Hussey (1997) go further when they argue that a positivistic approach suggests that closed questions should be used.

On the other hand, free-response approaches have created more problems whether in answering or analysing. Oppenheim (1992) states that free-response questions are often easy to ask, difficult to answer, and still more difficult to analyse. Moreover, Robson (1993) pints out that "*the open forms are more difficult to code and analyse*" (P.247). In addition, open question is used widely in in-depth and semi-structured interview (Saunders, *et al*,. 2007)

For the purpose of analysis, the Likert scale was used for rating the users' opinions. Furthermore; there is a need to use statistical techniques such as the SPSS package to complete this examination. The questionnaire is predominantly based on the use of a Likert scale requiring respondents to rate a series of statements. This scale is the most common method of measuring opinions. In this regard, Moser and Kalton (1992) suggest that this scale has become increasingly popular in the social sciences for measuring opinions, arguably because it provides precise information about the respondents' extent of agreement or disagreement with a particular item. Despite this, Oppenheim (1992) considered that the Likert scale measures are criticised, because the interpretation of scores attributed to the scale are subject to interpretation by the respondent (as each item is not anchored by a description). Hussey and Hussey (1997) agreed that one of the more frequently used types of scale is the Likert scale. Meanwhile, Hossain (2007) added that this scale has used by many authors such as Buzby (1974) used a 0-4 scale, while Firth (1978); McNally *et al.* (1982) and Wallace (1987) used a 1-5 scale. Chow and Wong-Boren (1987) used a 1-7 scale).

5.5.2.2 Questions order

Before designing questions and deciding what suitable questions should be, the researcher should know about the research subject. Hussey and Hussey (1997) identify three pitfalls to avoid when deciding on the order in which questions should be asked:

» The tendency for participants to agree rather than disagree. Mixing positive and negative questions to keeps them thinking of their answer.

» The participants may try to interpret the aim of question or questionnaire or set up emotional blocks to some questions.

» Some responses may be considered as socially desirable.

In addition, Sekaran (2003) stresses that before constructing the study questionnaire; a few rules have to be taken into account before the completion of the final draft. These include:

1) Group questions on similar topics into sections in order to facilitate the process of structuring the questionnaire and provide a flow. Therefore, the questionnaire was split into four sections; the first dealt with general information; second and third dealt with users' perceptions regarding financial disclosure; meanwhile, the fourth section is devoted to open-ended questions.

2) Broad questions that are followed by questions that were determined by the respondent's initial response.

3) Start with questions that respondents will prefer to answer.

4) Begin with easy questions and reflect that the purpose of the questionnaire was interested in the respondent's views rather than testing their knowledge.

5) Make sure that the study questionnaire questions are relevant to the respondents.

6) Minimise the usage of open-ended questions, and place them at the end of the questionnaire.

Saunders *et al.* (2007) added that:

> "*Category questions are designed so that each respondent's answer can fit only one category. Such questions are particularly useful if you need to collect data about behaviours or attitudes*" (P.370).

5.5.2.3 Instructions

For postal questionnaires, it is important to have a well-written covering letter (Saunders *et al.*, 2007). A few preliminary steps were taken; firstly, the researcher identified the role of the respondents. In the latter approach the questionnaire was sent to the respondents with an explanation of the purpose of the inquiry. The cover letter should explain the purpose of the survey (Saunders *et al.*, 2007). In this regard, Hussey and Hussey (1997) said that

> "*It is necessary to give precise instruction to the respondents regarding whether boxes have to be ticked, whether more than one box can be ticked or whether numbers or words should be circled to indicate the response*" (P.162).

Separate letter was associated with the questionnaire to notify the respondents where they should send the questionnaires after completing them. According to Saunders *et al.* (2007) the researcher should explain clearly what the participants to do with their completed questionnaires.

5.5.2.4 Filter of questions

Refinement of the questions was a serious issue that faced the researcher, because the questionnaires were presented to different groups holding different qualifications and positions. To overcome this problem the questions have been refined to be relevant to all users after the questionnaire was piloted with the academic community, supervisory team and the relevant target group (bankers, investors and auditors). Filter questions can be used to determine whether a set of questions is relevant (Kervin, 1992).

5.5.2.5 Skills needed to construct questions

Constructing a questionnaire needs special skills and it is important that each survey question is given careful consideration to ensure that the responses are valid. (Alsaeed, 2006) stated that questions should not be phrased in such a way that leads the participants to give an answer that the researcher would like them to. He added the level of sophistication of the language and vocabulary used has to be comprehensible to all respondents. Sekaran (2003) suggested that the questions asked, the language used and the wording should meet the respondents' opinions, and perceptions. Saunders *et al.* (2003) put forward some guidelines for wording questionnaires:

1) The questions should be clear, straightforward, and use simple language and common concepts, most importantly, words used in questions should be familiar.

2) Spelling out exactly what was required from each question, a set of questions or a scale.

3) Avoidance of biased questions. A biased question is a question that makes one response more likely than another, regardless of the respondent's opinions.

4) Make sure that the questions are short and direct, because long questions are difficult to understand and consume the respondent's time and make the

respondent less willing to participate, and indirect questions increase the probability of the questions being misunderstood.

5) Avoidance of leading questions, this type of questions defined by (Kumar, 1999) is "one which, by its contents, structure or wording, leads a respondent to answer in a certain direction". Therefore, employing emotive suggestive language or the way a question is phrased can lead the respondents to answer questions in one way. Thus, the questionnaire in this study attempted to ensure that phrasing questions in such a way was avoided.

6) Avoidance of ambiguous wording, using familiar terms that allow all respondents to understand them in the same way.

7) On the one hand, questionnaires should avoid the usage of negative questions because negative questions may confuse the participants specially when asking them to indicate whether they agree or disagree.

5.5.2.6 Wording questions

The wording of each question will need careful consideration to insure that the responses are valid (Saunders, *et al,* 2007). Kervin (1992) put forward three points for good questions wording:

» It minimises item non- response.

» It minimises measurement errors; bias and unreliability.

» The question must measure what you want it to measure.

5.6 Advantages and disadvantages of the questionnaire method

The mail questionnaire has several advantages: De Vaus (1990) stated that the use of a mail questionnaire reduce bias errors that might result from the personal characteristics of interviews and variability in the interviewer's skills. There are obvious advantages involved in using questionnaires: as Tay and Parker (1990) say, someone else has already done all the difficult and tedious work of collecting the data. According to Oppenheim (1992), a questionnaire is a highly structured data collection technique whereby each respondent is asked the same set of reformulated written questions to obtain users' opinions. Meanwhile, Robson (1993) states that the use of the questionnaire makes it possible to standardise information that helps in the interpretation of the result. Saunders *et al.* (2007) added that the questionnaire method allows for more time when a questionnaire demands a considered rather than immediate answer, especially if the answer requires the consultation of documents. This method can be used in conjunction with other methods such as a self- administered survey, interview survey and self-completion supplements which can be left with the respondents at the end of an interview to be returned by post. Babbie and Hallet (1994) believe that a questionnaire enables the researcher to obtain a large amount of information from a large number of respondents within a short space of time. Sarantakos (1998) added another advantage when they said this method is less expensive in term of costs and less time consuming than interviews and it requires fewer skills to administer than to conduct interviews. Sarantakos (1998) agreed with Oppenheim's (1992) findings when he said questionnaires are cost effective to analyse, usually by means of a statistical package.

Alhajraf (2002) in his research believes that a researcher by using this approach will be able to distribute the questionnaires either by mailing respondents or by personal administration. He suggests that it is the best technique for collection of data, when we are dealing with a survey that is confined to a local area. He also, believes that this method ensures a high response rate within a short period of time. Another advantage was added by Anderson (2004) when he said that use of a questionnaire allows researchers to make comparisons among the respondents in terms of the research variables. In a recent research, Bribesh (2006) argues that using this method can reach a high number of respondents who live or work over a widely spread geographical area. Saunders, *et al* (2007), added that:

> *"The questionnaire may be used as the only data collection method, it is usually better to link them with other methods in a multiple-methods research design" (P.356).*

In contrast, many disadvantages may arise with using the mail questionnaire tool. Mann (1985) says that the problem associated with mail questionnaire is where people simply enter replies in the wrong boxes. Nachmias and Nachmias (1992) stress that with mail questionnaires the researcher has no control over the respondents' environment; hence, they cannot be sure that the appropriate person completes the questionnaire. Another disadvantage was added by Oppenheim (1992) where he states that researchers have no opportunity to correct misunderstandings or to offer explanations or help. In regard to the response rate, it is lower than for personal interviews however, this might not be true in all cases. The researcher can overcome such a problem by using complementary methods. Recently, three disadvantages were provided by Bribesh (2006) for applying a mail questionnaire:

» It requires simple questions: the method lies in the fact that it requires simple questions, in the sense that the questions have to be straightforward and comprehensible solely on the basis of printed instruction and definitions.

» The most serious problem arising from the use of a questionnaire as a tool to collect data is low response rate.

» This method offers no control over who completes the questionnaire.

5.7 An interview approach

Reviewing the literature revealed that there are few prior studies which have used an interview approach for gathering useful information about financial disclosure Lee and Tweedie (1981); Arnold and Moizer (1984); Gniewosz (1990), and Bence *et al.* (1995).

Many authors have presented different definitions of an interview approach. For example, Nachmias and Nachmias (1992) stated that:

> "An *interview can be regarded as a face-to-face interpersonal role situation, in which the interviewer asks respondents questions designed to obtain answers pertinent to research hypotheses, the questions, their wording and their sequences define the extent to which the interview is structured*" (P.224).

Another author such as Punch (1998) considers that an interview to be one of the most powerful data collection methods in qualitative research. Meanwhile, Collis and Hussey (2003) define an interview as:

> "*A method of collecting data in which selected participants are asked questions in order to find out what they do, think or fee l*" (P.167).

5.7.1 Advantages and disadvantages of the interview approach

Like any other research methods, the interview method has advantages and disadvantages which will be highlighted below:

Patton (1990) points out that follow up interviews can provide meaningful additional detail to help make sense of and interpret survey results, meanwhile; Hussey and Hussey (1997) state that:

> "*Interviews make it easy to compare and may be face-to-face, voice-to-voice or screen-to-screen; conducted with individuals or a group of individuals*" (P.156).

According to Marshall and Rossman (1999), an interview is a useful way to get large amounts of data quickly. Neuman (2000) added an interview method useful for obtaining specific and accurate information from the interviewer. It also allows for immediate follow-up questions and for clarification. Alhajraf (2002) sees the interview method is considered to be the most effective method in achieving a high response rate. In a recent study, Bribesh (2006) provided five advantages for using an interview method:

1) Interviews allow the researcher to ask several open-ended questions;

2) The researcher(s) can clearly identify him/themselves, him/their status, and the purpose of the interview;

3) Interviews enable the interviewer to explain to each respondent how he/she came to be chosen for the sample and why it is important that he/she takes part in the interview;

4) Interviews give the interviewer the opportunity to communicate effectively and build trust with the respondent to make him/her comfortable, to provide reliable data and to answer without any fear of adverse consequences. The interviewer can modify the question if this is thought to be necessary; and

5) Interviews enable the interviewee the opportunity to provide the data required in-depth.

In contrast, Hussey and Hussey (1997) identified many problems with an interview method. The whole process can be very time consuming and expensive. They added it "may have certain expectations about the interviewer and therefore give what they consider to be a *"correct" or "acceptable"* response. Also, Hussey and Hussey (1997) added with any type of interview there is the problem of the effect the interviewer has on the process. While, Bribesh (2006) in his research provided three disadvantages for using an interview method:

1) Interviews incur higher costs and need more time than a mail questionnaire. The cost of interview studies is significantly higher than that of mail surveys, in terms of the skills needed, training, and especially when interviews are spread over a geographically large area;

2) The flexibility that is the chief advantage of the interview leaves room for the interviewer's personal influence and bias. In addition, respondents may bias the data when they are aware of possible adverse effects of answering questions on sensitive issues and do not express their true perceptions, but provide information that they think is what the interviewer will be happy with; and

3) The interview lacks the anonymity of a mail questionnaire. The presence of the interviewer may cause the interviewee anxiety, especially if a respondent is sensitive to the topic or some of the questions. Bribesh (2006) added that the social and cultural context may discourage respondents to answer the questions.

5.8 The index method

The second method which was used in the prior studies was the index method. Mostafa (1994) defines it as one of the most powerful of non-parametric tests for comparing two populations, whereas Alhajraf (2002) explained it as the one of the most powerful tests for the level of financial disclosure in financial statements.

According to Marston and Shrives (1991), the first use of a disclosure index occurs when Cerf (1961) published the results of his research. His idea was taken up in the 1970s by Singhvi and Desai (1971); Buzby (1974 and 1975) and Barrett (1976). Use of this research technique has continued with Firth (1978, 1980 and 1984), Chow and Wong-Boren (1987) and Cooke (1989). In the context of Arabic countries, many countries have adopted IAS for example, since January 1990 Jordan has adopted IAS (see, Abu- Nasser and Rutherford, 1996). Recently, use this method to examine the level of financial disclosure has continued with Mostafa (1994); Owusu-Ansah (1997); Talib (1998); Handi (1999); Alhajraf (2002); Bhuiyan and Kamal (2003); Nier (2005); Garcia and Martinez (2005); Bukh *et al.* (2005); Haque and Isalm (2005); Sejjaaka (2005); Islam and Hepp (2005).

Inchausti (1997) agrees that there is an extensive accounting literature relating to the use of disclosure indices to measure the information contained in the annual reports. So, it can therefore be concluded that some researches find this technique useful. Abad *et al.* (2007), state that different types of indexes have been used in the disclosure literature, although most of them consider scope as a proxy for quality disclosure. Hossain (2007) in his study provides some evidences that many researchers used disclosure indexes to test hypotheses in their research, despite its inherent problems (e.g. subjective judgement). Similarity Curuk (2007) states that the disclosure index has been widely used by previous researchers to measure the level of disclosure in accounts. Such an index method used to measure level of financial disclosure in a set of banks' accounts. For example, Wiseman (1982); Mostafa (1994); Owusu-Ansah (1997); Talib (1998); Handi (1999); Alhajraf (2002); Nier (2005); Garcia and Martinez (2005)

Bukh *et al.* (2005); Haque and Islam (2005) ; Sejjaaka (2005) and Islam and Hepp (2005).

5.8.1 Advantages and disadvantages of the index method

According to Saunders (1990), the index method determines the direction and magnitude of the differences between two related or independent samples. Marston and Shrives (1991) states that the index method can be used to show compliance with regulations, if the items in the index are so chosen or, on the other hand, it can be used to show the level of voluntary disclosure (Information releases that are not required by laws and regulation, Lev, 1992). Marston and Shrives (1991) add that the use of a disclosure index has provided researchers with the right answer when testing their hypotheses. According to Inchausti (1997), using a weighted disclosure index may seem attractive because it allows distinctions to be made for the relative importance of items of information to the users of annual reports. Alhjraf (2002) added that an index can include a mixture of items required by regulation and voluntary items if this suits the purpose of the research project. Garcia and Martinez (2005) added that this method has most often been applied to estimate voluntary information, compulsory information or both in annual reports. In a recent study, Al-Saeed (2006) argues that in brief the annual financial reports are the principal focus of the voluntary disclosure index because they are basically assumed to be one of the most important devices to convey information

On the other hand, Marston and Shrives (1991) said when calculating the index score, various practical problems can arise (e.g. relevant, objective and judgement). Wallace (1987) agrees that financial disclosure is a concept that cannot be measured directly. It does not hold natural characterises by which one can determine its intensity or quality. This statement is consistent with findings reported by Marston and Shrives (1991), when they said a problem is how to measure disclosure information given that disclosure is a theoretical concept that is difficult to measure directly. Additionally, Botosan (1997) agrees that financial disclosure is not easy to measure because the development and application of a disclosure index requires subjective assessments by the researcher applying the technique

All the above studies supported by Cooke and Wallace's (1989) findings that the financial disclosure cannot be measured directly. Cooke (1989) notes that in the case of non-disclosure, it is not always clear whether the item is relevant or not. This view is in line with Patton and Zelenka's views (1997) when they state that a serious issue in the construction of an index of disclosure is whether some items in the index method should be more weighted heavily than other. Alhajraf (2002) argues that another problem that arises is the fact that certain items of disclosure may not be applicable to a particular company. In a recent study, Nier (2005) provides two caveats for using the index method to examine level of financial disclosure. First, the disclosure index only measures hard, quantifiable information and does not record differences in the amount of qualitative information provided by the banks or differences with respect to quantitative information that is not comparable across banks. Second, the disclosure index is based on the amount of information banks provide in annual accounts and does not take into account other potential channels of disclosure, such as information provided by rating agencies and supervisors. Abad and Trombetta (2007) support these findings when they said a quality is an abstract concept and its measurement is complex.

On the other hand, Al-Razzen and Karbhari (2004) stated that the quality of disclosure can be judged under three criteria: compliance with mandatory disclosure, depth of disclosing mandatory disclosure, and the extent of other voluntary disclosure. McEwen and Welsh (2001) agree that it is difficult to measure the quality of annual reports but argued that compliance is required with the minimum disclosure requirement. In addition, Beattie and Fearnley (2004) and Barreta *et al.* (2006) state that it is possible to get a proxy for quality of financial disclosure appreciating different dimensions of measurement. In the same way, Garcia and Martinez (2005) also claim that the disclosure indexes have most often been applied to estimate voluntary information, compulsory information or both in annual reports.

5.9 Research methods

After the researcher reviewed the methods that used in the prior studies and after the strength and weaknesses of each method were also considered. The next step was to decide which method should be applied. The researcher has faced a crucial problem regarding which methodology should be followed. DeVaus (1996) agrees that for a researcher, it is always difficult to decide which method should be applied. Churchill and Iacobucci (2002) believe that the research methodology should be determined by objectives and extent of the study and the nature of the hypothesized relationship.

Two methods were used extensively by several authors for evaluating level of financial disclosure, such as Mostafa; (1994); Talib (1998); Handi (1999); Alhajraf (2002); Bhuiyan and Kamal (2003); Haque and Islam (2005); Sejjaaka (2005); Islam and Hepp (2005). These two methods will be used in this research. The questionnaire method was found appropriate to collect the data regarding two issues; opinions of the users of financial statements, and how to ascertain how financial statements satisfy their needs. Meanwhile, the index method was found appropriate to gauge levels of financial disclosure in the financial statements. The procedure of both methods is presented in detail:

5.9.1 Mail questionnaire

To obtain the opinions of financial statements users about financial disclosure and how to ascertain how financial statements can satisfy their needs, the mail questionnaire method was found appropriate to achieve this part of the research. The plan for this stage of the research is to use a mailed questionnaire which was considered the most appropriate in collecting quantitative data from a wide number of participants relatively inexpensively. This type of questionnaire requires the researcher to send questionnaires and covering letters by mail to the population. This type of questionnaire is considered to be the most common used tool to obtain users' opinions. Sarantakos (1998) explains that the main characteristic of this method is that respondents offer data with limited interference on the part of research personnel.

5.9.2 Justifications for choosing the mail questionnaire method

The mail questionnaire instrument was found to be appropriate to fulfil part one of this research instead of an interview tool, for two reasons; first, the important group in this study which will be interviewed is the Libyan banks' staffs (General and deputy directors) which operate in Libyan environment. Libyan banks put some limitations on getting access to their staffs; these banks may be reluctant to allow access to them. Second, allowing interviews with many employees may take up a lot of valuable time for banks. Also, the sample interviewed will be more than fifty participants. Williamson *et al.* (1982) note that *"the typical intensive interview study is based on fewer than fifty respondents"* (P.184). Moreover, questionnaires are cost effective to analyse, usually by means of a statistical package (Oppenheim, 1992). In addition, Hussey and Hussey (1997) state that:

> *"The whole process for an interview can be very time consuming and expensive, and in some cases a short questionnaire may be more appropriate"* (P.157).

Furthermore, the questionnaire tool has been used by many authors to gain users' opinions concerning financial disclosure and importance of annual report (e.g. Benjamin and Stanga, 1977; Soals and Ibrahim, 1992; Vergoossen, 1993; Abu-Nassar and Rutherford, 1996; Talib, 1998; Handi, 1999 and Alhajraf, 2002).

Conducting interviews with a large sample to achieve this part can raise more problems. According to Hussey and Hussey (1997) in a positivist study:

> *"Large number of interviews is needed and this gives rise to the problem of obtaining access to an appropriate sample". They go further when arguing that "a questionnaire survey is cheaper and less time consuming than conducting interviews, and very large samples can be taken" (P.157).*

Consistent with the above, Bribesh (2006) agrees that a questionnaire tool, usually the most efficient data collection mechanism to measure the variable of interest, especially if the population sample is large, can be carried out by mailing the questions to respondents or can be administered personally.

Consequently, the questionnaire instrument was used as a proxy of a quantitative approach. With regard to the usefulness of the information provided in financial statements, the questionnaire survey has been used in several similar previous studies as mentioned earlier. The other justifications of using this tool has been used by many authors to gauge opinions of participants concerning financial disclosure as mentioned earlier. The chosen methods have a certain procedure to be followed, so they will be presented in detail within chapter seven.

5.9.3 The Content of the questionnaire

Designing the questionnaire used in this study required that all issues referred to had to be taken into account (e.g. type, order, filter, writing and refining questions).

The final version of the questionnaire was divided into four main sections as described below:

Section 1: It contains six questions; the purpose of these questions was to obtain background information on the respondents and included standard questions on gender, age, position, experience and education.

Section 2: This section attempts to gain an insight into the respondents' opinions regarding importance of financial disclosure in the financial statements of Libyan banks and its importance for their needs. In this part the respondents were asked many questions about their understanding and awareness of financial disclosure.

This section contains 36 statements and the target group were asked to indicate their opinions on a five-point Likert scale in terms of strongly agree to strongly disagree. The rating scales used have varied although most have followed either 0-4 or 1-7 Likert scale (Marston and Shrives, 1991). In connection with this issue, Hussey and Hussey (1997) state one of the more frequently used types of scale is the Likert scale. With this scale respondents show their level of agreement or disagreement with a statement using a 5 points scale. Hussey and Hussey (1997) state further that:

> "*The Likert scale turns the question into a statement and asks the respondent to indicate their level of agreement with the statement by ticking a box or circling a response*" (P.117).

In a recent study, Hossain (2007) stated that this scale has been used by many authors (e.g. Buzby (1974) used a 0-4 scale, while Firth (1978), McNally *et al.* (1982), and Wallace (1987) used a 1-5 scale. Chow and Wong-Boren (1987) used a 1-7 scale).

Section 3: The purpose of this section is to examine financial statements users' opinions, about how financial statements of Libyan banks can satisfy their needs. This section contains 11 questions. The participants were asked to express their level of agreement with each question on a 5 point scale of strongly disagree; disagree; neutral; agree and strongly agree. By providing the participants with some form of rating scale, this allows a numerical value to be given to their opinions.

Section 4: This section was devoted to open-ended questions where the participants were asked to write any comments that might be given by the respondents.

It is important to mention here that this study has benefited in constructing the questionnaire from items required by the IAS 30 as well from some previous studies such as Ibrahim and Kim, (1994), Mirshekary and Saudagaran, (2005) and Al-Razeen and Karbhari, (2004).

5.9.4 Pre-testing the questionnaire

According to Sekaran (1992) and Zikmund (2000), the main purpose of conducting a pilot test is to double check whether the questions are well understood by respondents and to look at questionnaires 's continuity and flow , and experiment with question sequencing and patterning. It provides an important context for which the findings can be set and interpreted.

Remenyi *et al.* (2002) explained that pre-testing of the questionnaire should be conducted before the final administration. The main objective of pilot work of the questionnaire is to avoid any shortcomings in the design and administration of the questionnaire. However, they argued that the approaches to pre-testing could be an informal one that involves consultation with friends, colleagues and experts or it could be more formal involving a pilot study which is a replication, on a small scale of the main study. In line with Remenyi *et al.* (2002), Sekaran (2003) stressed the importance of pre-testing the instrument used in a survey to ensure that the questions are understood by participants. There is no ambiguity in the questions, as well as there are no problems in wording and measurements used. Oppenheim (1992) listed four aims for conducting a pilot study:

1) To test the reliability and validity of the instrument to avoid any future problems.

2) To ensure the accessibility to the study participants.

3) To confirm the future co-operation with the participants.

4) To test the methodological techniques.

Alhajraf (2002) also states that a pilot run, especially of the questionnaire, allows a prediction of how respondents will interpret and react to questions. Problems, such as interviewer bias, can then be identified and corrected. Therefore, the questionnaire was piloted with the supervisory team and a number of colleagues from the academic community. After iteration, suggestions were made regarding clarity, order, ambiguity and presentation of questions, and numerous amendments were made as a result. Collis and Hussey (2003) noted that:

> "*At the very least, have colleagues or friend read through it and play the role of respondents, even if they know little about the subject*" (P.175).

Once the questionnaire had been drafted in its final form, the next stage was to translate it into an Arabic language.

5.9.5 Translation of questionnaire

The national language in Libya is Arabic and consequently the initial instrument needed to be translated into that language to allow the collection of data through the questionnaire tool. As a result the questionnaire was originally written in English. Two versions of the questionnaire were needed; An English version (see Appendix 1) and Arabic version (see Appendix 8).

Translating a questionnaire from English into the Arabic language was a critical issue, which needed to be dealt with carefully. It is necessary to ensure that both the Arabic and the English versions of the questionnaire are the same. Oppenheim (1992) states that:

> *"Translation of a questionnaire from one language to another is akin to entering a series of minefields" (P.48).*

Meanwhile, Saunders *et al.* (2007) argue that:

> *"Translating questions and associated instructions into another language requires care*" (P.357).

Every necessary effort was taken to overcome this problem. As mentioned earlier the English version was sent to several groups (supervisors, colleagues, etc), to give their comments. As for the Arabic version of the questionnaire, this was given to an expert in Libya whose native language is Arabic, was asked to translate the questionnaire into English and then complete the English version. He was then given the original English version and asked to translate it into Arabic and complete the Arabic version. Appropriate changes and corrections were subsequently made. By matching his answers and translation, the questionnaire was acceptable. Then, the questionnaire was sent out for pilot testing in the context of Libya, this will be discussed next.

5.9.6 The pilot study

The aim of the pilot study is to provide a clear understanding of any potential problem in the questions and ensure the appropriateness of the research instrument. In addition, the pilot study enables a preliminary understanding of the subject area in the banks under investigation. Bell

(1993) argues that, when implementing a pilot study you could find answers regarding certain questions, for example, how much time the questionnaire takes to be answered, if the instructions are clear and whether or not there are any ambiguous questions. The pilot work is useful in refining the wording, ordering, layout and filtering, and in controlling the questionnaire length (Alhajraf, 2002). Therefore, in the period between 4^{th} June and 18^{th} July 2007, a pilot study was undertaken in the context of Libya. 10 annual reports of Libyan banks were collected and analysed, and 50 questionnaires were distributed among target groups to test the instruments more specifically. The questionnaire phrases, clarity, length, layout, and the relevance of questionnaire items to the study and reliability of questions were used to extract preliminary findings for this study.

To increase the return rate, all questionnaires were delivered and collected personally. According to Hussey and Hussey (1997) it is essential that you pilot or test your questionnaire as fully as possible before distributing it .The questionnaire was presented to them and they were asked about each individual question and about the questionnaire as whole. As a result, some changes were made to the questionnaire, most of them related to the order of the questions and the layout, which might have caused some confusion to the participants. In general, the findings on the layout and completion of the questionnaire can be summarised in the following three points:

1) There were no complaints regarding the length of the questionnaire from the respondents.

2) No complaints were passed to the researcher about the questionnaire's clarity.

3) There were no complaints regarding the 5-point scale.

The data collected via annual reports was pre-analysed by using the index method, meanwhile, data collected via questionnaire was analysed using the one way ANOVA test by using the SPSS computer program to test the appropriateness of these scales. Preliminary tests used in this study indicated (one way) analysis of variance (ANOVA) with a level of significance of

0.05. More details about preliminary results will be provided later in the findings chapter.

In summary, the pilot study was an essential element, many wording corrections, review of clarifications, and some adjustments were made in order to ensure that the questionnaire and questions were clear and made sense to the participants, and to establish the degree of the questionnaire validity and reliability.

5.9.7 The questionnaire procedures in the main study

Many necessary steps need to be taken, before carrying out this method. These steps include such as identifying the population, designing the questionnaire, identifying the study sample, piloting and distributing the questionnaire. All these steps will be explained as follows:

5.9.8 Target population

Commencing with the importance of sample size, some authors for example, Boarg and Gall (1989) state that using a small sample of a population saves the researcher time and money that would otherwise be involved if he/she were to study the entire population. Saunders *et al.* (2007) suggest that where the population in a category is less than thirty, data should be collected from everyone in the population. As a general rule, however, this study suggests that sample representativeness is more important than sample size.

The population of this research consisted of six groups as users of financial statements in Libya. These groups were identified as the primary users of financial statements in Libya (Bribesh, 2006). In line with Braibish (2006), Al-Razeen and Karbhari (2004) and Mirshekary and Saudagaran (2005) identified users of financial statement as one of the important group of primary users in Saudi Arabia and Iran.

To find out useful information about financial disclosure, the users of financial statements of Libyan banks and annual reports of Libyan banks were found most to be appropriate to this research. This will serve the study by dealing with interested groups, because, this study related to their daily work. In addition, study findings which depend on their opinions may facilitate their jobs and needs in the future. Since the total population of user groups are relatively small in Libya. It was decided to survey all members of these six groups as well as to avoid and overcome the risks of bias and to generalize the findings of this research:

1) Senior and junior auditors at the Inspection Departments at the Central Bank of Libya (C.B.L)

The Central Bank of Libya is very likely to be concerned with what Libyan banks disclose in their financial statements. Therefore, it is considered important to find out about the bank's role in monitoring and regulations of disclosure activities within the banking industry in Libya, as it is a regulatory body and the government tool to maintain stability within the country's financial market. In three branches, there are 50 auditors who are authorised to audit the financial statements of Libyan institutes (banks and companies), 40 of them are authorised to audit financial statements of Libyan banks (Central Bank of Libyan, 2007). Therefore, the target group was the auditors who audit the financial statements of Libyan banks.

2) Heads and deputy of Auditing Department in the Libyan Taxes board (T .B)

These organisations are authorised by government to collect taxes. This group will be included because it is interesting to gauge the opinions of the professionals who are responsible for collecting taxes based on the financial statements. There are 50 auditors are authorised to audit the Libyan institutes' financial statement into three divisions, 38 of them are operating now in auditing financial statements of Libyan banks (Taxes Board, 2007). To obtain relevant information on this topic, the accountants and auditors who audit Libyan banks 'financial statements were targeted where 38 questionnaires of the entire population were sent.

3) Libyan investors (L.I)

They are the individual people who invest their money directly in Libyan banks. They are very likely to be interested in what financial statements consist of. It is important to know their opinions in terms of the disclosure in banks' financial statements and how that might affect their investment decisions. According to Shaglapo (2006), Libyan investors do not have an official body. Therefore, the researcher contacted the Libyan banks to determine how many investors have invested in these banks. It was revealed that there are 150 investors in the Libyan banks. Little attention has been given to investment in the Libyan banks. This might reflect in the small number of investors compared with the total banks which operate in Libya (Shaglapo, 2006). Therefore, 150 questionnaires were distributed.

4) General and deputy directors of Libyan banks (L. B)

It is important to know the opinions of the persons who are responsible for making decisions in the banks. These groups consist of bankers in the Public and privates sector which operate under the supervision of the Central Bank of Libya. All Libyan banks are involved in this study. According to the Central Bank of Libya (2007), there are 37 Libyan banks operating in Libya under supervision of the Central Bank of Libya. The target group was the general and deputy directors of each bank). Therefore, 74 questionnaires were sent.

5) Libyan Accountants and Auditors (A.A)

The only accounting professional group which has been allowed to work in the accounting sector according to law No, 116 (1973) are those who have established or work in a small private accountancy bureau. These small private accountancy bureaus provide a full range of professional accountancy services. These services include auditing, taxation, accounting and management information, consultancy and secretarial services. Therefore, professional accountants and auditors are expected to give well-informed opinions. It is important to find out their opinions about financial disclosure in Libya. The General Libyan Accountants and Auditors

Syndicate (2007) reported that there are 524 accountants and auditors who are members of the General Libyan Accountants and Auditors Syndicate, 193 are registered in the accountants and auditors practices' list and they have continued paying annual registration fees. Therefore, 193 questionnaires were sent to them.

It is important here to mention that to make the analysis procedures easier the group of Accountants and Auditors will be treated as one group with the Libyan Accountants and Auditors Syndicate, because most of them are members of the Libyan Syndicate, and the two groups have similar characteristics. Another, reason was to create a large group to facilitate the statistical analysis procedure. Bryman and Cramer (1997) said "*It might be possible to increase the expected frequency in a category by combining it with those of another*" (P.123).

6) Senior and junior auditors at the Institute of Financial Auditing (I.F.A)

Knowing the opinions of this institute is very important. It is authorised by the Libyan government to audit all the Libyan banks' financial statements. The Institute of Financial Auditing is responsible for presenting an audit report about financial operations of all Libyan banks. The Libyan government has established the Institute of Financial Auditing to audit financial statements of Libyan (General Popular Committee of Control, 2007). With regard to audit of the Libyan banks' financial statements, it was reported that 75 auditors are now operating in three branches across Libya, but just 45 auditors are authorised to audit the annual reports of Libyan banks (GPCC, 2007).

5.9.9 Population and sample

Sampling involves any procedure that uses a small number of items, or that uses parts of the population, to draw a conclusion about the whole population (Bribesh, 2006). However, sampling is not an easy task and many factors need to be considered when sampling (Alsaeed, 2006). Belal (2001) shared the same view that sample selection is influenced by the objectives of the study and is constrained by the availability of reports, time and resources available. Easterby-Smith *et al.* (1991) stated that "*the main aim of sampling is to construct a sub-set of the population which is fully representative in the main areas of interest*" (P.112). According to Alhajraf (2002), it is necessary to choose a sample that could be representative, so the research findings could be generalised. In addition, Miles and Huberman (1994) said that "*you cannot study everyone everywhere doing everything*" (P.27).

In this research, the entire population of target groups was found to be appropriate for this study. There were three reasons for collecting data from the entire population rather than the sample: firstly, the population which was considered in this research is smaller (six groups). Patton (1990) claims that quantitative methods typically rely on large sample sizes; secondly the researcher intends to generalise his findings. Even greater attention was paid to the selection of respondents with the objective to ensure the collection of information that was as unbiased as possible from the population. Thirdly, to minimize the impact of non- response bias, the total sample used in this study was adjusted in term of equal sample size of study groups. According to Hair *et al.* (1995) the use of equal sample size, improves the statistical significance and validity of the sample.

The population of this study was classified into six groups. The rationale of this application that many prior studies identified the different groups of the financial statements users, for example, Moser and Kalton (1992) highlight that there is much to be gained by studying several groups. This statement is consistent with some authors' opinions such as Al-Razeen and Karbhari (2004); Mirshekary and Saudagaran (2005) when they agreed that much is to be gained by studying different groups who are interested in using financial information via financial statements.

5.9.10 Process of collecting data in this research

This section describes the process of collecting relevant data used in part one of this research. As mentioned earlier, the questionnaire method was found appropriate as an approach for gathering primary data. It was used to obtain financial statement users' opinions, about two issues: the financial disclosure in Libyan banks financial statements and, the degree of satisfaction with financial statements. Ibrahim and Kim (1994) and Alhajraf (2002) used the same tool to examine the opinions of users of financial statements about importance of financial disclosure in Egypt and Kuwait. Meanwhile, Naser *et al.* (2003) used the same tool to examine the opinions of various user groups about annual reports in Kuwait. All those authors asked participants to express their opinions in interval data scale. Al-Razeen and Karbhari (2004); Mirshekary and Saudagaran (2005) also have used a questionnaire tool to obtain users' opinions about the importance of annual reports in Saudi Arabia and Iran.

Before achieving the main study, the importance of financial disclosure was discussed with a sample of target groups during the conducting of the pilot study in Libya (bankers, investors and auditors). This allows an estimation of how participants will interpret and react to the questions. Hussey and Hussey (1997) state that the "*primary data is data collected at source which is obtained by asking questions or making observations*" (P.149). To gain the advantages of the questionnaire method, the main method of part one of research was use of the questionnaire tool to collect users' opinions, where 540 questionnaires were distributed among user groups.

5.9.11Distributing the questionnaire

As a consequence of using a quantitative approach to conduct the part one of this research, and in attempting to maximise questionnaire returns, and limit non-response. The recorded mail system was used to ensure that all participants will receive the version and seek to ensure a large sample, Patton (1990) claims that quantitative methods typically rely on large sample sizes. In this regard, five hundred and fifty questionnaires were distributed in total.

5.9.12 Response rates

Bryman (2004) argues that "*the notion of a response is a common one in social research; however, he defined the response rate as the percentage of a sample that does, in fact, agree to participate*" (P.98). To maximise response rates considerable efforts were made to avoid the problem of non-response and to ensure the completion of the questionnaire. In this regard, many steps were taken. First, the names of participants were taken from the official body for all groups, except the Libyan investors, who do not have an official body (mentioned earlier). Names and addresses were taken directly from Libyan banks' records. Second, a full explanatory letter accompanied the questionnaire, (detailing its purpose and outlining how the data provided would be used). It was addressed, and the questionnaires were sent to them. Completed addresses for 150 investors were obtained. Therefore, 150 questionnaires were sent.

Scmitt and Klimoski (1991) suggest that follow up procedures are often undertaken with mail questionnaires to optimise the response rate. To process the follow up procedure questionnaires were numbered, in order to be traced back to the respondent.

Out of five hundred and forty questionnaires distributed, a total of 384 questionnaires were returned with complete responses. This number represented a response rate of 71 % of distributed questionnaires. This number is considered to be a very good response for a mail questionnaire. The typical response rate for a mail questionnaire is between 20 per cent and 40 per cent (Nachmais and Nachmais, 1992). Meanwhile, 60 per cent is considered to be exemplary (Mangione, 1995 and Remenyi et al,. 1998). The table below provides more detail about distributed and returned questionnaires.

Table 5.2 Number of Questionnaires distributed and received

Users group	Population	Distributed questionnaires	Questionnaires Received	Distributed Returned Rates %
The C.B. L	40	40	31	77
Taxes Board	38	38	31	82
Libyan investors	150	150	105	70
Libyan banks	74	74	51	69
Accountants and Auditors	193	193	135	70
Institute of Financial Auditing	45	45	30	67
Total	540	540	384	71
C.B. L = Central Bank of Libya				

Although there was a relatively good response, across groups, the researcher believes that non-response has been affected by two reasons: first the Libyan mail is not well organised which affected distributing and receiving the questionnaires; second the Libyan culture is a factor that affects responses negatively, as some Libyan people refuse to answer questions and to participate in any survey, as they might believe that the researches are not useful to them. In this regard, Bribesh (2006) provides two reasons that might account for non-receipt of the remainder of the questionnaires in the context of Libya. First, the mail service in Libya is still publicly owned and not well organised. Second, the relatively sensitive characteristic of the survey in Libya' social and cultural context may discourage respondents from participating in the survey questionnaire. Other factors that may lead to non-response, according to Churchill and Iacobucci (2002), reasons such as refusals, wrong mailing addresses and lost mail can lead to non-response; all but the last reason may introduce a non-response bias if material.

With regard to the Central Bank of Libya group, the whole group was targeted, where 40 questionnaires were distributed among the Central Bank of Libya's auditors who are authorised to audit the Libyan banks' financial statements. 31questionnaires representing 77 % of distributed questionnaires were returned with a complete response and fully completed.

To obtain a high response rate, the whole population of the Taxes Board was targeted where 38 questionnaires were sent to auditors who audit the Libyan banks' financial statements. 31 questionnaires representing 82 % of those distributed were completed and returned to the researcher.

Concerning the Libyan investors, the entire population, was targeted. 150 questionnaires representing were sent. 105 questionnaires representing 70 % of distributed questionnaires were received by the researcher with a complete response.

The general and deputy directors of 37 Libyan banks as one of the users of financial statements were targeted. Therefore, 74 questionnaires were sent. 51 questionnaires representing 69 % of distributed questionnaires were returned with a complete response.

Regarding the Accountants and Auditors' group, 193 auditors were found auditing the Libyan banks' financial statements. Therefore, 193 questionnaires were distributed. 135 questionnaires representing 70 % of distributed questionnaires were completed and returned to the researcher, meanwhile 58 questionnaires were not returned.

45 Auditors from the Institute of Financial Auditing who are authorised to audit the Libyan banks' financial statements were found appropriate to be surveyed. Therefore, 45 questionnaires were sent. 30 questionnaires representing 67 % of the distributed questionnaires were returned to the researcher with a complete response.

Role of the report is to address perceived deficiencies in data quality. The comments below seek to address these issues.

5.9.13 Potential biases associated with this study

There are various types of potential biases associated with this study: firstly, the implication of non-response rate variation among the groups. As response rates vary, this has different impacts for different population biases. However, it is not clear whether different population groups provide responses of different quality, thus creating risk of biased comparisons (Siemlatycki, 1984). Survey non-response can create bias in samples (and therefore survey data) by making the sample composition substantively different from the target population. Bias in this instance refers to the difference between the sampled units and the target population, just as a randomly selected sample represents the target population, so too must the actual survey respondents. The biasing effect of non-response can be greater as the response rate drops; therefore, survey organizations seek higher response rates to decrease the likelihood of non-response bias. Sudman and Blair (1998) stated that the low response rate can create non-response bias. Varied low response rates were gained for user groups such as Institute of Financial Auditing group and the Libyan banks group followed by the Libyan investors group (67 %, 69 % and 70 % respectively). A high response rate was achieved overall, Anderson, (2004) argues that the most common reason for non-response is that the respondents refuse to answer questions or to be involved in the survey and sometimes the selected respondents may not meet the research requirements and will be ineligible to respond.

De Vaus (2001) categorises the major problems of low response rate stating that it creates an unacceptable reduction of sample size and it also ends in bias. There are possible reasons for non–response rate.

1) There are general trends of increasing non-response that Johnson and Duberley (2003) says seems to indicate that, "fewer people are willing to respond to surveys, possibly due to greater demands on their time.

2) Some non-respondents do not receive the mailing due to address or mail delivery errors.

3) Also sometimes non-respondents throw out the survey unknowingly. People who get the survey are sometime not eligible, or feel that they are not eligible for the study (Dillman, 1978). Fourth, the most common reason for non-response rate is that the respondents refuse to answer question or to be involved in the survey and sometimes the selected respondents may not meet the research requirements and will be ineligible to respond (Saunders *et al,* 2007).

In attempting to reduce the bias of non-response the whole population for each group in Libya was sampled and targeted. Collis and Husssey, (2003), state that a large sample should give more confidence than a small sample.

This is desirable to reduce error and to cancel bias. Therefore, the bias was minimized by the researcher attempting have the largest size possible. All questionnaires also were distributed in the same period, and a high response rate was achieved. Saunders *et al.,* (2007) stated that if the sample size is adequate and response rate is high, the survey instrument has gathered valid data.

Although, the response rate was high (71%), there were still some limitations due to non response bias. In order to maximise the response rate, the questionnaire aimed at emphasising the participants' views regarding the research topics, and to ensure anonymity of the respondents. No questions were asked that would directly identify the respondents or their organisations. A letter from the supervisor was presented with the questionnaire to enhance the credibility of the research and give assurance that all the information obtained in this research would be used only for the research purposes. A high response rate was achieved to overcome these risks and prevent bias as well as careful data collection procedures (e.g. screening and follow-ups). Therefore, the non-response bias is minimised by a high response rate.

To control the acquiescence response bias (Some respondents when they complete surveys will tend to agree, rather than disagree, with most of the questions on the survey), the survey instrument had a reader-friendly presentation. There was subsequent elimination of suspect responses and outliers. Also, to provide the respondent with unbiased choice, a five point scale was used for their responses to questions (there were no complaints regarding using a 5-point scale, see section 5.9.6). Additional steps have been taken to prevent biases in the questionnaire:

1) The researcher avoided using double-barreled questions, where combining the two questions into one question makes it unclear which attitude is being measured, as each question may elicit a different attitude.

2) The researcher also, has used both mutually exclusive and exhaustive response categories for closed-ended questions (construction principles). Categories are mutually exclusive when there is no overlap.

3) The researcher deliberately avoided using a loaded or leading question to avoid bias in the response given by the participant, where a loaded question is one that leads the respondent to a particular answer.

Secondly, the data collection in this study employed a quantitative approach using a questionnaire method. In relation to the quantitative approach, reliability is concerned with whether alternative research would reveal similar information Easterby-Smith *et al.,* (2004). Saunders *et al.,* (2007) states that, the concern about reliability in this type of questionnaire (mailed questionnaire) can be also related to issues of bias (non-response rate and using of different groups). The reliability of questionnaire survey results also might be affected by non response rate, whereby response rates are an important measurement in survey research, because they reflect the level of effort undertaken during data collection and help describe the reliability of the resulting data. Furthermore, the validity of the questionnaire might be influenced by non-response rate validity. Most questionnaire questions were adopted from previously validated instruments in refereed journals such as Ibrahim and Kim, (1994) in Advances in International Accounting, Al-Razeen and Karbhari (2004) in Managerial Auditing Journal and Mirshekary and Saudagaran, (2005) in Journal of International Accounting Auditing and Taxation.

It was necessary to test the content validity under this study. The questionnaire, along with the covering letter explaining the aim and objectives of the research, was sent to two consultants in accounting to get their comments and to determine how well the questionnaire was designed. This helped the researcher to make some modifications to improve the test instrument either in Arabic or in English and thereby maximize the reliability and validity of the study. Some general questions were taken out and others were added to the questionnaire.

Thirdly, the information related to this study was gained from different groups who may hold different opinions about the subject of this study, where information needs of different groups are likely to overlap even though the main focus may differ (see section 5.9.8). For example, the investors group will be more interested in disclosures relating to financial performance and earnings potential more than other groups. Despite the attractions of reflecting users' perceptions, the perceptions of different groups of users vary due to subjective judgement and interests, subjective judgements may average out (Andeson, 2004).

Fourthly, In addition, there is a possibility of bias toward using positive questions in the questionnaire which may lead to only positive answers. The researcher should be an enthusiast for the subject covered, even though the researcher may hope that it shows his efforts in a good light, and the questions must be neutral. This means that they should not lead the respondent towards any favoured answer. Collis and Hussey, (2003) stated that there is a tendency for participants to agree rather than disagree. Consequently, mixing positive and negative questions will help to keep participants thinking of their answer.

Finally, translation into Arabic is another type of possible bias associated with this study, as the original questionnaire was written in English. Translating a questionnaire from English into Arabic was a critical issue, which needed to be dealt with carefully. Saunders *et al.* (2007) argue that "*translating questions and associated instructions into another language requires care*" (p.357). It was necessary to make sure that both the Arabic and the English versions of the questionnaire were as similar as possible in terms of the meaning and the questions they both asked. Therefore, the initial instrument needed to be translated into Arabic to allow the collection of data through the questionnaire, and every necessary effort was taken to overcome any linguistic constraints. For overcoming the bias related to translation, the English version was sent to several groups (supervisors, colleagues, etc), to give their comments. As for the Arabic version of the questionnaire, this was given to an expert in Libya whose native language is

Arabic. They were asked to translate the questionnaire (see section 5.9.5). The Arabic version was translated back into English and compared with the original, and both versions to be of comparable quality in term of content and form.

5.9.14 Justifications for using the parametric test

In general, there are two types of statistical tests used in data analysis procedures, they are parametric and non-parametric, Bryman and Cramer (1994) state that there is no general agreement among researchers as to when one of these two types of tests should be used for data analysis purposes. The two statistical tests were found appropriate to fulfil this research. The parametric test will be used to achieve part one of this research, whereas, the non-parametric was found most appropriate to conduct part two of this research.

The statistical technique considered for this part is the parametric test which was found to be most appropriate for conducting the first part of this research.

The one way ANOVA test will be presented as a proxy for the parametric test. The rationale for using this test was based on the data which was gathered via questionnaire and presented as interval data, "*most measures of human characteristics have interval properties*" (Hussey and Hussey, 1997:150). Marston and Shrives (1991) argue that parametric statistically testes are only appropriate when measurement on an interval or ratio scale has been achieved. Anderson *et al.* (2003) add that:

> "*If the level of data measurement is interval, the parametric method provides a more powerful or more discerning statistical procedure*" (P.747).

This is consistent with Firth (1980) when arguing that the parametric test uses to examine for statistically significant differences in group mean. In addition, Alhajraf (2002) and Naser *et al* (2003) agreed that parametric test is commonly used with interval data.

Since the interval data was used to address the participants' opinions. Therefore, the parametric test was found appropriate for conducting the first part of this research. Tabachnick and Fidell (1996) believe that selecting the relevant technique depends on the nature or characteristics of data and, the relevance of the technique to the research questions.

5.10 Procedure of data analysis collected via the questionnaire

The data obtained via 384 questionnaires were translated into numerical values and entered into the computer using the Windows version 14 of the package SPSS. The rest of this phase is devoted to describing the reliability analysis followed by descriptive evaluation and testing the three hypotheses as follows:

5.10.1 Reliability Analysis

Before starting to analysis the contents of the questionnaire, the reliability analysis will be conducted to test the internal consistency of each question, as reliability analysis is the first step in the quality control of conducting research relying on primary sources of data collection such as a questionnaire. According to Newman and McNeil (1998: 205), the reliability is *"the extent to which a variable yields the same value on repeated measure"*. Collis and Hussey (2003) argue that:

> *"Reliability analysis is concerned with the findings of the research and is one aspect of the credibility of findings"* (P.57).

Reliability Analysis allows studying the properties of measurement scale and the measurements that make them up. In the context of survey research, Babbie and Halley (1994) believe that:

> *"The reliability refers to the question of whether we can trust the answer that people give us-even when their misstatements are honest ones"* (P.12). Saunders *et al* (2007) said:

> *"Reliability as concerned with robustness of your questionnaire and, in particular, whether or not it will produce consistence findings as different times and under different conditions, such as with different samples"* (P.367).

The reliability analysis procedure calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual measurements in the scale. Interclass correlation coefficients can used to compute inter rate reliability estimates. Hence, by using reliability analysis, the extent to which the measurements in the questionnaire are related to each other can be determined, so we can get an overall index of reliability or the internal consistency of the scale as a whole. Using the reliability analysis can identify problem areas that should be excluded from the scale.

The most common statistical measure of the internal consistency of the research instrument is called Cronbach's Alpha (Botosan, 1997; Huck and Cormier, 1996). Therefore, Cronbach's Alpha will be used, because of relevance to questionnaires based on the Likert five-point scale. Oppenheim (1992) indicated that several researchers have used a five-point scale rather than the use other point scales, suggesting that reliability tends to be improved by five scale point, and measure the internal consistency of the questionnaires, based on the average inter-item correlation of the items. Botosan (1997) add that Cronbach's Alpha is a measure of internal consistency that uses repeated measurements to assess the degree to which correlation among the measurements is attenuated due to random error. Sirkin (1999) adds that:

> *"Reliability tends to exclude nuances and multiple aspects of variable, so as to focus on what can be specifically scored, the solution is to create several measures for the same concept and see if they produce similar results*" (P.66).

5.10.2 Descriptive statistics

Descriptive statistics is a branch of statistics that sets out to summarise data that has been collected. Typically, they are mainly based on the calculation of the mean, and percentage distribution (Bribesh, 2006).

The descriptive analysis in this study involves people's opinions or judgments on the usefulness of financial information published by Libyan Banks. It is appropriate to analyse the respondents' return in terms of the behaviour of different statistical methods. In addition, the data is related to contents of annual reports. Diamantopoulos and Schlegelmilch (1997) listed the purposes of descriptive analysis as follows:

1) Provide preliminary insights as to the nature of the responses collected, as reflected in the distribution of the values for each relevant variable.

2) Help in detecting errors when coding the data.

3) Use of graphs and tables will help in presenting the data in a digestible way.

4) Provide an early opportunity for checking whether the distributional assumptions of the subsequent statistical tests are likely to be satisfied.

The main descriptive statistical methods used in this study will be explained in the following subsection:-

5.10.2.1The Mean

To find out whether there is any difference between users groups regarding financial disclosure (part two and three of the questionnaire). The mean will be used in order to compare each of the sample groups' average with the total sample average and with other groups' average. Fischer (1996) stated that the mean is the arithmetical average of all the values in a distribution. Saunders *et al.* (2007) add that:

> "*The most frequently used measure of central tendency is the mean which includes all data values in its calculation. However, it is usually only possible to calculate a meaningful mean using quantifiable data*" (P.437). In addition to the mean, a percentage will be used to analyse the differences among groups' elements. Cohen and Holliday (1982) state that:
>
> "*The mean is a useful measure used to describe the central tendency or average of a distribution of scores for any group of individuals, objects or events*" (P.24).

Frankfort- Nachmias and Nachmias (1996) also, added that the arithmetic mean is the sum total of all observations divided by their numbers. Alhajraf

(2002) added that the mean facilitates numerical ranking of each group regarding the importance of the given question within each respondent group. Also it gives an equal weight to each of the responses. There are many advantages for using the mean as a measure tool (Hussey and Hussey, 1997):

1) The mean can be calculated exactly.

2) It makes use of all the data.

3) It can be used in further statistical work.

The analysis was from individual's opinions to the general one in each group, then from each group's opinions to the whole sample's opinions. The descriptive stage involves providing descriptive statistics for the opinions of the participants in the study towards the issues included in the questionnaire.

5.10.3 Testing first and second hypotheses

Since the aim of this study is to test the significant means differences between more than two groups. The parametric test was found appropriate to test the firs and second hypotheses. This test is considered more powerful test, because it uses quantifiable data (Saunders, *et al* 2007). The one way ANOVA test was found appropriate to use as a proxy of the parametric test to evaluate the opinions of users of financial statements regarding financial disclosure split by groups. Sekaran (1992) adds that this test is used to examine how much of the variance in the dependent variables will be explained when several independent variables influence it.

The one way ANOVA test at a significant level of 0.05 will be applied to test whether there are any significant differences between users groups' opinions concerning financial disclosure and how to ascertain whether a financial statement can satisfy their needs. According to Foster (2001):

> "*The significance test allows you to estimate how likely it is that the data from the separate groups of respondents comes from one population*". He goes further when arguing that "*in the significance testing of differences, we look at the*

> *difference between the sets of scores and compare it with the amount of variation in the scores which arises from chance*" (P.14).

The one way ANOVA test of attitudinal statement will be factored by groups that present statistical answers for scale data concerning opinions to financial disclosure as well as the result for significant results for mean differences based on the questionnaire questions. Finally, as mentioned before this test was used to test the null hypothesis that population have identical distribution function against the alternative hypothesis, that at least one of the samples differs only with respect to location (mean) if at all.

5.10.4 The Post-hoc test

As a result of the one way ANOVA test does not provide which of groups differ from each other, additional analysis is needed to identify differences between groups, Pallant (2001) argues that "*the one way ANOVA test does not tell us which of the groups differ, hence, we need to conducts post-hoc test*"(P.186) . To do so, a Duncan test is needed if we support a difference hypothesis using an ANOVA test in order to determine which groups differ from each other.

5.11 Testing third hypotheses

Since the ordinal scales representing the ranks of variables' value (items included in annual report). Therefore, the non-parametric test was found most appropriate to fulfil the second part of this study, where the index method will be used as a proxy of this method to test hypothesis three (to compare between two populations, requirements of IAS30 and what Libyan banks disclose in their financial statements). Marston and Shrives (1991) cited that Siegel (1956) said, "*Non-parametric statistical tests should be employed when nominal or ordinal scale measurement has been achieved*" (P.30-34). Frude (1993) argues that the non-parametric test should be used with data at the ordinal level. Anderson *et al.* (1996) add that:

> "*The non-parametric tests can be used with ordinal data*". They go further when arguing that the "*non-parametric test*

should be used when nominal or ordinal data are available "(P.763).

Hussey and Hussey (1997) shared the same view with the above authors when they stated that the non-parametric test can be used on ordinal data. They go further when arguing that non-parametric techniques are more general and can be used on skewed data; that is, data which is not normally distributed.

Alhajraf (2002) agreed with Anderson *et al.* (1996) that non-parametric test should be used with the ordinal data, but he added that the non-parametric approach should be used when data is not normally distributed and ordinal data is used as well. Also, Saunders, *et al* (2007) argued *"that non-parametric test is designed to be used when your data are not normally distributed*" (P.441). But, Pallant (2001) argues that the actual distribution of the scores does not matter when applying non-parametric test. Unlike the parametric t-test, this non-parametric makes no assumptions about the distribution of the data (http://www.texasoft.com/).

5.11.1 Justifications for using the index method

There are two reasons for choosing this method. First, it is used extensively by many authors for evaluating the level of financial disclosure either mandatory or voluntary. Abad *et al.* (2007) argue that use of disclosure indices for measurement of the level of publication of both mandatory and voluntary information is widespread. So it can therefore be concluded that some researchers find this technique useful. Second, previous studies that used this method are highlighted to choose the appropriate method for applying in this research. The results revealed that there are many studies set out which the researcher can learn from their experience. The literature revealed that a number of past studies applied the index method to measure levels of financial disclosure within the financial statements of banks (e.g. Mostafa, 1994; Talib, 1998; Handi, 1999; Alhajraf, 2002; Haque and Islam, 2005 and Sejjaaka, 2005). Therefore, the researcher has based his approach in the present study with that carried out in the developing countries which measured the level of financial disclosure in financial statements by using the index method, in a similar context to Libya. Hossain (2007) stated that disclosure index used by one researcher and consequently adopted by other research is not uncommon. In addition, there were two motivations for relying on those studies: first, they are carried out in a similar context to Libya; second the nature of the banking industry sector in these countries is the same.

The Mann-Whitney test will be applied to present the index method to test hypothesis three. According to Anderson *et al.* (1996) "*The Mann-Whitney test can be used to determine whether there is a significant difference between two populations*" (P.758). Also, Pallant (2001) said that the Mann-Whitney test is used to test for differences between two independent groups. He goes further to say that this test:

> "*Evaluates whether the ranks for the two groups differ significantly, as the score are converted to ranks, the actual distribution of the scores does not matter*" (P.260).

Alhajraf (2002) argues that the reason for using this test is its ability to indicate the amount and direction of any differences between the two samples.

Therefore, the Mann-Whitney will be applied to determine whether there is any significant difference between the requirements of IAS 30 and what the Libyan banks disclosed in their financial statements (Hypothesis 3). According to Field (2000):

> "*The Mann-Whitney test is used in a situation in which there are two sets of scores to compare, but these scores come from the same subject*" (P.54).

This test is one of the most powerful of non- parametric tests for comparing two populations. It is used to test the null hypothesis that two populations have identical distribution functions against the alternative hypothesis that two distribution functions differ only with respect to location if at all (Mostafa,1994). In this test, if the P-value is greater than 0.05 then the items have been disclosed according to IAS 30 and, if not, then the items has been disclosed but not according to IAS 30 requirement.

5.11.2 Sample and data collection via annual reports of Libyan banks:

This section describes the process of collecting the relevant data used in evaluating the level of financial disclosure in financial statements of Libyan banks compared with the requirements of IAS 30. The objective was to collect a complete series of annual reports in their original format for as many annual reports as possible the years 2005 up to 2008.

The Central Bank of Libya (2006) reported that 37 banks operate under its supervision. Beside the CBL, there are 42 banks operating in Libya: 4 Private Commercial Bank, 27 Ahli Banks, 5 Specialised Banks, 5 Public Commercial Banks and Foreign Libyan Bank (U.S Commercial Service, 2007). These banks have become 37 banks, after some banks were merged together (Central Bank of Libya, 2007). A list of these banks is shown in Appendixes (2), (3) and (4).

The population in the current research will be all Libyan banks which operate under the Central Bank of Libya's supervision. According to Boarg and Gall (1989), using a small sample of a population saves the researcher the time and money that would otherwise be involved if he/she were to study the entire population. In line with Boarg and Gall (1989), Patton (1990) claims qualitative research normally relies on relatively small in-depth samples or even single cases that are selected purposefully. Nevertheless, dealing with all the population would allow the research findings to be generalisable (Alhajraf, 2002). Therefore, the annual reports of 37 Libyan banks were subjected to analysis in this research (chapter six).

After contacting some potential sources such as the Ministry of Economics and the Ministry of Commerce, the banking sources in Libya were identified to be the most suitable sources for this information. Libya had not been allowed to participate in global activities for 12 years, as a consequence of the United Nation's sanctions which were removed in 1999. Therefore, the global institutions (e.g. The United Nation, the World Bank and the International Monetary Fund), did not disclose any information about the Libyan banks and economy before 2005 (Sheglapo, 2006).

Before requesting annual reports from Libyan banks, a recent list of banks was obtained directly from the Central Bank of Libya to identify the final population of banks. Then, a letter was forwarded to each of these requesting them to provide the researcher with a copy of their audited annual report for years of 2005 up to 2008. Therefore, these reports were collected directly by contacting the banks' managements. These banks have been under the supervision of the Central Bank of Libya, continuously during year of 2005 up to 2008. The data collection was for banks that had published data for previous years, and had not changed their financial years (The financial year starts at 1st January and ends 31stDecember). The other reason for choosing this sample was that the Libyan economy was a planned economy and isolated from the world before the United Nations removed its sanctions on Libya in 1999. In fact, the years prior to 2005 were not taken into consideration, because the Libyan economy and banks' accounts were not accessible, obtainable and IAS was not required by the Central Bank of Libya before this date. In most of the developing countries compliance with the accounting standards, is not legally required (Hossain, 2007). The other rationale for choosing this sample was the fact that the Libyan government in 1999 started a program of economic reform and restructuring towards a free-market economy.

A new economic system has been created allowing foreign investors to invest in Libyan banks. This step has placed Libyan banks facing new challenges to provide financial statements users whether, Libyan or foreigners with sufficient information to assess their investments (Shaglapo, 2006). According to the newly enhanced rules, Libyan banks have to prepare their financial statements in compliance with IAS 30 (Banking Law, no 1, 2005). The final data for this study consisted of 37 annual reports. There were a variety of prior studies that used annual reports for evaluating levels of financial disclosure. Table 5.3 below summarises some of them.

Table 5.3 Summary of the prior studies that used annual reports

No	Author	Year of study	Country	Numbers of used annual reports	Year of annual report
1	Kahal and Belkaoul	1981	USA	30	Not stated
2	Firth	1984	Canada	100	Not stated
3	Mostafa	1994	Kuwait	10	1994
4	Talib	1998	Egypt	20	1997
5	Handi	1999	Egypt	33	1996
6	Alhajraf	2002	Kuwait	8	2000
7	Hussain et al	2002	GCC countries	No stated	2000
8	Bhuiyan and Kamal	2003	Bangladesh	Not stated	2002
9	Haque and Islam	2005	Bangladesh	30	2003
10	Sejjaaka	2005	Uganda	Not stated	2003

In this study, the Libyan banks annual reports were used as a source for gathering information about levels of financial disclosure. Hussey and Hussey (1997) state that:

> "*Secondary data is at already exists such as books, documents, published statistics, annual reports and accounts of companies, and internal records kept by organisations such as personal records*" (P.145-150).

To achieve part two of this research, the researcher limited the analysis to four years, because disclosure policies usually tend to remain constant over time (Botosan, 1997). The population was composed of the annual reports of the Libyan banks for years of 2005 up to 2008, because they were relatively more recent and easier to obtain.

Table 5.4 below provides a summary of number of banks, requested, received and received rate of annual reports of the Libyan banks through year of 2005 up to 2008.

Table (5.4), Summary of requested and received annual reports: 2005, 2006, 2007and 2008(second quarter).

No	Banking classifications	Number of banks	Annual reports requested	Numbers of annual reports received	Response rate %
1	Public Commercial banks	5	20	20	100
2	Private Commercial banks	4	16	16	100
3	Ahlie banks	27	108	71	66
4	Specialised banks	1	4	4	100
Total		37	148	111	75

5.12 Procedure of banks' reports analysis

The data obtained for this part was a total of 111 annual reports representing the all population (37 banks). They were translated into numerical values and entered in the computer using the Windows version 14 of the SPSS package.

To identify whether there are any differences between what Libyan banks disclose in their statements and requirements of IAS 30, all annual reports of Libyan banks will be subjected to evaluation. In order to test the third hypothesis, the analysis undertaken will include rating the items included in the financial statements of banks according to the degree of compliance with IAS 30 requirements. Then the Mann-Whitney test was applied. According to Hossain (2007), there are various approaches available to develop a scoring scheme to determine the financial disclosure level of annual reports from the works of other researchers. The weighted disclosure index approach has been employed in several prior studies. This approach has been used by (Wisman, 1982; Marston, 1986; Mostafa, 1994; Talib, 1998; Handi, 1999; Alhajraf, 2002; Haque and Islam, 2005; Sejjaaka 2005).

5.12.1 Weighted disclosure index

Previous studies in annual reports disclosure have suggested two methods of assigning scores of disclosure items to compute an overall index of disclosure. The first method, called an unweighted score. The second method called weighted score differentiate among the disclosure items according to their importance to a specific or groups of annual reports' users. According to Marston and Shrives (1991), there are no widely accepted theoretical guidelines for selecting items. But, Bribesh (2006) believes that a number of approaches to developing a scoring scheme may be used to determine the disclosure level of the annual report.

In this study, the weighted score was obtained to determine the differences between components of Libyan banks' financial statements and requirements of IAS 30. It is true that all items are not equally important, therefore, not equally desirable and so, researchers sometimes prefers weighted index to an unweighted one (Alam, 2005). The weighted score has been employed in several studies, such as Barrett (1976); Courtis (1979); Marston (1986); Mostafa (1994); Talib (1998); Handi (1999); Alhajraf (2002); Haque and Islam, (2005) and Sejjaaka (2005).

Robbins and Austin (1986) stated that the weighted score reflects both the extent of disclosure and the importance of the information communicated through the annual reports. Meanwhile, Inchausti (1997) argues that:

> "*Using a weighted disclosure index may seem attractive because it allows distinctions to be made for the relative importance of items of information to the users of annual reports*" (P.49).

The index procedure of this study will be similar to the many prior studies carried out in some countries for evaluations of level of financial disclosure in annual reports. It was constructed to evaluate the content of the annual reports disclosures. The purpose of this procedure was first to objectively measure the information contained in the disclosure; second, to provide a systematic numerical basis for comparing Libyan banks' disclosure with the requirements of IAS 30.

Items of information to be included in the index method were selected through a review of the prior studies (Wiseman, 1982; Marston, 1986; Nicholls, 1994; Mostafa, 1994; Talib, 1998; Handi, 1999; Alhajraf, 2002; Bukh *et al.,* 2005; Haque and Islam, 2005; Sejjaaka 2005). These sources provided proposed formats for financial reports including items of information considered essential for financial disclosure.

In some earlier studies, weights were assigned to individual items of information based on the subjective judgement of the researcher (see Wiseman, 1982 and Marston, 1986). The subjectivity in assigning weight to disclosure items was also criticised on the grounds that it is difficult to identify a user's preference for items of disclosure (Bribesh, 2006). He goes further when adding that some users might assign different weights to the same item of disclosure. Abad *et al.* (2007) said it is common in most of the studies to produce an index that takes into account several information items; sometimes weighting those items in correspondence with their relative importance.

In this study, the same procedures will be followed. There were two reasons for choosing this: first, it was simple; second it was commonly used in recent literature (e.g. Alhajraf, 2002; Haque and Islam, 2005; Sejjaaka 2005 and Islam and Hepp, 2005).This method has most often been applied to estimate voluntary information, compulsory information or both in annual reports (Inchausti, 1997; Garcia and Martinez, 2005).

5.12.2 Scoring for the Weighted Index

There are different approaches for developing a scoring scheme to capture levels of disclosure. The most commonly used approach is a modified dichotomous procedure, in which an item scores one if it is disclosed, zero if it is not disclosed, and NA if it not applicable (Hossain, 2007). In a recent study, Hossain (2007) states that there are various approaches available to develop a scoring scheme to determine the disclosure level in annual reports from the works of other researchers(Hossain, 2007).

Eight prior studies have used the same weight for examining levels of financial disclosure in different contexts. It was used in the context of Kuwait by (Mostafa, 1994, Alhajraf, 2002), whereas, Talib (1998) and Handi (1999) also followed the same method in the context of Egypt. Bhuiyan and Kamal, (2003); Haque and Islam, (2005) and Islam and Hepp (2005) used the method in weighting items included in the annul reports in Bangladesh. Sejjaaka, (2005) also used the same weight for gauging level of financial disclosure in the context of Uganda.

The disclosure items selected were primarily based on the previous researches carried out in the developing countries context as mentioned earlier. The reason for following this approach as it had done in these studies that the banking sector in these countries operate in a similar environment to Libya (developing countries).

In this research, the items required by IAS 30 were classified into an index of 11 different categories or groups with a total of 117 items. These items were rated according to the degree of compliance and non-compliance with the requirements of IAS 30 as Mostafa (1994), Handi (1999) and Alhajraf (2002) did. According to Hussey and Hussey (1997) If there is no generally accepted measure you may have to devise your own measuring tool or find out what other researchers have used. In addition, Marston and Shrives (1991) added that the index scores awarded can be considered to be reliable if the results can be replicated by another researcher.

Based on the previous study, the each item ranges from 1 point to 5 points. These numbers were generated to weight each item according to the way it was disclosed according to IAS 30 requirements as Mostafa (1994), Talib (1998) and Alhajraf (2002) did as follows:

1) 5 points to be assigned to an item which was disclosed according to requirements of IAS 30

2) 4 points to be assigned to an item which was disclosed according to IAS 30 but in a different way, probably in the footnotes which are part of the financial statements.

3) 3 points to be assigned to an item which was not really disclosed according to IAS 30 and more information was still needed for the reader to understand it.

4) 2 points to be assigned to an item that was disclosed in a totally different way from that stated in IAS 30, the item could be disclosed as part of other items, offset with other items or disclosed qualitatively.

5) 1 point to be assigned to an item which, was not disclosed at all, nor mentioned in the footnotes

The scores are assigned so as to reflect the extent of disclosure that the bank makes in each category being compared with IAS 30 requirements.

5.12.3 Analysis of annual reports of Libyan banks

The rest of this phase is organised to test the third hypothesis by using the index method. This method will be represented by the Mann-Whitney test. Marston and Shrives (1991) state that a disclosure index achieves the level of ordinal measurement and they note that in the social sciences nominal and ordinal measurement are commonly achieved.

All annual reports of 37 Libyan banks will be used to verify the degree of compliance and non-compliance with requirements of IAS 30, in other words to find out what Libyan banks as whole disclose in their financial statements compared with requirements of IAS 30.

5.13 Chapter Summary

This chapter commenced by identifying the research hypotheses. Therefore, it attempted to explain the research methodology and appropriated methods. Two methods were selected to be suitable to carry out this research. The first one was the questionnaire tool, which was used to test two issues: the understanding and awareness of financial disclosure among the users of Libyan banks' financial statements, and how Libyan banks' financial statements can satisfy the Libyan user's requirements. The second method was the index method, which was used to examine the level of financial disclosure in financial statements of Libyan banks in the light of IAS 30 requirements. The chapter following sets out in detail how such methods (questionnaire approach and the index method), are applied. The data which was gathered via the questionnaire and annual reports was analysed and is presented in chapter six, (analysis and results chapter).

CHAPTER SIX

DATA ANALYSIS AND RESULTS

6.1 Introduction

This chapter aims to deal with part two and three of the questionnaire which related to evaluation of users' opinions about financial disclosure and to determine whether financial statements can satisfy users' needs. This chapter also, is devoted to presenting the analysis of the contents of the annual reports of Libyan banks. Finally, this chapter ends by presenting the results of this research.

Through this chapter, the three hypotheses of research will be tested by using the data collected through 384 questionnaires and 111 annual reports of Libyan banks.

In this part the main objectives of the research will be tested. According to Saunders *et al.* (2007), in general, there are two types of statistical tests used in data analysis procedures, the parametric test and the non-parametric, but Bryman and Cramer (1994) argue that there is no general agreement among researchers as to when one of these two tests should be used for data analysis purposes.

In this research, the two statistical tests (parametric and non- parametric test) were found appropriate to fulfil this research. The parametric test was used to test the first two hypotheses whereas, the non-parametric was found most appropriate to test the third hypothesis. Both methods were previously discussed in detail at chapter six.

6.2 Data analysis

The rest of this section is divided into three stages: The first stage is devoted to the reliability test. The second stage is devoted to the descriptive evaluation of the data that was collected via the questionnaire tool.

Meanwhile, the third stage is devoted to test and analysis the research hypotheses.

6.2.1. The reliability statistics test

The internal consistency of each of the measures (Likert scale questions) was measured using the Cronbach's Alpha. The results presented in Table (6.1), indicated that all measures collectively produced a very high alpha coefficient, which was 0.807 in the pilot study. Meanwhile, in the final survey Cronbach's Alpha was 0.931. This alpha value exceeded the recommended level of 0.5 by Hair *et al.* (1995). Table (6.1) below confirmed the reliability of the all underlying items whether in the pilot study or in the final survey.

Table no (6.1) results of the reliability statistics test

	No of items	No of cases	Cronbach's alpha
The pilot study	35	50	0.807
The final survey	47	384	0.931

6.2.2 Descriptive evaluation

This stage is divided into two parts: the first part aims to present analysis of the part two of the questionnaire. Meanwhile, the second part is devoted to present the analysis of part three of the questionnaire. The sample at the end of the study was 384 questionnaires based on the number of returned questionnaires.

All means were shown to be greater than 3 (Neutral) indicating positive varying levels of agreement. The lowest mean was recorded for question no 17 with a mean of 3.69 (between neutral and agree). Meanwhile, the highest mean recorded was for question no 47 with a mean of 4.59 (see Appendix 6).

6.2.2.1 Descriptive evaluation of sections two and three of the questionnaire

This stage aims to present analysis of part two and three of the questionnaire where the participants were asked to state their opinions about many issues related to the financial disclosure and financial statement included in the Libyan banks' financial statements.

Each question in the first two parts of the questionnaire will be analysed using the mean, in order to compare each of the sample groups' average with the total sample average and with other groups' average. In addition, percentage distribution will be used to describe judgements of users of financial statements regarding benefits of financial information published by Libyan banks.

It is worth mentioning here descriptive observations are not statistically significant. A possible rationale for these observations is explained as follows:

Statements (1-2), (4-2) and (1-3)

By looking at tables 1, 4 and 37, it can be seen that the different groups are quite consistent in terms of their responses, with a majority of interviewees finding that the balance sheet is important and should be in the financial statement, although, the broad agreement does mask few differences. For instance the means for the groups LB, CBL are statistically different, showing some degree of disagreement among members of certain groups.

Statements (2-2), (5-2) and (2-3)

Tables 2, 5 and 38 Appendix no 5 show that highest level of agreement was observed among the all group about the importance of income statement for attracting potential investors, also the participants gave quite agreement about the importance of the accounting disclosure in the banks income. Including income statement in financial statement received high attention from all groups. For example, 69, 5 from the Libyan investors group believes that financial disclosure plays important role for attracting potential investors, meanwhile, 38,7 from other group (the Central Bank of Libya) sees that financial disclosure attracting the potential investors (see table 5).

Statements (3-2), (6-2) and (3-3)

Above statements focused on the important of cash flow statement which was the third statement respondents were asked to evaluate the importance of cash flow statement. Tables 3, 6 and 39 revealed high level of agreement about cash flow statement to all groups. They might believe that the cash flow statement comes in the third position after the balance sheet and income statement. On the other hand, other sample gave little attention to this statement when arguing that the cash flow statement is very important. For example, the total sample mean was for 4.14 but the highest level of agreement was observed for the Central Bank of Libya group with a mean of 4.52. Whereas, the lowest level of agreement was recorded for the Accountants and Auditors group with a mean of 3.78 (see table 38)

Statements (7-2) and (17-2)

The two above statements address the views of participants about the role played by Libyan banks in improving credit facilities to customers, and the current role in enhancing the financial disclosure practice in Libya in general is important. Different views were observed about these statements. For instance, 34.1 % of the total sample said that the roles played by the Libyan banks bout two statements are very important. A higher proportion was recorded for the Libyan banks group with 51.9 % followed by the Central Bank of Libya group with 48.4 %. This might reflect the satisfaction of the Central Bank of Libya from what the Libyan banks disclose in this regard. In addition, it might reflect that Libyan banks believe that they are doing well in this regard. It is surprising that the lowest percentage was recorded by the Institute of Financial Auditing with 6.7 %, in other words it may be a negative conductor towards what the Libyan banks disclose in their financial statements. Out of the total sample, 43.5 % of participants gave answers as “important”. In total of 34.1 % of respondents considered that the Libyan banks play a very important role in improving credit facilities. By referring to tables 7 and 17, Appendix 5 the highest level of agreement was recorded among the Central Bank of Libya group with a mean of 4.48 and 4.23 respectively. Meantime, the lowest level of agreement was noticed among the Accountant and Auditors group with a mean of 3.57 and 2.93 for Institute of Financial Auditing.

Statements (8-2), (9-2) and (20-2)

These statement focused on the importance of the role played by the Central Bank of Libya in regulating , observing the financial policy , monitoring and implementation of the laws and regulations within the banking industry in Libya is important. Tables no 8, 9 and 20 showed all groups recorded high level of agreement that Central Bank of Libya played important role in improving banking industry in Libya. For instant, 34.6 % said that the Central Bank of Libya played an important role in regulating and observing the financial disclosure policies in Libya (Table 8, Appendix 5). They might consider that the Central Bank of Libya should play a crucial role in enhancing financial disclosure in Libyan banks. A higher level of agreement was recorded for the Central Bank of Libya with a mean of 4.81. Meanwhile, the lowest level of agreement was recorded for the Institute of Financial Auditing group with a mean of 4.07. Also, monitoring and implementation of the laws and regulations within the banking industry in Libya is important have received high attention from all groups. Tables 9 and 20 show different views but all of them was over 3.00 (Neutral).

Statements (10-2), (11-2) and (22-2)

The target sample rated different attitudes about the importance of the role played by the Libyan Accountants and Auditors Syndicate in increasing the financial disclosure understanding and enhancing the importance of financial disclosure in financial statements. Also, the participants were asked to address their views about whether the syndicate of Libyan Accountants and Auditors with the Central Bank of Libya needs to lead the efforts to emphasise the importance of having more disclosure within the bank's financial statements. Looking at tables 10, 11 and 22, it can be seen that the different groups are quite consistent in terms of their responses, with a majority of interviewees finding that Libyan accountants and auditors Syndicate played important role in increasing the financial disclosure understanding, enhancing the importance of financial disclosure in financial statements and leading the efforts with The Central Bank of

Libya of enhancing the financial disclosure. It was noticed that 37.2 % of the participants said the role played by the Libyan Accountants and Auditors Syndicate in increasing the understanding within the financial statements users in Libya is important. 13.3 % from the Libyan investors group gave a little attention to these statements, for example the Taxes Board and Libyan investors, did not share the same perceptions with them. The future of financial disclosure in Libyan banks might not be as promising as Accountants and Auditors and the Central Bank of Libya thinks it will be.

Statement (12-2)

This statement focused on getting the users' opinions about the importance of financial disclosure in the financial statements for foreign investors in general. 38 % of the entire sample considered that the financial disclosure in financial statements for foreign investors in general is "very important" while 32.6 % of total sample said it is important. Noticeably, 11.9 % of Accountants and Auditors saw the above statement as not important, even although 32.6 % of the whole sample said it is "important". This was mentioned by all groups. Libyan investors continue in their negative response, which may reflect some lack of understanding about financial disclosure for the role of foreign investment, where 16.2 % of their answers were "Neutral". The Central Bank of Libya group , Libyan investors group and Libyan banks group recorded a higher level of agreement with means of 4.45, 4.19 and 4.19 (between agree and strongly agree) respectively (see Table no12, Appendix 5).

Statements (13-2), (15-2), (16-2) and (18-2)

These statements aimed at finding whether the users of financial statements should know more about the requirements of International Accounting Standard and know the changes that have occurred in the financial statements disclosure during the last 4 years in Libya about improving financial disclosure. Tables 13, 15, 16 and 18, Appendix 5 illustrate that positive trends was observed among all groups about these statements. For example, 45.2 % of the Central Bank of Libya gave high level of agreement with means of 4.00, 4.10 and 4.74 respectively. It might reflect their role in encouraging Libyan banks to comply with International Accounting Standard. A lower level of agreement concerning above the statement was recorded by the Libyan Investors, Institute of Financial Auditing group with a mean of 4.17. The lowest level of agreement was recorded for the Libyan investors group with a mean of 3.93, 3.71 and Institute of Financial Auditing with mean of 3, 23. Also, the participants agreed that the users should know the full disclosure requirements within the international financial markets with total mean of 3.82 (table 18).

Statement (14-2)

The respondents gave different opinions about whether the banks' management should disclose more information than they currently do in their financial statements. By referring the table no (14) Appendix 5, an important emphasis has been given to financial disclosure by the Libyan banks, where 65.4 % stated that more information should be disclosed in financial statements. It seems that they intend to work towards disclosing sufficient financial information which is required by IAS 30. 58.1 % of The Central Bank of Libya and 48.4 % of the Taxes Board both said it is very important for banks' management to disclose more information, but financial statements' users know that the banks' kind of business and activities may require extra secrecy, because to disclose more financial information may affect the competitiveness between banks (Alhajraf, 2002). 60 % of the Libyan investors group gave little attention to this statement when answered as "important" to disclose more about business performance of Libyan banks. Meanwhile, 14.3 % answered with "very important". This result supports the previous results that Libyan investors need to know more about accountancy and IAS 30 (See table no 13 Appendix 5). A higher level of agreement was noticed among the Libyan investors group with a mean of 4.60.On the other hand, the lowest level of agreement was observed among the Accountants and Auditors group with mean of 3.60.

Statement (17-2)

In these statements, the respondents gave different opinions about the role played by Libyan banks in enhancing the financial disclosure in financial statements and disclosure requirement by Libyan banks need to be improved. The majority of the respondents said that the Libyan banks need to enhance the financial disclosure, where the percentage has been reached at 34.4 %. A higher percentage was observed among the sample of Accountants and Auditors with 45.9 % .Whereas, out of the total sample 24.7 % said it is "very important". It is not surprising to notice that the Central Bank of Libya group and the Taxes Board group have recorded higher percentages with 45.2 %. A higher level of agreement was recorded for the Central Bank of Libya group with a mean of 4.23 followed by the Taxes Board group with a mean of 4.16. On the other hand, disagreement was recorded for the Institute of Financial Auditing group with a mean of 2.93.

Statement (2-19)

Responding to this statement, The Central Bank of Libya, Taxes Board, and Accountants and Auditors scored a higher level of agreement with means of 4.68, 4.58 and 4.41, respectively, about whether the disclosure requirements by Libyan banks need to be improved. Meanwhile, the Institute of Financial Auditing group scored a slightly higher level of agreement with a mean of 4.00 (agree). This might reflect their roles in enhancing financial disclosure in financial statements. Table (19), Appendix 5 also illustrate that, 74.2 % of the Central Bank of Libya said that it is "very important" for Libyan banks to improve financial disclosure in their statements. It might reflect their willingness to make more effort to enhance financial disclosure. It is surprising that the lowest level of agreement was recorded for the Institute of Financial Auditing group with a mean of 4.00. This might mean that many of the Institute of Financial Auditing' staff currently do not have enough knowledge about financial disclosure. This is consistent with the previous results shown in table (18), Appendix 5 regarding the disclosure requirements within the international financial market. All groups have shared the same view that the Libyan banks should improve their financial disclosure, when 48.8 % out of the entire sample addressed their opinions as "very important" for the Libyan banks to improve the requirements of financial disclosure. Meantime, 43.5 % of the total sample said that it is "important" for Libyan banks to improve financial disclosure in their financial statements. The rationale for their opinions might come from the first that Libyan banks have adopted IAS 30 in 2005. 48.4 % of the total sample said it is "very important" for Libyan banks to improve their disclosure requirements. This was mentioned by all groups where the Central Bank of Libya group and the Taxes Board group both have scored a higher percentage which was 74.2 % and 71.5 % respectively. A higher level of agreement was recorded for the Central Bank of Libya group with a mean of 4.68; whereas the lowest level of agreement was recorded for the Institute of Financial Auditing group with a mean of 3.00.The total sample mean were 4.38.

Statement (20-2)

The respondents expressed different opinions as whether the Central Bank of Libya needs to adopt more regulations to enhance the financial disclosure in banks' financial statements. Out of the entire sample, 65.4 % of bankers said it is very important for the Central Bank of Libya to adopt more regulations to enhance financial disclosure. This raises one question, are the 65.4 % not happy with the performance of their banks, so they request more regulations for enhancing financial disclosure. Consistent, with this, 51.6 % of the Central Bank of Libya agreed that the Central Bank of Libya should adopt more regulations. Accountants and Auditors and Institute of Financial Auditing also agreed with this statement which may reflect their responsibility to monitor financial disclosure in Libyan banks. 46.7 % of Accountants and Auditors said it is "very important" to adopt more regulations to enhance financial disclosures which may reflect their views about disclosing more financial information in their financial statements. Libyan investors continue to give negative opinions when 31.4 % of Libyan investors gave responses as "Neutral". Again it is surprising that 8.1 % of Accountants and Auditors gave opinions as "Neutral" where they still think more regulations might are not needed. This result is consistent with the same opinions are given by accountants and auditors in Table (19), Appendix 5 regarding whether financial disclosure in Libyan banks needs to be improved. The Libyan banks group has scored a higher level of agreement with the above statement with a mean of 4.65, which may reflect their willingness to adopt more regulations to enhance financial disclosure on the official bodies in Libya. The lowest level of agreement was noticed for Libyan investors with a mean of 4.08 (see Table 20, Appendix 5).

Statement (21-2)

The table no (21), Appendix 5 also, shows that 65.4 % of Libyan banks group agreed that more disclosure in the banks' financial statements shows that the banks' management is more confidence, which might reflect that greater disclosure reflects a greater confidence among managers of banks. Noticeably, 20 % of Accountants and Auditors did not agree that more disclosure in the banks' financial statements shows that the banks' management is more confident. This may reflect that they are not persuaded that more disclosure in the banks' financial statements means that the banks' management is more confident. Also, in this question 23.3 % of the Institute of Financial Auditing group thinks that more disclosure does not reflect the confidence of a manager. It might be because they think that other factors (e.g. educational level and experience) might affect the level of disclosure more than confidence. A higher level of agreement was recorded for the Libyan banks with a mean of 4.62. This may reflect their confidence in their performance. Meanwhile, the lowest level of agreement was recorded for Institute of Financial Auditing group with a mean of 3.10. Also, this might reflect a low level of satisfaction with Libyan banks' performance in their views.

Statement (23-2)

Statement (23-2) aims to gain users' opinions about whether Libyan banks disclose sufficient information according to Central Bank of Libya regulations. Out of the total sample, 30.7 % of respondents said it is important for Libyan banks to disclose sufficient information according to the Central Bank of Libya regulations. This was mentioned by all groups. All regulatory bodies of Libyan government have agreed together, that all Libyan banks do not disclose sufficient information. In responding to the above question 31.4 % of the Libyan investors group agreed that Libyan banks disclose sufficient information according to the Central Bank of

Libya regulations, but 24.8 % did not agree with them. Also, 28.9 % of the Accountants and Auditors said Libyan banks have not disclosed sufficient information in their financial statements. 3.8 % of Libyan banks agreed with this statement which may reflect that they did not do well in this regard. A higher level of agreement was recorded for Libyan banks group with a mean of 4.31, while the lowest agreement was recorded for the Central Bank of Libya group with a mean of 3.26. The total sample mean was of 3.26, which may reflect they are not satisfied with what the Libyan banks disclose according to the regulations of the Central Bank of Libya (see Table 23, Appendix 5).

Statement (24-2)

The table no (24), Appendix 5 show that 60.4 % of participants said it is important to disclose assets and liabilities by nature, while 27.3 % said it is "very important", which reflects that these items have not received great attention from the majority of the participants. It is noticeable that the majority of groups agreed that disclosing the assets and liabilities according to their nature is important. On the other hand, 27.3 % of the total sample said it is "very important". The highest level of agreement was recorded for the Central Bank of Libya group with a mean of 4.45. Meanwhile, the lowest level of agreement was noticed among the Accountants and Auditors group with a mean of 3.69.

Statement (25-2)

Statement (25-2) was concerned with the importance of disclosure of income and expenses by their nature. It is noticeable that 55.7 % of participants said it is "important". On the other hand, 33.1 % of the participants said it is "very important". 46.2 % of Libyan banks gave great attention to this statement, although 1.9 % of them did not share the same view. Noticeably 23.3 % of the Institute of Financial Auditing group and 4.4 % of the Accountants and Auditors group also, think that the disclosure of income and expenses by nature and disclosure of the amounts of the principal types of income and expenses is not important (Table no 25, Appendix 5). The highest level of agreement was recorded for Libyan banks group with a mean of 4.38, meanwhile, the lowest level of agreement was noticed among the Institute of Financial Auditing group with a mean of 3.50.

Statement (26-2)

Table 26 shows that 50.8 % gave high level of agreement that to disclose the commitments and contingencies according to their nature is very important. .This was mentioned particularly by Libyan banks with 82.7 % followed by the Central Bank of Libya group with 61.3 %. The Accountants and Auditors group has not given great attention to the disclosure of the nature and amount of commitments and contingencies when 26.7. % of them said it is very important. It is surprising that 16.1 % of Taxes Board did not agree that the disclosure of the nature and amount of commitments and contingencies is important. Also, 3.2 % of the Central Bank of Libya group did not agree that disclosing the nature and amount of commitments and contingencies is important. The highest level of agreement was recorded for the Libyan banks group with a mean of 4.81, but the lowest level of agreement was observed among Taxes Board group with a mean of 4.06 (see Table 26, Appendix 5).

Statement (27-2)

The respondents gave different opinions responding to the importance of disclosing of any amount set aside for general banking risks. Noticeably, just 47.7 % of the total sample gave attention to this statement when they said it is "very important". On the other hand, all groups stated that it is "important" to have an amount set aside for general banking risks with 45.1 %. It is surprising that two regulatory bodies (Taxes Board and Institute of Financial Auditing) did not agree that the disclosure of any amount set aside for general banking risks is important when 3.2 % and 23.3 % of them said it is not important to the disclosure of any amount set aside for general banking risks are important. The average score obtained was a mean of 4.34. The highest level of agreement was noticed among Libyan banks group with a mean of 4.67. Meantime, the lowest agreement was recorded for the Institute of Financial Auditing group with a mean of 3.77, (see Table 27, Appendix 5).

Statement (28-2)

Responding to this statements, 22.4 % of the total sample rated the disclosure of the accounting policies is important as "very important", whereas 71.1 % out of the total sample gave less attention to this statement, when answered as "important". Noticeably, the three regulatory bodies (Taxes Board with 12.9 %, Accountants and Auditors with 5.2 % and Institute of Financial Auditing with 16.7 %) did not agree that the accounting policies are sufficiently important to be disclosed in the financial statement. The mean response for the whole sample was a mean of 4.09, but the highest level of agreement was observed among the Libyan investors group which was a mean of 4.42 On the other hand, the lowest level of agreement was recorded for Accountants and Auditors group with a mean of 3.90 (see Table 28, Appendix 5).

Statement (29-2)

Statement (29-2) was to get the respondents' opinions about the importance of the disclosure of losses on loans. In total, 61.7 % out of the whole respondents considered that the disclosure of losses on loans is "important", whereas 17.2 % out of the total sample gave great attention to this statement when the participants said it is "very important". Once again the two regulatory bodies (Taxes Board with 3.2 % and Institute of Financial Auditing with 23.3 %) agreed that the disclosure of losses on loans is not important. Although, the Central Bank of Libya group recorded a higher percentage among regulatory bodies with 48.4 % .On the other hand, the lowest level of agreement was noticed among the Institute of Financial Auditing with a mean 3.07, meanwhile, the highest level of agreement was recorded for 4.48 (see Table 29, Appendix 5).

Statement (30-2)

Regarding the importance of disclosure of the total amount of the provision for losses on loans and advances on the balance sheet date, 57.6 % out of the total respondents said that is important to disclose the total amount of the provision for losses on loans and advances on the balance sheet date. It is surprising that 30.5. % from the participants gave less attention to this statements when said it is "very important", despite the possibility that these items may jeopardise the financial position of banks (Naser *et al,*. 2003). It is surprising that 5.2 % of Accountants and Auditors did not agree that these items should be disclosed in the financial statements. The same view was shared by the Libyan banks when 1.9 % stated that these items are not important to be disclosed in the financial statements. It might this reflect that there is a shortage of accounting knowledge among banks' staff. Higher scores were noticed among the Institute of Financial Auditing group and the Central Bank of Libya group with a mean of 4.33 and 4.29, respectively. On the other hand, a lower level of agreement was observed among the Accountants and Auditors group with a mean of 4.05. The total sample mean was 4.16, (see Table 30, Appendix 5).

Statement (31-2)

In responding to this statement, 56.3 % of the entire sample gave high level of importance to disclose the deposits from other banks, despite this being considered as one of the important items, which really affect the bank's liquidity. In the contrast, 27.6 % gave a higher level of attention to these items when they answered with "very important". It is surprising that 14.1 % of the total sample gave their opinions as "neutral". Most of them were observed among the Accountants and Auditors group with 22.2 %, despite the possibility that they reflect the opinions of the Libyan government and their role is to participate in enhancing financial disclosure. A higher level of agreement was noticed from the Central Bank of Libya with a mean of 4.45, whereas, a lower level of agreement was observed among the Institute of Financial Auditing group with a mean of 3.60 (see Table no 31, Appendix 5).

Statement (32-2)

Regarding the importance of the disclosure of the total amount of secured liabilities and the nature and carrying amount of the assets pledged as security. 53.6 % of the total sample said it is important to disclose of the total amount of secured liabilities and the nature and carrying amount of the assets pledged as security. On the other hand, 35.4 % of respondents said it is "very important". A higher level of agreement percentage was noticed among the Libyan banks with 55.8 %. It might reflect its responsibility that was given by the Libyan government, for using public funds most effectively). 7.6 % of Libyan investors did not agree that these items are sufficiently important to be disclosed. This is consistent with the previous results that Libyan investors need to know more about accountancy and International Accounting Standards. A higher level of agreement was scored for Libyan banks with a mean of 4.54 while the lowest level of agreement was observed for the Accountants and Auditors and the Institute of Financial Auditing with a mean of 4.07 .The total sample mean was 4.18, (see Table 32, Appendix 5).

Statement (33-2)

The participants expressed their opinions about the importance of the disclosure of interest received and paid. 34.6 % of the entire sample has given great attention to this statement when answered as "very important". Their opinions may reflect the importance of these items especially, that they affect banks' profit. Once again, some government bodies' (Accountants and Auditors with a mean of 4.09) recorded a lower percentage which may reflect the lowest level of attention they gave to it, its responsibility for safeguarding the public funds when they rated their opinions as "important". A higher level of agreement was noticed for Libyan banks which was a mean of 4.42, whereas the lowest means were obtained by the Libyan investors group with a mean of 3.77, (see Table 33, Appendix 5).

Statement (34-2)

Different views were given about the importance of the disclosure of cash and balances with the Central Bank of Libya group. 36.7 % of the entire sample said it is "very important" to disclose the cash and balances with the Central Bank of Libya. This was mentioned by all groups, but the Institute of Financial Auditing group was recorded a higher percentage with 63.3 % followed by the Libyan banks group with 51.9 %. Noticeably, again the

Central Bank of Libya group has not given great attention to this statement with ratio of 25.8 % , despite one of its responsibilities is protecting creditors rights and supervising financial policies and how Libyan banks employ their funds. Consistency, in the respondents' opinions were observed as 63.3 % of the Institute of Financial Auditing said it is "very important" to disclose the Cash and balances with the Central Bank of Libya. The same group said it is "very important", to disclose Cash and balances with the Central Bank of Libya (see table 35, Appendix 5), which may reflect their responsibility according to Libyan law. A higher level of agreement was recorded among the Libyan banks group with a mean of 4.44, whereas the Libyan investors group obtained a lower level of agreement with a mean of 3.72.

Statement (35-2)

In statement (35-2), the participants gave different ranks to the importance of disclosing the placement with, and loans to other banks. Out of the total sample, 40.6 % gave a high level of attention to this statement when said it is very important to disclose the placement with and loans to other banks is important. This was mentioned by the majority of Taxes Board with 67.7 % and by respondents from Central Bank of Libya 64.5 %. On the other hand, 50 % of the participants said it is important. This was noticed among Accountants and Auditors with 63.7 %, followed by the Libyan investors group with 54.3 %. Noticeably, the Taxes Board and Libyan investors group gave a negative response to this statement when 3.2 % and 16.2 % did not agree that Placement with, and loans to other banks is important to be disclosed. A higher level of agreement was recorded for the Central Bank of Libya with a mean of 4.65, followed by the Taxes Board group with a mean of 4.58 whereas, the lowest level of agreement was observed among the Libyan investors group with a mean of 3.68 (see Table 36, Appendix 5).

Statement (36-2)

Statement (36-2) focused on the importance of the disclosure of the maturities of assets and liabilities. Out of the entire sample, 35.7 % of the participants said it is very important to disclose the Maturities of Assets and

Liabilities. This was mentioned by Libyan banks with 51.9 % and the Central Bank of Libya with 48.8 %. It is surprising that 3.2 % of the Central Bank of Libya group gave their answers as "Neutral". This is consistent with results shown in table (30), Appendix 5, when 3.2 % of the Central Bank of Libyan group answered as "Neutral" regarding the importance of the disclosure of the aggregate amount of the provision for losses on loans and advances at the balance sheet date. Once again the Central Bank of Libya group recorded a higher level of agreement with a mean of 4.45 followed by Institute of Financial Auditing group with a mean of 4.43. On the other hand, the lowest level of agreement was recorded for the Libyan investors group with a mean of 3.70, (see Table 36, Appendix 5).

Statement (4-3)

61.7 % of the total sample gave high attention to this statement when said that it is "very important" to include the footnotes within financial statement. This was mentioned consistently by the great majority of respondents belonging to the Central Bank of Libya with 77.4 %, Libyan investors with 70.5 % Taxes board with 64.5 % and Accountants and Auditors with 60.7 %. Those notes to the financial statements are considered an integral part of the statement (Woelfel, 1994). On the other hand, the footnote attached with financial statements was considered as important with 31.3 %. This was mentioned by the great majority of respondents belong all groups. Noticeably, two regulatory bodies (Taxes Board with 3.2 % and Accountants and Auditors with 4.4 %) did not give a high level of attention to this statement. A higher level of agreement was recorded among the Central Bank of Libya group with a mean of 4.77.Meanwhile, the lowest level of agreement was recorded for the Institute of Financial Auditing group with a mean of 4.13 .The total sample mean was 4.51, (see Table 40, Appendix 5).

Statement (5-3)

55.7 % of the whole sample gave a high level of attention to this statement when they answered as very important to include accounting policy within financial statement. This was mentioned consistently by the great majority of respondents belonging to Libyan investors with 65.7 % and Accountants and Auditors with 62.2 %. 34.4 % of the participants said it is "important". All samples have mentioned that it is "important" to include financial policy in the financial statement. Noticeably, 7.6 % of the Libyan investors group gave their opinions as "neutral". The same view was given when they asked to address their opinions about the cash flow statement (table 39, Appendix 5). 50 % of the Libyan banks group said it is important to include the accounting policies in the financial statement. A higher level of agreement was recorded among the Libyan investors group with a mean of 4.58, whereas, a lower level of agreement was noticed for the Institute of Financial Auditing group with a mean of 3.23 (between neutral and agree). The total sample mean was 4.42. Once again, the two regulatory bodies, Taxes Board with a mean of 4.35 and Institute of Financial Auditing with a mean of 23.3 recorded a lower level of agreement that the financial statement should include a statement of accounting policy (see Table 41, Appendix 5).

Statement (6-3)

The users' views were different regarding whether the financial statements should include the statement of profit allocation. 45.6 % of all groups said it is "very important" to include a statement of profit distributions. This was mentioned by the vast majority of the respondents. This reflects less importance for this statement in the respective participants, especially when they rated this statement as important with 41.9 %. Once again, two regulatory bodies (Taxes Board with 3.2 % and Accountants and Auditors with 7 %) did not agree that the financial statements should include a statement of distribution of profits. A higher mean was recorded for the Libyan banks group with a mean of 4.56. Meanwhile, the Institute of Financial Auditing group, Taxes Board group and the Libyan investors group recorded lower means with 3.80, 4.03 and 4.30 respectively. The total sample mean was 4.32 (see Table 42, Appendix 5).

Statement (7-3)

The Credible, reliable and timely are issues that also have received different attention from users of financial statement. Table (44), Appendix 5 shows that 59.1 % of the sample gave high attention to these issues when they addressed those financial statements should be credible, reliable and timely. Less importance has been given to the "credible and timely" where, 35.9 % of the participants said it is "important". This was mentioned by all groups. For example, 29.5 % of the Libyan Investors said it is "very important" that the financial statement should be credible. A higher level of agreement was recorded for the Central Bank of Libya group with a mean of 4.81. This agreement might reflect its roles in regulating, controlling the Libyan industry in Libya. The lowest level of agreement was observed among Institute of Financial Auditing with a mean of 3.50. The total sample mean was 4.50.

Statement (8-3)

Statement focused on whether the financial statements should include the statement of the changes in financial position. Table (45) Appendix 5 shows that out of the total sample 38.8 % said it is "important" to include a statement of the changes in financial position. This was mentioned by all groups. A higher level of attention has been given by 52.9 % of the total sample when answered as "very important". This was mentioned by all groups. It is surprising that 7.6 % of the total sample gave their answer as "Neutral". It might this reflect a shortage of knowledge regarding this statement among users of financial statements. Libyan banks group recorded higher level of agreement with a mean of 4.71 whereas; a lower level of agreement was recorded for Institute of Financial Auditing group with a mean of 3.23. The total sample mean was 4.43.

Statement (9-3)

Responding to statement 9-3, the participants gave their opinions about whether the financial statements should include a credit rating. Table (46), Appendix 5 illustrates that 40.6 % of the sample said it is "very important" to include a credit rating in the financial statements. That means less attention has been given to this statement by all samples. While out of total sample 34.6 % of the participants said it is "important". This was mentioned by all samples. A higher level of agreement was recorded for the Libya bank group with a mean of 4.50. Noticeably, the Institute of Financial Auditing group recorded disagreement with a mean of 2.60. This is consistent with their opinions that they had previously, when answering as disagree and strongly disagree about many questions for example questions no 37 and 41. The highest level of agreement was noticed the among Libyan banks group with a mean of 4.50. Whereas, the lowest level of agreement was recorded for Institute of Financial Auditing group with a mean of 4.50.

Statement (10-3)

53.1 % of the participants said it is very important to include reserves within balance sheet which means that more attention is given to this statement by all the samples. It might reflect the importance of the reserves in their opinions. On the other side, 39.1 % of the participants said that it is "important" to include the reserves in the balance sheet. This was mentioned in all samples. Once again, the Taxes Board has recognised that there is a shortage of knowledge between the users of financial statements by a surprising response answering "strongly disagree" with 3.2 %, the Central Bank of Libya group which represents the opinion of the Libyan government recorded a higher level of agreement among government' bodies with a mean of 4.71. A slightly higher level of agreement was recorded by Libyan banks group with a mean of 4.75. A lower level of agreement was recorded for Institute of Financial Auditing group with a mean of 3.90. The total sample mean was 4.44, (see Table 46, Appendix 5).

Statement (11-3)

65.1 % of the participants said financial statements should be audited before presenting to shareholders. That means more attention has been given to this statement by all the groups. This higher rate might reflect their need to ensure that the financial report is credible. On the other hand, 28.9 % of the participants said it is "important". This was mentioned by all groups.

Noticeably, 33.3 % of Accountants and Auditors said it is "important" for the financial statements to be audited, despite its important role to audit the financial statements. On the other hand, two regulatory bodies (Central Bank of Libya with 93.5 % and Institution of Financial Auditing with 66.7 %), said it is "very important" for the financial statements to be audited. Once again the regulatory bodies recorded the highest level of agreement that financial statements should be audited (the Central Bank of Libya with a mean of 4.90, and the Institute of Financial Auditing group with a mean of 4.67). It might reflect their roles in monitoring and regulating Libyan industry. Noticeably, 3.2 % of the Taxes Board group did not agree that financial statements should be audited. The highest level of agreement was recorded for the Central Bank of Libya group with a mean of 4.90, which may reflect its role in supervision of Libyan banks. Whereas, the lowest level of agreement was noticed among the Taxes Board group with a mean of 4.13, (see Table 47, Appendix 5).

From the analysis and discussion above, which was based on the data collected via the questionnaire, the sample's opinions regarding the statements they were asked to rate was presented. It was clear from the above analysis that different opinions among the sample's groups and within each group itself were experienced. It was also found that many participants believe that banks in Libya do not provide sufficient information. Furthermore, the Libyan banks disclose a limited account of information compared with the requirements of IAS 30. However, some participants believe that more attention should be given to enhance financial disclosure in Libyan banks.

The following stage will test the first and second hypotheses that have been set up for the research. The one way ANOVA test was applied to test each hypothesis to determine whether there are any significant differences between means of the participants' opinions, followed by the Duncan test to determine whether groups differ from each other.

6.3 Hypotheses Testing

This section aims to test the research hypotheses. It is divided into four stages: the first stage is devoted to testing the first hypothesis; the second stage is devoted to testing the second hypothesis. The third stage is devoted to the Duncan test. Meanwhile, the fourth stage is devoted to testing the third hypothesis by using the index method.

6.3.1 Testing the first Hypothesis

This hypothesis is related to opinions of financial disclosure among user groups. It was based upon the literature reviewed in chapter four which provided additional detail of users' opinions concerning financial disclosure in financial statements from different countries (developed and developing countries). From the respondents' results, the study sought to test the following hypothesis:

H_0: There is no significant difference between the sample means in users of financial statements opinions about financial disclosure when factored by groups. Therefore, the alternative hypothesis is:

H_1: There is at least one significant difference between the sample means of users of financial statements opinions about financial disclosure when factored by groups.

6. 3.1.1 Analysis for testing the first Hypothesis

As mentioned earlier in chapters one and four, there is a limited amount of research in this area in developing countries. This study has empirically established that users' opinions of financial statements were different among them. The differences between users' opinions were examined by analysing the answers to 36 questions requesting them to rate their opinions in five point scale to address their opinions regarding financial disclosure. In order to test the first hypothesis, the one way ANOVA test was used, as shown in appendix 10.

Appendix 10 shows the results of the one way ANOVA test, it revealed that thirty three questions supported the alternative hypothesis (H1 that is $P<0.05$). Meanwhile, three questions supported the null hypothesis (Ho that is $P>0.05$). Based on these findings, it can be suggested that there are significant differences between users' opinions regarding financial disclosure. Therefore, the following alternative hypothesis was accepted for the majority of test:-

H1: There is at least one significant difference between the sample means of financial statements users' opinions about financial disclosure when factored by groups.

6.3.2 Testing the second Hypothesis

This hypothesis related to the opinions of users of financial statement concerning, how financial statements can satisfy user' needs. The hypothesis was also based upon the literature reviewed in chapter four, which provided additional detail of users' opinions concerning users' needs in financial statements by reviewing some prior studies. By using the respondents' results, the study sought to examine and evaluate the following hypothesis.

H_0: There is no significant difference between the sample means in users of financial statements opinions that the information in the financial statements of Libyan banks should satisfy their needs when factored by groups. Therefore, the alternative hypothesis is:

H_1: There is at least one significant difference between the sample means in users of financial statements opinions that the information in the financial statements of Libyan banks should satisfy their needs when factored by groups.

6. 3.2.1 Analysis for testing the second hypothesis

The differences between users' opinions were examined by analysing how the answers to 11 questions requesting them to rate their opinions in five points scale addressing their opinions regarding how financial statements satisfy their needs. The level of P-value was utilised indicating whether to reject or accept the hypothesis, when level of P-Value below 0.05, the null hypothesis should be rejected. Whereas when level of P-Value is greater than 0.05, the null hypothesis should be accepted. As can be seen in appendix 11 eleven questions supported the hypothesis (H1), when the P-values for these questions were less than 0.05. Meanwhile, none of them supported the null hypothesis (H0) when the P-values for these questions were greater than 0.05.

Based on above findings, it can be suggested that there are significant differences between users' opinions regarding how financial statements satisfy their needs. The following general alternative hypothesis was accepted for all tests:-

H1: There is at least one significant difference between the sample means of financial statements users' opinions that the information in the financial statements of Libyan banks should satisfy their needs when factored by groups.

6.3.2.2 Duncan test

The one way ANOVA test does not provide information on which groups differ. Therefore, additional analysis is needed to identify differences between groups (Pallant, 2001) Therefore, the Duncan test is needed in order to determine which groups differ from each other. As can be seen from the table below (6.2), the Duncan test aims to test the whole sample to determine the differences among groups.

Table (6.2) the results of the Duncan test when the sample is factored by the groups where differences were observed (P< 0.05).

no	Questions	Set1	Set2	Set3	Set4	Set5
1	The balance sheet is important in attracting potential investors.	3.9(TB)	4.25 (AA) 4.30 (IFA)	4.6 5 (LI) 4.76 (LB)		
2	The income statement is important in attracting potential investors.	4.13(TB)	4.46 (AA)	4.67 (LB) 4.69 (LI)		
3	The cash flow statement is important in attracting potential investors.	3.78 (AA)	4.13 (TB) 4.15 (LB)	4.48 (LI) 4.52 (CBL)		
4	The disclosure in the bank's balance sheet is important.	4.44 (AA) 4.48 (TB)	4.76 (LI)			
5	The disclosure in the bank's income statement is important	4.29 (TB) 4.37(IFA)	4.65(CBL)	4.8 1(LI)		
6	The disclosure in the bank's cash flow statement is important	3.95 (AA)	4.25 (LI)	4.45 (CBL) 4.45 (TB)		
7	The role played by Libyan banks in improving credit facilities to customers is important	3.57(IFA)	3.90 (TB) 3.95 (AA)	4.44 (LB) 4.48 (CBL)		
8	The role played by Central Bank of Libya in regulating and observing financial policy in Libya is important	4.07(IFA) 4.13 (TB)	4.56 (LI)	4.8 (CBL)		
9	The role played by Central Bank of Libya in monitoring and implementation of the laws and regulation within the banking industry in Libya is important.	3.83(IFA) 4.00 (TB)	4.36 (AA)	4.71 (CBL)		
10	The role played by Libyan Accountants and Auditors Syndicate in increasing the understanding within the financial statement users in Libya is important.	3.87(IFA) 3.90 (LI) 3.93 (AA) 4.00 (TB) 4.06CBL)	4.60 (LB)			
11	The disclosure in financial statements for foreign investors in general is important.	3.37 (AA)	3.98 (LB) 4.19 (LI) 4.19 (TB)	4.4 (CBL)		
12	The banks' management should disclose more than is currently required.	3.60(IFA) 3.84 (AA) 3.89 (LI)	4.39(CBL) 4.39 (TB) 4.60 (LB)			
13	The investors should know more about disclosure in financial statements.	3.71 (LI) 3.74 (AA)	4.10(CBL) 4.16 (TB) 4.25 (LB) 4.37 (IFA)			
14	The users should know the changes that have occurred in the financial statements disclosure during the last 4 years in Libya.	3.23(IFA)	3.76 (AA)	4.19 (TB)	4.33 (LB)	4.74(CBL)
15	The current role played by Libyan banks in enhancing the disclosure practice in Libya in general is important.	2.93(IFA)	3.55 (AA)	4.10 (LB) 4.16 (TB) 4.23 (CBL)		

16	The financial statements users should know more about the requirements of international accounting disclosure.	3.72 (LI)	4.13 (IFA)	4.32 (TB) 4.37 (LB)		
17	The users should know the full disclosure requirements within the international financial market.	3.00(IFA)	3.68 (AA)	4.10 (CBL) 4.15 (LB)		
18	The disclosure requirements by Libyan banks need to be improved.	4.00(IFA)	4.36 (LI)	4.6 (CBL)		
19	The Central Bank of Libya needs to adopt more regulation to enhance the disclosure in the banks financial statements.	4.08 (LI) 4.10 (TB)	4.65 (LB)			
20	More disclosure in the banks' financial statements shows that the banks' management is more confident.	3.10(IFA)	3.59 (AA)	4.03 (TB)	4.48 (CBL) 4.62 (LB)	
21	The Syndicate of Libyan Accountants and Auditors with Central Bank of Libya need to lead the effort to emphasise the importance of having more disclosure within the bank's financial statements.	3.83(IFA)	4.25 (LB)	4.36 (AA) 4.39 (CBL)		
22	The Libyan banks according to Central Bank of Libya's regulation disclose sufficient information in their financial reports.	3.26(CBL)	3.87 (IFA)	4.31 (LB)		
23	The disclosure of assets and liabilities by nature and listing of them in an order that reflects their relative liquidity in the balance sheet is important	3.69 (AA) 3.70 (IFA)	4.19 (LI) 4.35 (TB) 4.38 (LB) 4.4 (CBL)			
24	The disclosure of income and expenses by nature and disclosure of the amounts of the principal types of income and expenses is important	3.50(IFA)	4.05 (AA) 4.19 (TB) 4.26(CBL) 4.30(LI) 4.38(LB)			
25	The disclosure of the nature and amount of commitments and contingencies is important	4.06 (TB)	4.48 (LI) 4.52(CBL)	4.81 (LB)		
26	The disclosure of any amount set aside for general banking risks is important	3.77 (IFA)	4.29(CBL) 4.29 (TB)	4.67 (LB)		
27	The disclosure of the accounting policies is important	3.90 (AA) 3.97 (IFA) 3.97 (TB)	4.35(CBL)	4.42 (LI)		
28	The disclosure of losses on loans is important.	3.07 (IFA)	3.81 (AA)	3.90 (LB)	4.48 (BL)	
29	The disclosure of the	3.60 (IFA)	3.93 (AA)	4.45 (CBL)		

	deposits from other banks is important.		4.12 (LB)			
30	The disclosure of the aggregate amount of secured liabilities and the nature and carrying amount of the assets pledged as security is important.	4.07 (AA) 4.07 (IFA) 4.10 (TB) 4.16 (LI)	4.54 (LB)			
31	The disclosure of interest received and paid is important.	3.77 (LI)	4.23(CBL) 4.23 (IFA) 4.42 (LB)			
32	The disclosure of the Cash and balances with Central Bank of Libya is important.	3.72 (LI)	4.17 (IFA) 4.19 (TB) 4.25 (AA) 4.26(CBL)			
33	Placement with, and loans to other banks is important	3.68 (LI)	4.33 (IFA) 4.36 (AA) 4.40 (LB) 4.58 (TB) 4.65(CBL)			
34	The disclosure of the maturities of assets and liabilities is important.	3.70 (LI)	4.13 (TB) 4.28 (AA) 4.35 (LB) 4.43 (IFA) 4.45(CBL)			
35	Financial statements of Libyan banks should include balance sheets	4.03 (IFA) 4.29 (TB)	4.56 (LI)	4.87 (CBL)		
36	Financial statements of Libyan banks should include income statements	4.13 (IFA)	4.44 (LB) 4.46 (LI)	4.70 (AA)	4.74(CBL)	
37	Financial statements of Libyan banks should include cash flow statements	3.37 (IFA)	4.10 (TB)	4.46 (LB) 4.57 (LI) 4.59 (AA) 4.74 (CBL)		
38	Financial statements of Libyan banks should include the footnotes attached to them	4.13 (IFA)	4.54 (LB) 4.55 (TB) 4.63 (LI)	4.77(CBL)		
39	Financial statements should include a statement of accounting policies.	3.23 (IFA)	4.35 (TB) 4.48(CBL) 4.50(LB) 4.52(AA) 4.58(LI)			
40	Financial statements should include statements of allocations of profits.	3.80 (IFA)	4.30 (LI)	4.35 (CBL) 4.41 (AA) 4.56 (LB)		
41	Financial statements should be credible and timely	3.50 (IFA)	4.29 (TB) 4.33 (LB)	4.71 (AA) 4.4 (CBL)		
42	Financial statements should include the statement of the changes in financial position.	4.20 (IFA) 4.29(CBL) 4.32 (TB)	4.71 (LB)			
43	Financial statements should include credit rating	2.60 (IFA)	3.90 (TB)	4.50 (LB)		
44	Financial statements should include legal, primary and secondary reserves.	3.90 (IFA)	4.35 (LI) 4.42 (AA)	4.7 (CBL) 4.75 (LB)		
45	Financial statements should be audited.	4.13 (TB)	4.51 (LI) 4.59 (AA)	4.90 (CBL)		

C.B.L= Central Bank of Libya, L.I = Libyan investors, A.A= Accountants and Auditors, T.B= Taxes Board, I.F.A= Institute of Financial Auditing, L.B= Libyan banks

The Duncan test in general endorsed that there is a significant difference between financial statement users regarding the importance of financial disclosure. For example, the table 6.3 below shows that there are three sets of significant differences between user groups when they were asked to express their views regarding the importance of the balance sheet in attracting potential investors.

Table (6.3) **the balance sheet is important in attracting potential investors**

Groups	N	Subset for alpha = .05		
		1	2	3
Taxes Board	31	3.90		
Accountants and Auditors	135		4.25	
Institute of Financial Auditing	30		4.30	
Central Bank of Libya	31		4.45	4.45
Libyan investors	105			4.65
Libyan banks	52			4.67
Sig.		1.000	.163	.122

Three differences can be observed. Taxes Board (mean 3.90) are statistically different from accountants and auditors group, Institute of Financial Auditing and Central Bank of Libya (means 4.25, 4.30 and 4.45 respectively). All of these are statistically different from Libyan investors and Libyan banks (means 4.65 and 4.67), although, the sets of all groups expressed a high level of agreement about the importance of financial disclosure for attracting foreign investors.

The most important differences were observed with question (14) when this question was factored by groups ($P<0.05$):

1) The mean differences occurred between the following sets; (Institute of Financial Auditing); (Libyan investors, Accountants and Auditors, Taxes Board and Libyan banks) and (the Central Bank of Libya), where, the Central Bank of Libya recorded the highest level of agreement compared to other sets.

Meanwhile, the smallest differences were observed with many questions such as questions (10) and (41):

1) Question (10) shows that the means differences occur between a set consisting of Libyan investors, Accountants and Auditors, Institute of Financial Auditing, Taxes Board and the Central Bank of Libya and the other set consist of Libyan banks. Although, Libyan banks show a higher level of agreement, the other set revealed a lower level of agreement in the role played by accountants and auditors syndicate in increasing the understanding among financial statements users in Libya.

2) It was noticed that there is a mean difference between two sets in question (41) when factored by groups. Both sets recorded agreement with the above statement, but the means for the Central Bank of Libya recorded the highest mean when reaching 4.81.

On the other hand, the Duncan test shows that no differences on three questions are found for the first hypothesis as we can see in tables (6.4) below presents questions, where no differences were observed (P> 0.05).

The table (6.4) presents questions, where no differences observed (P>0.05)

Questions	Asymp. Sig.
The role played by the Libyan Accountants and Auditors Syndicate in enhancing the importance of financial disclosure in financial statements in Libya is important.	.588
The financial statement users should know more about the requirements of International Accounting Standard 30.	.654
The disclosure of the aggregate amount of the provision for losses on loans and advances at the balance sheet date is important	.193

6.3.3 Testing third hypothesis

This hypothesis measures the actual disclosure within financial statements of the Libyan banks as a whole. The hypothesis was based upon the literature reviewed in chapter 4, which provided additional detail of disclosure practice by reviewing some studies that were conducted in several countries, especially Arab countries. By using 111 annual reports for 37 Libyan banks during year of 2005 up to 2008, this research sought to test the following hypothesis:

H0: There is no significant difference between what Libyan banks disclose in their financial statements as a whole and financial disclosure requirements of IAS 30.

Therefore, the alternative hypothesis is:

H1: There is a significant difference between what Libyan banks disclose in their financial statements as a whole and financial disclosure requirements of IAS 30.

6.3.3.1 Analysis for testing third hypothesis

Appendix 12 shows the results of the Mann-Whitney test .It revealed that the null hypothesis was accepted for some items (P-value greater than 0.05). On the other hand, the null hypothesis (Ho) failed to be accepted for other items (the P-value for these items was less than 0.05). This means acceptance of the alternate hypothesis (H1) where $P< 0.05$.

With a P-value greater than 0.05 it is inferred that the items have been disclosed according to IAS 30 (No significant differences) and if $P< 0.05$ it is inferred that the item has been disclosed but not according to IAS 30 (there is significant difference). The Mann-Whitney test was applied to all items in banks as a whole. The results indicated that 20 items (17 %) of the items were supported Ho, whereas 97 items (83 %) supported H1.

Items were also summarised in each of the groups in order to calculate how many items of that group were disclosed according to IAS and how many were not. Table (6.5) shows the results of this determination where out of 117 items just 20 items representing 17 % of the total sample were disclosed according to requirements of IAS 30 (supporting Ho), where the items have been divided according to the way they were disclosed (those matching IAS 30 and disclosure that do not match IAS 30). Through a summary of all items with $P>0.05$ in each group a determination of how many items of those groups were disclosed according to IAS 30 and how many were not was made. Table (6.5) provides the results of these determinations.

Table (6.5) disclosures that match and do not match IAS30

No	Accounting disclosure group according to IAS30	No of items	Disclosures that match IAS30		Disclosures that do not match IAS30	
1	Income statement	15	5	33%	10	67%
2	Balance sheets	19	8	42%	11	58%
3	Contingencies and Commitments	7	0	0%	7	100%
4	Maturities of assets and liabilities	14	0	0%	14	100%
5	Concentrations of assets, liabilities and off-balance sheet items	4	0	0%	4	100%
6	Losses on loans and advances	10	1	10%	9	90%
7	General Banking risk	6	1	17%	5	83%
8	Assets Pledged as Security	2	0	0%	2	100%
9	Trust activities	3	0	0%	3	100%
10	Related Parties Transactions	10	1	10%	9	90%
11	Other Disclosure	27	4	20%	23	80%
Total		117	20	17%	97	83%

In testing the third hypothesis, the Mann-Whitney test revealed that 97 items supported the alternative hypothesis, when the P-values for these items were less than 0.05. Meanwhile, 20 items supported the null hypothesis when the P-values for these items were greater than 0.05. Based on these findings, it can be suggested that there is generally significant differences between what Libyan banks disclose in their financial statements compared with requirements of IAS 30. Therefore, the following alternative hypothesis in general was accepted:

H1: There is a significant difference between what Libyan banks disclose in their financial statements as a whole and financial disclosure requirements of IAS 30.

The compliance with IAS 30 requirements ranged between 42 % for the highest and 0 % for the lowest. The highest level of compliance was recorded for the balance sheets items with 42 % (8 out of 19 items). This result is on line with participants' opinions when they were asked to address their opinions regarding the importance of balance sheet. 64.3 % of the present research sample said that the balance sheet is very important to be included in financial statements (see Table 37 Appendix 5). As for the Libyan banks more rigorous application of IAS 30 requirements in this statement may be due to bank's awareness that is more interested in their balance sheet to assess and evaluate the performance of the bank. In concerns of the important statement, The Libyan banks disclose 33 % (5 out of 15 items) of the items related to the income statement supporting the level of importance attached to it by respondents where 59 % of the participants said the income statement is very important to be included in financial statements (see Table 38, Appendix 5). The Contingencies and Commitments, Maturities of assets and liabilities, Concentrations of assets, liabilities and off-balance sheet items, Assets Pledged as Security and Trust activities recorded the lowest percentage with 0 %. On the other hand, the proportion of non-complying items ranges from 100 % for Contingencies and Commitments, Maturities of assets and liabilities, Concentrations of assets, liabilities and off-balance sheet items, Assets Pledged as Security and Trust activities, and 58 % for balance sheet. Related party with 90 % and Losses on loans and advances with 90 % are another area which if far from being in line with the IAS 30 requirements. Libyan banks need to give more attention to these areas, as it recorded the lowest percentage among all other items.

It was clear from the analysis and discussion above those significant differences between what the Libyan banks disclose in their financial statements compared with the requirements of IAS 30 existed. Despite the IAS 30 was applied in Libyan in 2005, some items (e.g. Assets Pledged as security) did not receive any attention from Libyan banks (see table 6.5)

6.4 Research' findings

The rest of this phase is divided into two stages: first stage is devoted to presenting questionnaire' findings, whereas, second stage is devoted to presenting the index method' findings:

6.4.1 Questionnaire survey' findings

Based on the foregoing discussion, the analysis of data collected via the questionnaire method revealed many results. The survey sought views and opinions regarding financial disclosure and how financial statements satisfy user needs which are summarised below:

6.4.1.1 Opinions of participants regarding financial disclosure (Hypothesis 1)

In general, there are significant differences among users' opinions to financial statements regarding financial disclosure in Libyan banks. The one way ANOVA test revealed that thirty three questions have significant differences, and three questions have no significant difference (see Appendix 5).

6.4.1.1.1 Additional findings

Some interesting findings have emerged in this research. No specific null hypotheses were supported. More specifically, analysis showed that:

1) The Central Bank of Libya needs to adopt more regulations to enhance financial disclosure in financial statements when 65.4 % of Libyan bankers said it is very important to adopt more regulations to enhance financial disclosure (see Table 20, Appendix 5). This result is consistent with 33.1 % of total sample agreed that the Libyan banks disclose sufficient information (see Table 23, Appendix 5).

2) Some users of financial statements in Libya (e.g. investors and staffs of Libyan banks), suffer from lack of knowledge about international regulations in general and IAS 30 in particular. For example, 16.7 % of total sample gave their answers as "Neutral" when asked to address their opinions regarding requirements of IAS 30 (see Table 13, Appendix no 5). This result is consistent with 28.6 % of total sample when answered as "Neutral" regarding International financial markets (see Table 18, Appendix 5).

3) The Central Bank of Libya needs to play an important role in enhancing the financial disclosure. 24.7 % of total sample believe that the Central Bank of Libya do well in this regard. Meanwhile, 13.8 % of total sample do not agree that the Central Bank of Libya play an important role in enhancing financial disclosure (see Table 17, Appendix 5).

4) The financial statement users are not very well aware of the importance of financial statements as the most important tool for users to know and

evaluate the management performance in general and in banks in particular, when 33.3 % of the sample believe that more disclosure means more confidence, meanwhile, 9.4 % did not agree (see Table 21, Appendix 5).

5) Some auditors and accountants who are a part of the effort to enhance financial disclosure suffer from a lack of knowledge either in accountancy or IAS requirements. For example, 4.4 % of the Auditors and Accountants answered as "Neutral" when asked to address their opinions about the importance of accounting disclosure in the banks balance sheet (see Table 4, Appendix 5). 25.2 % of Accountants and Auditors group gave the same opinions when they were asked to give their perceptions regarding the requirement of international financial markets (see Table 18, Appendix 5).

6) The financial disclosure in financial statements is very important for foreign investors, when the majority of the participants agreed that financial disclosure is very important for foreign investors. For example 38 % of the total sample agreed that the disclosure in financial statements is very important for foreign investors. It seems that a lower percentage supports the prior results regarding the lack of knowledge among the Libyan users (see Table 12, Appendix 5).

In contrast to the above, as mentioned earlier, the participants did not show any significant differences in their opinions about the following three questions (Table 6.6).

Table (6.6) no significant differences

Questions	**Asymp. Sig.**
The role played by the Libyan Accountants and Auditors Syndicate in enhancing the importance of financial disclosure in financial statements in Libya is important.	0..588
The financial statement users should know more about the requirements of International Accounting Standard 30.	0.654
The disclosure of the aggregate amount of the provision for losses on loans and advances at the balance sheet date is important	0.193

In this regard, one way ANOVA test shows that above three questions do not have any significant differences when factored by a range of profiles at level of 0.05, (P-value greater than 0.05).

6.4.1.2 Opinions of participants regarding how financial statements satisfy users' needs (Hypothesis 2)

In general, the one way ANOVA test revealed that there are significant differences between users of financial statements regarding how financial statements satisfy their needs. The one way ANOVA test showed that all questions have significant differences.

6.4.1.2.1Additional findings

Some unique findings have emerged in this research, although, no specific null hypotheses were supported. More specifically, analysis showed that:

1) Balance sheets and income statements are considered as very important to be included in financial statements. The majority of participants gave great attention to these statements, where 64.3 % out of the sample said it is very important to include balance sheets in financial statements (see Table 37, Appendix 5). Meanwhile, 58.6 % gave their attention to the income statements (see Table 38, Appendix 5). The one way ANOVA test and further the Duncan test showed that there are significant differences between participants' opinions concerning the importance of balance sheets and income.

2) The cash flow statement was considered as the third statement when the participants ranked this statement after income statement and balance sheet. The one way ANOVA test indicated that there are significant differences between groups' opinions regarding the cash flow statement. Consistency, with all above results, the Duncan test also, revealed that there are different means about the cash flow statement in the banks financial statement (see Table 6, Appendix 7).

3) The footnotes are very important to be included in financial statements, where, 61.7 % out of the entire sample agreed that this list should be included. Meanwhile, 31.3 % out of total sample gave less attention to this list (see Table 40, Appendix 5).

4) The accounting policy is identified as very important to be included within financial statements, when 55.7 % of the total sample said it is very important to be included in financial statements, whereas, 34 % of them gave attention to this policy (Table 41, Appendix 5). Consistency, with all above results, the one way ANOVA test and Duncan test also, revealed that there are mean differences about accounting policies (see Table 39, Appendix 7).

5) The profit distribution statement was ranked as very important to be included within financial statements, when, 45% of the entire population reported that the profit distribution statement is very important to be included in financial statements, whereas, 41.9 % of them gave slight attention to this statement (see Table 42, Appendix 5). This result is consistent with what participants said when 58.6 % of them ranked the income statement as the most important statement (see Table 38, Appendix 5).

6) Timeliness, reliability and credibility were issues that have received different opinions from users of financial statements, where 59.1 % of them agreed that financial statements should be credible, reliable and timely, at the same time 35.9 % gave a little attention to these issues (see Table 43, Appendix 5). The One way ANOVA test and the Duncan test supported the above result which revealed that significant differences existed (see Table 41, Appendix 5).

7) The statement of changes in financial position is ranked as very important to be included in financial statements where, 52.9 % of the entire sample said it is very important to include statement of changes in financial position, whereas, 38.8 % of them gave little attention to this statement (see Table 44, Appendix 5). The one way ANOVA test indicated that there are significant differences between groups' opinions regarding whether statements of changes in financial position should be included in financial statements. Consistent, with all the above results, the Duncan test also, revealed that there are mean differences about statement of changes in financial position in the banks financial statements (see Table 42, Appendix 7).

8) Credit rating is considered as very important to be included in financial statements, where, 40.6 % of the total sample addressed their opinions as very important to include, whereas, 34.6 % of total population gave slight attention to this issue (see Table 45, Appendix 5). The Duncan test revealed that significant differences existed between the participants when they were asked to address their opinion about whether credit rating should be included within financial statements (see Table 43, Appendix 7).

9) Reserves are ranked as very important to be included in financial statement from 53.1 % of total participants. At same time 39.1 % of them gave less attention to this issue (see Table 46, Appendix 5). The Duncan test revealed that significant differences existed between the participants when they were asked to address their opinion about whether reserves should be included within financial statements (see Table 44, Appendix 7).

10) The financial statements should be audited before presenting to shareholders when the majority of the sample said that financial statements should be audited with 65.1% meanwhile, 28.9 % of them said it is important for financial statements to be audited(see Table 47, Appendix 5). In respect of auditing financial statements, the Duncan test revealed that significant differences existed between users of financial statements regarding auditing of financial statements (see Table 45, Appendix 7).

6.4.2 The index method' findings (Hypothesis 3)

By using the Mann-Whitney test, the research in general revealed that the Libyan banks still have some way to be in line with the requirements of IAS 30, where 97 items out of 117 items were not disclosed according to IAS requirements (see Table no 6.20). In particularly, the Mann-Whitney test also, showed additional results regarding the compliance and non-compliance with the requirements of IAS 30 as follows:

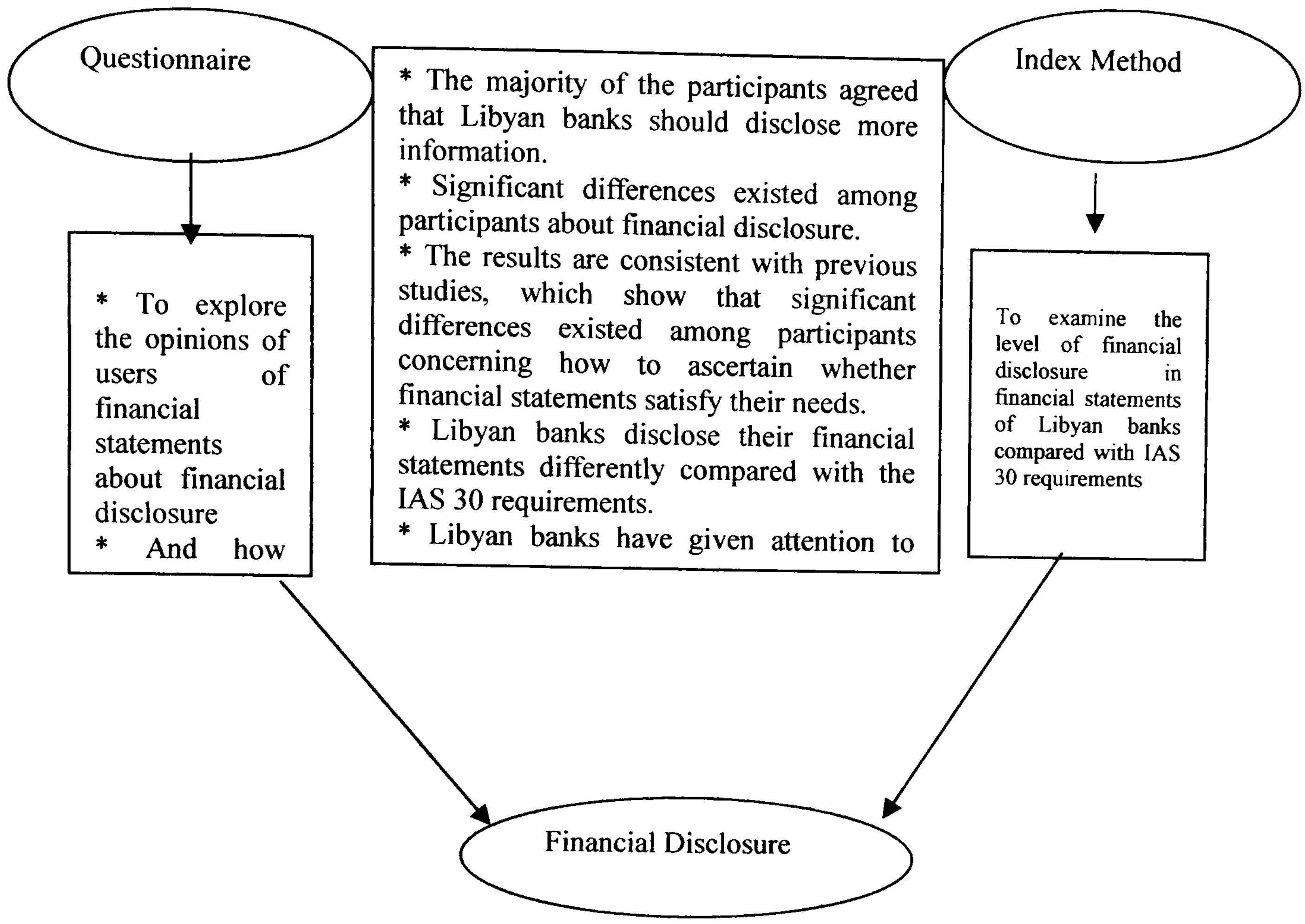
1) The Libyan banks have disclosed the items differentially with the requirements of IAS 30 where out of 117 items just 20 items representing 17 % of the total items were disclosed according to the requirements of IAS 30 (see Table 6.5)

2). The Libyan banks also, disclose items differently and showed a large diversity in terms of what and how information was disclosed in their financial statements. This was identified and Libyan banks are not complying fully with requirements of IAS 30. The non-compliance with IAS 30 was recorded for some items, for instance, contingencies and commitments, recorded zero percentages (see Table 6.5).

3) The losses on loans and advances, the Related Parties Transactions, general banking risk, and other disclosure also, are another area which is not in line with the requirements of IAS 30. These items did not comply with IAS 30 where, 9 out of 10 items of the losses on loans and advances, 9 out of 10 items of the Related Parties Transactions, 5 out of 6 items of the General banking risk and 23 out of 27 items of the other disclosure of items respectively were not disclosed according to IAS 30 requirements (see Table no 6.5).

4) Items involving to the income statement and balance sheets recorded a higher level of compliance among other parts with IAS 30 requirements where the Libyan banks disclosed 8 items out of 19 items included in the balance sheets and 5 items out of 15 items included in the income statements (see Table 6.5). This result is consistent with the results given by the participants where 64.3 % said the financial statement should include a balance sheet (see Table 37, Appendix 5). Meanwhile, 58.6 % said that financial statements should include the income statement (see Table 38, Appendix 5). The table below summarises the main results of research.

Table (6.7) Summary of the research subjective and findings



6.5 Chapter Summary

This chapter presented the results of the data analysis, evaluation of opinions of users regarding financial disclosure, what Libyan banks disclose compared with requirements of IAS 30, and the testing of hypotheses. Quantitative techniques were used to analyse the data. This chapter was an attempt to evaluate the opinions

of users of financial statements in Libya regarding two issues: first, their views about financial disclosure; second, how to ascertain how financial statements can satisfy user needs. This chapter shows that there are significant differences between users' opinions regarding financial disclosure. Also, this chapter measured the level of financial disclosure in the financial statement published by Libyan banks. The results revealed that Libyan banks are not complying fully with the requirements of IAS 30. Both methods (questionnaire and index methods) supported each other, as the evaluation of disclosure in the context of Libya does not require proper evaluations. In general, the study shows an improvement in the disclosure level in the banks' financial statements in Libya, yet many areas still require more attention.

CHAPTER SEVEN

DISCUSSION, RECOMMENDATIONS, SCOPE FOR FURTHER RESEARCH AND CONCLUSION

7.1 Introduction

This chapter provides a discussion and analysis of the findings of this research. The discussion will cover the aims and objectives of this study. The purpose of this final chapter is to elaborate upon and discuss the meaning and implications of the empirical results presented in the previous chapter. The conclusions of the study are also drawn. This chapter includes the following sections: an overview of the research objectives; an analysis and discussion of results. Finally, the scope for further research, suggestions and conclusions are presented.

7.2 Research objectives

The key objectives of this study are to fill in the gaps in some areas related to the topic under consideration: firstly, the opinions of users of financial statements regarding financial disclosure; secondly, assesses whether financial statements can satisfy users' needs. Thirdly, to test the levels of financial disclosure in Libyan banks' financial statements compared with IAS 30 requirements. To achieve the research objectives, three specific research hypotheses were set and the research was carried out in two phases – parametric and non parametric tests to ensure the measurements drawn from different fields in the literature are applicable to the current context.

The following section provides an analysis of results which are consistent as well as inconsistent with the research hypotheses. The discussion of these results is based on the three key research hypotheses proposed in chapter 6.

7.3 Discussion of results

The main purpose of this section is to draw together and analyse the key findings, in line with the research objectives. The research set out to investigate financial disclosure in the financial statements in the Libyan banks' financial statements. The following stage discusses the main findings reported by the two data collection methods (the questionnaire survey and the index method) which are used in this research as follows:

7.3.1 Questionnaire findings

The questionnaire approach was followed to collect participants' views to test the following first two hypotheses:-

- Research hypothesis **1:** There is no significant difference between the sample means of financial statements users' opinions about financial disclosure when factored by groups.

- Research hypothesis **2:** There is no significant difference between the sample means of financial statements users' opinions that the information in the financial statements of Libyan banks satisfies their needs when factored by groups.

The findings indicated that significant differences between users' opinions of financial statements existed concerning financial disclosure. The overall results of this study concerning opinions of user groups about financial disclosure are supported by similar studies, for instance, Alhajraf (2002) in Kuwait and of Ibrahim and Kim's study (1994), Talib (1998) and Handi' (1999) findings in Egypt.

Regarding the second hypothesis, in general the testing shows that there are significant differences among user groups concerning how financial statements meet users' needs (see Appendix 5). The results are in line with previous findings obtained by Solas and Ibrahim (1992), Vergoossen (1993), and Abu-Nassar and Rutherford's studies (1996) which showed that significant differences were found between users of financial statements concerning how financial statements satisfy financial users' needs.

7.3.1.1 Additional questionnaire findings

The questionnaire survey was carried out in order to achieve the first two objectives which were to explore views and opinions among six user groups of users of financial statements' users. The survey sought to assess opinions of users of financial statements regarding financial disclosure and how financial statements satisfy users' needs.

Some interesting findings have emerged in this research, although, no specific null hypotheses were supported. These findings are summarised as follows:

1) With regard to the users' opinions regarding financial disclosure, 62.2 % of the total sample ranked the importance of financial disclosure as very important for users of financial statements (se Table 4, Appendix 5). This result is broadly consistent with results of previous studies in the context of Kuwait (Alhajraf, 2002) and Egypt (Ibrahim and Kim, 1994, Talib 1998 and Handi, 1999) when participants in these studies ranked financial disclosure as very important for users of financial statements.

2) The respondents attached high importance to the proposal that the Central Bank of Libya needs to adopt more regulations to enhance financial disclosure in financial statements when 65.4. % of Libyan bankers said it is very important to adopt more regulations to enhance financial disclosure (see Table 20, Appendix 5). It is possible that the participants in this survey suggested that Libyan banks should be required to disclose more information by adopting more regulations through the Central Bank of Libya. This result also, is consistent with results of many prior studies such as Talib, (1998); Handi (1999), Alhajraf (2002) and Sejjaaka (2005) studies when they found that participants agreed that the Central Banks in Kuwait, Egypt and Uganda need to adopt more regulations. However, the result of this study is not consistent with Bhuiyan and Kamal (2003); Islam and Hepp, 2005 and Haque and Islam's (2005) findings when they found that Bangladeshi banks do not need to adopt more regulations to improve financial disclosure.

3) Some users of financial statements in Libya (e.g. investors and Libyan bankers), lack knowledge about international regulations in general and IAS 30 in particular. For example, 16.7 % of the entire sample answered as "Neutral" when asked to express their opinions regarding requirements of IAS 30 (see Table 13, Appendix 5). These results are to be expected due to the educational background which can be evident in the participants' opinions. This result is not consistent with the prior studies' results which revealed that the users of financial statements in Kuwait, and Egypt are knowledgeable about international regulations in general and IAS 30 in particular (Talib, 1998 Handi, 1999; and Alhajraf, 2002).

4) The importance of the current role played by Libyan banks in enhancing financial disclosure in their financial statements received the lowest rate from the participants, when 24.7 % of the entire sample said Libyan banks play a crucial role in enhancing financial disclosure in Libyan banks, meanwhile, 13.8 % of the whole sample do not agree that Libyan banks are doing their best towards enhancing financial disclosure (Table 17, Appendix 5). It is possible that respondents in this survey believed that the role played by the Libyan banks should be better and more pro-active then the, current situation or the information that is presented to users is not enough or not useful to them in making their economic decisions. Handi (1999) shared the same view with Talib (1998) that the Egyptian banks did not comply with IAS 30 in order to enhance financial disclosure in the Egyptian banks, and banks need to improve financial disclosure in their financial statements. However this result is not consistent with the Haque and Islam's (2005) findings when they found that the Bangladeshi banks did well towards disclosing sufficient information according to IAS 30 requirements.

5) The financial statement users were not aware of the importance of financial statements as the most important tool for users to know and evaluate management performance in general and in banks in particular. Just 33.3 % of the total sample believes that more disclosure means more confidence (see Table 21, Appendix 5). The participants might think that the disclosure is not of little relevance to evaluate the management performance

in Libyan banks. In contrast to this result, Alhajraf (2002) found that users of financial statements believe that more disclosure reflects more confidence in management performance in Kuwait banks.

6) Regarding the importance of financial disclosure in financial statements for foreign investors, only 38 % of the entire sample agreed that financial disclosure in financial statements is very important for foreign investors (see Table 12, Appendix 5). It is possible that this lower percentage reflects a lack of experience in dealing with foreign investors in Libyan banks. In contrast to this, Alhajraf (2002) found that the participants in his study gave a higher rate with 92 % that financial disclosure is very important for foreign investors.

7) In respect to the users' needs, the analysis shows that different opinions between users of financial statements existed regarding how financial statements satisfy their needs. The different views might be due to the different needs to different users. For instance 64.3 % of the entire sample gave a high level of attention to the balance sheet where they said that the balance sheet is very important to be included in financial statements. On the other hand, 30.7 % of the total sample gave lower attention to the income statement, when they answered as "very important" to include the income statement in financial statements in Kuwait (see Table 37, Appendix 5). Consistent with these results, Mirshekary and Saudagaran (2005) found that the users of financial statements in Iran gave high attention for the importance of the balance sheet and income statement more than other financial statements.

8) The cash flow statement is another area of difference among user groups where 56.3 % of the total sample said it is very important for financial disclosure to include the cash flow statement in financial statements. Meanwhile, 36.2 % of the total sample gave little attention to the cash flow statement (see Table 39, Appendix 5). The participants gave more attention to the balance sheet and income statement more than other sections of the annual report. It is possible that participants consider that this statement is not as useful as the income statement and balance sheet in making economic

decisions. This result is consistent with participants' opinions when they ranked the cash flow statement as the third statement after the income statement and balance sheet. In line with this, Al-Mubarak (1997) and Al-Razzeen and Karbbari (2004) found that participants ranked the importance of the cash flow statement as the third statement after the balance sheet and income statement.

9) Different opinions were observed between user groups when they were asked to express their views whether footnotes should be included in financial statements. Where, 61.7 % out of the entire sample agreed that this list should be included in financial statements. 31.3 % out of the total sample gave a lower level of consideration to this list. The high percentage given by the participants might reflect the importance of footnotes in their views for gaining extra information regarding the Libyan banks' operations (see Table 40, Appendix 5). In line with this result, Talib (1998) found that the participants ranked footnotes as very important to be included in financial statements and very useful for providing extra information regarding banks operations.

10) 55.7 % of the total sample believes that the accounting policy should be included in the financial statements, whereas, 34.4 % of them gave little consideration to this (see Table 41, Appendix 5). In contrast to this result, 22.4 % of the participants said it is very important to disclose accounting policies in financial statements when they asked about the importance of accounting policies (see Table 28, Appendix 5).

11) The entire sample reported that the statement of profit distribution should be included in financial statements with 45.6 %, whereas, 41.9 % of them gave little attention to this statement (see Table 42, Appendix 5). This result is consistent with the participants' views when 58.6 % of them ranked the income statement as the most important statement over other statements (see Table 38, Appendix 5). The importance of this statement might be that it contained sufficient information about the profitability of banks.

12) Statement of changes in financial position is another area of difference between users of financial statements, where, 52.9 % of the entire sample saw it as very important to be included in financial statements, whereas, 38.8 % of them gave a lower level of attention to this statement (see Table 44, Appendix 5). It is probable that a lower percentage has been given to this statement due to the balance sheet, income statement and cash flow statement being considered more useful than other statements. This might be due to a lack of knowledge in accountancy as another reason for the lowest percentage given to this statement.

13) The majority of the sample expresses their views as "very important" to include a credit rating in financial statements with 40.6 %. Meanwhile, 34.6 % of the total sample gave slight attention to this issue (see Table 45, Appendix 5). The participants believed that the provision of credit rating in financial statements is useful for users of financial statements when considering investment in the company. Consistent with this result, Handi (1999) found that the provision of credit rating is ranked as very important information to be included in financial statements in Egypt.

14) 53.1 % of total participants ranked reserves as very important to be included in the financial statements. At the same time, 39.1 % of them gave less attention to this issue (see Table 46, Appendix 5). The participants might believe that to include the reserves in financial statements is useful for users of financial statements and they might believe in most cases, holding enough reserves by the bank is considered safer for all users of financial statements and depositors to safeguard their funds. In this regard, Handi (1999) in his study found that most of the participants preferred reserves to be included in financial statements details.

15) In respect of auditing of financial statements, the majority of the sample believes that financial statements should be audited with 65.1 %. Meanwhile, 28.9 % give little attention in this issue (see Table 47, Appendix 5). It is possible that the participants to this survey thought that Libyan banks' financial statements should be audited by two firms of accountancy according to Libyan law. This might make the financial statements more

reliable in their view. Consistent with this view, Talib (1998) found that the participants in his study were in favour of financial statements being audited before presenting to user groups in Egypt. Auditing of financial statements has a relationship with timeliness, reliability and credibility issues which have received different opinions from users of financial statements, where 59.1 % of them agreed that financial statements should be credible, reliable and timely (see Table 43, Appendix 5). In line with this result, Naser *et al.* (2003) found credibility and timeliness are the most important features of useful information and traditional financial statements are the most important and credible parts of annual reports. On the other hand, 35.9 % gave less attention to these issues. This might reflect the educational background of user groups in Libya (see Table 43, Appendix 5).

7.3.2 The findings of the index method

The main aim of using this method was to examine and evaluate the level of financial disclosure practices in Libyan banks' financial statements compared with the requirements of IAS 30. A total of 111 annual reports for 37 Libyan banks over the period from 2005 up to 2008 were used to test the following third hypothesis:

* There is no significant difference between what the Libyan banks disclose in their financial statements as a whole and the disclosure requirements of IAS 30.

In general, the index method revealed that Libyan banks disclose their financial statements differently to the requirements of IAS 30. The Mann-Whitney test revealed that Libyan banks just disclose 20 items out of 117 items required by IAS 30 (see Table no 6.5). This result is consistent as well as inconsistent with some studies results. They are discussed below:

1) In respect of the compliance with requirements of IAS 30, it was shown that Libyan banks still have significant changes to make to be in line with the requirements (see Table 6.5). This result is consistent with the results of many previous studies which revealed that Kuwait, Egypt, GCC countries' Banks, East Asia region and Uganda and Indonesia did not fully comply

with IAS 30 requirements and significant differences existed between what they disclose and the requirement of IAS 30 (Mostafa, 1994; Talib, 1998; Handi, 1999; Rahman 2000; Hussain *et al.* 2002; Alhajraf, 2002. Meanwhile, Sejjaaka (2005) found that the extent of disclosure in the financial sector (banks) in terms of compliance with IAS 30 is still poor in Uganda. Islam and Hepp (2005) discovered that 13 Bangladesh banks listed in stock exchanges do not comply fully with IAS 30 requirements. In contrast with the above results, Bhuiyan and Kamal (2003) and Haque and Islam (2005) found that the Bangladeshi banks whether private or nationalised banks disclose their financial statements fully in compliance with the requirements of IAS 30. In another study, Shuaib and Douglas (1996) claimed that accounting practices and financial disclosure had improved due to implementation of IAS 30.

2) The Libyan banks disclose the items differentially with the requirements of IAS 30. Out of 117 items, 20 items, representing 17 % of the total items, were disclosed according to the requirements of IAS 30. Meanwhile, 97 items representing 83 % of the total items were disclosed but not in compliance with the requirements of IAS 30 (see Table 6.5). Alhajraf (2002) found that 61 items were disclosed according to the IAS 30 requirements, representing 52 % of all the items. On the other hand, 56 items, representing 48 % of all items were disclosed differently from the way required by IAS 30 in Kuwait. Meanwhile, Mostafa (1994) found that 44.4 % of the total items were disclosed according to IAS 30, and 55.6 % were disclosed differently from the procedure required by IAS 30.

3) The Libyan banks also, disclose items differently and show substantial diversity in terms of what and how information was disclosed in their financial statements and Libyan banks still have a long way to go before they meet the requirements of IAS 30. For instance, the highest percentage of the non-compliance with IAS 30 requirements was recorded for the Contingencies and Commitments which was 0 % of total items (see Table 6.20). This result is consistent with Islam and Hepp (2005) when they found that only four of 13 Bangladesh banks listed in stock exchanges provided

information on the Contingencies and Commitments. It is not consistent with Alhajraf's (2002) results who revealed lower level of difference between what Kuwaiti banks disclose in their financial statements regarding the Contingencies and Commitments' items compared with the requirements of IAS 30 where, 4 out of 6 items representing 67 % of the Contingencies and Commitments' items were disclosed by Kuwaiti banks. Meanwhile, Mostafa (1994) discovered that Kuwaiti banks disclose 50 % of the Contingencies and Commitments' items. Also, Sejjaaka (2005) found a lower level of attention was given to the Contingencies and Commitments' items from banks in Uganda.

4) The Related Parties Transactions is another area which is far from being in line with the requirements of IAS 30. The Mann-Whitney test showed that 90 % of items identified that the Related Party Transactions were disclosed, if at all, in a way that did not comply with IAS 30 (Table no 6.5). Rahman (2000) revealed that five countries from the East Asia region disclose related party transactions differently to IAS 30. Mostafa (1994) noticed a lower level of disclosure concerning the items in related party transactions, with 18 %. Alhajraf, (2002) claimed that related party transactions did not receive more attention with a percentage of disclosure remaining at the same level at 18 %. Islam and Hepp (2005) found that disclosure for related parties was incomplete on 13 Bangladesh banks listed in stock exchanges.

5) The Libyan banks gave a high level of attention to disclosure of items related to balance sheets and income statements, more than other statements. Libyan banks disclosed 9 out of 19 items included in the balance sheets and 6 out of 15 items included in the income statements (Table 6.5). This result is consistent with the results given by the participants where 58.6 % out of the total sample agreed that financial statements should include income statements (see Table 38, Appendix 5). Meanwhile, 64.3 % of the total sample agreed that the financial statements should include the balance sheet (see Table 37, Appendix 5). Consistent with this, many studies showed that a high level of attention was given to these items. Handi (1999) in his study claimed that Egyptian banks have given a higher level of attention to

disclosure items related to the income statement and the balance sheet more than to other items. Egyptian banks disclosed 15 items out of 19 related to the balance sheet and 11 out of 15 items related to the income statement were fully disclosed according to IAS 30. Alhajraf, (2002) discover that Kuwaiti banks disclose 12 items out of 15 involving the income statement, and 15 out of 19 items related to the Balance sheet according to IAS 30 requirements. Mostafa (1994) also found that 53 % and 68 % of the total items related to the income statement and balance sheets respectively were disclosed by Kuwaiti banks. Meanwhile, Bhuiyan and Kamal (2003), and Haque and Islam (2005) found out that all items, related to the income statement and balance sheet, were fully disclosed by the Bangladeshi private and nationalised banks according to IAS 30 requirements.

7.4 Meeting the research aims and objectives

The purpose of this study is to investigate to what extent Libyan banks financial statements comply with IAS 30 requirements. It could be argued that the main aim of this research has been achieved using a quantitative approach that set different types of questions based on the research objectives. Investigating the extent of compliance by Libyan banks' financial statements with IAS 30 is the main aim of this research. The specific objectives of this research were defined accordingly as follows:

1) The first objective is to analyse the financial statement users' opinions about financial disclosure. This objective was achieved by using a questionnaire approach for gaining participants views regarding financial disclosure, where people (users of financial statements) who are interested in financial disclosure, were asked 36 questions to provide their views by completing a questionnaire.

2) The second objective is to assess how financial statements can be used to satisfy the users' requirements. 11 questions were presented to users of financial statements to assess the users of financial statements' opinions. These users of financial statements have different needs and significant differences between them existed regarding how financial statements meet users' requirements.

3) The third objective is to examine the level of financial disclosure practices within the Libyan banking industry in the light of IAS 30. By using the index method, this research has provided sufficient evidence that Libyan banks do not comply fully with the requirements of IAS 30, and Libyan banks disclose financial information in their financial statements in different ways than that required by IAS 30.

Finally, the research has contributed to knowledge through providing useful information regarding how users of financial statements considered financial disclosure, and how Libyan banks deal with the requirements of IAS 30. This research has found that, in general, many efforts still need to be made towards enhancing financial disclosure understanding among users of financial statements, and more steps need to be taken by the Libyan banks to be in line with the requirements of IAS 30.

7.5 Recommendations

Throughout the research process, the researcher came across many areas related to the topic, that represent weaknesses within the banking sector, therefore, further research needs to be taken to develop financial reporting in the banking sector.

Considering the findings of the study, some recommendations can be suggested regarding the practice of financial disclosure in Libyan banks. The recent start in adopting International Accounting Standards in general and IAS 30 in banking industry in 2005 has led towards enhancing financial disclosure in their financial statements. However, in reality very little has been concretely achieved in the sector. Consequently, a great deal of effort is needed to change the exciting conservative culture and set up staff development programmes in order to enhance financial disclosure.

Based on the findings of this study, the following recommendation may be suggested to address the weakness within the banking sector in Libya in general and the financial disclosure practices in particular which may be useful to enhance financial disclosure in Libyan banks. These recommendations may be summarised up as following:

1) The main role of the Syndicate of Accountants and Auditors needs to develop accounting practices in Libya. It should also play a crucial role toward enhancing financial disclosure.

2) All the official bodies (Central Bank of Libya, Syndicate of Accountants and Auditors and Institute of Financial Auditing) that have been authorised by the Libyan government to develop accounting practice in Libya should join efforts and work together to enhance financial disclosure

3) Libyan researchers should work to participate in enhancing the financial disclosure in Libyan banks by undertaking ground research about disclosure in the banking sector and publish their findings.

4) The Libyan government should give more attention and support to the official bodies (Central Bank of Libya, Syndicate of Accounts and Auditors and Institute of Financial Auditing), and the modern teaching of accounting. The coordinate between all parties concerned needs to be improved.

5) Based on its role in supervising the Libyan banks, the Central Bank of Libya should have clear legislation and provide transparent directive to enhance financial disclosure in the banks financial statements in Libya.

6) Libyan banks should have transparent recruitment policy to employ highly qualified Libyan staff to enhance the negative image they currently have.

7) The researcher believes that the academic accountancy curriculum at Libyan Universities should be up dated, especially the use of International Accounting Standards which have not so far included in the Universities teaching programme.

8) It was conspicuous that many Libyan users (e.g. investors and bankers) suffer from a limited level of knowledge regarding International Accounting Standards in general and IAS 30 in particular. Therefore, the Libyan government should do more towards staff development and training of accounting and financial disclosure.

9) Respondents have given a high level of attention to the importance of the majority of financial statements (e.g. income statements and balance sheets). This should get banks' attention when seeking to meet their needs by disclosing more information in their financial statements.

10) It was noticed that all Libyan banks try to follow similar methods in disclosing items in their financial statements copying what other banks are doing. Therefore, the management of these banks should give attention to enhance financial disclosure based on the requirements of IAS 30 without following what other banks are doing.

11) Less compliance with the requirements of IAS 30 by Libyan banks has been noticed (e.g. 40 % of income statement items and 47 % of balance sheet items). Therefore, the Central Bank of Libya needs to make it a legal requirement for Libyan banks to disclose more information in accordance with IAS (e.g. general banking risks and related party's transactions).

12) Many users of financial statements in Libya are not aware of the importance of many of the financial statements (e.g. cash flow statement), whether for making economic decisions or evaluation of the performance of managers of banks. However, more efforts are still needed to raise awareness and improve understanding of financial disclosure among users of financial statements.

13) The majority of participants agreed about the importance of financial disclosure. However, banks' management is still a long way from meeting the users' demands. Therefore, more financial information needs to be disclosed by management in their financial statements.

14) The relationship between some Libyan educational institutions (e.g. Universities, Academics) should be improved towards enhancing financial disclosure in Libya.

7.6 Scope for further research

There are no studies in the context of Libya concerning the level of financial disclosure in the light of IAS 30. The present study has investigated for the first time a range of issues surrounding opinions of financial disclosure among users of financial statements, and how their needs can be satisfied. Furthermore, it has assessed what the Libyan banks disclose in their financial statements in the light of IAS 30 requirements. Therefore, this study has opened up opportunities and avenues for more in-depth research related to financial reporting, particularly in the area of financial disclosure. This research could be repeated by examining the effect of other factors on opinions of user groups regarding financial disclosure such as (educational level, experience, and gender).

A small number of external user groups were surveyed in this study. Other users were not covered in this study. So, it can be useful for future research to include other users of financial statements such as dealers in the stock market and academic staff. Perhaps, it could include analysts' perceptions concerning the practice of financial disclosure. Also, future research could take several different directions such as analysis of costs and benefits of financial disclosure in the light of IAS 30 and IFRS 7. What does the Central Bank of Libya follow in governing and monitoring the banking industry in Libya is another area of research. This research could be achieved by testing whether the international implementation (e.g. IFRS 7) is relevant to the Libyan context. In addition, researchers could focus on effects of banks' size, profitability and leverage on the level of financial disclosure as a new area of research.

7.7 Conclusion

This chapter has discussed the research findings collected using two methods (questionnaire and index method). In analysing the users' attitudes about financial disclosure among six different user groups, two key research hypotheses were addressed. Firstly: assessment of attitudes of users of financial statements related to financial disclosure was tested. Overall attitudes of the user groups revealed significant differences in their attitudes regarding financial disclosure in financial statements of Libyan banks. Secondly: analysis of user groups' attitudes regarding how financial statements satisfy users' needs also was tested. On the whole, participants believe that financial disclosure in some financial statements such as the income statement, balance sheet and cash flow statements in the annual reports is very important for increasing the decision usefulness. A total of 384 questionnaires were used in part one of this research. Results showed that significant differences were observed among user groups, where the first two alternative hypotheses were accepted.

Finally, the issue of compliance and non-compliance with the requirements of IAS 30 was examined to identify whether Libyan banks disclose their financial statements according to the requirements of IAS 30.The results show that Libyan banks have not complied and must take more steps to be in line with IAS 30 requirements. The majority of the participants agreed that Libyan banks should disclose more financial information in their financial statements. However, the users of financial statements are in agreement regarding the fact that Libyan banks provide financial information but not according to IAS 30 requirements. There was also, a general agreement in terms of the level of importance that financial statements provide financial information but this is not relevant to all financial statements' users. The vast majority of the participants agreed that Libyan banks should introduce more regulations to enhance financial disclosure either requiring Libyan banks to disclose sufficient information according to requirements of IAS 30, then eventually moving to apply a recent standard such as IFRS 7. Results showed that 20 out of 117 items were disclosed according to the requirements of IAS 30 in financial statements published by Libyan banks.

The most significant contribution of this research is that it offers further insight in understanding drivers of perceived value of financial disclosure among user groups in Libya. Furthermore, this study also, presents evaluation of the level of financial disclosure in financial statements published by the Libyan banks.

This study sought to ascertain the attitudes of certain users of audited financial statements in Libya to establish the impact on a number of users of financial disclosure. In addition, it aimed to assess the level of financial disclosure in financial statements of Libyan banks compared with the of IAS 30 requirements. The research methodologies employed were a questionnaire and an index method. The results showed that there are significant differences between user groups' attitudes of financial statements regarding financial disclosure and how financial statements can satisfy their needs. Both questionnaire respondents and the index method were generally in line with previous studies results. Participants in this study expressed a clear view that financial disclosure in Libya needs to be improved. Meanwhile, the index method also demonstrated that Libyan banks do not comply with the requirements of IAS 30 and financial disclosure in financial statements needs improvement. This study raised a number of important issues which should be considered by researchers' decision makers or the accounting and auditing profession a lot of effort to be needed in order to enhance financial disclosure in Libyan banks. This study contributes to the literature on information needs for financial statements user groups. Prior studies that have covered this topic are limited in developed countries and none of these studies were carried out in the context of Libya (Bribesh, 2006 and Basoglu and Goma, 2007).

It is important to mention here that there are some potential biases that might have an impact on this study: The non-response rate can bias the research samples (and therefore survey data). The non-response rate might be as the respondent refuses to answer questions or to be involved in the survey, and sometimes the selected respondents may not meet the research requirements and will be ineligible to respond. Using different groups may affect this study by creating biases in collecting data, where the size of groups is different and these groups hold different opinions about the subject of this research. Translation of the questionnaire into Arabic is another possible bias associated with this research. It was necessary to make sure that both questionnaires (Arabic and English) should be as similar as possible in terms of the meaning and questions they both asked.

There is the possibility of bias through using positive questions in the questionnaire which may lead to positive answers. This means that the design of questions should not lead the respondent towards any favoured answer.

In conclusion, this research has tested the three hypotheses and proposed several new research avenues in order to improve understanding and practice of financial disclosure in Libyan banks.

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APPENDICE no (1) Questionnaire

Dear participant **Questionnaire no..........**

First of all, I would like to thank you for giving your time to fill in this questionnaire which is about disclosure in the banks' financial statements in Libya. The questionnaire is part of a PhD research project and aims to examine and evaluate the opinion of the banks' financial statement users regarding the disclosure practices within the Libyan banks in the light of International Accounting Standard 30 (IAS 30), "Disclosure in the financial statements of banks and similar financial institutions".

The study in general aims to investigate the extent of compliance by Libyan banks financial statements with IAS 30.

Your participation is of great help in meeting the research objectives. Any information will be given in this survey will be only used for the research process and confidentiality is guaranteed by researcher.

Thank you again for your time and cooperation.

Mustafa Mnea
PhD Student
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The questionnaire includes four parts; a separate instruction will be given at the beginning of each part regarding how to answer the question in that part.

Kindly read the instruction carefully before proceeding to answer the questions.

Part one

In this part, please answer by ticking as appropriate space from the lists below.

I- Please tick to indicate your gender:

1) Male ( )
2) Female ( )

II- Please tick one answer to indicate your age:

1) 20 to 29( )
2) 30 to 39( )
3) 40 to 49( )
4) over 50 years ( )

III- Name of your organisation:

1) Central bank of Libya ( )
2) Taxes board ( )
3) Libyan investors ( )
4) Libyan Banks ( )
5) Syndicate of Accounting and Auditing ( )
6) Institute of Public Control ( )
7) Other (please indicate) ( )

V- Are you?

1) Auditor ( )
2) Head of department ( )
3) Researcher ( )
4) Accountant ( )
5) General Manager ( )
6) Deputy Manager ( )
7) University lecturer ( )
8) Deputy of department ( )
9) Libyan investor ( )
10) other (please indicate)( )

VI- Please tick one answer to indicate your highest education level achieved:

1) High school ( )
2) First university degree ( )
3) Postgraduate diploma ( )
4) Masters ( )
5) PhD ( )
6) other, please specify ( )

VII- Please tick one answer to indicate your work experience:

1) Under 2 years ( )
2) 2 to 5 years ( )
3) 6- to 10 years ( )
4) 11 to 20 years ( )
5) Over 20 years ( )

Part two

In the following, question from 2-1 to question 2-36, please indicate the strength of your opinion with each the following statement by ticking the appropriate response. (Please tick only one response per statement).

The Questionnaire in this part relate to your personal perception about the disclosure in financial statements of Libyan banks, and the importance of disclosure for all users' requirements.

No	questions	Strongly disagree	disagree	neutral	agree	Strongly agree
2-1	The balance sheet is important in attracting potential investors.					
2-2	The income statement is important in attracting potential investors.					
2-3	The cash flow statement is important in attracting potential investors.					
2-4	The accounting disclosure in the banks' balance sheet is important.					
2-5	The disclosure in the banks income statements is important.					
2-6	The disclosure in the banks cash flow statement is important.					
2-7	The role played by Libyan banks in providing credit facilities to customers is important.					
2-8	The role played by Central bank of Libya in regulating and observing the financial policy in Libya is important.					

2-9	The role played by Central Bank of Libya in monitoring and implementation of the laws and regulation within the banking industry in Libya is important.					
2-10	The role played by Libyan Accountant and Auditors Syndicate in increasing the understanding within the financial statement users in Libya is important.					
2-11	The role played by the Libyan Accountants and Auditors Syndicate in enhancing the importance of financial disclosure in financial statements in Libya is important.					
2-12	The disclosure in financial statements for foreign investors in general is important.					
2-13	The financial statement users should know more about the requirements of International Accounting Disclosure.					
2-14	The banks' management should disclose more than is currently required.					
2-15	The investors should know more about disclosure in financial statements.					
2-16	The users should know the changes that have occurred in the financial statements disclosure during the last 4 years in Libya.					
2-17	The current role played by Libyan banks in enhancing the disclosure practice in Libya in general is important.					
2-18	The financial statements users should know more about the requirements of international accounting market.					
2-19	The disclosure requirements by Libyan banks need to be improved.					
2-20	The Central Bank of Libya needs to adopt more regulation to enhance the disclosure in the banks financial statements.					
2-21	More disclosure in the banks' financial statements shows that the banks' management is more confident.					
2-22	The Syndicate of Libyan Accountants and Auditors with Central Bank of Libya need to lead the effort to emphasise the importance of having more disclosure within the bank's financial statements.					
2-23	The Libyan banks according to Central Bank of Libya's regulation disclose sufficient information in their financial reports.					
2-24	The disclosure of assets and liabilities by nature and list them in an order that reflects their relative liquidity in the balance sheet is important					
2-25	The disclosure of an income and expenses by nature and disclose the amounts of the principal types of income and expenses is important					
2-26	The disclosure of the nature and amount of commitments and contingencies is important					
2-27	The disclosure of any amount set aside for general banking risks is important					
2-28	The disclosure of the accounting policies is important					
2-29	The disclosure of losses on loans is important.					
2-30	The disclosure of the total amount of the provision for losses on loans and advances at the balance sheet date is important					
2-31	The disclosure of the deposits from other banks is important.					
2-32	The disclosure of the total amount of					

	secured liabilities and the nature and carrying amount of the assets pledged as security is important.					
2-33	The disclosure of interest received and paid is important.					
2-34	The disclosure of the Cash and balances with Central Bank of Libya is important.					
2-35	Placement with, and loans to other banks is important					
2-36	The disclosure of the maturities of assets and liabilities is important.					

Part three

Please place tick to indicate the strength of your response in the following questions from 3-1 to 3-12. The Questionnaire in this part concerning to your opinion about how annual reports can satisfy user needs.

No	My perception is:	Strongly disagree	disagree	neutral	agree	Strongly agree
3--1	Financial statements of Libyan banks should include balance sheets					
3--2	Financial statements of Libyan banks should include income statements					
3--3	Financial statements of Libyan banks should include cash flow statements					
3--4	Financial statements of Libyan banks should include the footnotes attached to them					
3--5	Financial statement should include a statement of financial policy.					
3--6	Financial statements should include statements of allocations of profits.					
3-7	Financial statements should be credible and timely					
3-8	Financial statements should include the statement of the changes in financial position.					
3-9	Financial statements should include credit rating					
3-10	Financial statements should include legal and general reserves.					
3-11	Financial statements should be audited.					

Part four

If you have any other comments please add them here.

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Appendix no (2) List of Ahli banks

No	Banks Name	Locations
1	Ahli bank Tripoli	Tripoli
2	Ahli Abu-Slim bank	Tripoli
3	Ahli Souk Aljouma bank	Tripoli
4	Ahli Hai- Alandalis bank	Tripoli
5	Ahli Ean Zara bank	Tripoli
6	Ahli Tajoura bank	Tajoura
7	Ahli Gaser Ben Gasher bank	Ben Gasher
8	Ahli Alkams bank	Alkams
9	Ahli Zleaten bank	Zleaten
10	Ahli Tawarga bank	Tawarga
11	Ahli Misrata bank	Misrata
12	Ahli Ejdabia bank	Ejdabia
13	Ahli Benghazi bank	Benghazi
14	Ahli Almaraj bank	Almaraj
15	Ahli Albida bank	Albida
16	Ahli Derna bank	Derna
17	Ahli Sebha bank	Sebha
18	Ahli Morzag bank	Morzag
19	Ahli Garian bank	Garian
20	Ahli Souk al ahad bank	Souk al ahad
21	Ahli Sahal Jafara bank	Elazizia
22	Ahli Surman bank	Surman
23	Ahli Janzour bank	Janzour
24	Ahli Tarhowna bank	Tarhowna
25	Ahli Serat bank	Serat
26	Ahli Misalata bank	Emsalata
27	Ahli Ben Walid bank	Ben Walid

Appendix no (3) List of Private Commercial Banks

No	Bank Name	Locations
1	Bank of Commerce & Development	Tripoli
2	Bank Alaman for Investment and Commerce	Tripoli
3	Alajmaa Al-Arabi	Tripoli
4	Alwafa bank	Tripoli

Appendix no (4) Public Commercial Banks

No	Bank Name	Locations
1	National Commercial Bank	Tripoli
2	Umma Bank	Tripoli
3	Jamahiriya bank	Tripoli
4	Sahara Bank	Tripoli
5	Wahda bank	Bengazi

Appendix no (5) Descriptive analysis by means and percentage

Table 1: Question: 1.2: The balance sheet is important in attracting potential investors.

	C .B. L	T. B	L .I	L .B	A .A	I .F .A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	9.7	-	-	2.2	-	1.6
Neutral	-		-	-	9.6	13.3	4.4
Agree	54.8	67.7	35.2	32.7	48.9	43.3	44.5
Strongly agree	45.2	19.4	64.8	67.3	39.3	43.3	49.2
Mean	**4.45**	**3.90**	**4.65**	**4.67**	**4.25**	**4.30**	**4.41**
Total received questionnaires	31	31	105	51	135	30	384

Table 2 Question: 2.2: The income statement is important in attracting potential investors.

	C .B.L	T. B	L .I	L .B	A .A	I .F. A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	3.2	-	-	-	1.5	-	.8
Neutral	-	9.7	1.0	-	9.6	-	4.4
Agree	58.1	54.8	29.5	32.7	30.4	63.3	37.2
Strongly agree	38.7	32.3	69.5	67.3	58.5	36.7	57.3
Mean	**4.32**	**4.13**	**4.69**	**4.67**	**4.46**	**4.37**	**4.51**
Total received questionnaires	31	31	105	51	135	30	384

Table 3: Question (3-2): The cash flow statement is important in attracting potential investors.

	C .B.L	T. B	L .I	L .B	A .A	I .F. A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	-	-	-	-
Disagree	-	-	-	3.8	7.4	-	3.1
Neutral	6.5	6.5	13.3	3.8	15.6	3.3	10.9
Agree	35.5	74.2	25.7	65.4	68.9	70	54.4
Strongly agree	58.1	19.4	61.0	26.9	8.1	26.7	31.5
Mean	**4.52**	**4.13**	**4.48**	**4.15**	**3.78**	**4.23**	**4.14**
Total received questionnaire	31	31	105	51	135	30	384

Table 4: Question (4-2.): The accounting disclosure in the banks' balance sheet is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	3.2	3.2	-	--	-	-	.5
Disagree	-	-	-	-	-	-	-
Neutral	-	16.1	1.0		4.4		3.1
Agree	25..8	6.5	21.9	44.4	46.7	40	34.1
Strongly agree	71.0	74.2	77.1	55.8	48.9	60	62.2
Mean	**4.61**	**4.48**	**4.76**	**4.56**	**4.44**	**4.60**	**4.58**
Total received questionnaire	31	31	105	51	135	30	384

Table 5: Question (5-2): The accounting disclosure in the banks income statements is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	3.2	-	-	-	-	-	.3
Neutral	-	12.9	1.0	-	7.4	-	3.9
Agree	25.8	32.3	17.1	51.9	45.9	63.3	37.5
Strongly agree	71.0	51.6	81.8	48.1	46.7	36.7	58.1
Mean	**4.65**	**4.29**	**4.81**	**4.48**	**4.39**	**4.37**	**4.53**
Total sample	31	31	105	51	135	30	384

Table6: Question (6-2): The accounting disclosure in the banks cash flow statement is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	-	-	-	-
Disagree	-	-	4.8	-	-	-	1.3
Neutral	6.5	6.5	8.6	7.7	14.1	20.0	10.9
Agree	41.9	41.9	43.8	73.1	77.0	46.7	59.4
Strongly agree	51.6	51.6	42.9	19.4	8.9	33.3	28.4
Mean	**4.45**	**4.45**	**4.25**	**4.12**	**3.95**	**4.13**	**4.15**
Total received questionnaires	31	31	105	51	135	30	384

Table 7: Question (7-2): The role played by Libyan banks improving credit facilities to customers is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	1.9	-	-	.5
Disagree	-	3.2	-	-	5.2	-	2.1
Neutral	-	32.3	30.5	1.9	13.3	50.0	19.8
Agree	51.6	22.6	21.9	44.2	63.0	43.3	43.5
Strongly agree	48.4	38.7	47.6	51.9	18.5	6.7	34.1
Mean	**4.48**	**3.90**	**4.17**	**4.44**	**3.95**	**3.57**	**4.09**
Total received questionnaires	31	31	105	51	135	30	384

Table 8: Question (8-2): The role played by the Central Bank of Libya in regulating and observing the financial policy in Libya is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	-	-	-	-	23.3	1.8
Neutral	3.2	6.5	12.4		10.4	6.7	8.3
Agree	12.9	61.3	19.0	61.5	40.7	10.0	34.6
Strongly agree	83.9	29.0	68.6	38.5	48.9	60.0	54.9
Mean	**4.81**	**4.13**	**4.56**	**4.38**	**4.39**	**4.07**	4.42
Total received questionnaires	31	31	105	51	135	30	384

Table 9: **Question (9-2)**: The role played by the Central Bank of Libya in monitoring and implementation of the laws and regulation within the banking industry in Libya is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	-	-	23.3	1.8
Disagree	-	6.5	-	-	-	-	.5
Neutral	3.2	16.1	1.9	1.9	10.4	-	6.0
Agree	22.6	48.4	41.0	36.5	43.7	23.3	39.1
Strongly agree	74.2	29.0	57.1	61.5	45.9	53.3	52.6
Mean	**4.71**	**4.00**	**4.55**	**4.60**	**4.36**	**3.83**	**4.40**
Total sample	31	31	105	51	135	30	384

Table 10: Question (10-2): The role played by Libyan Accountants and Auditors Syndicate in increasing the understanding within the financial statements users in Libyan is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	-	13.3	-	3.0	-	4.7
Neutral	19.4	16.1	30.5	3.8	25.9	23.3	22.7
Agree	54.8	54.8	9.5	32.7	45.9	66.7	37.2
Strongly agree	25.8	25.8	46.7	63.5	25.2	10.0	35.2
Mean	**4.06**	**4.00**	**3.90**	**4.60**	**3.93**	**3.87**	**4.02**
Received questionnaires	31	31	105	51	135	30	384

Table 11: Question (11-2): The role played by the Libyan Accountants and Auditors Syndicate in enhancing the importance of full disclosure in financial statements in Libya are important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	3.2	-	9.5	-	8.1	-	5.7
Neutral	29.0	9.7	21.9	11.5	3.7	-	12.0
Agree	41.9	51.6	13.3	69.2	58.5	70.0	46.6
Strongly agree	25.8	35.5	55.2	19.2	29.6	30.0	35.4
Mean	**3.90**	**4.16**	**4.14**	**4.08**	**4.10**	**4.30**	**4.11**
Total received questionnaires	31	31	105	51	135	30	384

Table 12: Question (12-2): The disclosure in financial statements for foreign investors in general is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	2.9	-	14.8	23.3	8.1
Disagree	-	-	10.5	-	11.9	-	7.0
Neutral	-	16.1	16.2	19.2	17.0	-	14.3
Agree	54.8	35.5	5.7	63.5	34.1	40.0	32.6
Strongly agree	45.2	45.2	64.8	17.3	22.2	36.7	38.0
Mean	**4.45**	**4.19**	**4.19**	**3.98**	**3.37**	**3.67**	**3.85**
Received questionnaires	31	31	33	32	45	30	202

Table 13: Question (13-2): The financial statement users should know more about the requirements of International Accounting Disclosure.

	C .B. L	T. B	L .I	L .B	A .A	I .F .A	T.S
	%		%	%	%	%	%
Strongly disagree	-		-	-	-	-	-
Disagree	16.1		7.6	-	3.7	3.3	4.9
Neutral	12.9	32.3	21.9	5.8	12.6	23.3	16.7
Agree	25.8	32.3	40.0	80.8	69.6	26.7	53.1
Strongly agree	45.2	35.5	30.5	13.5	14.1	46.7	25.3
Mean	**4.00**	**4.03**	**3.93**	**4.08**	**3.94**	**4.17**	**3.99**
Total received questionnaires	31	31	105	51	135	30	384

Table 14: Question (14-2): The banks' management should disclose more than is currently required

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	23.3	2.1
Disagree	-	-	-	1.9	5.2	-	2.1
Neutral	19.4	-	25.7	1.9	26.7	-	18.2
Agree	22.6	48.4	60	30.8	47.4	46.7	46.6
Strongly agree	58.1	48.4	14.3	65.4	20.7	30.0	31.0
Mean	**4.39**	**4.39**	**4.60**	**3.84**	**3.60**	**4.02**	**4.02**
Received questionnaires	31	31	105	51	135	30	384

Table 15: Question (15-2): The Libyan investors should know more about financial disclosure in financial statements.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	3.2	-	-	-	.7	-	.5
Neutral	12.9	16.1	49.5	11.5	28.9		27.6
Agree	54.8	38.7	29.5	51.9	65.9	63.3	50.8
Strongly agree	29.0	41.9	21.0	36.5	4.4	36.7	20.8
Mean	**4.10**	**4.16**	**3.71**	**4.25**	**3.74**	**4.37**	**3.91**
Received questionnaires	31	31	135	51	135	30	384

Table 16: Question (16-2): The users should know the changes that have occurred in the financial statements disclosure during the last 3 years in Libya.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	23.3	2.1
Disagree	-	3.2	17.1	-	-	-	4.9
Neutral	3.2	6.5	6.7	9.6	30.4	20.0	16.1
Agree	19.4	45.2	41.0	48.1	63.7	43.3	48.7
Strongly agree	77.4	41.9	35.2	42.3	5.9	13.3	28.1
Mean	**4.74**	**4.19**	**3.94**	**4.33**	**3.76**	**3.23**	**3.96**
Received questionnaires	31	31	105	51	135	30	384

Table 17: Question (17-2): The current role played by Libyan banks in enhancing the financial disclosure practice in Libya in general is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	-	-	6.7	.5
Disagree	-	3.2	17.1	5.8	17.8	23.3	13.8
Neutral	22.6	22.6	27.6	25.0	23.0	50.0	26.6
Agree	32.3	29.0	34.3	23.1	45.9	10.0	34.4
Strongly agree	45.2	45.2	21.0	46.2	13.3	10.0	24.7
Mean	**4.23**	**4.16**	**3.59**	**4.10**	**3.55**	**2.93**	**3.69**
Received questionnaires	31	31	105	51	135	30	384

Table 18: Question (18-2): The users should know the full disclosure requirements within the international financial markets.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	-	-	23.3	1.8
Disagree	-	-	-	-	6.7	-	2.3
Neutral	32.3	38.7	38.1	3.8	25.2	40.0	28.6
Agree	25.8	19.4	31.4	76.9	61.5	26.7	46.4
Strongly agree	41.9	41.9	30.5	19.2	6.7	10.0	20.8
Mean	**4.10**	**4.03**	**3.92**	**4.15**	**3.68**	**3.00**	**3.82**
Received questionnaires	31	31	105	51	135	30	384

Table 19: Question (19-2): the disclosure requirements by Libyan banks need to be improved.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	-	-	-	-	23.3	1.8
Neutral	6.5	3.2	9.5		5.9	6.7	6.0
Agree	19.4	22.6	44.8	73.1	47.4	16.7	43.5
Strongly agree	74.2	71.0	45.7	26.9	46.7	53.3	48.4
Mean	**4.68**	**4.58**	**4.36**	**4.27**	**4.41**	**4.00**	**4.38**
Received questionnaires	31	31	105	51	135	30	384

Table 20: Question (20-2): the Central Bank of Libya needs to adopt more regulations to enhance the disclosure in the banks financial statements

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	-	-	-	-
Disagree	-	-	-	-	3.7	-	1.3
Neutral	19.4	25.8	31.4		8.1	13.3	16.1
Agree	29.0	38.7	29.5	34.6	39.3	40.0	35.2
Strongly agree	51.6	35.5	39.0	65.4	48.9	46.7	47.4
Mean	**4.32**	**4.10**	**4.08**	**4.65**	**4.33**	**4.33**	**4.29**
Received questionnaires	31	31	105	51	135	30	384

Table21: Question (21-2): More disclosure in the banks' financial statements shows that the banks' management is more confident.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree						23.3	1.8
Disagree			5.7	1.9	20.0	6.7	9.4
Neutral	3.2	16.1	8.6		17.0	20.0	11.5
Agree	45.2	64.5	41.0	32.7	47.4	36.7	44.0
Strongly agree	51.6	19.4	44.8	65.4	15.6	13.3	33.3
Mean	**4.48**	**4.03**	**4.25**	**4.62**	**3.59**	**3.10**	**3.98**
Received questionnaires	31	31	105	51	135	30	384

Table 22: Question (22-2): The syndicate of Libyan Accountants and Auditors with Central Bank of Libya need to lead the effort to emphasise the importance of having more disclosure within the bank's financial statements.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	76	-	-	-	2.1
Disagree	-	-	5.7	-	-	-	1.6
Neutral	6.5	19.4	7.6	11.5	3.0	46.7	10.4
Agree	48.4	61.3	41.9	51.9	58.5	23.3	49.7
Strongly agree	45.2	19.4	37.1	36.5	38.5	30.0	36.2
Mean	**4.39**	**4.00**	**3.95**	**4.25**	**4.36**	**3.83**	**4.16**
Received questionnaires	31	31	105	51	135	30	384

Table 23: Question (23-2): The Libyan banks according to Central Bank of Libya's regulations disclose sufficient information in their financial reports.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	1.9	4.4	-	1.8
Disagree	32.3	29.0	24.8	3.8	28.9	6.7	22.9
Neutral	22.6	19.4	9.5	9.6	8.1	16.7	11.5
Agree	32.3	19.4	34.3	30.8	23.7	60.0	30.7
Strongly agree	12.9	32.3	31.4	53.8	34.8	16.7	33.1
Mean	**3.26**	**3.55**	**3.72**	**4.31**	**3.56**	**3.87**	**3.70**
Received questionnaires	31	31	105	51	135	30	384

Table 24: Question (24-2): The disclosure of assets and liabilities by nature and listing them in on order that reflects their relative liquidity in the balance sheet is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	4.4	-	1.8
Disagree	-	-	5.7	-	11.1	30.0	7.8
Neutral	3.2	-	1.0	1.9	5.2	40.0	2.6
Agree	48.4	51.6	61.9	57.7	69.6	30.0	60.4
Strongly agree	48.4	45.2	31.4	40.4	9.6		27.3
Mean	**4.45**	**4.35**	**4.19**	**4.38**	**3.69**	**3.70**	**4.04**
Received questionnaires	31	31	105	51	135	30	384

Table 25: Question (25-2): The disclosure of income and expenses by nature and disclosure of the amounts of the principal types of income and expenses is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree					4.4	23.3	3.4
Disagree				1.9			.3
Neutral		6.5	12.4	3.8	5.2	16.7	7.6
Agree	74.2	67.7	45.7	48.1	66.7	23.3	55.7
Strongly agree	25.8	25.8	41.9	46.2	23.7	36.7	33.1
Mean	**4.26**	**4.19**	**4.30**	**4.38**	**4.05**	**3.50**	**4.15**
Received questionnaires	31	31	105	51	135	30	384

Table 26: Question (26-2): The disclosure of the nature and amount of commitments and contingencies is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	16.1	-	-	-	-	1.3
Disagree	3.2	-	-	-	-	-	.3
Neutral	3.2	-	3.8	1.9	-	23.3	3.4
Agree	32.3	29.0	44.8	15.4	65.2	26.7	44.3
Strongly agree	61.3	54.8	51.4	82.7	34.8	50.0	50.8
Mean	**4.52**	**4.06**	**4.48**	**4.81**	**4.35**	**4.27**	**4.43**
Received questionnaires	31	31	105	51	135	30	202

Table 27: Question (27-2): The disclosure of any amount set aside for general banking risks are important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	23.3	2.1
Disagree	-	-	-	-	5.2	-	1.8
Neutral	-	9.7	1.9	-	5.9	-	3.4
Agree	71.0	38.7	57.1	32.7	39.3	30.0	45.1
Strongly agree	29.0	48.4	41.0	67.3	49.6	46.7	47.7
Mean	**4.29**	**4.29**	**4.39**	**4.67**	**4.33**	**3.77**	**4.34**
Received questionnaires	31	31	105	51	135	30	384

Table 28: Question (28-2): The disclosure of the accounting policies is important

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	-	-	-	-
Disagree	-	12.9	-	-	5.2	16.7	4.2
Neutral	-	12.9	1.0	1.9	.7	6.7	2.3
Agree	64.5	38.7	56.2	84.6	93.3	40.0	71.1
Strongly agree	35.5	35.5	42.9	13.5	.7	36.7	22.4
Mean	**4.35**	**3.97**	**4.42**	**4.12**	**3.90**	**3.97**	**4.12**
Received questionnaires	31	31	105	51	135	30	384

Table29: Question (29-2): The disclosure of losses on loans is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	7.6	-	-	23.3	4.2
Disagree	-	-	21.9	13.5	11.1	30.0	14.1
Neutral	-	9.7	5.7	1.9	.7	-	2.9
Agree	51.6	51.6	51.4	65.4	84.4	10.0	61.7
Strongly agree	48.4	35.5	13.3	19.2	3.7	36.7	17.2
Mean	**4.48**	**4.16**	**3.41**	**3.90**	**3.81**	**3.07**	**3.74**
Received questionnaires	31	31	105	51	135	30	384

Table 30: Question (30-2): The disclosure of the aggregate amount of the provision for losses on loans and advances at the balance sheet date is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	-	-	-	-
Disagree	-	-	-	1.9	5.2	-	2.1
Neutral	3.2	16.1	21.9	3.8	-	23.3	9.9
Agree	64.5	45.2	39.0	63.5	79.3	20.0	57.6
Strongly agree	32.3	38.7	39.0	30.8	15.6	56.7	30.5
Mean	**4.29**	**4.23**	**4.17**	**4.23**	**4.05**	**4.33**	**4.16**
Received questionnaires	31	31	105	51	135	30	384

Table 31: Question (31-2): The disclosure of the deposits from other banks is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	-	-	-	23.3	1.8
Disagree	-	-	-	-	-	3.3	.3
Neutral	6.5	12.9	9.5	13.5	22.2	3.3	14.1
Agree	41.9	48.4	60.0	61.5	62.2	30.0	56.3
Strongly agree	51.6	38.7	30.5	25.0	15.6	40.0	27.6
Mean	**4.45**	**4.26**	**4.21**	**4.12**	**3.93**	**3.60**	**4.08**
Received questionnaires	31	31	105	51	135	30	384

Table 32: Question (32-2): The disclosure of the aggregate amount of secured liabilities and the nature and carrying amount of the assets pledged as security is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	7.6	-	-	-	2.3
Disagree	3.2	-	-	-	5.2	-	2.1
Neutral	-	3.2	1.0	1.9	11.1	23.3	6.5
Agree	61.3	71.0	51.4	42.3	55.6	46.7	53.6
Strongly agree	35.5	22.6	40.0	55.8	28.1	30.0	35.4
Mean	**4.29**	**4.10**	**4.16**	**4.54**	**4.07**	**4.07**	**4.18**
Received questionnaires	31	31	105	51	135	30	384

Table 33: Question (33-2): The disclosure of interest received and paid is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	16.2	-	-	-	4.4
Disagree	3.2	-	1.0	-	5.2	-	2.3
Neutral	6.5	22.6	8.6	7.7	9.6	6.7	9.6
Agree	54.8	45.2	38.1	42.3	56.3	63.3	49.0
Strongly agree	35.5	32.3	36.2	50.0	28.9	30.0	34.6
Mean	**4.23**	**4.10**	**3.77**	**4.42**	**4.09**	**4.23**	**4.07**
Received questionnaires	31	31	105	51	135	30	384

Table 34: Question (34-2) the disclosure of Cash and balances with the Central Bank of Libya is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	16.2	-	-	-	4.7
Disagree	-	-	1.0	-	-	23.3	2.1
Neutral	-	19.4	4.8	7.7	6.7	-	6.3
Agree	74.2	29.0	50.5	40.4	61.5	13.3	50.3
Strongly agree	25.8	48.4	27.6	51.9	31.9	63.3	36.7
Mean	**4.26**	**4.19**	**3.72**	**4.44**	**4.25**	**4.17**	**4.12**
Received questionnaires	31	31	105	51	135	30	384

Table 35: Question (35-2): Placement with, and loans to other banks is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	16.2	-	-	-	4.7
Disagree	-	-	-	-	-	-	-
Neutral	-	-	6.7	7.7		23.3	4.7
Agree	35.5	29.0	54.3	44.2	63.7	20.0	50.0
Strongly agree	64.5	67.7	22.9	48.1	36.3	56.7	40.6
Mean	**4.65**	**4.58**	**3.68**	**4.40**	**4.36**	**4.33**	**4.22**
Received questionnaire	31	31	105	51	135	30	384

Table 36: Question (36-2): The disclosure of the maturities of assets and liabilities is important.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	-	16.2	3.8	-	-	4.9
Disagree	-	12.9	1.9	-	-	-	1.6
Neutral	3.2	3.2	2.9	5.8	3.7		3.4
Agree	48.4	41.9	54.3	38.5	64.4	56.7	54.4
Strongly agree	48.4	41.9	24.8	51.9	31.9	43.3	35.7
Mean	**4.45**	**4.13**	**3.70**	**4.35**	**4.28**	**4.43**	**4.14**
Received questionnaires	31	31	105	51	135	30	384

Table 37: Question (1-3): Financial statement of Libyan banks should include balance sheets.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	3.2	-	-	-	23.3	2.1
Neutral	-	-	2.9	-	5.2	-	2.6
Agree	12.9	48.4	38.1	21.2	29.6	26.7	30.7
Strongly agree	87.1	45.2	59.0	78.8	65.2	50.0	64.3
Mean	**4.87**	**4.29**	**4.56**	**4.79**	**4.60**	**4.03**	**4.57**
Received questionnaires	31	31	105	51	135	30	384

Table 38: Question (2-3): Financial statements of Libyan banks should include income statements.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	3.2	2.9	-	-	-	1.0
Neutral	-	12.9	2.9	-	-	23.3	3.6
Agree	25.8	29.0	40.0	55.8	29.6	40.0	36.5
Strongly agree	74.2	51.6	54.3	44.2	70.4	36.7	58.6
Mean	**4.74**	**4.23**	**4.46**	**4.44**	**4.70**	**4.13**	**4.52**
Received questionnaires	31	31	105	51	135	30	384

Table 39: Question (3-3): Financial statements of Libyan banks should include cash flow statements.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	23.3	2.1
Disagree	-	3.2	-	-	-	-	.3
Neutral	-	-	5.7	9.6	5.2	6.7	5.2
Agree	25.8	67.7	31.4	34.6	31.1	56.7	36.2
Strongly agree	74.2	25.7	62.9	55.8	63.7	13.3	56.3
Mean	**4.74**	**4.10**	**4.57**	**446**	**4.59**	**3.37**	**4.44**
Received questionnaires	31	31	105	51	135	30	202

Table 40: Question (4-3): financial statements of Libyan banks should include the footnotes attached to them.

	C .B.L	T. B	L .I	L .B	A .A	I .C	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	4.4	-	1.8
Disagree	-	-	-	-	-	-	-
Neutral	-	-	7.6	-	5.2	16.7	5.2
Agree	22.6	32.3	21.9	46.2	29.6	53.3	31.3
Strongly agree	77.4	64.5	70.5	53.8	60.7	30.0	61.7
Mean	**4.77**	**4.55**	**4.63**	**4.54**	**4.42**	**4.13**	**4.51**
Received questionnaires	31	31	33	32	45	30	202

Table 41: Question (5-3): Financial statement should include a statement of accounting policy.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	23.3	2.1
Disagree	-	-	-	-	-	-	-
Neutral	3.2	-	7.6	-	10.4	23.3	7.8
Agree	45.2	51.6	26.7	50.0	27.4	36.7	34.4
Strongly agree	51.6	45.2	65.7	50.0	62.2	16.7	55.7
Mean	**4.48**	**4.35**	**4.58**	**4.50**	**4,52**	**3.23**	**4.42**
Received questionnaires	31	31	105	51	135	30	384

Table 42: Question (6-3): Financial statements should include a statement of distributions of profits (transferred to legal reserve; board fees; profit for share holders; miscellanies provisions; general reserve and profit carried forward).

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	3.2	-	-	.7	-	.5
Neutral	12.9	19.4	9.5		8.9	43.3	11.7
Agree	38.7	35.5	50.0	44.2	38.5	33.3	41.9
Strongly agree	48.4	38.7	40.0	55.8	51.9	23.3	45.6
Mean	**4.35**	**4.03**	**4.30**	**4.56**	**4.41**	**3.80**	**4.32**
Received questionnaires	31	31	105	51	135	30	384

Table 43: Question (7-3): Financial statements should be credible, reliable and timely.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	23.3	2.1
Disagree	-	-	-	-	-	-	-
Neutral	-	6.5	6.7	1.9		3.3	2.9
Agree	19.4	45.2	29.5	63.5	28.9	50.0	35.9
Strongly agree	80.6	45.2	63.8	34.6	71.1	23.3	59.1
Mean	**4.81**	**4.29**	**4.57**	**4.33**	**4.71**	**3.50**	**4.50**
Received questionnaires	31	31	105	51	135	30	384

Table 44: Question (8-3): Financial statements should include a statement of the changes in financial position.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	-	-	-	1.5	-	.5
Neutral		12.9	13.3	3.8	5.9	3.3	7.6
Agree	71.0	29.0	30.5	21.2	39.3	73.3	38.8
Strongly agree	29.0	54.8	56.2	75.0	53.3	23.3	52.9
Mean	**4.29**	**4.32**	**4.43**	**4.71**	**4.44**	**4.20**	**4.43**
Received questionnaires	31	31	105	51	135	30	384

Table 45: Question (9-3): Financial statements should include credit rating.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree						23.3	1.8
Disagree	6.5		2.9	1.9	2.2	36.7	5.2
Neutral	3.2	29.0	12.4	5.8	28.1	13.3	17.7
Agree	54.8	51.6	48.6	32.7	21.5	10.0	34.6
Strongly agree	35.5	19.4	36.2	59.6	48.1	16.7	40.6
Mean	**4.19**	**3.90**	**4.18**	**4.50**	**4.16**	**2.60**	**4.07**
Missing	9	7	9	3	5	15	48
Received questionnaires	31	31	105	51	135	30	384

Table 46: Question (10-3): Balance sheet of Libyan banks should include reserves.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	-	1.0	-	.7	-	.5
Neutral	-	-	11.4	-	4.4	30.0	7.0
Agree	29.0	29.0	39.0	25.0	46.7	50.0	39.1
Strongly agree	71.0	67.7	48.6	75.0	48.1	20.0	53.1
Mean	**4.71**	**4.58**	**4.35**	**4.75**	**4.42**	**3.90**	**4.44**
Received questionnaires	31	31	105	51	135	30	384

Table 47: **Question (11-3):** Financial statements should be audited.

	C .B.L	T. B	L .I	L .B	A .A	I .F.A	T.S
	%	%	%	%	%	%	%
Strongly disagree	-	3.2	-	-	-	-	.3
Disagree	-	-	-	-	-	-	-
Neutral	3.2	16.1	2.9	-	9.6		5.7
Agree	3.2	41.9	42.9	25.0	21.5	33.3	28.9
Strongly agree	93.5	38.7	54.3	75.0	68.9	66.7	65.1
Mean	**4.90**	**4.13**	**4.51**	**4.75**	**4.59**	**4.67**	**4.59**
Received questionnaires	31	31	105	51	135	30	384

Appendix (6), the results of means for 5 points measurement of the whole sample.

No	Questions	Means
1	The balance sheet is important in attracting potential investors.	4.41
2	The income statement is important in attracting potential investors.	4.51
3	The cash flow statement is important in attracting potential investors.	4.14
4	The accounting disclosure in the banks balance sheet is important.	4.58
5	The accounting disclosure in the banks income statement is important.	4.53
6	The accounting disclosure in the banks cash flow statement is important	4.15
7	The role played by Libyan banks improving credit facilities to customers is important	4.09
8	The role played by the Central Bank of Libya in regulating and observing the financial policy in Libya is important	4.42
9	The role played by the Central Bank of Libya in monitoring and implementation of the laws and regulation within the banking industry in Libya is important	4.40
10	The role played by Libyan Accountants and Auditors Syndicate in increasing the understanding within the financial statements users in Libya is important	4.02
11	The role played by Libyan Accountants and Auditors Syndicate in enhancing the importance of full disclosure in financial statements in Libya is important.	4.11
12	The disclosure in financial statements for foreign investors in general is important.	3.85
13	The financial statement users should know more about the requirements of international accounting disclosure	3.99
14	The banks' management should disclose more than is currently required	4.02
15	The Libyan investors should know more about financial disclosure in financial statements	3.91
16	The users should know the changes that have occurred in the financial statements disclosure during the last 3 years in Libya.	3.96
17	The current role played by Libyan banks in enhancing the financial disclosure practice in Libya in general is important.	3.69
18	The users should know the full disclosure requirements within the international financial markets.	3.82
19	The disclosure requirements by Libyan banks need to be improved.	4.38
20	The Central Bank of Libya needs to adopt more regulations to enhance the disclosure in the banks financial statements such as set up local standards.	4.29
21	More disclosure in the banks' financial statements shows that the banks' managements are more confident.	3.98
22	The Syndicate of Accountants and Auditors with the central bank of Libya need to lead the effort to emphasise the importance of having more disclosure within the banks' financial statements.	4.16
23	The Libyan banks according to the Central Bank of Libya's regulations disclose sufficient information in their financial reports.	3.70
24	The disclosure of assets and liabilities by nature and listing them in order that reflects their relative liquidity in the balance sheet is important.	4.04
25	The disclosure of income and expenses by nature and discourse of the amounts of the principal types of income and expenses is important.	4.15
26	The disclosure of the nature and amount of commitments and contingencies is important	4.43
27	The disclosure of any amount set aside for general banking risks are important.	4.34
28	The disclosure of the accounting policies is important	4.12
29	The disclosure of losses on loans is important	3.74
30	The disclosure of the aggregate amount of the provision for losses on loans and advances at the balance sheet date is important.	4.16
31	The disclosure of the deposit from other banks is important	4.08
32	The disclosure of the aggregate amount of secured liabilities and the nature and carrying amount of the assets pledged as security is important.	4.18
33	The disclosure of interest received and paid is important	4.07
34	The disclosure of Cash and balances with the Central Bank of Libya is important	4.12
35	Placement with, and loans to other banks is important	4.22
36	The disclosure of the maturities of assets and liabilities is important	4.14
37	Financial statements of Libyan banks should include balance sheets	4.57

38	Financial statements of Libyan banks should include income statements	4.52
39	Financial statements of Libyan banks should include cash flow statements	4.44
40	Financial statements of Libyan banks should include footnotes attached to them	4.51
41	Financial statements of Libyan banks should include statement of accounting policy	4.42
42	Financial statements of Libyan banks should include a statement of distribution of profits	4.32
43	Financial statements of Libyan banks should be credible, reliable and timely	4.50
44	Financial statements of Libyan banks should include a statement of the changes in financial position	4.43
45	Financial statements of Libyan banks should include credit rating	4.07
46	Financial statements of Libyan banks should include reserves	4.44
47	Financial statements of Libyan banks should be audited	4.59

Appendix no (7) Duncan test

Table (1) **the balance sheet is important in attracting potential investors**

Groups	N	Subset for alpha = .05		
		1	2	3
Taxes Board	31	3.90		
Accountants and Auditors	135		4.25	
Institute of Financial Auditing	30		4.30	
Central Bank of Libya	31		4.45	4.45
Libyan investors	105			4.65
Libyan banks	52			4.67
Sig.		1.000	.163	.122

Table (2) **the income statement is important in attracting potential investors**

Groups	N	Subset for alpha = .05		
		1	2	3
Taxes Board	31	4.13		
Central Bank of Libya	31	4.32	4.32	
Institute of Financial Auditing	30	4.37	4.37	
Accountants and Auditors	135		4.46	4.46
Libyan banks	52			4.67
Libyan investors	105			4.69
Sig.		.091	.335	.108

Table (3) **the cash flow statement is important in attracting potential investors**

Groups	N	Subset for alpha = .05		
		1	2	3
Accountants and Auditors	135	3.78		
Taxes Board	31		4.13	
Libyan banks	52		4.15	
Institute of Financial Auditing	30		4.23	4.23
Libyan investors	105			4.48
Central Bank of Libya	31			4.52
Sig.		1.000	.491	.058

Table (4) **the disclosure in the bank's balance sheet is important**

Groups	N	Subset for alpha = .05	
		1	2
Accountants and Auditors	135	4.44	
Taxes Board	31	4.48	
Libyan banks	52	4.56	4.56
Institute of Financial Auditing	30	4.60	4.60
Central Bank of Libya	31	4.61	4.61
Libyan investors	105		4.76
Sig.		.243	.144

Table (5) **the disclosure in the banks' income statements is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Taxes Board	31	4.29		
Institute of Financial Auditing	30	4.37		
Accountants and Auditors	135	4.39	4.39	
Libyan banks	52	4.48	4.48	
Central Bank of Libya	31		4.65	4.65
Libyan investors	105			4.81
Sig.		.164	.054	.185

Table (6) **the disclosure in the banks' cash flow statements is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Accountants and Auditors	135	3.95		
Libyan banks	52	4.12	4.12	
Institute of Financial Auditing	30	4.13	4.13	
Libyan investors	105		4.25	4.25
Central Bank of Libya	31			4.45
Taxes Board	31			4.45
Sig.		.192	.354	.150

Table (7) **the role played by Libyan banks in covering credit facilities to customer is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.57		
Taxes Board	31		3.90	
Accountants and Auditors	135		3.95	
Libyan investors	105		4.17	4.17
Libyan banks	52			4.44
Central Bank of Libya	31			4.48
Sig.		1.000	.126	.074

Table (8) **the role played by Central bank of Libya in regulating and observing the financial policy in Libya is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	4.07		
Taxes Board	31	4.13		
Libyan banks	52	4.38	4.38	
Accountants and Auditors	135	4.39	4.39	
Libyan investors	105		4.56	4.56
Central Bank of Libya	31			4.81
Sig.		.057	.278	.111

Table (9) **the role played by Central Bank of Libya in monitoring and implementation of the laws and regulations within the banking industry in Libya is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.83		
Taxes Board	31	4.00		
Accountants and Auditors	135		4.36	
Libyan investors	105		4.55	4.55
Libyan banks	52		4.60	4.60
Central Bank of Libya	31			4.71
Sig.		.293	.153	.353

Table (10) **the role played by Libyan Accountant and Auditors syndicate in increasing the understanding within the financial statement users in Libya is important.**

Groups	N	Subset for alpha = .05	
		1	2
Institute of Financial Auditing	30	3.87	
Libyan investors	105	3.90	
Accountants and Auditors	135	3.93	
Taxes Board	31	4.00	
Central Bank of Libya	31	4.06	
Libyan banks	52		4.60
Sig.		.344	1.000

Table (11) **the disclosure in financial statements for foreign investors in general is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Accountants and Auditors	135	3.37		
Institute of Financial Auditing	30	3.67	3.67	
Libyan banks	52		3.98	3.98
Libyan investors	105		4.19	4.19
Taxes Board	31		4.19	4.19
Central Bank of Libya	31			4.45
Sig.		.233	.052	.083

Table (12) **the banks' management should disclose more than is currently required**

Groups	N	Subset for alpha = .05	
		1	2
Institute of Financial Auditing	30	3.60	
Accountants and Auditors	135	3.84	
Libyan investors	105	3.89	
Central Bank of Libya	31		4.39
Taxes Board	31		4.39
Libyan banks	52		4.60
Sig.		.122	.260

Table (13) **the investors should know more about financial disclosure in financial statements**

Groups	N	Subset for alpha = .05	
		1	2
Libyan investors	105	3.71	
Accountants and Auditors	135	3.74	
Central Bank of Libya	31		4.10
Taxes Board	31		4.16
Libyan banks	52		4.25
Institute of Financial Auditing	30		4.37
Sig.		.855	.089

Table (14) **the users should know the changes that have occurred in the financial statements disclosure during the last 5 years in Libya**

Groups	N	Subset for alpha = .05				
		1	2	3	4	5
Institute of Financial Auditing	30	3.23				
Accountants and Auditors	135		3.76			
Libyan investors	105		3.94	3.94		
Taxes Board	31			4.19	4.19	
Libyan banks	52				4.33	
Central Bank of Libya	31					4.74
Sig.		1.000	.293	.160	.454	1.000

Table (15) **the current role played by Libyan banks in enhancing the financial disclosure practice in Libya in general is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	2.93		
Accountants and Auditors	135		3.55	
Libyan investors	105		3.59	
Libyan banks	52			4.10
Taxes Board	31			4.16
Central Bank of Libya	31			4.23
Sig.		1.000	.834	.549

Table (16) **the financial statements users should know more about the requirements of International Accounting Standard**

Groups	N	Subset for alpha = .05		
		1	2	3
Libyan investors	105	3.72		
Accountants and Auditors	135	3.93	3.93	
Central Bank of Libya	31	3.94	3.94	
Institute of Financial Auditing	30		4.13	4.13
Taxes Board	31			4.32
Libyan banks	52			4.37
Sig.		.240	.268	.197

Table (17) **the users should know the full disclosure requirements within the International Financial Market**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.00		
Accountants and Auditors	135		3.68	
Libyan investors	105		3.92	3.92
Taxes Board	31		4.03	4.03
Central Bank of Libya	31			4.10
Libyan banks	52			4.15
Sig.		1.000	.050	.221

Table (18) **the financial disclosure requirements by Libyan banks need to be improved**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	4.00		
Libyan banks	52	4.27	4.27	
Libyan investors	105		4.36	
Accountants and Auditors	135		4.41	4.41
Taxes Board	31		4.58	4.58
Central Bank of Libya	31			4.68
Sig.		.067	.051	.082

Table (19) **The Central Bank of Libya needs to adopt more regulation to enhance the financial disclosure in the banks financial statements**

Groups	N	Subset for alpha = .05	
		1	2
Libyan investors	105	4.08	
Taxes Board	31	4.10	
Central Bank of Libya	31	4.32	4.32
Accountants and Auditors	135	4.33	4.33
Institute of Financial Auditing	30	4.33	4.33
Libyan banks	52		4.65
Sig.		.159	.060

Table (20) **more financial disclosure in the banks' financial statements show that the banks' management is more confident**

Groups	N	Subset for alpha = .05			
		1	2	3	4
Institute of Financial Auditing	30	3.10			
Accountants and Auditors	135		3.59		
Taxes Board	31			4.03	
Libyan investors	105			4.25	4.25
Central Bank of Libya	31				4.48
Libyan banks	52				4.62
Sig.		1.000	1.000	.252	.064

Table (21) **The Syndicate of Libyan Accountants and Auditors with Central Bank of Libya need to lead the effort to emphasise the importance of having more financial disclosure within the bank's financial statements**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.83		
Libyan investors	105	3.95	3.95	
Taxes Board	31	4.00	4.00	
Libyan banks	52		4.25	4.25
Accountants and Auditors	135			4.36
Central Bank of Libya	31			4.39
Sig.		.364	.102	.456

Table (22) **The Libyan banks according to Central Bank of Libya's regulation disclose sufficient information in their financial reports.**

Groups	N	Subset for alpha = .05		
		1	2	3
Central Bank of Libya	31	3.26		
Taxes Board	31	3.55	3.55	
Accountants and Auditors	135	3.56	3.56	
Libyan investors	105	3.72	3.72	
Institute of Financial Auditing	30		3.87	3.87
Libyan banks	52			4.31
Sig.		.088	.249	.077

Table (23) **the disclosure of assets and liabilities by nature and list them in an order that reflects their relative liquidity in the balance sheet is important**

Groups	N	Subset for alpha = .05	
		1	2
Accountants and Auditors	135	3.69	
Institute of Financial Auditing	30	3.70	
Libyan investors	105		4.19
Taxes Board	31		4.35
Libyan banks	52		4.38
Central Bank of Libya	31		4.45
Sig.		.950	.178

Table (24) **the disclosure of an income and expenses by nature and disclose the amounts of the principal types of income and expenses is important**

Groups	N	Subset for alpha = .05	
		1	2
Institute of Financial Auditing	30	3.50	
Accountants and Auditors	135		4.05
Taxes Board	31		4.19
Central Bank of Libya	31		4.26
Libyan investors	105		4.30
Libyan banks	52		4.38
Sig.		1.000	.085

Table (25) **the disclosure of the nature and amount of commitments and contingencies is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Taxes Board	31	4.06		
Institute of Financial Auditing	30	4.27	4.27	
Accountants and Auditors	135	4.35	4.35	
Libyan investors	105		4.48	
Central Bank of Libya	31		4.52	
Libyan banks	52			4.81
Sig.		.060	.112	1.000

Table (26) **the disclosure of any amount set aside for general banking risks is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.77		
Central Bank of Libya	31		4.29	
Taxes Board	31		4.29	
Accountants and Auditors	135		4.33	4.33
Libyan investors	105		4.39	4.39
Libyan banks	52			4.67
Sig.		1.000	.591	.053

Table (27) **the disclosure of the accounting policies is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Accountants and Auditors	135	3.90		
Institute of Financial Auditing	30	3.97		
Taxes Board	31	3.97		
Libyan banks	52	4.12	4.12	
Central Bank of Libya	31		4.35	4.35
Libyan investors	105			4.42
Sig.		.114	.058	.611

Table (28) **the disclosure of losses on loans is important.**

Groups	N	Subset for alpha = .05			
		1	2	3	4
Institute of Financial Auditing	30	3.07			
Libyan investors	105	3.41	3.41		
Accountants and Auditors	135		3.81	3.81	
Libyan banks	52			3.90	
Taxes Board	31			4.16	4.16
Central Bank of Libya	31				4.48
Sig.		.098	.055	.106	.119

Table (29) **the disclosure of the deposits from other banks is important**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.60		
Accountants and Auditors	135		3.93	
Libyan banks	52		4.12	
Libyan investors	105		4.21	4.21
Taxes Board	31		4.26	4.26
Central Bank of Libya	31			4.45
Sig.		1.000	.058	.146

Table (30) **the disclosure of the aggregate amount of secured liabilities and the nature and carrying amount of the assets pledged as security is important.**

Groups	N	Subset for alpha = .05	
		1	2
Accountants and Auditors	135	4.07	
Institute of Financial Auditing	30	4.07	
Taxes Board	31	4.10	
Libyan investors	105	4.16	
Central Bank of Libya	31	4.29	4.29
Libyan banks	52		4.54
Sig.		.257	.152

Table (31) **the disclosure of interest received and paid is important.**

Groups	N	Subset for alpha = .05	
		1	2
Libyan investors	105	3.77	
Accountants and Auditors	135	4.09	4.09
Taxes Board	31	4.10	4.10
Central Bank of Libya	31		4.23
Institute of Financial Auditing	30		4.23
Libyan banks	52		4.42
Sig.		.126	.141

Table (32) **the disclosure of Cash and balances with Central Bank of Libya is important.**

Groups	N	Subset for alpha = .05	
		1	2
Libyan investors	105	3.72	
Institute of Financial Auditing	30		4.17
Taxes Board	31		4.19
Accountants and Auditors	135		4.25
Central Bank of Libya	31		4.26
Libyan banks	52		4.44
Sig.		1.000	.219

Table (33) **Placement with, and loans to other banks is important**

Groups	N	Subset for alpha = .05	
		1	2
Libyan investors	105	3.68	
Institute of Financial Auditing	30		4.33
Accountants and Auditors	135		4.36
Libyan banks	52		4.40
Taxes Board	31		4.58
Central Bank of Libya	31		4.65
Sig.		1.000	.124

Table (34) **the disclosure of the maturities of assets and liabilities is important.**

Groups	N	Subset for alpha = .05	
		1	2
Libyan investors	105	3.70	
Taxes Board	31		4.13
Accountants and Auditors	135		4.28
Libyan banks	52		4.35
Institute of Financial Auditing	30		4.43
Central Bank of Libya	31		4.45
Sig.		1.000	.134

Table (35) **financial statements of Libyan banks should include balance sheets**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	4.03		
Taxes Board	31	4.29		
Libyan investors	105		4.56	
Accountants and Auditors	135		4.60	4.60
Libyan banks	52		4.79	4.79
Central Bank of Libya	31			4.87
Sig.		.061	.118	.061

Table (36) **financial statements of Libyan banks should include income statements**

Groups	N	Subset for alpha = .05			
		1	2	3	4
Institute of Financial Auditing	30	4.13			
Taxes Board	31	4.23	4.23		
Libyan banks	52		4.44	4.44	
Libyan investors	105		4.46	4.46	
Accountants and Auditors	135			4.70	4.70
Central Bank of Libya	31				4.74
Sig.		.482	.097	.060	.771

Table (37) **financial statements of Libyan banks should include cash flow statements**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.37		
Taxes Board	31		4.10	
Libyan banks	52			4.46
Libyan investors	105			4.57
Accountants and Auditors	135			4.59
Central Bank of Libya	31			4.74
Sig.		1.000	1.000	.089

Table (38) **financial statements of Libyan banks should include the footnotes attached to them**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	4.13		
Accountants and Auditors	135	4.42	4.42	
Libyan banks	52		4.54	4.54
Taxes Board	31		4.55	4.55
Libyan investors	105		4.63	4.63
Central Bank of Libya	31			4.77
Sig.		.068	.239	.177

Table (39) **financial statement should include a statement of accounting policy.**

Groups	N	Subset for alpha = .05	
		1	2
Institute of Financial Auditing	30	3.23	
Taxes Board	31		4.35
Central Bank of Libya	31		4.48
Libyan banks	52		4.50
Accountants and Auditors	135		4.52
Libyan investors	105		4.58
Sig.		1.000	.199

Table (40) **financial statements should include statements of allocations of profits.**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.80		
Taxes Board	31	4.03	4.03	
Libyan investors	105		4.30	4.30
Central Bank of Libya	31			4.35
Accountants and Auditors	135			4.41
Libyan banks	52			4.56
Sig.		.115	.064	.118

Table (41) **financial statements should be credible and timely**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.50		
Taxes Board	31		4.29	
Libyan banks	52		4.33	
Libyan investors	105		4.57	4.57
Accountants and Auditors	135			4.71
Central Bank of Libya	31			4.81
Sig.		1.000	.062	.120

Table (42) **financial statements should include the statement of the changes in financial position**

Groups	N	Subset for alpha = .05	
		1	2
Institute of Financial Auditing	30	4.20	
Central Bank of Libya	31	4.29	
Taxes Board	31	4.32	
Libyan investors	105	4.43	4.43
Accountants and Auditors	135	4.44	4.44
Libyan banks	52		4.71
Sig.		.127	.059

Table (43) **financial statements should include credit rating**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	2.60		
Taxes Board	31		3.90	
Accountants and Auditors	135		4.16	4.16
Libyan investors	105		4.18	4.18
Central Bank of Libya	31		4.19	4.19
Libyan banks	52			4.50
Sig.		1.000	.153	.088

Table (44) **financial statements should include legal, primary and secondary reserves.**

Groups	N	Subset for alpha = .05		
		1	2	3
Institute of Financial Auditing	30	3.90		
Libyan investors	105		4.35	
Accountants and Auditors	135		4.42	
Taxes Board	31		4.58	4.58
Central Bank of Libya	31			4.71
Libyan banks	52			4.75
Sig.		1.000	.112	.241

Table (45) **financial statements should be audited.**

Groups	N	Subset for alpha = .05		
		1	2	3
Taxes Board	31	4.13		
Libyan investors	105		4.51	
Accountants and Auditors	135		4.59	
Institute of Financial Auditing	30		4.67	4.67
Libyan banks	52		4.75	4.75
Central Bank of Libya	31			4.90
Sig.		1.000	.092	.080

Appendix no 8 Arabica questionnaire versions

جامعة ليفربول جون مورس

الإفصاح المحاسبي في القوائم المالية للمصارف الليبية

استبيان

<u>آخي المشارك المحترم</u> **<u>رقم الاستبيان</u>**

في البداية أود أن أقدم لك جزيل الشكر على منحك جزء من وقتك الثمين لتعبئة هدا الاستبيان. إن الغرض من هدا الاستبيان هو قياس الإفصاح المحاسبي في القوائم المالية للمصارف الليبية وهو جزء من متطلبات درجة الدكتوراه في المحاسبة التي يسعى الطالب لنيلها. إن هده الدراسة في

العموم تسعى لقياس مستويات الإفصاح المحاسبي في القوائم المالية للمصارف الليبية.

آخى المشارك إن مساهمتك سوف تكون عامل مساعد لانجاز هدا البحث مع التأكيد بان البيانات التي سوف تدلي بها في هدا الاستبيان سوف تستعمل لإغراض البحث العلمي وسوف تعامل بكل سرية من قبل الباحث. وأخيرا لا يسعني إلا أن أشكرك جزيل الشكر مقدرا لك حسن تعاونك.

مصطفى البشير منيع

Liverpool John Moores

University

M.E.Mnea @2006.Ljmu.ac.uk

<u>آخى المشارك المحترم</u>

إن هدا الاستبيان مقسم إلى أربعة أقسام منفصلة في بداية كل جزء سوف تكون هناك إرشادات نرجو قراءتها جيدا قبل أن تقوم بالإجابة:

<u>الجزء الأول</u> هدا الجزء يتعلق ببعض المعلومات الشخصية. يرجى وضع الإجابة في المكان المناسب.

ا- النوع:

1) ذكر ( )
2)- أنثى ( )

ب- الفئة العمرية:

1) 20 إلى 29 ( )
2) 30 إلى 39 ( )
3) 40 إلى50 ( )
4) أكثر من 50 ( )

ج- المستوى العلمي:

1) شهادة ثانوية ( )
2) شهادة جامعية ( )
3) دراسات عليا ( )
4) ماجستير ( )
5) دكتوراءة ( )
6) أخرى ( )

د- هل أنت:

1) مراجع ( )
2) رئيس قسم ( )
3) محاسب ( )
4) مدير عام ( )
5) نائب مدير عام ( )
6) نائب رئيس قسم ( )
7) مستثمر ليبي ( )

ه- الخبرة العملية:

1) اقل من سنتين ( )
2) من 3 إلي 5 سنوات ( )
3) من 6 إلي 10 سنوات ( )
4) من 11 إلى 20 سنة ( )
5) أكثر من 20 سنة( )

<u>الجزء الثاني</u>

الأسئلة المذكوره أدناه (1-37) تتعلق بمفهومك للإفصاح المحاسبي في القوائم المالية للمصارف الليبية.

رقم مسلسل	مفهومي ـــــو أن	غير موافق بشدة	غير موافق	محايد	موافق	موافق بشدة
1-2	قائمة المركز المالي مهمة جدا في استقطاب المستثمرين المحتملين					
2-2	قائمة الدخل مهمة جدا في استقطاب المستثمرين المحتملين					
3-2	قائمة التدفقات النقدية مهمة جدا في استقطاب المستثمرين المحتملين					
4-2	الإفصاح المحاسبي في قائمة المركز المالي مهم جدا					
5-2	الإفصاح المحاسبي في قائمة الدخل مهم جدا					
6-2	الإفصاح المحاسبي في قائمة التدفق النقدي مهم جدا					
7-2	الدور ألدى تلعبه المصارف في منح التسهيلات للزبائن مهم جدا					
8-2	الدور ألدى يلعبه المصرف المركزي في من القوانين والإشراف عن السياسات المالية مهم جدا					
9-2	الدور ألدى يلعبه المصرف المركزي كموجه ومشرف عن السياسات المالية في القطاع المصرفي مهم جدا					
10-2	الدور ألدى تلعبه المصارف في رفع مستوى الإدراك لمفهوم الإفصاح المحاسبي بين مستخدمي القوائم المالية مهم جدا					
11-2	الدور ألدى تلعبه نقابة المحاسبين في تحسين مستوى الإفصاح الكامل في القوائم المالية للمصارف الليبية مهم جدا					
12-2	الإفصاح المحاسبي في القوائم المالية مهم جدا للمستثمرين الأجانب					
13-2	مستخدمي القوائم المالية يجب إن يكون لديهم معرفة بمتطلبات الإفصاح المحاسبي الدولي					
14-2	مدراء المصارف يجب إن يفصحوا عن معلومات محاسبية أكثر مما يفصحون عنة ألان					
15-2	المستثمرون يجب إن يكون لديهم معرفة بالإفصاح المحاسبي بالقوائم المالية					
16-2	مستخدمي القوائم المالية يجب إن يكون لديهم معرفة بالمتغيرات التي حدثت في القوائم المالية في السنوات الخمسة الأخيرة					
17-2	الدور الحالي ألدى تلعبه المصارف الليبية في تحسين تطبيق الإفصاح المحاسبي في القوائم المالية مهم جدا					
18-2	مستخدمي القوائم المالية يجب إن يكونوا على دراية بمتطلبات الإفصاح المحاسبي الدولي					
19-2	مستخدمي القوائم المالية يجب إن يكونوا على دراية بمتطلبات الإفصاح المحاسبي في الأسواق المالية الدولية					
20-2	متطلبات الإفصاح المحاسبي في القوائم المالية للمصارف تحتاج غالى مزيد من التحسينات					
21-2	مصرف ليبيا المركزي يحتاج إلى اعتماد مزيد من القوانين و اللوائح لتحسين مستوى الإفصاح المحاسبي في القوائم المالية للمصارف					
22-2	مزيد من الإفصاح المحاسبي يعكس مزيدا من الثقة لدى المدراء المسئولون					
23-2	نقابة المحاسبين والمراجعين مع مصرف ليبيا المركزي يحتاجان إلى قيادة المجهودان الرامية لإظهار أهمية الإفصاح المحاسبي في القوائم المالية					
24-2	المصارف الليبية وفقا لقوانين ولوائح مصرف ليبيا المركزي تفصح عن معلومات محاسبية كافية في قوائمها المالية					

25-2	إلا فصاح عن الأصول و الالتزامات حسب طبيعتها مهم جدا					
26-2	الإفصاح عن قيمة التعهدات والإحداث المتوقعة مهم جدا					
27-2	الإفصاح عن قيمة الاحتياطيات المخصصة لمواجهه الأخطار العامة مهم جدا					
28-2	الإفصاح عن السياسات المالية مهم جدا					
29-2	الإفصاح عن خسائر القروض مهم جدا					
30-2	الإفصاح عن مجموع المبالغ المخصصة لمواجهة خسائر القروض مهم جدا					
31-2	الإفصاح عن الأصول المرهونة مهم جدا					
32-2	الإفصاح عن الفوائد المحصلة و المدفوعة مهم جدا					
33-2	الإفصاح عن الأرصدة لدى مصرف ليبيا مهم جدا					
34-2	الإفصاح عن القروض الممنوحة للمصارف الأخرى مهم جدا					
35-2	الإفصاح عن الديون المستحقة عن الأصول مهم جدا					
36-2	الإفصاح عن الإيرادات و المصروفات مهم جدا					

الجزء الثالث

هدا الجزء من الاستبيان يتعلق بقدرة القوائم المالية على توفير متطلبات مستخدميها.

•

رقم مسلسل	مفهومي ـــو إن	غير موافق بشدة	غير موافق	محايد	موافق	موافق بشدة
1-3	القوائم المالية يجب إن تحتوي على قائمة المركز المالي					
2-3	القوائم المالية يجب إن تحتوي على قائمة الدخل					
3-3	القوائم المالية يجب إن تحتوي على قائمة التدفقات النقدية					
4-3	القوائم المالية يجب إن ترفق بها ملحقاتها					
5-3	القوائم المالية يجب إن توضح بها السياسات المحاسبية المتبعة					
6-3	القوائم المالية يجب إن تحتوي على قائمة التوزيعات					
7-3	القوائم المالية يجب أن تكون موثوق بها ومقدمة في موعدها المحدد					
8-3	القوائم المالية يجب إن تحتوي على قائمة التغير في المركز المالي					
9-3	القوائم المالية يجب إن توضح بها أسعار الائتمان الممنوح للعملاء					
10-3	القوائم المالية يجب توضح بها كافة الاحتياطيات و المخصصات بأنواعها					
11-3	القوائم المالية يجب إن تكون مراجعة من قبل مراجعين خارجيين					

الجزء الرابع

.آخي المشارك لو لديك إي تعليقات يرجى كتابتها هنا.

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Appendix 9 results of one way ANOVA test when data is factored by groups

No	Statements	Significance test	Hypothesis supported
1	The balance sheet is important in attracting potential investors.	.000	H1
2	The income statement is important in attracting potential investors.	.000	H1
3	The cash flow statement is important in attracting potential investors.	.000	H1
4	The disclosure in the bank's balance sheet is important.	.004	H1
5	The disclosure in the banks' income statement is important	.000	H1
6	The disclosure in the banks' cash flow statement is important	.000	H1
7	The role played by Libyan banks in improving credit facilities to customer is important	.000	H1
8	The role played by Central bank of Libya in regulating and observing the financial policy in Libya is important	.000	H1
9	The role played by Central Bank of Libya in monitoring and implementation of the laws and regulation within the banking industry in Libya is important.	.000	H1
10	The role played by Libyan Accountants and Auditors Syndicate in increasing the understanding within the financial statement users in Libya is important.	.000	H1
11	The role played by the Libyan Accountants and Auditors Syndicate in enhancing the importance of financial disclosure in financial statements in Libya is important.	.588	H0
12	The disclosure in financial statements for foreign investors in general is important.	.000	H1
13	The financial statement users should know more about the requirements of International Accounting Standard 30.	.654	H0
14	The banks' management should disclose more than is currently required.	.000	H1
15	The investors should know more about disclosure in financial statements.	.000	H1
16	The users should know the changes that have occurred in the financial statements disclosure during the last 4 years in Libya.	.000	H1
17	The current role played by Libyan banks in enhancing the disclosure practice in Libya in general is important.	.000	H1
18	The users should know the financial disclosure requirements within the international financial market.	.000	H1
19	The disclosure requirements by Libyan banks need to be improved.	.002	H1
20	The Central Bank of Libya needs to adopt more regulation to enhance the disclosure in the bank's financial statements.	.000	H1
21	More disclosure in the banks' financial statements shows that the banks' management is more confident.	.000	H1
22	The Syndicate of Libyan Accountants and Auditors with Central Bank of Libya need to lead the effort to emphasise the importance of having more disclosure within the bank's financial statements.	.000	H1
23	The Libyan banks according to Central Bank of Libya's regulation disclose sufficient information in their financial reports.	.001	H1
24	The disclosure of assets and liabilities by nature and list them in an order that reflects their relative liquidity in the balance sheet is important	.000	H1
25	The disclosure of income and expenses by nature and the amounts of the principal types of income and expenses is important	.000	H1
26	The disclosure of the nature and amount of commitments and contingencies is important	.000	H1
27	The disclosure of any amount set aside for general banking risks is important	.000	H1
28	The disclosure of the accounting policies is important	.000	H1
29	The disclosure of losses on loans is important.	.000	H1
30	The disclosure of the aggregate amount of the provision for losses on loans and advances at the balance sheet date is important	.193	H0
31	The disclosure of the deposits from other banks is important.	.000	H1
32	The disclosure of the aggregate amount of secured liabilities and the nature and carrying amount of the assets pledged as security is important.	.016	H1
33	The disclosure of interest received and paid is important.	.002	H1
34	The disclosure of the Cash and balances with Central Bank of Libya is important.	.000	H1
35	Placement with, and loans to other banks is important	.000	H1
36	The disclosure of the maturities of assets and liabilities is important.	.000	H1

Appendix 10 results of one way ANOVA test for hypotheses no 2

no	Questions	Significance	Hypothesis supported
1	Financial statements of Libyan banks should include balance sheets	.000	H1
2	Financial statements of Libyan banks should include income statements	.000	H1
3	Financial statements of Libyan banks should include cash flow statements	.000	H1
4	Financial statements of Libyan banks should include the footnotes attached to them	.007	H1
5	Financial statement should include a statement of financial policy.	.000	H1
6	Financial statements should include statements of allocations of profits.	.000	H1
7	Financial statements should be credible and timely	.000	H1
8	Financial statements should include the statement of the changes in financial position.	.012	H1
9	Financial statements should include credit rating	.000	H1
10	Financial statements should include legal and general reserves.	.000	H1
11	Financial statements should be audited.	.000	H1

Appendix 11Mann-Whitney test result

No	Financial disclosure According to IAS30	Asymp. Sig.	Hypothesis supported
	Income Statement		
1	Group income and expense by nature.	1.000	H0
2	Disclose the amount of principal types of income and expense.	0.045	H1
3	Income and expense should not be offset.	1.000	H0
4	Income from interest and similar income.	0.157	H0
5	Expenses from interest and similar expenses.	0.000	H1
6	Income from fees for services and commissions	0.000	H1
7	Expense from fees for services and commissions	0.000	H1
8	Gains less losses arising from dealing in foreign securities.	0.000	H1
9	Gains less losses arising from investment securities.	0.000	H1
10	Gain less losses arising from dealing in foreign currencies	1.000	H0
11	Other income from banking operations	1.000	H0
12	Losses on loans and advances.	0.000	H1
13	General administrative expenses	0.000	H1
14	Other expenses from banking operations.	0.000	H1
15	Net profit from operation	0.000	H1
	Balance Sheet		
1	Groups assets and liabilities in order of their liquidity	0.157	H0
2	List assets and liabilities according to their nature	1.000	H0
3	Assets and liabilities should not be offset	0.000	H1
4	Distinction between balances with other banks and those with other parts of the money market	0.000	H1
5	Distinction between long term and short term securities	0.000	H1
6	Cash	0.000	H1
7	Cash at the Central Bank of Libya.	0.000	H1
8	Treasury bills and other bills eligible for rediscounting.	0.000	H1
9	Government treasury bonds and other securities held for dealing purposes.	0.000	H1
10	Cash at other banks	0.000	H1
11	Deposits with other financial institutions.	1.000	H0
12	Loans and advances.	1.000	H0
13	Investment securities.	0000	H1
14	Due to other banks	1000	H0
15	Due to other financial institutions	.157	H0
16	Customer's deposits	1.000	H0
17	Certificates of deposits.	0.000	H1

18	Promissory notes and other liabilities evidenced by paper.	0.000	H1
19	Other borrowed funds.	.157	H0
	Contingencies and Commitments		
1	The nature and amount of commitment to extend credit that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expenses(IAS30.7)	0.000	H1
2	The nature and amount of contingencies and commitments arising from off balance sheet items including those related to:(IAS30.7)	0.000	H1
3	Direct credit substitutes including general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities	0.000	H1
4	Certain transaction-related contingencies including performance banks ,bid bonds, warranties and standby letters of credit related to particular transactions	0.000	H1
5	Those sale and repurchase agreements not recognised in the balance sheet.	0.000	H1
6	Interest and foreign exchange rate related items including swaps, options and futures	0.000	H1
7	Other commitments, note facilities and revolving underwriting facilities	0.000	H1
	Maturities of assets and liabilities		
1	Analyses of assets according to maturity date.	0.000	H1
2	Analyses of liabilities according to maturity date.	0.000	H1
3	Grouping Assets and liabilities according to maturity periods:	0.000	H1
4	Maturities up to one month	0.000	H1
5	Maturities up to three months	0.000	H1
6	Maturities from three to 12 months	0.000	H1
7	Maturities less than or more than one year	0.000	H1
8	Maturities from one year to 5 years	0.000	H1
9	Maturities over five years	0.000	H1
10	Analyses of assets and liabilities according to the period remaining to its maturity date	0.000	H1
11	Analyses of assets and liabilities according to the period remaining to the next date at which the interest rate may be changed	0.000	H1
12	Analyses of assets and liabilities by their remaining periods to the repayment dates	0.000	H1
13	Analyses of assets and liabilities by their original periods to the repayment date	0.000	H1
14	Analyses of assets and liabilities in terms of contractual repayment periods	0.000	H1
	Concentrations of assets, Liabilities and off-balance sheet items		
1	Concentration of assets, liabilities and off-balance sheet items according to geographic areas.	0.000	H1
2	Concentrations of assets, Liabilities and off-balance sheet items according to industrial groups.	0.000	H1
3	Concentration of assets, liabilities and off-balance sheet items according to customer groups.	0.000	H1
4	Use the above distinction for the off-balance items	0.000	H1
	Losses on loans and advances		
1	The accounting policy, which describes the basis on which uncollectible loans and advances are recognised as expenses and written off (IAS30.11)	0.000	H1
2	Details of movements in the provision for losses on loans and advances during the period.	0.000	H1
3	The amount recognised as expenses in the period for losses on uncollectible loans and advances	1.000	H0
4	The amount charged in the period for loans and advances written off.	0.011	H1
5	The amount credited in the period for loans and advances previously written off that have been recovered	0.001	H1
6	The aggregate amount of the provision for losses on loans and advances at the balance sheet date	0.000	H1
7	The aggregate amount including in the balance sheet for loans and advances on which interest is not being accrued	0.000	H1
8	Any amount set aside in respect of losses on loans and advances in addition to those losses that have been specifically identified or potential losses which experience indicates are present in the portfolio of loans and advances should be accounted for as appropriates of retained earnings	0.000	H1
9	Credit resulting form the reduction of losses that have been specifically identified result in an increase in retained earnings and are not included in the determination of net profit or loss for the period	0.000	H1
10	Disclose all the losses on loans and advances in detail	0.000	H1
	General Banking risk		
1	Any amount set aside in respect of general banking risks	0.000	H1
2	Any amount set aside in respect of future losses or other unforeseeable risks	0.000	H1

3	Disclose all the amounts set aside separately.	1000	H0
4	Any set aside amount should be disclosed as appropriations of retained earnings.	0.000	H1
5	Any amount set aside in respect of contingencies and events occurring after the balance sheet date.	0.000	H1
6	Any credits resulting from the reduction of any set aside amount result in an increase in retained earnings and are not included in the determination of net profit or loss for the period	0.000	H1
	Assets Pledged as Security		
1	The total amount of secured liabilities.	0.000	H1
2	The nature and carrying amount of the assets pledged as security	0.000	H1
	Trust activity		
1	The nature of the trust activities	0.000	H1
2	The total amount of the trust activities	0.000	H1
3	Any potential liabilities associated with the trust activities	0.000	H1
	Related Party Transactions		
1	The nature of the related party relationship	0.000	H1
2	The types of transactions	0.000	H1
3	The lending policy to related parties	0.000	H1
4	The amount including in the related parties transactions	0.000	H1
5	Each of loans and advances, deposits and acceptances and promissory notes.	0.000	H1
6	The aggregate amount outstanding at the beginning and end of the period	0.000	H1
7	Advances, deposit, repayment and other changes during the period	0.000	H1
8	Each of the principal types of income, interest expenses and commissions paid	1.000	H0
9	The amount of expenses recognised in the period for losses on loans and advances and the amount of the provision at the balance sheet date	0.000	H1
10	Irrevocable commitments and contingencies and commitments arising from off balance sheet items	0.000	H1
	Other Disclosure		
1	Identity the income resources	0.000	H1
2	Average interest on loans and advances to customers	0.003	H1
3	Return on assets	0.000	H1
4	Deposit and loans from other parties	0.000	H1
5	Interest on deposit and loans from other depositories	0.000	H1
6	Fixed assets	1.000	H0
7	States that the notes form part of the financial statements	1.000	H0
8	The effect of the deposit and loans from other parties on the net income	0.000	H1
9	The market value of the dealing and investment securities if it is different than its historical cost	0.000	H1
10	The principles of evaluation and dealing in investment securities	0.000	H1
11	The recognition of the principal types of income	1.000	H0
12	The distinction between those transactions and other events that result in the recognition of assets and liabilities on the balance sheets	0.000	H1
13	The basis for the determination of losses on loans and advances	0.000	H1
14	The basis for the determination of changes for general risks and accounting treatment of such charges.	0.000	H1
15	The nature of contingencies	0.000	H1
16	The factors that generally do not indicate the contingencies	0.000	H1
17	The financial effects of the contingencies	0.000	H1
18	The amount of contingencies related to future contracts	0.000	H1
19	Risks associated with dealing in foreign currencies	0.000	H1
20	Adjustment to the balance sheet items if there is an event due after the balance sheet date	0.000	H1
21	Adjustment to the dividends if there is an effect due to after the balance sheet date	0.000	H1
22	Disclose the fair value of each class of financial assets and liabilities as required by IAS 32 and 39.	0.000	H1
23	States that financial statements were prepared and presented according to IAS 30in compliance with the Law no5, 2005	0.000	H1
24	Segment Reporting IAS 14 (now IFRS 8)	0.000	H1
25	Consolidated financial statements(IAS 27.40)	0.000	H1

26	Investment in Associates (IAS 28)	0.000	H1
27	Polices of calculating fixed assets depreciation	1.000	H0