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**CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE:  
THEORY AND EMPIRICAL INSIGHTS FROM THE LIBYAN EXTRACTIVE  
SECTOR (2009-2014) AND RELATED ACCOUNTING EDUCATION  
CONSIDERATIONS**

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**Volume 1**

Thesis Submitted in Partial Fulfilment of the Requirements of the University of Brighton for the Degree of Doctor of Philosophy in Accountancy

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## **ABSTRACT**

This thesis investigates the state of Corporate Social Responsibility Disclosure (CSRD) practice in Libya. It encompasses a detailed description and theoretical interpretation of this practice in light of the social significance of accounting education. To achieve this aim, a triangulation approach is employed in the thesis. This approach includes content analysis, survey questionnaires and interviews.

Firstly, using the content analysis method, the thesis provides the first longitudinal description of the extent and nature of CSRD practices in Libya by examining 64 annual reports of extractive companies for the years 2009 to 2014. Secondly, a survey questionnaire method is used to ascertain and explore the views regarding CSRD activities of a wider portion of the accounting community within the extractive companies. This identifies and evaluates some Libyan environmental factors which may significantly influence the practice of CSRD in Libya, and determines the main possible reasons for the disclosure or non-disclosure of social and environmental information. Thirdly, semi-structured interviews with academic and professional accountants regarding the nature of CSRD practice were conducted, in order to suggest means to improve national accounting education systems with the aim of delivering meaningful CSRD practices. Use of semi-structured interviews in this manner and within this context appears to be absent from the CSRD literature.

The results indicate that all companies provide some CSRD. Total CSRD declined as a proportion of the corporate annual report during the period. CSRD consists of mostly good disclosure and has a declarative nature. CSRD in Libya is not widespread. The level of CSRD found in Libya is very low compared to a developed country like the UK. Corporate characteristics, namely whether a company is public or private, ownership structure and activity location are the major determinants influencing CSRD levels in Libya. Conversely, company size, age and activity type are not positively associated with CSRD levels in Libya.

Libya's unique political, economic and social contexts, along with the perceptions and awareness of those who are involved in social and environmental activities, were found to be helpful and important in explaining CSRD practices. Libyan culture, Islamic

values and principles, and the level of development of the country were also found to be important factors that influence CSRD practices. Accounting education, training and the accounting profession are important determinants of disclosure practice in general and CSRD in particular. The lack of expertise, qualifications and training in the field of CSRD was the most important factor that restricted accountants' involvement in such issues.

Using a multi-theoretical perspective (i.e. agency theory, legitimacy theory, stakeholder theory, and political economy theory), the thesis also highlights the lack of explanatory power of these CSRD theories within this specific context. No single theoretical perspective appears to interpret the entire pattern and extent of CSRD observed in Libya. The application of theories to explain disclosure practices that were developed in one social, political and economic setting in a different social, political and economic setting such as Libya is questionable and therefore requires caution.

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## LIST OF TERMS AND ABBREVIATIONS

AB	Audit Bureau
ACCA	Association of Chartered Certified Accountants
AICPA1	Arabic Institute of Certified Public Accountants
AICPA2	American Institute of Certified public Accountants
BASB	British Accounting Standards Board
CED	Corporate Environmental Disclosure
CEPSA	Companies having Exploration and Participation Sharing Agreement with NOC
CFIs	Conventional Financial Institutions
CFO	Companies Fully Owned by NOC
CJV	Companies having a Joint Venture
CPAC	Chartered Professional Accountants of Canada
CPRB	Canadian Performance Reporting Board
CSEAR	Centre for Social and Environmental Accounting Research
CSED	Corporate Social and Environmental Disclosure
CSR	Corporate Social Responsibility
CSRD	Corporate Social Responsibility Disclosure
EGA	Environmental General Authority
EMS	Environmental Management System
ESG	Environmental, Social and Governance
GDP	Gross Domestic Product
HR	Human Resources
HR&E	Human Resources and Employees
HSE	Health, Safety and Environment
IASCA	International Arab Society of Certified Accountants
ICAEW	Institute of Chartered Accountants in England and Wales
IFIs	Islamic Financial Institutions
KPMG	Klynveld Peat Marwick Goerdeler (Accounting Firm)
LAAA	Libyan Accountants and Auditors Association

Ltd.	Limited
NGOs	Non-Governmental Organisations
NOC	National Oil Corporation
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation for Petroleum Exporting Countries
POE	Public Organisation of Environment
SASB	Sustainability Accounting Standards Board
SD	Sustainability Development
SPSS	Statistical Package for the Social Sciences
WBCSD	World Business Council for Sustainable Development

**IN THE NAME OF ALLAH, MOST GRACIOUS, MOST MERCIFUL**

## **DEDICATION**

I heartily dedicate this work to:

### **My beloved parents**

Who dare to take pain in this journey and have inspired and re-energised  
my life

### **My wife**

For her continuous forbearance, patience and love

### **My daughter, Maimouna**

For being with me

### **My beautiful loving sisters, wonderful brothers and their families**

For their constant support and encouragement

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For giving me this opportunity and without whose financial support and  
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## **DECLARATION**

I declare that, except where explicit reference is made to the contribution of others, this dissertation is the result of my own work and has not been submitted for any other degree at the University of Brighton or any other institution.

Printed name: Kamal A Mohamed Mahmes

Signed:

Dated:

# CHAPTER ONE

## INTRODUCTION AND OUTLINE OF THE THESIS

### **1.1 Chapter Introduction**

With growing demands from investors and other stakeholders for more information from companies, the corporate reporting landscape is changing (Willis et al., 2015). Successive developments in the economic world have forced organisations to reorient their traditional economic aims, taking on social and environmental responsibilities alongside their economic activities (Aldrugi, 2013). Such challenges have compelled corporations to develop their traditional and conventional accounting<sup>1</sup> disclosure systems, and embrace a new strategy for managing their businesses towards continuous developments. Much debate has taken place concerning the demand for developments in social and environmental accounting and reporting (Gray et al., 1995b; 1996; Lodhia, 2003; Kuasirikun, 2005). This is encompassed within the issue of corporate social responsibility disclosure (CSRD<sup>2</sup>). CSRD is the provision of financial and non-financial, quantitative and qualitative information relating to a firm's interaction with its physical and social environment on issues such as the community, the ecological environment, human resources (HR) and consumers (Gray et al., 1995a; Hackston and Milne, 1996). CSRD is largely prepared in conjunction with the best known framework, the Global Reporting Initiative (GRI) (GRI, 2013).

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<sup>1</sup>The term ‘conventional accounting’ refers to ‘the accounting that is typically practised by accountants, defined and defended by professional accountancy bodies (i.e., standards) and/or taught through mainstream textbooks in accounting and finance qualifications’ (Gray, 2002a: 688).

<sup>2</sup>A number of terms, namely corporate social responsibility disclosure (CSRD), corporate social and environmental disclosure (CSED), corporate environmental disclosure (CED), and corporate social disclosure (CSD) have been used in the literature. This was due to the development of this phenomenon. To reduce the confusion surrounding the terminology used in the literature, the term CSRD was chosen for the purposes of this study. The use of the term CSRD in this thesis should therefore be taken to also cover the term sustainability development (SD) and other similar terms such as environmental, social and governance (ESG) disclosure.

Recently, global research presents a noteworthy term of social and environmental reporting such as environmental, social and governance (ESG) disclosures (United Nations Environment Programme (UNEP), KPMG, Global Reporting Initiative (GRI) and Unit for Corporate Governance in Africa (UCGA), 2010; European Commission, 2014; Soh and Martinov-Bennie, 2015). ESG issues can trigger a crisis that leads to fundamental changes in a company's management, culture and of course financial health (Koehler and Hespenheide, 2013). Disclosure of ESG performance can partially protect against drops in shareholder value when things do go wrong (Kaplan, 2013). This makes disclosure on how companies manage their ESG risks all the more critical, because it can help capture stakeholders' interests and create long-term value in ESG management (Koehler and Hespenheide, 2013; Chambers, 2015). ESG factors can also help stakeholders evaluate brand risk, customer appeal and the ability to acquire talent. Stakeholders realise that ESG factors are important, but there is disconnect between what they want to know and what corporations disclose (Governance Insights Center, 2016). The Canadian Performance Reporting Board (CPRB) of the Chartered Professional Accountants of Canada (CPAC) commissioned the publication *An Evolving Corporate Reporting Landscape* to assist public companies in understanding this type of reporting and the guidance related to it, the Sustainability Accounting Standards Board (SASB) Standards. This guidance emerged in response to demands from investors and other stakeholders for disclosures that are relevant to their respective decisions and interests (Willis et al., 2015).

Research on accountants and their educational and professional associations addresses how and why accounting has become a powerful social and economic element in society (Gray, 1992; Yapa, 1999; Cooper and Robson, 2006; Duff, 2016), and how and why accountants have been imbued with such influence and status (Lodhia, 2003; Kuasirikun, 2005; Islam and Dellaportas, 2011; Kamla et al., 2012). Thus to gain meaningful practical insights into CSRD practices, research on the function of accounting and its social significance is warranted and important.

This thesis is mainly a response to calls to make use of international accounting and disclosure literature by linking it to CSRD, which in turn contributes to both areas of accounting research. Inter alia, the thesis seeks to draw the attention of accounting practitioners within the extractive sector and educational and professional accounting

institutions to the most important forms of CSDR, to disclosure standards in general and to international accounting standards in particular.

In this light, the thesis primarily concentrates on exploring CSDR in Libya, taking into consideration the social significance of the accounting function in the country. It focuses particularly on identifying patterns of CSDR in the Libyan extractive sector through appropriate theoretical explanations, investigating the perspectives of academic and professional accountants in Libya regarding the nature of CSDR practice, and suggesting means to improve the national accounting education systems in order to deliver meaningful CSDR into practice. The examination of Libyan CSDR practices will contribute to the literature on developing countries, particularly those in the emerging economy stage. This produces additional insights into accounting functions that are gradually moving away from socialism towards a more capitalistic system. This introductory chapter is structured as follows:

**Section 1.2** provides details of the research context.

**Section 1.3** provides an overview of the research problem and its background.

The core research questions are outlined in **Section 1.4**.

**Section 1.5** outlines the research aims and objectives.

**Section 1.6** deals with research significance and justification.

**Section 1.7** outlines the structure of the thesis.

**Section 1.8** is the chapter summary.

## **1.2 Research Context and Setting**

Libya is a country situated in North Africa. On December the 24<sup>th</sup>, 1951, the final decision was taken by the United Nations (UN) to give the country its independence. Western influence remained, however, especially in administrative practices, and

Western corporations and capital. Libya is basically a single resource economy. It is heavily dependent on oil and gas exports, which account for almost all of Libya's exports. In September 1961, Libya entered a new economic era, when the exportation of crude oil began. The discovery of oil provided profound structural changes in the Libyan economy. It presented Libyans with great opportunities, and changed the employment structure of the Libyan economy. Social services such as education and health also improved, with a well-developed infrastructure and social welfare system (Abbas, 1987).

Libya is considered to be one of the most important members of the Organisation for Petroleum Exporting Countries (OPEC), having proved crude oil reserves of 48 billion barrels as of January 2014, the largest reserves in Africa, and among the nine largest globally (Oil and Gas Journal, 2014, cited in US Energy Information Administration, 2014). The extractive sector, which is considered one of the most polluting industrial sectors, is considered to be a high-level competitive industry due to its significant contribution to Gross Domestic Product (GDP) growth in the country (Central Bank of Libya, 2006; for more details, see Appendix 1.1). This sector represents 73% of Libya's GDP, more than 97% of exports, and approximately 95% of government revenue (Central Bank of Libya, 2012; for more details, see Appendix 1.2). Despite spending a large amount of the oil revenues on developing the diversification of the economy, the extractive sector is still the main contributor to the Libyan economy. The Libyan economy has recently been affected by the deterioration of the extractive sector. The political turbulence in Libya at the beginning of 2011 and the subsequent enforcement of UN sanctions have severely affected the country's economy. The decline in oil and gas production led to an economic collapse.

Understanding the challenges that Libya, as an emerging economy, faces, entails understanding key aspects of the historical, socio-political, economic and cultural context. Buzied (1998) found a correlation between the political, social and economic context and accounting practices in Libya. Williams (1999) concludes that the socio-political and economic contexts of countries interact to shape companies' attitudes to the voluntary release of CSRD. This is also supported by the results of Ahmad's (2004) study, which reveals that a country's social, political and economic contexts are the determinants of CED. Gray et al. (1995b) believe that economic, political and social

contexts should be considered in CSRD studies. This, according to Elmogla (2009), helps researchers to explain the phenomenon via the rich social, political and economic context in which it exists. To provide a better understanding and backdrop against which CSRD practice in Libya can be analysed and explained, some of these contextual factors should be studied. The purpose of accounting is to serve society. As a result, accounting is likely to be influenced by the varying political, economic and social environments in which it operates (Kamla et al., 2012). Religion, particularly Islam, can play a very significant role in Muslim society in enforcing ethical behaviour by invoking an omniscient being with the power to reward and punish behaviour (Noreen, 1988; Buzied, 1998; Haniffa, 1999; Afifuddin and Siti-Nabiha, 2010).

A positive relationship is likely to exist between the economic planning and accounting professions in the context of a given country. Equally, the accounting profession can be an important influence on the economy. It plays an important role within government planning and activity. Shareia (2006) contends that accounting information is demanded by economic planners for planning, implementing, reporting on and monitoring economic projects, and for carrying out feasibility studies facilitating control and revision of plans. Accounting practices in Libya, including professional standards and regulations, fundamentally evolved and developed in Western nations such as the United Kingdom and the United States of America. Few relevant Libyan standards and regulations influence accounting in this respect. Libya, like many developing countries, has not developed its own accounting system. Indeed, Libyan accounting practices in both oil and non-oil companies have been influenced positively by British and American accounting, which transferred to Libya through oil companies (Saleh, 2001).

It may not be beneficial to simply transfer accounting techniques from country to country without assessing them in the light of a country's requirements, however. Agami and Alkafaji (1987: 152) state that 'despite the differences between developed and developing countries, many developing countries have taken the easy way to create their accounting educational systems by copying systems of developed countries'. However, each country is likely to have a different accounting environment and different needs. This means that people have different purposes when using accounting information. Accounting practices are likely to be influenced by factors such as accounting principles, regulations, economic conditions, the legal setting, the political

environment, sociological considerations, and religious and cultural characteristics (Mashat, 2005; Chambers, 2014a; Chambers and Odar 2015; Garcia-Sanchez et al., 2016; Lauwo et al., 2016; Gallego-Álvarez and Ortasb, 2017). In addition, these factors have a significant effect on the applicability of theories such as stakeholder theory, legitimacy theory and accountability theory, which are commonly used to explain the phenomenon of reporting (Tilt, 2016). A comprehensive and fuller understanding and explanation of a country's accounting practices entails an understanding of the country's environmental features (Ahmad, 2004). The ideas invented and/or developed in any society are a product of its socio-political-economic environment (Mathews, 1993: 122; Gamerschlag et al., 2011; Tilt, 2016).

### **1.3 The Research Problem and its Background**

This thesis is motivated by recent proposals for the accounting profession to measure and report on corporations' performance with respect to issues of social and environmental concern (Bebbington et al., 1994; Boyce, 2000; Wilmshurst and Frost, 2001; Islam and Dellaportas, 2011; Yusoff et al., 2014). The significant growth in social and environmental disclosures by companies has become a worldwide phenomenon (Trotman, 1979; Guthrie and Parker, 1989; Roberts, 1992; Adams et al., 1995; Gamble et al., 1996; Hackston and Milne, 1996; Williams, 1999; Gao et al., 2005; Smith et al., 2005; Reverte, 2009; Potluri et al., 2010; Abreu et al., 2012; Contrafatto, 2014; Parker, 2014; Michelon et al., 2015). Furthermore, the influence of social and environmental performance on the economic and financial health of corporations has become a significant issue of growing concern to shareholders, customers, suppliers, government bodies and society at large. This attention has not come out of the blue; as social and environmental costs rise year on year, it has become increasingly important to report these costs, as they may substantially affect the decisions made by the users of financial statements.

CSRD has emerged as a means for companies to communicate the social and environmental accountability of their business, and to satisfy stakeholders seeking such disclosure. It is driven by an ethical understanding of the organisation's responsibility for the impact of its business activities (Gray et al., 1996). Research shows that some companies adjust their annual reports to include social and environmental issues,

prompted by the growing concern in social performance and a growing awareness that they are responsible to parties other than company stockholders (Momin, 2006; Zerban, 2013). Companies' focus seems to be evolving into providing services to society in conjunction with making a profit (Buzied, 1998). These new aims have enabled corporations to become more engaged with society (implications that are not inconsistent with stakeholder theory).

The social and environmental issues addressed by companies have attracted academic studies of CSRD practices, especially those in developed countries. Despite the fact that CSRD has been a major topic of academic research for more than three decades, the majority of studies published on CSRD tend to concentrate on practices in the Western world. Relatively few attempts have been made to research CSRD in the non-Western and especially the Arabic context. Such international interest provides a basis for studying CSRD issues in Libyan society. It is suggested that further research in CSRD in developing countries is essential (Abu-Baker and Naser, 2000; Belal, 2001; Gao et al., 2005; Raman, 2006; Ratanajongkol and Low, 2006; Jamali, 2007; Rizk et al., 2008; Sobhani et al., 2009; Eljayash et al., 2013). And so, it is to this under-researched area that this thesis aims to contribute, by providing insights and empirical evidence of CSRD in Libya. Very few studies are available on the CSRD practices in Libya; these studies (Mashat, 2005; Elmogla, 2009; Bayoud et al., 2012a; 2012b) were conducted on local manufacturing, banking and insurance service organisations, and excluded the extractive sector and foreign companies. Accordingly, this thesis takes the initiative to address this gap by focusing on the CSRD framework of Libya. The thesis is also significant in focusing on the extractive sector, which is considered the most important sector in the country.

The theory of CSRD has been the subject of much debate amongst researchers. The three decades or more of empirical examination of CSRD practice have provided a very wide literature that involves various theoretical approaches (Shocker and Sethi, 1973; Ullmann, 1985; Ness and Mirza, 1991; Patten, 1992; Gray et al., 1995b; Buhr, 1998; Adams, 2002; Deegan, 2002; Ahmad and Sulaiman, 2004; Van Der Laan, 2009; Chiu and Wang 2014; Chambers, 2015; Liesen et al., 2015; Frynas and Yamahaki, 2016; Lanis and Richardson, 2016). Similar to in developed countries, agency, legitimacy, political economy and stakeholder theories are mostly used by researchers in developing

countries (Ness and Mirza, 1991; Gray et al., 1995b; Adams and Harte, 1998; Deegan, 2002; Deegan and Blomquist, 2006; Van Der Laan, 2009; Farache and Perks, 2010; Haider, 2010; AbuRaya, 2012; Perks et al., 2013). These theories mainly originated and were developed in liberal market economies. They each explain the CSDR phenomenon from different angles and assumptions, however their applicability in other parts of the world is questionable, in particular in Islamic societies where businesses operate in a totally different cultural context, having different business objectives and ethics.

Since cultural, religious, social, economic and political context have an impact on accounting practice in general, and on CSDR in particular (Dumontier and Raffoumier, 1998; Archambault and Archambault, 2003; Garcia-Sanchez et al., 2016; Gallego-Álvarez and Ortasb, 2017), any attempt to generalize the findings of these studies to less developed countries might be dangerous (Tsang, 1998; Gao et al., 2005). Differences in country and period of time, along with different explanatory variables, also make generalisations questionable (Elmogla, 2009). Gray et al. (1995b) report that the pattern of CSDR tends to vary both over time and between different economies. Accordingly, this thesis takes the viewpoint that no single theory can explain the whole practice of CSDR in a given country at a particular time. It also takes the viewpoint that explanation provided by current theories cannot be taken for granted in interpreting CSDR in Libya owing to its very individual cultural, religious, socio-political and economic setting.

Studies which have examined CSDR practice in Libya suffer from an important limitation in not presenting a clear theoretical background for explaining CSDR practice, and this limits understanding of the issue. This thesis seeks to find theoretical evidence as an explanation for the CSDR practices of companies operating within the extractive sector in Libya. CSDR decisions are much more complex and multifaceted than prior research has revealed, and are unlikely to be properly interpreted by a single theory (Rizk, 2006). Contrary to most CSDR research, this thesis does not aim to understand or explain CSDR practices from a single theoretical approach, as doing so may result in loss of important explanations of motivations for CSDR (Adams and Harte, 1998). Rather, it surveys and considers the various theories being adopted in order to develop the researcher's theoretical sensitivity. Equally, this will help to determine which theory or theoretical perspective could be the most appropriate in

explaining the context of CSRD in Libya, or even point to the need to develop a more comprehensive theoretical explanation of CSRD.

Another focus of this thesis is to determine the extent to which CSRD is influenced by and applicable (or not) in Libya, with particular reference to the accounting function in the country. As a developing country, Libya has undergone many changes over a short period of time in terms of accounting function. This was a result of the rapid expansion of the Libyan economy. Libyan accounting practices across all sectors have been influenced by British and American accounting, which transferred to Libya through extractive companies (Saleh, 2001). The accounting function is understandably considered to be a vital element in social and economic development (Bakar, 1997; Gray, 2002b; Suddaby, 2009). Consequently, in addition to keeping pace with economic growth, the accounting function in Libya has had to change to facilitate the potential requirements of these transnational enterprises. This thesis considers the use of accounting within a case that involves economic development, with its considerable social and environmental consequences.

The accounting function can be considered as a social construct, as a form of social power (Boyce, 2000). It is considered to be an important element with which companies must interact (Lodhia, 2003; Kuasirikun, 2005) and is an influence on organisational life (Cooper and Robson, 2006). Accordingly, this thesis adopts the notion that the accounting function has a role beyond merely that of a technocratic (number-crunching and bookkeeping) and procedural activity. At the very least, it has organisational implications for the firms themselves, as well as social and economic implications for society more widely. As such, this thesis considers the accounting function to be a social device in addition to its customary economic role. This wider social perspective of accounting has been employed by many authors in their theorisation of CSRD in developed countries (Roberts, 1992; Deegan et al., 2002; O'Donovan, 2002).

The influence of the accounting function has also been presented as an environmental factor that should be considered when studying issues related to CSRD (Zerban, 2013). CSRD is taken to be an accounting element that involves the communication of information concerning the impact of an entity and its activities on its society and environment (Boyce, 2000). It is acknowledged that to fully understand and provide

comprehensive explanations in terms of CSRD practices, researchers must investigate the initiatives taken by accountants to improve CSRD practices. Influenced by the above considerations and in order to improve accounting efficiency in Libya, the Libyan Accountants and Auditors Association (LAAA) was established in 1973. This association aims to regulate and support accounting professionals, organise national and participate in international seminars and conferences, and follow up international developments in accounting.

To add to a growing literature on the accounting function's impact on CSRD, this thesis does not seek to investigate the level of CSRD practice in Libya solely in such corporate terms. Rather, it seeks to obtain insights and empirical evidence into the preparedness of accountants in Libya to handle CSRD within the conventional accounting framework. Whilst there has been much discussion about the involvement of accountants in relation to CSRD issues, there appears to be limited evidence evaluating the actual perspectives of accountants on such issues.

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

This thesis is motivated by this lack of research. It considers CSRD practice in Libya in the light of the social significance of accounting education and the accounting profession, which has not yet been studied. There appear to be few studies on social accounting and disclosure in developing countries (e.g. Mashat, 2005; Hanafi, 2006; Momin, 2006; Elmogla, 2009). There also appears to be an absence of research that examines the nature of CSRD from educational and professional perspectives in the context of national development. So perhaps it is unsurprising to find that, despite more than four decades (since the 1970s) of empirical investigation of CSRD practice worldwide (see Chapter Two), no detailed study of CSRD by developing accounting

educational and professional bodies has been undertaken, and very little is known about the preparedness of accountants to undertake CSRD practices. This gives rational support for this thesis, which seeks to provide an empirical evaluation of CSRD practices in Libya in the light of the social significance of accounting education and profession. The thesis is concerned with how environmental characteristics influence such CSRD practices. Having regard to the above discussion, the next section goes on to identify the research questions.

#### **1.4 Research Objectives**

This thesis aims to achieve the following objectives:

1. To explore the extent and nature of CSRD practices in Libya by examining the current state of these practices in the period 2009 to 2014 in the annual reports of extractive companies.
2. To identify and evaluate certain environmental factors which may significantly influence the extent and nature of CSRD by extractive companies in Libya, determining the most appropriate theoretical explanation of the phenomenon and highlighting any interesting theoretical developments.
3. To investigate the perspectives of academic and professional accountants in Libya regarding CSRD practices and issues related to them, suggesting means to improve national accounting education systems to deliver meaningful CSRD in practice.

#### **1.5 Research Questions**

The main limitation of the prior literature is the lack of a comprehensive explanatory framework for CSRD practices (or the absence of them) in emerging economies in general and Arabic economies in particular. Therefore, the main and key research question addressed in this thesis is:

**What variables could collectively provide a comprehensive explanatory framework for CSRD practices in Libya?**

In analysing the above main question, the study also answers a number of key sub-questions.

**1. Do extractive companies in Libya practice CSRD? If so:**

- What are the trends in and levels of CSRD practices in the extractive companies operating in Libya?
- What social information categories have been disclosed in the annual reports and which are most prevalent?
- What types of disclosures, i.e. bad, neutral and/or good, are produced by these companies?
- What evidence of disclosure (monetary quantitative, non-monetary quantitative or declarative) are mainly disclosed by the disclosing companies?
- Is there a positive relationship between levels of CSRD and company characteristics, namely size, age, whether a company is public or private, ownership structure, activity type and activity location?
- What are the differences in the levels and patterns of CSRD practices between Libya and the UK (with BP as an example)?

**2. To what extent do accounting practitioners' perceptions in the Libyan extractive sector provide sufficient explanation for CSRD practices (or their absence) in Libya?**

- To what extent does the economic performance of corporations influence CSRD practice in Libya?
- To what extent do societal expectations influence CSRD practice in Libya?
- To what extent do stakeholder power and demands influence CSRD practice in Libya?
- To what extent do political, economic and social contexts influence CSRD practice in Libya?
- What are the main incentives and disincentives to disclosing CSRD practices in Libya?
- What differences exist in the perceptions of employees on CSRD practice within Libya regarding their demographics?

- What differences exist in the perceptions of employees on CSRD practice within Libya regarding company characteristics, namely size, age, whether a company is public or private, ownership structure, activity type and activity location?
- What is the current educational level of CSRD and to what extent can sustainable CSRD within companies in Libya be established?

### **3. How do academic and professional accountants perceive CSRD practices (or the absence of such practices) in Libya?**

- To what extent do academic and professional accountants in Libya understand CSRD practice?
- What are the rationales behind accepting CSRD practice in Libya?
- What are the main obstructions to CSRD practice in Libya?

#### **1.6 Research Significance and Justifications**

Considering the limitations of previous research, this thesis is intended to be more comprehensive, and the first study to explore CSRD practices in the extractive sector in Libya. It is motivated by several factors:

**The first**, and most important, reason is derived from the significance of CSRD itself. The formal CSRD process may enhance company image and transparency, and produce relevant and reliable information for investors and decision makers (Friedman and Miles, 2001; O'Dwyer, 2004). CSRD can also be considered a means of helping companies manage their stakeholders in order to gain their support and approval. Producing information related to social and environmental practice issues in firms' annual reports may enhance or create their social and environmental reputation.

**Secondly**, Libya is still deeply rooted in the conventional social and economic structures of the past (Jahamani, 2003) and is contending with a lack of intensive research dealing with CSRD issues (Eljayash et al., 2012). Accordingly, this thesis is driven by a desire to enable Libyan companies to be more transparent and accountable in regards to their ethical, social and environmental actions and their impacts in the

future. It is expected that the thesis will help bring the phenomenon of CSRD to the attention of Libyan researchers for further research in this field.

**Thirdly**, most existing studies are mainly cross-sectional in nature and therefore provide limited insights into how CSRD and its factors have improved overtime. This thesis contributes to the literature by adopting a longitudinal approach to study of CSRD.

**Fourthly**, although there have been four previous studies on CSRD practice in Libya (Mashat, 2005; Elmogla, 2009; Bayoud et al., 2012a and b), this thesis differs from these in the following respects:

1. It includes additional company-specific variables regarding the extent of CSRD in Libya that have not been considered in prior studies. These are company activity type and company activity location.
2. It adds to the existing literature by taking a multi-theoretical approach, as well as a cultural and religious approach, in understanding the attitudes of companies on disclosing social and environmental information.
3. By focusing this research in the Libyan extractive sector, covering issues such as directors' data and corporate governance, variables that were not considered by previous studies, this empirical thesis seeks to overcome the limitations inherent in the previous studies.
4. It considers CSRD practice in Libya in the light of the social significance of accounting education and the accounting profession, which has not yet been studied.

**Fifthly**, this thesis is important in providing findings useful to professional and legislative bodies in Libya such as the LAAA and the National Oil Corporation (NOC) by helping them to develop any future potential guidance for their constituents and for members in the area of CSRD.

## **1.7 Structure of the Thesis**

The thesis is structured into the following six chapters:

**Chapter Two** outlines the topic of CSRD and discusses the definitions of CSRD as well as its nature, scope and significance. The chapter reviews previous published research undertaken in both developed and developing countries. Drawing on the literature reviewed, the chapter presents the conceptual framework of the thesis. Propositions and hypotheses development regarding CSRD are also discussed. The chapter concludes with a discussion and evaluation, and a brief summary.

**Chapter Three** explains the research design, and the data collection and analysis methods used for achieving the objectives of the thesis. It commences with explaining the research philosophy and how this verifies the choice of methods used in undertaking the research. This chapter casts lights upon the philosophical assumptions and methodological choices underpinning this thesis, followed by the data collection and analysis methods used in this thesis. The choice of time horizons in the research design is also described. The chapter concludes with a discussion and evaluation, and a brief summary.

**Chapter Four** provides an empirical investigation into the CSRD practices of the annual reports of the extractive companies operating in Libya. It investigates CSRD practices in Libya in the period 2009 to 2014, with a view to evaluating the relationship between levels of CSRD practice and company characteristics such as size, age, whether a company is public or private, ownership structure, activity type and activity location. A comparison between Libyan and UK patterns and trends for the year 2014 is also provided. BP's annual report was chosen for this comparison, as it is one of the world's leading extractive companies. The chapter concludes with a discussion and evaluation, and a brief summary.

**Chapter Five** presents the second strand of the empirical work, focusing on the data gathered from the survey questionnaire. The chapter commences with respondents' demographics and the response rate. It explores the perceptions and views across groups of those representing the accounting community in regards to CSRD in the Libyan extractive sector, determining the main incentives and disincentives for CSRD practices in Libya. The chapter also determines the level of significance in the differences between respondents' perception of the practice of CSRD issues in the Libyan extractive sector. Education and the possibility of establishing sustainable CSRD within

companies in Libya is also discussed. The chapter concludes with a discussion and evaluation, and a brief summary.

**Chapter Six** presents interview data. The chapter evaluates the perspectives of academic and professional accountants in Libya regarding the nature of CSRD practice, suggesting means to improve national accounting education systems to deliver meaningful CSRD in practice. The chapter starts with interviewees' demographics. It then provides a review of the rationales recognised behind reporting CSRD issues. The chapter also identifies several factors as the main impediments to the development of CSRD practice in the Libyan context. The chapter concludes with a discussion and evaluation, and a brief summary.

The final chapter, **Chapter Seven**, provides a summary of the key findings of the three research questions. It highlights conclusions relating to the research objectives. The chapter discusses the research contributions to knowledge. Drawing upon the findings and reviewing the CSRD literature, the chapter makes a number of policy recommendations. The chapter also provides a discussion of the limitations of this thesis and suggests possible future research. The chapter ends with a brief summary.

### **1.8 Chapter Summary**

This first chapter has explained the context of this thesis in terms of companies' commitments to social and environmental responsibility, and the growing awareness of CSRD, which has affected organisations and society at large. It has shown how these influenced the three thesis research objectives. The next chapter, Chapter Two: **CSRD: Literature Review and Proposition / Hypotheses Development** outlines the relevant literature, determining social responsibility in terms of activities and scope, and defining the main categories of CSRD activities. It identifies common themes across the literature and highlights the gaps that also influenced the three research objectives, including the conceptual framework of this thesis.

## CHAPTER TWO

### CSRD: LITERATURE REVIEW AND PROPOSITION / HYPOTHESES DEVELOPMENT

#### 2.1 Chapter Introduction

Over the last three decades, there have been mounting social and economic pressures on corporate managements to pay greater attention to the wider social and environmental consequences of their companies' actions (Abbott and Monsen, 1979; Guthrie and Parker, 1989; Ness and Mirza, 1991; Gray et al., 1995a and b; Adams et al., 1998; Alnajjar, 2000; Unerman, 2003; O'Dwyer et al., 2005; Abreu et al., 2012; Cho et al., 2014; Tilt and Rahin, 2015; Dienes et al., 2016; Yu et al., 2017; Griffin and Sun, 2018). In recent competitive business environments, companies are being challenged to develop their social and environmental performance strategy alongside economic and financial performance, in order to continue to survive and to ensure their position in the marketplace (Deegan et al., 2002). Far from just responding to consumer pressure, they are being required by their stakeholder groups, committees and the general public to contribute to the development of life (Deegan and Rankin, 1997), and they are driving forward an enhanced way of doing business. Such challenges compel corporations to move beyond the traditional and conventional accounting disclosure systems and to employ a novel strategy for managing their businesses towards continuous developments, primarily in the form of CSRD (Hokoma et al., 2008). CSRD provides a source of differentiation and a means of attracting the attractive to an unattractive industry (Duff, 2016). Due to the changing nature of business culture, the growth of organisations in size and power, and the corresponding increased impact on the societies in which they operate (Gray, 2002b), this phenomenon has attracted much attention from researchers, becoming a topical area of discussion issue in many countries around the world (e.g. Tsang, 1998; Williams, 1999; Smith et al., 2005; Xiao et al., 2005; Reverte, 2009; Akbas and Canikli, 2014; Michelon et al., 2015; Dienes et al., 2016; Frynas and Yamahaki, 2016; Griffin and Sun, 2018).

Against the above features, this chapter presents a brief review of the concept, nature and scope of CSRD practice in order to provide a framework through which CSRD in Libya is investigated. The chapter also aims to review the relevant prior studies of

CSRD to understand what other authors have found and then identify if any gaps exist in these related studies. It is also important to determine what theories have been put forward in this relevant body of knowledge. Consequently, this chapter is organised as follows:

**Section 2.2** presents an overview of the concept, definition and history of CSDR.

**Section 2.3** introduces the nature and scope of CSDR.

**Section 2.4** contains a survey of relevant CSDR studies.

**Section 2.5** outlines some important theoretical considerations and implications.

**Section 2.6** discusses the development of the propositions and hypotheses of the thesis.

**Section 2.7** is a discussion and evaluation of the chapter.

**Section 2.8** is a chapter summary.

## **2.2 CSDR: Concept, Definition and Brief History**

Communication is a human activity that virtually all recognise but few might define satisfactorily (Fiske, 1990). It is the reciprocal relationship of transmitting information between two or more parties. Information is new knowledge that facilitates the making of decisions. Disclosure, on the other hand, is a spoken and/or written and/or visual presentation of a situation, activity or event, providing (necessary) information to a specific or public audience.

Disclosure has been defined by Wehmeier (2005: 357) as ‘information or a fact that is made known or public that was previously secret or private’. More specifically, Choi (1973) defines corporate disclosure as the production of any economic information relating to a company which leads to an enhancement of the investment decision-making process. This definition is limited to disclosure that facilitates investment decisions, ignoring other aspects of business activity. Cooke (1989: 6) offers a more

extensive definition for corporate disclosure as ‘those items in corporate annual reports that are relevant and material to the decision-making process of users who are unable to demand information for their particular needs’. According to Hendriksen and Van Breeda (1992), disclosure covers the whole area of financial reporting, including both financial statements and their supplemental information. Similarly, Wolk et al. (2001) define the concept of disclosure as the information reported in both financial statements and supplementary communications such as footnotes, post-statement events, financial and operating forecasts, and additional financial statements covering segmental disclosure. This definition is broadly limited to disclosure across financial aspects. This thesis argues that disclosure is a broad concept. It goes beyond annual reports, covering issues outside financial statements, and could relate to issues such as corporate governance, HR, and social and environmental information.

To bring some structure into the discussion, the term CSRD is categorised by Mathews (1993: 61; see also Belkaoui, 2000) into four aspects. These are:

1. Social responsibility accounting, which refers to the disclosure of financial and nonfinancial, quantitative and qualitative information about a company’s activities.
2. Total impact accounting, which refers to the aggregate effect of the corporation on the environment.
3. Socio-economic accounting, which refers to the process of evaluating publicly funded activities utilising both financial and non-financial quantification.
4. Social indicators accounting, which refers to the assessment of macro social events, in terms of setting objectives and measuring the degree to which these are attained.

The concept of CSRD, as understood here, is about reporting on the sustainability and the social and environmental impacts of corporations’ activities. It is a means of discharging the social and environmental accountability of a business (Gray et al., 1996), and refers to society in general and to the disclosure of information by a

company about its environmental impacts, consumer interests, community involvement, human resources and employee (HR&E) relations, directors' data, corporate governance, and general other data.

CSRD has attracted much attention and become an area of significant academic interest in recent years (see, for example, Gray et al., 1995a and b; Deegan and Gordon, 1996; Adams et al., 1998; Unerman, 2003; O'Dwyer et al., 2005; Golob and Bartlett, 2007; Van Der Laan, 2009; Potluri et al., 2010; Akbas and Canikli, 2014; Dienes et al., 2016; Tilt, 2016; Yu et al., 2017; Griffin and Sun, 2018). The earliest discussions of a definition of CSRD appear to date from the late 1960s and early 1970s. During this time, a number of definitions were presented. However, like many other concepts, such as sustainable development, one formal and universally accepted definition among authors might be impossible (Gray et al., 1995b), despite the noticeable movement in the 1970s (Gray et al., 1995b).

There are two schools of thought regarding the definition of CSRD. Some believe that CSRD is a commitment to abide by the social-related laws and regulations enacted by government. Proponents of this argument see CSRD as subordinate to the commercial activity of the corporation and its obligation to make more profit for investors (Pava and Krausz, 1996). Others hold the view that CSRD is a commitment to improving society and the quality of social life. Proponents of this argument see CSRD as an obligation and commitment on the part of business to behave ethically and to contribute to improving the living conditions and achieving the economic and social development of different social groups (Spicer, 1978). However, Gray et al. (1996) recognise a third approach to defining CSRD when they identified the relationship between the corporation's aims, the requirements of its owners, and stakeholders' expectations and demands. They state that CSRD is a stakeholder-oriented concept that extends beyond the organisation's boundaries and that is driven by an ethical understanding of the organisation's responsibility for the impact of its business activities.

One of the earliest attempts at defining CSRD was offered by Mathews (1993: 64), who defines CSRD as 'voluntary disclosures of information, both qualitative and quantitative made by organisations to inform or influence a range of audiences. The quantitative disclosures may be in financial or nonfinancial terms'. Friedman (1970) affirms that

organisation pays their taxes and government should take its responsibilities of securing the social welfare of all members of society. Lupu and Cojocaru (2010: 199) describe CSRD as ‘a concept whereby companies integrate social and environmental concerns into their business operations and interactions with their stakeholders on a voluntary basis’.

However, other authors disagree with Mathews’ (1993) definition, which only focuses on voluntary disclosure, and this may be owing to the lack of compulsory requirements for such disclosure in most countries. They assert that central authorities should be concerned about other types of disclosure which may be important in enforcing organisations to disclose certain social information to their stakeholders. Gray et al. (1987), cited in Gray et al. (1996: 3), define CSRD as a process of disseminating social and environmental information about corporations’ activities to particular interest groups within society. This process is not only for interest groups such as managers, stockholders, investors and creditors, but also reports to a broader range of groups such as employees and society at large. Such an extension ‘is predicated upon the assumption that companies do have wider responsibilities other than simply to make money for their shareholders’ (Gray et al., 1996: 3). The Global Reporting Initiative (GRI) website (2018) defines CSRD as a report published by a company or organisation about the economic, environmental and social impacts caused by its everyday activities. CSRD presents the organisation’s values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

From the above discussion, it is clear no apparent consensus exists amongst authors on the definition of CSRD. It could be stated that the majority of authors agree with the idea of CSRD in both voluntary and mandatory forms, in order to encourage firms to present information related to their social and environmental practices to a variety of different stakeholders. A definition should also be flexible and open-ended, and should change from time to time according to the purpose of the study being undertaken. It should be purpose-driven. The purpose of one writer may be different from that of another (Ince, 1998).

CSR is defined by this thesis as a process of reporting the social and environmental (qualitative and/or quantitative and financial and/or non-financial) information made by

a corporation about the effects of the corporation's social, environmental and economic actions, through any dissemination methods or channels, to a public audience. This definition differs from definitions provided by previous literature. It is more comprehensive for several reasons:

1. In this context, the term 'information' refers to any type of reporting. It does not support the notion that CSRD should be voluntary reporting rather than compulsory reporting (or vice versa).
2. It does not limit the reporting to annual reports only, by using the phrase 'through any dissemination methods or channels'.
3. By using the term 'public', it does not limit the group or individuals which this information should be provided to. Rather it should be provided to any users who have a relationship with the corporation. Such an extension is based on the assumption that corporations have wider responsibilities than making money (Gray et al., 1996).
4. The phrase 'effects of corporation's social, environmental and economic actions' means not only the environmental effects of firms' economic activities, but also other social and environmental practices which could contribute to society's development and environmental protection.

CSRD is far from a new phenomenon. Klonoski (1991) claims that CSRD practices first arose in the 1950s. Since then it has developed from relatively uncoordinated, voluntary reporting into an explicit, ongoing obligation. However, CSRD is a concept which has become increasingly more prevalent in the accounting literature, particularly in developed nations, for about thirty years (Burchell et al., 1985; Guthrie and Mathews, 1985; Gray et al., 1995a and b; Deegan and Gordon, 1996; Adams et al., 1998; Unerman, 2003; O'Dwyer et al., 2005).

From 1971 to 1980 the subject was theoretically underdeveloped. In this time, most studies were conducted in a descriptive and quantitative way, explaining the nature, extent and volume of CSRD, without theoretical explanation. Philosophical discussions

were limited and the contributions were related to the social aspect rather than the environmental perspective of CSRD practices (e.g. Epstein et al., 1976; Grojier and Stark, 1977; Abbott and Monsen, 1979; Trotman, 1979; Trotman and Bradley, 1981). Since 1981, empirical studies have become more sophisticated and analytical rather than being merely descriptive, exploring factors such as company characteristics, industrial category and affiliation, religion, culture and education, and profession, more recently, rather than just providing more descriptive findings (Roberts, 1992; Adams et al., 1998; Williams, 1999; Adams, 2002; Smith et al., 2005; Bayoud et al., 2012a; Zerban, 2013; Anas et al., 2015; Dissanayake et al., 2016; Lanis and Richardson, 2016; Gallego-Álvarez and Ortasb, 2017).

A number of protest and pressure groups, and professional accounting bodies, appeared in the late 1960s and early 1970s to press hard for the creation of corporate social responsibility (CSR). This is what actually brought about research and investigation into CSRD issues (Gray, 1990). For instance, the British Accounting Standards Board (BASB), which these days motivates larger organisations to include operating and financial reviews in annual reports, and to discuss main factors such as environmental protection and potential environmental liabilities (Gamble, et al., 1996). CSRD has also become a contentious issue of discussion and investigation among accounting academics, and a considerable number of articles on CSRD have been published in various research journals.<sup>3</sup> The following section provides a brief review of the literature on the concept, nature and significance of CSRD practices in the developed world.

### **2.3 CSRD: Nature and Scope**

The main question answered by this section is what are the nature and scope of CSRD practices? In other words, what specific activities of corporations are perceived to be CSRD? In fact, the answer to this question can be very complex.

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<sup>3</sup>Pioneer journals such as *Accounting Organisation and Society*, Vol. 9(3/4), (1984); *Accounting, Asia Pacific Journal of Accounting*, Vol. 4 (2), (1997); *Accounting, Auditing & Accountability Journal*, Vol. 18(1), (2005) as well as Vol. 25(7), (2012); *Accounting Forum*, Vol. 24(1), (2000) as well as Vol. 25(3), (2001); *European Accounting Review*, Vol. 11(4), (2002); *Journal of Corporate Citizenship*, Vol. 13 (2004); *British Accounting Review*, Vol. 48 (2016), have devoted editions to CSRD issues.

CSRD is a voluntary disclosure in most cases (Van Der Laan, 2009; Hassan, 2010). O'Dwyer (2002) suggests that voluntary disclosure may emerge extensively in the near future, while some form of regulation may be needed for persuading organisations to produce better quality reporting. However, without a mandatory requirement such as the public pressure function (which is the case in Libya) or laws and regulations, companies may not produce high quality CSRD information (Haniffa and Cooke, 2002). Mandatory regulation may support the idea of increasing disclosure about corporate social activities, and might also in some way help to create awareness, while voluntary initiatives are considerably less effective (Belal and Robert, 2010). Similarly, CSRD practices in Libya are likely to become popular if central authorities ask for or require this kind of information, on a need-to-know basis, by issuing guidelines or standards. This could motivate companies to produce more CSRD information. However, Ahmad (2004) argues that voluntary disclosure may be more sufficient if it is considered a voluntary initiative, especially in developing countries such as Libya, in order to avoid the drawbacks of mandatory disclosure.

Many authors explain the scope of CSRD from the perspective of the legal obligation, suggesting that companies are undertaking their social and environmental practices voluntarily and hence exist outside their legal commitment. They believe that a company's responsibility is only social when there is no legal compliance, and CSRD begins where the law ends (Davis, 1973; Gray et al., 1995a). Therefore, any activity required by law cannot still be CSRD even if it has a social tendency or it is social in nature (Aldrugi, 2013). Others claim that social responsibility includes all those actions required by public pressure which have a social tendency and aspect. From this view, it is the nature of the activity that determines whether or not it is social.

Although the traditional essential function of a company is to make profits, it should not perform its activities in the expectation of direct financial gain, regardless of whether they are in compliance with the law or not (Momin, 2006). Voluntary activities and those imposed by law are the same in nature (Aldrugi, 2013). Again, it is the nature of the activity itself, not the existence of formal law, that determines whether the activity is social or not (Gao et al., 2005). Based on their nature rather than the involvement of the law, social activities are more likely to be the same across countries (Aldrugi, 2013). However, under the legal compliance criterion, they can be seen to be different from

one country to another due to the different legal contexts established in each country (Momin, 2006). Consequently, a change in regulations and laws might change an activity from social to non-social and vice versa, even in a single country.

CSRD started life years ago in a few leading corporations as a vehicle for disclosing the social and environmental impacts of their activities. The scope of CSRD has since extended to include phenomena such as, for example, ethical policy, employee health and safety, the training and education of staff, consumer interests, corporate governance, and directors' data (Gray, 1995a; Chambers, 2003; the Centre for Social and Environmental Accounting Research (CSEAR), 2004; Clarkson et al., 2008; European Commission, 2014; Chambers, 2017). From the academic perspective, CSRD is about the management of an organisation's responsibility for the impact of its business activities on its stakeholders, the environment and the society in which it operates. In broad terms, it is about the integrity with which an organisation governs itself, fulfilling its mission, evaluating its objectives, engaging with its stakeholders, measuring its impacts and reporting its activities. CSRD practices might produce either positive information which presents the company as operating in harmony with the environment, or negative information which presents the company as operating to the detriment of the environment (Deegan and Gordon, 1996).

In spite of the array of definitions, the confluence point is that CSRD deals with the status of the company in society and how it takes account of the economic, social and environmental impacts caused by its operations, maximising the benefits and minimizing the downsides (Tuodolo, 2007). The key elements of CSRD include: environmental disclosure, consumer disclosure, community involvement disclosure, HR&E disclosure (Gray et al., 1995a; Hackston and Milne, 1996; Burritt, 1997; Williams and Pei, 1999; Anas et al., 2015; Hopkins, 2016), directors' data, corporate governance (Chambers, 2003; CSEAR, 2004; European Commission, 2014; Chambers, 2017) and general other data (Gray et al., 1995a; Hackston and Milne, 1996; Burritt, 1997; Hanafi, 2006; Clarkson et al., 2008).

CSRD is very broad in scope. It might include activities which are internal in, and external to, a company, activities which are undertaken by companies voluntarily, and others which are required by the law. It might also include activities which are

performed to make a profit and those with specifically social responsibility. If the emphasis is on social problems, CSDR can encompass many other problems, such as poverty, unemployment, crimes, alcoholism, homelessness, population congestion, transportation and others. CSDR is a term used by asset managers and investors to evaluate corporate behaviour and to determine the future financial performance of companies. The nature as well as the type of information disclosed in corporations' communication methods can vary across countries and depends on the environmental factors inherent in the country (Haniffa, 1999). The constantly changing nature of individual societies can also make identifying social activities difficult (Aldrugi, 2013).

Many attempts have been made to determine the scope of CSDR practices and to place them into cohesive groupings. From the above overview and other relevant prior research that has extensively examined social disclosure (Epstein et al., 1976; Hackston and Milne, 1996; Burritt, 1997; Williams, 1999; Cormier and Magnan, 2003; Gao et al., 2005; Mashat, 2005; Clarkson et al., 2008; Cormier et al., 2011), the generally agreed scope and activities of CSDR are summarized as follows:

### **2.3.1 Environmental Disclosure**

Environmental disclosure is one of the main components of CSDR practice. It aims to provide information related to the impact of a corporation's activities on the physical environment in which it operates. It might include: environmental policy disclosure; compliance with environmental laws and standards; product and process-related environmental issues such as waste, packaging, recycling, pollution emissions and effluent discharges, products and product development, product safety and energy saving, and conservation and efficiency of products; and details on sustainability and other environmentally-related information.

### **2.3.2 Community Disclosure**

Disclosure can be particularly effective in terms of the community's concern regarding the social performance of a particular company. A company's continued survival needs the support from the community in which it operates. Davis (1973) states that a company exists only because it undertakes valuable activities for its community. These activities might include: community involvement and public welfare; products or

employee services to support established community activities and events; education, arts, sport and public health sponsorship; and donations in the local currency or in kind to an officially recognised charity, including references to and amount of political donations; and any other references to community and/or social involvement outside the labour force such as improving transport networks and developing local industries.

### **2.3.3 Consumer Disclosure**

Consumers are considered to be among the most important, influential and powerful business stakeholders (Belal and Owen, 2007). They are one of the key drivers for CSRD and a company should be responsible to them for its activities and behaviours. According to Naeem (2008), the lack of consumer activism can be one of the reasons for corporations' inattention to CSRD practices. Lauritsen and Perks (2015) found that CSRD positively influences consumers' knowledge, memory and perception of corporate social responsibility initiatives. Consumers may have strict social and environmental procurement policies. Their associations specifically emphasise the significance of reliable and credible information about the surrounding environment in which products and services are produced for informed buying decisions (Belal and Robert, 2010). Consumer/product disclosure includes all those activities relating to customer satisfaction with quality of products and services provided by companies. These activities may encompass: packaging, consumer information activities, consumer complaints, product and customer safety, provision for difficult-to-reach customers (disabled, elderly, etc.), and specific consumer relationships.

### **2.3.4 HR&E Disclosure**

By providing HR&E information, companies can gain many benefits, such as improving their communication methods, reaching employees directly on problems of crucial importance, correcting rumours and inaccuracies, and stimulating discussion between employees and employers (Zubek, 2008). This kind of disclosure might encompass activities such as, for example, employee profiles, assistance, benefits and remuneration; pension commitments; consultation with employees; employee training programmes; employment policy regarding disabled persons; details of pensions arrangements and payments; providing transport for employees; statement of value

added; details of health and safety at work; employee share ownership schemes; statements of equal opportunities; and other data relating to employees or employment.

### **2.3.5 Directors' Data Disclosure**

Directors are a key element in setting the risk strategy and mitigation procedures for a firm (Center for International Private Enterprise, 2011). They also sometimes look outside the organisation for continuous, independent assurance (Chambers, 2009). An effective management board will defend an organisation's resources, which will lead to proactive managerial behaviour by reducing the problem of managerial opportunism (Amran et al., 2014). CSRD emerges as accountability rendered through action, reflecting organisational leaders' moral responsibility and connecting their personal beliefs with action for the public benefit (Parker, 2014). Successful boards and management teams can drastically improve the management of underlying risks and regulatory requirements. Companies that are recognised for creating solid risk management frameworks may have greater success in attracting investors (Center for International Private Enterprise, 2011). The quality of assurance to boards is seriously weak if it comes from a party whose primary reporting line is below the level of the board (Chambers, 2014b). Management has their own second line of defence to provide assurance that governance, risk management and internal control are working well (Chambers, 2014b).

Following the database from Chambers (2003), CSEAR (2004) and Chambers (2017), and specific decision rules in identifying CSRD activities in the UK for the years 1999 and 2000, directors' disclosures as well as corporate governance were included as CSRD categories in this thesis. Considering directors' disclosure as a single disclosure issue (CSEAR, 2004), any discussion related to this activity will not involve discussions on HR&E but rather will be in a separate category. In the UK context, environmental disclosure has been getting much attention, but it is of secondary importance to corporations compared to director and corporate governance disclosure. Directors' disclosure might include items such as profile of directors; statutory disclosure of directors' emoluments, short-term benefits, remuneration and bonuses including pensions; long-term incentive schemes; loans to directors; director and executive share

option schemes and share benefits; interests in shares; and any options granted to directors.

In an increasingly globalised market, good corporate governance is essential to reinforcing public confidence in companies and their boards. Directors with effective corporate governance mechanisms are a critical safeguard against unethical conduct, mismanagement and fraudulent activities (Corporate Governance Blueprint 2011). Chambers (2008a) suggests that it is imperative to strengthen internal audits' link with the board, and particularly to non-executive directors. The audit committee's remit is usually too narrowly focused to effectively cover all risks and the current crisis has shown that boards themselves lack the assurance they need (Chambers, 2008b). A primary report on social and environmental activities to the chairman of the board may assist in avoiding a slavish adoption of top management's assessment of risk as the determinant of the future programme of internal audit engagements (Chambers, 2008a). Internal audit management of corporations needs to move firmly into the corporate governance space to provide more dependable assurance to directors (Chambers and Odar, 2015).

### **2.3.6 Corporate Governance**

In recent years, corporate governance has become one of the most distinctive features of modern companies. Corporate governance is considered one of the key global indicators of corporate success, and a test of whether businesses, shareholders, stock exchanges and regulators are equipped to meet twenty-first-century market pressures (Davis, 2018). It has been a focus of attention, and increasingly so since the global financial crisis (Chambers and Odar, 2015). Corporate governance is a new category of CSRD, introduced in 1993 (Hanafi, 2006). The term is simply about how a company governs itself, referring to the relationships between a corporation's management, its board and stakeholders (Smith et al., 2005). Corporate governance provides 'the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined' (Organisation for Economic Co-operation and Development (OECD), 2004: 11). More recently, the term has been linked to issues such as corporate social disclosure and sustainability reporting. It has been defined as 'an environment of trust, ethics, moral values and confidence – as a synergic effort of

all the constituents of society – that is the stakeholders, including government; the general public etc.; professional/service providers – and the corporate sector' (Aras and Crowther, 2008: 434). This group of social activities can therefore include disclosures relating to general statements of compliance/non-compliance with various codes; and section(s) in main audit reports indicating compliance/non-compliance with codes or separate reports by auditors on corporate governance. Investing early in a solid corporate governance framework can help ensure the company's readiness to meet the challenges of expansion. A corporate governance structure can promote fairness and equitable treatment of employees while focusing on profitability (Center for International Private Enterprise, 2011).

In this thesis, the categories and the decision rules defining these categories, as presented by Gray et al. (1995a), are employed with some adaption from the previous relevant literature. This is because of their rigour and ability to capture social disclosure practices in Libyan corporations' annual reports. Directors' data and corporate governance categories are also employed following developments by Chambers (2003), CSEAR (2004), the United Nations Environment Programme (UNEP), KPMG, the Global Reporting Initiative (GRI) and the Unit for Corporate Governance in Africa (UCGA) (2010), the European Commission (2014), and Chambers (2017). A general other category is needed to capture other CSRD themes which occur over time or are particular to Libya because of the different country context. Varieties of sub-categories, which fall within these main categories, have also been attached. However, as the level of interest in social matters might be influenced by the different context, environment and country in which this thesis is conducted (Azzone et al., 1997; Haniffa, 1999; Gray et al., 2001), some of the decision rules required certain adjustments to be aligned to the Libyan context.

## **2.4 A Survey of Relevant CSRD Studies**

CSRD has become one of the most distinctive features of modern companies in recent years. The publishing of social information has been steadily increasing over the last 20 years. A considerable proportion of the previous literature concludes that CSRD is a significant phenomenon employed by corporations (Gray et al., 2001). This increase in attention can be also illustrated by the growing recognition by governments and NGOs

of the importance of CSRD in making companies fulfil their social responsibility. The role played by environmental pressure groups<sup>4</sup> such as Friends of the Earth Europe (FoEE), the European Environmental Bureau (EEB) and the World Wide Fund for Nature (WWF) could be another convincing reason.

CSRD is a concept which has become increasingly more prevalent in the accounting literature, particularly in the developed nations for about thirty years (see, for example, Deegan and Gordon, 1996; Adams et al., 1998; Unerman, 2003; O'Dwyer et al., 2005; Reverte, 2009; Galani et al., 2011, Anas et al., 2015; Huang and Watson, 2015; Sierra-García et al., 2015; Burritt et al., 2016; Dissanayake et al., 2016; Kuzey and Uyar, 2017; Sadou, 2017; Esken et al., 2018). Appendix 2.1 summarises a number of relevant studies, in both developed and developing groups of countries, including their aim(s), theoretical perspective, method(s), country(s) of study and the main findings. This illustrates the range and variety of references to CSRD, in its different contexts, especially in the context of developed countries. From 1971 to 1980 the subject was theoretically underdeveloped. During this time, most studies were conducted in a descriptive and quantitative way, explaining the nature, extent and volume of CSRD without theoretical explanation.

Overall, previous studies can be divided into three types of research. The first is 'descriptive studies' regarding the nature and scope of CSRD with a comparative approach between territories and periods. The second kind is 'explicative studies', which concern the potential influence of volume on CSRD. The third is linked to the effect of social reporting on stakeholders, especially in terms of market reaction. The majority of studies published on CSRD also tend to concentrate on practices in the Western world. Most of the empirical studies are dominated by industrialised countries such as the US, Western Europe and Australia. Studies such as Gamble et al. (1996), Adams et al. (1998), Williams (1999), Golob and Bartlett (2007), and Silberhorn and Warren (2007), are considered to be the key international comparative studies of CSRD. They focus on analyses of the differences and similarities of CSRD practice models and theories in developed countries only. Thus, any attempt to generalize the findings of

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<sup>4</sup> More details about these groups can be found in McCormick (2001: 117).

these studies to less developed countries might be dangerous due to the different economic and social development stage.

There are a considerable number of research studies relating to the UK's social responsibility disclosure. A survey of the relevant literature demonstrates that there has been a steady increase in the proportion of UK firms disseminating social and environmental information. Nevertheless, it can be argued that these findings cannot be generalised, for the following reasons:

1. The majority of these studies focus only on the largest companies. For example, Gray et al. (1995b) survey the top 100 UK companies in their study. Adams et al. (1995) examined the 100 largest British companies' annual reports in 1991. A sample of 150 annual reports of the largest 25 companies was analysed by Adams et al. (1998). Adams and Kuasirikun (2000) analyse the annual reports of the largest UK and German chemical and pharmaceutical companies between 1985 and 1995.
2. The number of organisations reporting their environmental performance might have not increased as much as would be expected for a highly developed country.
3. The literature has reported that the British public is more informed about social disclosure developments in the UK than the public in the rest of Europe. Adams et al. (1998) highlight that UK companies are reporting less in volume than, for example, Norwegian, German and Netherlands companies. Adams and Kuasirikun (2000) state that German companies' reporting volume was greater and higher for most types of environmental reporting than UK.

Studies regarding CSRD practices in developing, under-developed and newly industrialized countries are few in number compared with developed countries, with more focus on the Asian region (Belal, 2001; Xiao et al., 2005; Narwal, 2007; Potluri et al., 2010; Garas and ElMassah, 2018). Very little attention has been given to the African nation (Savage, 1994; Kisenyi and Gray, 1998; Dawkins and Ngunjiri, 2008). There is a general lack of knowledge on the state of CSRD in the Arabic world, of which Libya is an important part, as only a small number of studies on CSRD have been undertaken

(Abu-Baker and Naser, 2000; Mashat, 2005; Jamali, 2008; Aribi and Gao, 2012; Mahmes, 2016). CSRD in these countries is lagging behind the level of practice identified in developed countries. In an accounting disclosure context, content analysis has been extensively adopted by a number of studies in order to examine CSRD practices (see Table 2.1 below).

The questionnaire and interview methods have been employed in some studies. With few exceptions (Tilt, 1998; Williams and Pei, 1999; Nuhoglu, 2003; Dahlsrud, 2008; De Villiers and Van Staden, 2011), annual reports have been the major source of information analysed. Questionnaires are the most popular method used by the majority of previous studies in terms of quantitative research in particular, investigating individuals' perceptions of CSRD and related issues. On the other hand, interviewing is the most commonly used technique in qualitative research, with face-to-face interviews being the most widely used. To date, internet technologies such as Skype have not been used by qualitative studies in the field of CSRD.

To provide a fuller and richer explanation of the phenomenon under investigation, researchers should examine alternative communication media for CSRD such as websites, advertising, promotional leaflets and specific social and environmental reports (Unerman, 2000). However, such other means of disclosure are not common in Libya (Mashat, 2005; Elmogla, 2009). For example, websites are still very much in their infancy for Libyan companies,<sup>5</sup> in line with the situation in other developing countries (Nuhoglu, 2003). Annual reports are the only means utilised by corporations operating in the Libyan extractive sector to disclose social and environmental related information. Although companies can communicate their messages in many different means, the annual report was found to be the most commonly used for corporate social disclosure (Tilt, 1994).

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<sup>5</sup>See, for example, [www.nwd-ly.com](http://www.nwd-ly.com).

**Table 2.1: Summary of Selected Studies Utilising Content Analysis**

Author(s) & date	Data Source	Measurement Unit						Sample
	Annual Report	No. of Words	No. of Sentences	No. of Lines	No. of Pages	% of Pages	Others	
Adams et al. (1995)	✓ and accounts				✓			The 100 top British firms.
Gray et al. (1995b)	✓				✓			UK companies.
Deegan & Rankin (1996)	✓	✓						Australian companies.
Hackston & Milne (1996)	✓		✓		✓			The largest 47 organisations listed on the New Zealand Stock Exchange.
Tsang (1998)	✓		✓					17 companies from three industries: namely banking, food and beverages, and hotels, from 1986 to 1995.
Williams (1999)	✓		✓					356 listed companies operating in seven Asia-Pacific nations
Abu-Baker & Naser (2000)	✓				✓			143 companies. Chosen from four different industry groupings listed on the Amman Financial Market.
Unerman (2000)	✓ and others				✓			Shell annual reports from 1898 to 1997.
Deegan et al. (2002)	✓		✓					BHP Ltd (one of the largest Australian companies) from 1983 to 1997.
Campbell et al. (2003)	✓	✓						Voluntary social reporting in three FTSE sectors between 1975 and 1997.
Holland & Foo (2003)	✓ and others		✓					37 annual reports from UK and US companies (19 annual reports were from the UK and the rest from US), selected from five environment-sensitive industry groups.
Campbell (2004)	✓	✓						10 UK-based companies in five different sectors between 1974 and 2000.
Smith et al. (2005)	✓	✓						32 Norwegian/Danish companies and 26 US companies in the electric power generation industry of 1998 and 1999.
Xiao et al. (2005)	✓	✓						154 annual reports from 33 Hong Kong companies and 180 annual reports from 36 UK companies during the period 1993 to 1997 in three different industries (property, banking and utility).
Dawkins & Ngunjiri (2008)	✓	✓						The largest 100 companies listed on the Johannesburg Stock Index and the Fortune Global 100.
Aribi & Gao (2010)	✓	✓						21 conventional financial institutions (CFIs) and 21 Islamic Financial Institutions (IFIs) operating in the Gulf region.
Akbas & Canikli (2014)	✓	✓						62 non-financial firms listed on the BIST-100 index in the financial year 2011.

The format of this table is based on that used by Unerman (2000).

With few exceptions (Gray et al., 1995b; Tsang, 1998; Jamial, 2002; Campbell, 2003; Al-Drugi and Abdo, 2012), the majority of studies in relation to CSRD are cross-sectional in nature. It is impossible to pursue the development of CSRD practices unless by reviewing the literature over time. The main strength of longitudinal research is the capacity that it has to study change and development (Saunders et al., 2009). An extended period of time will help determine the important factors that explain the variation in the extent and nature of disclosure and its components among the surveyed companies.

The literature draws attention to the need for further research examining whether other theoretical justifications can be used to explain CSRD. Different theoretical approaches have been utilised in the accounting literature to explain and analyse each type of social and environmental disclosure practice. Most previous studies seek to establish a link between companies' activities and theoretical assumptions in CSRD. Many attempts to provide a valuable explanation of CSRD practices by including different approaches from both economic, social and political theory have been made. They have, however, failed to link their empirical findings and results to a comprehensive theoretical explanation and understanding of such practices. For example, most previous studies, especially those in developing countries, adopted a single analysis approach (see Appendix 2.1). They fail to link their empirical findings and results to the political, economic and social environments of the country being studied.

The literature suggests that there are many different determinants which may influence CSRD practices. These determinants can be categorised into three groups. The first is 'company characteristics', such as size, age, whether it is public or private, ownership structure, activity type and activity location. The second group is 'general contextual factors' regarding country of origin and culture, public pressure, stakeholders and social requirement, and political, economic and social systems. This was interpreted using managers' perceptions (Belal and Owen, 2007; Silberhorn and Warren, 2007; Elsayed and Hoque, 2010), stakeholders' perceptions (Roberts, 1992; Epstein and Freedman, 1994; Smith et al., 2005; Liu and Anbumozhi, 2009; Chiu and Wang, 2015), attitudes of accountants and managers (Pratten and Mashat, 2009; Islam and Dellaportas, 2011; Fassin et al., 2015), and company characteristics (Hackston and Milne 1996; Adams,

2002; Smith et al., 2005; Liu and Anbumozhi, 2009; Abd Rahman et al., 2011; Abreu et al., 2012; Goncalves et al., 2014; Thorne et al., 2014; Dienes et al., 2016; Yu et al., 2017); only a few studies have explored the influence of CSDR on economic performance (Roberts, 1992; Al-Tuwaijri et al., 2004; Ortas et al., 2015).

Previous studies have concluded that there is a positive association between levels of CSDR and certain company-specific characteristics. For example, there is strong evidence that corporation size has an influence on CSDR patterns (Alnajjar, 2000; Adams, 2002; Smith et al., 2005; Reverte, 2009; Gamerschlag et al., 2011; Haji, 2013; Chiu and Wang, 2015). It has been also illustrated that industry affiliation is significantly associated with the amount of CSDR (Hackston and Milne, 1996; Adams et al., 1998). Williams (1999), Adams (2002), and Silberhorn and Warren (2007) also found evidence that corporate country of origin affects the level of CSDR. Roberts (1992) argues that the age of corporation also might significantly influence the level of corporate social reporting and disclosure practices.

The majority of studies of the relationship between CSDR and company characteristics have focused on developed countries and neglected developing countries such as Libya. It may be misleading to apply the results of studies conducted in developed countries to less developed or developing countries, since CSDR practice varies from one nation to another due to economic, social, political and cultural differences (Archambault and Archambault, 2003; Elnaby et al., 2003; Gamerschlag et al., 2011; Tilt, 2016). There is an urgent need for further research to be conducted in developing countries in general, and Libya in particular, to clarify the relationship between CSDR and company characteristics. For example, examining the impact of the company characteristic of whether a company is public or private on the level of CSDR is especially timely for Libya, as it is currently being steered towards privatisation. Aldrugi (2013) states that one of the reasons for the shifting from the public to the private sector is an increased demand for environmental information, particularly from current and potential investors. To the best of the researcher's knowledge, no prior studies have examined the relationship between company characteristics and the level of CSDR in Libya, and hence this is being introduced for the first time by this thesis.

The literature also draws attention to the need to factor dimensions other than company characteristics. Factors such as economic performance of corporations, stakeholder demands and power, political, economic and social contexts, along with accounting education and the accounting profession, are considered to be important in affecting CSRD practice in a given country. Culture and religion have also been cited in the literature as factors that influence accounting and disclosure practices. However, the majority of previous studies, especially those in developing countries, adopted a single analysis approach. They fail to link their empirical findings to the political, economic and social environments of the country in question.

The single analysis adopted by previous studies also ignores the importance of accounting education and the professional perspective, which is more useful in explaining reasons for certain social and environmental disclosures. Accounting has been one of the factors acknowledged as influencing CSRD practices (Ahmed and Nicholls, 1994; Haniffa, 1999; Lanis and Richardson, 2012; Lanis and Richardson, 2016). Research on the accounting function and its social significance is important. Therefore, attempts have to be made to involve social performance in the agenda of the accounting profession and accounting education in developed countries. The large accounting firms such as Deloitte, PricewaterhouseCoopers (PWC), Ernst and Young, and Klynveld Peat Marwick Goerdeler (KPMG) have also responded to the need for CSRD and sustainability reporting to satisfy their obligation of accountability to society (Tilt, 2010).

It has been indicated that there is no broad involvement of the accounting profession and accounting education in the social and environmental activities of corporations (Lodhia, 2003; Kuasirikun, 2005; Islam and Dellaportas, 2011). In the case of Libya, whilst previous research reveals the proactive role of the accounting profession (Pratten and Mashat, 2009), roles are less likely to prevail (Aldrugi, 2013). This may be because of the absence of LAAA in making any noticeable effort to develop such practices. Despite the importance of the accounting function in developing CSRD levels, very little empirical attention has been given to the potential role(s) of the accounting function in ensuring social and environmental sensitivity in businesses through the CSRD mechanism. No previous study of this sort has been conducted in Libya. Kisenyi and Gray (1998) suggest that CSRD is a phenomenon that it is even more important to

explore from the context of developing countries such as Libya than it is for developed ones.

## **2.5 Theories in Relation to the Propositions and Hypotheses Development of the Thesis**

The discussion in this section focuses on the influence of certain environmental factors of corporations upon CSRD practices within Libya, identifying the most appropriate theoretical explanation of the phenomenon in the country and highlighting any interesting theoretical developments.

CSRD, as commonly defined, appears to be predicated on the assumption that companies do have wider responsibilities outside those owed to stockholders (Gray et al., 1996; Chiu and Wang, 2015), and can be viewed as a process whereby firms may account for activities related to these wider responsibilities. It is a complex activity that may not be fully explained or understood by using a single theoretical approach (Gray et al., 1995b). The lack of a comprehensive and sufficient theory to interpret why companies engage in social responsibility may also explain the conflicting results of many studies (Ullmann, 1985).

There are various theoretical frameworks that have been employed in previous literature to explain why companies undertake CSRD practices. Four prominent theories have dominated explanations of CSRD practices. These are agency theory, legitimacy theory, stakeholder theory and political economy theory. Reviewing the disclosure literature, it can be noted that CSRD practices are sophisticated phenomena that may be driven by various environmental factors. In addition to company characteristics, this thesis examines several attributes of socio-economic and political contexts as possible determinants of CSRD in Libya. The following propositions and hypotheses were developed based on the selected CSRD theory explanations and contextual aspects.

### **2.5.1 Agency Theory**

Agency theory refers to shareholders, ‘the principals’, and managers, ‘the agents’, and the relationships between them, which can be defined as a contract between these

parties, or delegating some decision-making authority from the principals to the agent in order to perform some service on their behalf (Jensen and Meckling, 1976). Since the interrelationship amongst the shareholders and managers of a company fits the definition of an agency relationship, two problems are associated with agency relationships. Firstly, the conflicting objectives between the agent and the principal. This is because each party chooses its actions optimally in regard to its self-determined goals (Ince, 1998). The decision to disclose social and environmental information depends on what objectives they want to achieve, maximising profit for stockholders or fulfilling their personal satisfactions. Secondly, the differences in the propensity to accept risk between each party (Haniffa, 1999).

The principals who are not directly involved in the running of the business cannot observe the agents' actions, and always feel that they are at a disadvantage compared to the agents, who have access to more information (Haniffa, 1999). Principals also need to determine whether the agents' efforts are being discharged in a self-interested way or whether they are acting in an ethically and socially responsible way (Mangos and Lewis, 1995). This may raise concerns that the agents will take advantage of their position to maximise their self-interests at the expense of the principal (Beaver, 1981).

One way of mitigating such conflicts and reducing costs may be by reporting extensive social disclosures in annual reports (Haji, 2013). Another way to control or monitor agents' behaviours, and to establish that they are not acting in a manner detrimental to the principals' interest, is by demanding access to both pecuniary and non-pecuniary information on a regular basis (Haniffa, 1999). As a means to improve their status and reduce interference, agents themselves may like to increase the amount of information disseminated to the principal, especially when they have undertaken their work well (Belkaoui and Karpik, 1989).

### **2.5.1.1 Economic Performance**

A strong emphasis on corporate social responsibility and business ethics will often contribute to improving economic performance, attracting shareholders and other investors, enhancing the reputation of corporations by avoiding the need to explain non-compliance with applicable corporate governance codes, giving a competitive advantage

through differentiation from competitors not engaged in corporate social responsibility, creating an open, no blame culture, where staff and others can raise concerns without fear of retribution, and making it less likely that wrongdoing will prosper (Chambers, 2017). CSRD is undertaken to enhance a company's image within the community and to avoid possible pressure on corporations from government regulatory bodies to be more responsible for their social and environmental activities. This potential regulation is seen as costly and restrictive on business decision making. According to Al-Tuwaijri et al. (2004), the decision to report social and environmental information is positively associated with economic performance or profitability. Managers will only disclose social and environmental information if it increases their welfare (Noreen, 1988). Due to increased expenditure as a result of disclosure, the authors suggest that CSRD is used as an accounting method to reduce net income and thus political visibility.

Agency theory research has been primarily concerned with the contract relationships between members of a company, where each member is driven by self-interest. This theory has emerged as the dominant paradigm in the context of economics, financial and accounting literature (e.g. Ross, 1973; Alchian and Demsetz, 1975; Jensen and Meckling, 1976; Noreen, 1988; Ness and Mirza, 1991). Ness and Mirza (1991) studied the decision to disclose social and environmental information using a theoretical framework drawn from agency theory. They provide a review of social disclosure in the annual reports of 131 leading UK companies in 1984. Their results were consistent with agency theory, suggesting a positive relationship between the oil industry and environment-related disclosure. Their conclusions indicate that managers disclose social information in their own self-interest, and that economic resources might be obtained by the disclosing companies.

However, CSRD, according to Gray et al. (1995b), is not predominantly motivated by a concern with the requirements of the financial community. Determinants such as social, political and economic contexts, which may have an equally significant role in explaining CSRD practices, must also be involved (Tilt, 1997; Haniffa and Cooke, 2002). The economic performance explanation is perceived to have little to offer as a basis for the development of CSRD, its total acquiescence with the free market system and its central assumption that all actions are motivated by a morally degenerate form of

short-term self-interest (Gray et al., 1995b). It is based on utilitarian behaviour that is not acceptable from a pro-social perspective. Tinker and Okcabol (1991) and Ince (1998) assert that if the concept of social value is absent in accounting theory it has nothing to offer, especially in the case of CSDR. It would be unrealistic to ignore the presence of self-interest and the expectation of profit-maximisation behaviour. However, relying on such behaviour as the main or sole motivation behind CSDR practices can be criticized (Gray et al., 1995b).

In the case of Libya, where the major aim of Libyan corporations is to achieve social welfare (Buzied, 1998), the agency hypothesis seems to be irrelevant. At the organisational level, utilitarian ethical behaviour (self-interest) is not acceptable from the perspective of Islam, where Muslims are expected to conduct their business activities in accordance with the requirement of Sharia. The Libyan economic system is not built according to a capitalist orientation and therefore profit maximisation has a lower priority for companies. Rather, their focus seems to have evolved in terms of providing services to society in conjunction with profit making. Consequently, it is expected that agency theory may provide a sufficient explanation for CSDR practices in Libya. Consequently, this suggests the following proposition:

*That the economic performance of corporations has an influence upon the extent and patterns of CSDR practice in Libya.*

### **2.5.2 Stakeholder Theory**

The main notion of stakeholder theory is predicated upon the hypothesis that an organisation's continued survival needs the support of its stakeholders. Freeman and Reed (1983: 91) define stakeholders as 'any identifiable group or individual who can affect the achievement of an organisation's objectives or who are affected by the achievement of an organisation's objectives'. Stakeholders could be represented by nominees of bodies representing investors, staff, consumers, environmentalists, taxpayers and governments (Chambers, 2014b). Stakeholders are identified through the actual or potential harms and benefits that they experience as a result of the company's actions (Donaldson and Preston, 1995). The theory extends the manager's responsibilities beyond profit maximisation to include the interests of non-shareholding stakeholder groups.

Companies are likely to comply with the demands of stakeholders when they control critical resources. The significance of stakeholder groups is derived from their power to rule resources required by companies. Stakeholders' power tends to be positively correlated with social performance, suggesting that if the power of stakeholders is low, their requirements might be neglected by the company. For solicited disclosures, the impetus is provided by a direct request from the identified stakeholders (Van Der Laan, 2009). CSRD can be seen as a kind of reciprocal relationship among the company and its stakeholders, and therefore the lack of stakeholder engagement is predicted to result in low levels of CSRD (Liu and Anbumozhi, 2009; Chambers, 2015). By sharing information with its stakeholders, a company can mitigate potential adverse regulatory pressures, and leave the firm better placed to take advantage of future investment opportunities (Chiu and Wang, 2015).

Having direct control over the decision-making apparatus of the corporation, directors are the only group of stakeholders who enter into a contractual relationship with all other stakeholders, although some stakeholders have indirect control (Hill and Jones 1992). Hence, it is the role of directors to own and accept any problem that occur due to the failure of the firm to meet the needs of stakeholders (Freeman, 2010). Sturdivant (1979) writes that directors should consider conflicting stakeholder interests while planning corporate strategies. However, directors have only to acknowledge and respect stakeholder interests, not to offer them participation or act as their agents (Hendry 2001). Managing such conflict necessitates the use of social reporting by directors to communicate with stakeholders and to acquire their support (Watson et al., 2002). Effective use of disclosure policy, involving particular social disclosure, may help in building trust with the stakeholders (AbuRaya, 2012).

To achieve the strategic goals of the corporation, management should assess the importance of meeting stakeholder demands (Wilmshurst and Frost, 2000), suggesting that to be an effective strategist and/or director you should deal with those groups that can affect you, while to be responsive you should deal with those groups that you can affect (Freeman, 2010). The legitimacy of such expectations is an important function of management, often in concert with other already recognised stakeholders (Donaldson and Preston, 1995). Management may legitimise its social performance in accordance with changes in the perceived significance of environmental matters, and it might be

seeking to meet stakeholder expectations, or fulfilling the information needs of the general community. This may advantage stakeholder theory in offering a new perspective in the context of CSRD research by suggesting that the needs of shareholders cannot be met without satisfying the needs of other stakeholders (Foster and Jonker, 2005; Hawkins, 2006; Jamali, 2008).

### **2.5.2.1 Stakeholder Demands and Power**

Apart from financial responsibility to stakeholders, any organisation should have social and environmental responsibility. Stakeholder theory offers an explanation of accountability to stakeholders (Van Der Laan, 2009). The importance of the role of stakeholder demands and power on social reporting has received much attention (Roberts, 1992; Ince, 1998; O'Donovan, 2002; Van Der Laan Smith et al., 2005; Chen and Roberts 2010; Huang and Kung 2010; Dhaliwal et al., 2014; Chiu and Wang, 2015; Liesen et al., 2015; Burritt et al., 2016). The main advantage of the stakeholder explanation is that it provides a means of dealing with multiple stakeholders with multiple conflicting interests. Organisations need to better understand the extent and nature of the stakeholders with which they operate in order that suitably tailored strategies can be developed (Jenkins, 2004). If any relevant interest group is dissatisfied with the performance of an organisation, they can apply pressure to the firm to meet expectations, or use the legal system to require improved performance (Barakat, 2016). This pressure directly concerns the expectations of the global society and in turn drives the industry's social and environmental policies and related reporting practices (Islam and Deegan, 2008). CSRD emerges as a tool to address stakeholder demands. The integration of governance mechanisms and the CSRD nexus attempts to integrate the shareholder and organisational-societal relationship in principle (Amran et al., 2014).

Smith et al. (2005) employ stakeholder theory to explain differences in social disclosure among countries. They found that companies from countries with a stakeholder orientation have more information related to social issues in annual reports compared to firms from countries with a shareholder orientation. Doh and Guay (2006) perceive that the adoption of the stakeholder view is an appropriate and insightful theoretical perspective and establishes specific measures of performance. Stakeholders in developed nations generally have higher levels of awareness of social and

environmental issues than their counterparts in less developed nations (Chiu and Wang 2014; Burritt et al., 2016) and, as such, put more pressure on organisations to be accountable for their actions, which could have a significant impact on society. Since foreign investors, in the extractive sector, are allowed to hold up to a maximum of 49% ownership of companies in Libya, it may be expected that companies with more foreigners ownership will produce more social information, as these groups are likely to be more aware of social reporting issues.

However, it may be argued that stakeholders in Libya may not base their decisions on environmental, social and governance information like their counterparts in developed countries and, as such, the cost of disclosure will outweigh the benefits for the company. The limited number of interest groups (mainly central authorities rather than investors, shareholders, etc., which almost do not exist) and the absence of a competitive market could make the stakeholder explanation of CSRD insufficient. In Libya, priority is given by both companies and central authorities to the national interest over individual or corporate interests (Buzied, 1998). Consequently, this suggests the following proposition:

***That stakeholder demands and power have an influence upon the levels and patterns of CSRD practice in Libya.***

#### **2.5.2.2 Company Size**

Larger corporations tend to disclose more CSRD information to show their corporate citizenship, thereby legitimising their existence (Ghazali, 2007). The increase in public and political statements being made by corporations on social and environmental disclosure issues is positively related to more social and political pressure applied by stakeholders (Williams, 1999). This is because additional disclosure may have a greater impact on society (Neu et al., 1998). Larger companies may have more stakeholders who might be concerned with social activities undertaken by companies (Rettab et al., 2009). Therefore, there may be greater demands on them to provide information for customers, suppliers, analysts and governments, as well as the general public. Most previous studies suggest a positive relationship between size and social disclosure. Liu and Anbumozhi (2009) identify the determinant factors affecting the level of CSRD on the basis of stakeholder theory, and give an empirical observation of Chinese listed

companies. They suggest that CSDR increases with company size and that company size is currently the major significant factor influencing CSDR. McKinnon and Dalimunthe (1993), examining the correlation between disclosure and company size, concluded that size is significantly associated with the amount of disclosure. Hackston and Milne (1996) also found evidence that size has a significant effect on CSDR practice in New Zealand. Adams et al. (1998) investigate, among a group of six Western European countries, whether company size has any influence on all categories of CSDR information. They found a difference in the level of CSDR between large and small firms, and this difference seems to be in favour of larger companies. Other studies have had similar conclusions (see Richardson and Welker, 2001; Gao et al., 2005; Haniffa and Cooke, 2005; Branco and Rodrigues, 2008). More recently, Abd Rahman et al. (2011), Goncalves et al. (2014), Dienes et al. (2016) and Ali et al. (2017) found company size to be one of the most important drivers of the disclosure of sustainability reports.

However, others contradict the results of the above studies. Roberts (1992), for example, empirically tested the ability of stakeholder theory to explain one specific CSR activity: social responsibility disclosure. The author found no relationship between company size and amount of disclosure. De Villiers and Van Staden (2011) found no positive correlation between CSDR in annual reports and company size. Halme and Huse (1997) examined the annual reports of companies for the year 1992 from Sweden, Finland, Spain and Norway and found no significant association between social disclosure and company size. Based on the results of prior studies, larger companies operating in Libya are expected to disclose more CSDR information in their annual reports. Consequently, it is hypothesised that:

*There is a positive relationship between levels of CSDR practices and company size.*

### **2.5.3 Legitimacy Theory**

Companies employ a variety of legitimization strategies when disclosing social and environmental responsibilities, which are producing substantial information, changing perceptions, and diverting strategies to project a positive impression towards stakeholders and society (Perks et al., 2013). Legitimacy theory is based on the

hypothesis that corporations operate in society via a social contract. Corporations accept, explicitly or implicitly, the obligation to continue certain socially desirable functions in order to obtain certain rewards. Legitimacy theory assumes that the corporation should act to consider the rights of interest groups at large, not just those of its shareholders or investors. To justify its continued existence, a company should appear to operate within the bounds of those activities which are deemed appropriate by society, should create communication channels with society, and should legitimise its behaviour and attitudes towards the society in which it operates (Brown and Deegan, 1998). Tilt (1994) maintains that legitimacy theory has come to stress how organisation management will operate to meet societal expectations and demands.

The decision of corporations to develop community strategies does not stem from an ethical choice; it is a strategic response to social challenges that continuously shift the background of constraints under which the organisation operates. By openly sharing information and facilitating decision making, a company can convey its intentions in good faith and strengthen its legitimacy (Amran et al., 2014). In justifying their perspectives on social responsibilities, firms often fall back on institutionalised vocabularies of motive, whereby the company's strategies are determined by external factors, such as community conflict and the legitimacy requirement (Jenkins, 2004). Gray et al. (1995b) contend that how a corporation operates and discloses information will be affected by the social values of the society in which it exists. Companies undertake CSRD to present a socially responsible image so that their behaviour can be legitimised with their constituents (Farache, and Perks, 2010). Consequently, firms with a poor social performance could find it difficult to gain resources and support to continue operations within a community which values a clean environment. This may drive the community to put an end to the corporation's rights to continue operating and to cancel their 'social contract'. CSRD is therefore seen as a key driver for engaging the wider community as a significant stakeholder in business practices.

### **2.5.3.1 Societal Pressure and Expectations**

CSRD is a function of social pressure on companies concerning their social responsibility. Improving CSRD requires effort from communities to better identify the potential benefits of the practice (Cho et al., 2014). Companies provide CSRD to seek

congruence between the social expectation of a firm and the firm's appropriate social conduct (Patten, 1992; Deegan, 2002). The main notion of legitimacy theory is predicated upon the hypothesis that an organisation's continued survival needs support from its society. To justify its continued existence, firms should legitimise their behaviour towards the society in which they operate and create communication channels with it. In the field of business ethics and issues such as corporate strategy, economics and public policy, the legitimacy perspective has received much attention and it has been subjected to empirical testing by several CSDR studies (Adams and Harte, 1998; Buhr, 1998; Neu et at, 1998; Deeganet al., 2002; O'Dwyer, 2002; Farache and Perks, 2010; Lanis and Richardson, 2012; Perks et al., 2013; Lanisand Richardson, 2016; Duff, 2017). O'Donovan (2002) found support for legitimacy theory as an interpretation of the decision to include CSDR practices and information in the annual report. Legitimising disclosures mean that the company is responding to particular concerns that have arisen regarding their operations. Perks et al. (2013) found that companies use informing, changing perceptions and diverting attention strategies to legitimise their activities through CSDR using different impression management tactics. Liesen et al. (2015) found that companies use CSDR as a symbolic act to address legitimacy exposures.

Managers act as both decisions-makers and actors within society, where decisions are to be implemented. Companies in Libya seem to be undertaking CSDR to justify their continued existence, enhancing their image and reputation within society, and avoiding social pressure. They compete for reputation status in institutional fields and attempt to influence stakeholders' assessments by signalling firms' salient advantages. On the other hand, they may also not want to disclose more than the minimum to avoid any intervention by central agencies and increased expectation on the part of the general public. If society's perception of the company is aligned with the way the company wishes to be perceived, there is no legitimacy gap and hence no motivation to disclose or seek to legitimise a company's output, methods or goals (Van Der Laan, 2009).

Most Libyan organisation are largely based on public ownership (society). The main aim of such firms is socio-economic development, that is, to provide commodities and/or services to the public, rather than to make a profit. A dominant role is played by society in the majority of economic behaviours as well as in industrial development

through the provision of finance and other resources. Society is continually intervening in the economy with the purpose of achieving its development objectives, which may be a reason for an absence of CSRD to avoid such interventions. Consequently, this suggests the following proposition:

***That societal pressure and expectations have an influence upon the levels and patterns of CSRD practice in Libya.***

### **2.5.3.2 Company Age**

Old companies may have improved their disclosure practices over time (Alsaeed, 2006); with more experience they try to enhance their reputation and image within society (Akhtaruddin, 2005). There is a general explanation that a company's willingness to disclose information is positively related to societal requirements (Reich, 1998; O'Donovan, 2002). The explanation for this can be derived from legitimacy theory. The competition argument suggests that young companies are not likely to disclose extensive information about their social and environmental activities. It may be detrimental if sensitive information is disclosed to the public (Ishwerf, 2012). Using different theoretical perspectives, many empirical studies have investigated the relationship between company age and the level of disclosure in general and CSRD in particular (Delaney and Huselid, 1996; Akhtaruddin, 2005; Alsaeed, 2006; Liu and Anbumozhi, 2009; Rettab et al., 2009; Galani et al., 2011). Company age has been found to be significant and positively associated with the extent of social disclosure in previous studies (Roberts, 1992; Zubek, 2008). However, some studies found that the age of a company does not have a significant influence on CSRD (Akhtaruddin, 2005; Liu and Anbumozhi, 2009). Dienes et al. (2016) found that company age does not influence the disclosure of sustainability reports. However, in the Libyan context, it is expected that long-established companies engage more with CSRD practices than new companies. Consequently, it is hypothesised that:

***There is a positive relationship between levels of CSRD practices and company age.***

### **2.5.3.3 Whether a Company is Public or Private**

Stakeholders' perceptions can be a further reason for the reporting of social information (Roberts, 1992; Burritt et al., 2016; Esken et al., 2018). Corporate disclosure from the

approach of political economy is a proactive process of information provided from the management perspective (Guthrie and Parker, 1989). In addition to the significance of government in the determination of accounting reports and policies, the theory recognises power and conflict in society and the potential effects on the distribution of income, wealth and power in society of accounting reports (Cooper and Sherer, 1984). Consequently, the level of disclosure and activities in CSRD categories largely depends on the type of company (Al-Drughi and Abdo, 2012). Wang et al. (2004) state that there is an inverse relationship between whether a company is public or private and CSRD practices. Public companies have a greater incentive to provide social information than private companies. Publicly-owned firms are expected to be more politically sensitive as their activities are more in the public eye (Ghazali, 2007). They face more pressure to report additional information due to accountability issues resulting from having a larger group of stakeholders than privately-owned firms (Janggu et al., 2007).

A small number of studies use whether a company is public or private as one of the most important factors affecting the level of CSRD disclosure (Cormier and Gordon, 2001; Eng and Mak, 2003; Rizk et al., 2008). They reveal that whether a company is public or private has a significant positive impact on the level of CSRD in companies. Zubek (2008) examined the relationship between whether a company is public or private and HR disclosure in Libya and showed that it is a significant determinant of the level of HR disclosure. Al-Drughi and Abdo (2012) examined environmental disclosure as one of the scopes and activities of social responsibility in Libya and found that whether a company is public or private is a key driver of environmental disclosure. Based on the previous discussion, whether a company is public or private is expected to be associated with the level of CSRD in Libya. Consequently, it is hypothesised that:

*There is a positive relationship between levels of CSRD practices and whether a company is public or private.*

#### **2.5.3.4 Company Activity Type**

To justify its continued existence, a company should appear to operate within the bounds of those activities which are deemed appropriate by society, create communication channels with society, and legitimise its behaviour and attitudes towards the society in which it operates (Brown and Deegan, 1998; Farache and Perks, 2010;

Perks et al., 2013). Companies with certain types of activities may face different degrees of pressure to disclose certain type of information (Ghazali, 2007). Many researchers have recognised type of company activity as a factor that affects CSRDI practice. Cowen et al. (1987) found an association between company activity type and a certain category of CSRDI reporting. Waddock and Graves (1997) also found evidence to support the hypothesis that the level of CSRDI largely depends on the type of company. By investigating the determination of environmental reporting by French firms, Cormier and Magnan (2003) conclude that company activity type has an effect on corporate environmental reporting. Gao et al. (2005) found a positive correlation between industry type and volume of CSRDI. They acknowledge that companies with social and environmentally sensitive activities are more likely to provide CSRDI information than less social and environmentally sensitive companies. Zubek (2008) agrees that company activity type is a significant determinant of HR disclosure in Libya. Yu et al. (2017) suggest that the difference in competitive advantage impairment between environmentally sensitive industries and non-environmentally sensitive industries is significant. On the other hand, Eng and Mak (2003) found no significant relationship between disclosure and type of activity. Using the stakeholder approach, Ishwerf (2012) found that the sensitivity and confidentiality of the information appeared to be impeding corporate environmental reporting practices in Libya. In this thesis, company activities are divided into four types, namely production, exploration, both, and refining and service. Based on the previous discussion, company activity type is expected to be associated with the level of CSRDI in Libya. Consequently, it is hypothesised that:

*There is a positive relationship between levels of CSRDI practices and a company's activity type.*

#### **2.5.4 Political Economy Theory**

According to Gray et al. (1996: 47), political economy theory is ‘the social political and economic framework within which human life takes place’. Political economy theory is not novel, having been brought to importance by social disclosure studies since the 1970s. The main theme of political economy theory is the relationship between political, economic and social contexts, which should all be considered in CSRDI studies (Guthrie and Parker, 1990). The economic context cannot be examined separately from the political, social and institutional framework in which the economic activity takes

place. CSRD is predicated on the recognition that the economic aspect is merely one component of the institutional lifetime, and this need to be interwoven with the recognition of the significance of political and social aspects (Gray et al., 1995b).

Two variants of political economy theory are presented in the literature. According to Gray et al. (1996), political economy can be viewed as either classical Marxian political economy that emphasizes the importance of structural conflict, inequality and the role of the government, or neo-classical political economy, which tends to take these things as given, and they are thus largely ignored, and the world is broadly perceived as pluralistic. Neo-classical political economy theory concentrates on the interactions of actors who have the right to pursue their own objectives (Clark, 1998). However, these rights are moderated by the social life in which they exist (Williams, 1999).

The increase in public and political statements being made by corporations on social and environmental disclosure issues is positively related to more social and political pressures applied by stakeholders (Neu et al., 1998; Williams, 1999; Ahmad, 2004). Benston (1976) suggests that there are many advantages to the involvement of government in disclosure regulation. The first is to reduce fraud and scandals. The second is to reduce the costs to shareholders of making rational decisions, which can help in improving the allocation of resources in the economy and makes information available for public users. Corporate disclosure from the approach of political economy is an active process of information provided from the management perspective (Guthrie and Parker, 1989). In addition to the significance of government in the determination of accounting reports and policies, the theory recognises power and conflict in society, and accounting reports' potential effects on the distribution of income, wealth and power in society (Cooper and Sherer, 1984).

#### **2.5.4.1 Political, Economic and Social Context**

For a complete picture of CSRD, more consideration needs to be paid to economic, political and social contexts, i.e. external factors surrounding organisations. Socio-political and economic systems are thought to be important factors influencing the extent of disclosure practices (see e.g. Cooke and Wallace, 1990; Gray et al., 1995b; Tilt, 1997; Haniffa and Cooke, 2002). According to Guthrie and Parker (1990), the

political economy perspective perceives accounting reports as economic, political and social documents. The relationship between economic, political and social contexts should thus be considered in CSRD studies (Gray et al., 1995b). This helps researchers explain social disclosure from the rich social, political and economic domain in which disclosure take place (Elmogla, 2009).

Ince (1898) argues that the principle of political economy theory is that the economic interacts with the social, political and institutional. That is, as a part of an economic system, a corporation's social and environmental disclosure could be investigated by political economy theory. Adams et al. (1995) found that the political economy perspective offers an appropriate explanation of CSRD, and that corporations might not be complying with legislation, since to do so would open them up to challenges where it is known that they do not have the appropriate policies. By considering the wider social, political and economic context, Adams and Harte (1998) add support for the political economy perspective. They also suggest that when taken in the context of the broader social, political and economic environment, political and economic theory can provide comprehensive understanding and is likely to be an adequate explanation of the motivations for CSRD practices. Williams (1999) provides additional support to political economy theory by stating that companies make social disclosure not just in their own economic self-interests, but also to meet social expectations, as well as avoiding government criticism.

Mathews (1993) suggests that the lack of consensus across different contexts on what represents proper accounting practices is because their purpose is cultural, not technical. Culture is commonly cited as an important influential factor influencing the accounting system within a country (Hanafi, 2006). The role of culture may provide great understanding of how societal culture is related to companies' reporting and practices (Mashat, 2005). According to Ahmad (2004), cultural and national differences are likely to influence accounting practices in general and CSRD practices in particular. Visser (2009) highlights that cultural dimensions can influence and shape CSRD practices. In the same vein, Adams (2002) found that the process of reporting and decision making appears to depend on country of origin and corporate culture. Culture is also found to be significantly associated with the level of disclosure practices (Haniffa and Cooke, 2002). Gallego-Álvarez and Ortasb (2017) found that corporate sustainability

behaviours are highly sensitive to stakeholder pressure and demands, which are ultimately conditioned by the cultural environment.

Religious beliefs greatly affect the cultural fabric of a society (Archambault and Archambault, 2003). If culture affects accounting and disclosure, then surely so does religion (Hamid et al., 1993; Lewis, 2001). In contrast, Zainal et al. (2013) found no significant difference in the overall quantity and quality of CSRD between Sharia and non-Sharia approved firms over a five-year period in Malaysia. The political economy explanation may thus offer a better basis for understanding CSRD in a given country (Adler and Milne, 1997) when it is compared with agency, stakeholder and legitimacy theories (Adams and Harte, 1998). Consequently, this suggests the following proposition:

***That the political, economic and social context has an influence upon the levels and patterns of CSRD practice in Libya.***

#### **2.5.4.2 Ownership Structure**

Best practice is specific to the sector and country where the company is incorporated or listed. These differences are taken into consideration when analysing and engaging with a company (Baillie Gifford, 2016/2017). It is postulated that where there is a separation of ownership and control of a company the potential for agency costs exists because of the conflicts of interest between principals and agents (Hossain et al., 1995). Particular nation state ownership of a company is also found to be a key determinant of CSRD (Zarzeski, 1996; Saida, 2009). There are also differences in the nature of social and environmental disclosure depending on the company's country of ultimate ownership (Janggu et al., 2007). Companies from countries with high levels of social consciousness such as Sweden and Canada are expected to disclose more CSRD information (Moneva and Llena, 2000) to portray their corporate citizenship, thereby legitimising their existence (Ghazali, 2007), to showcase the quality of their operations, and to compete for international resources (Zarzeski, 1996). Saida (2009) compares the disclosure of environmental issues in the annual reports of American and European multinational companies. The study found a difference in the level of disclosure between the two types of companies but this difference seems to be in favour of European multinational companies. The nationality of multinational companies seems

to have an effect on the level of environmental communication. Saleh and Muhamad (2010) reveal that there are positive and significant relationships between CSRD and institutional ownership. Their results suggest that Malaysian public listed companies are able to attract and maintain their institutional investors while they engage in social activities. Dienes et al. (2016) and Garas and ElMassah (2018) found ownership structure of a company to be an important driver of the disclosure of social and sustainability reports.

However, others have found contradictory results (Moneva and Llena, 2000; Hossain et al., 2006; Monteiro and Guzmán, 2010). Janggu et al. (2007) investigated the relationship between the extent of CSRD and firms owned by individuals and corporations in Malaysia using content analysis of annual reports. Corporate companies were found to be more socially responsible than individual-owned companies in terms of the amount of disclosure. Comparing CSRD by local and foreign companies, they found that local firms are more socially responsible than their foreign counterparts. Hossain et al. (2006) tested the hypothesis that firms with multinational connections produce CSRD information to a greater extent than do those of their domestic counterparts in Bangladesh. They found no clear evidence that this is the case.

From the political economy theory perspective, CSRD does not exist in a vacuum but acts together with the environment in which it exists. Each region has its own environment, which plays an important role in formulating its accounting and reporting system and practice. A proper investigation of a country's environment, in which CSRD practice exists, will provide the necessary background for understanding the characteristics of such an environment. This also can assist in determining what might be thought of as an appropriate theoretical explanation of corporate reporting and disclosure practices in a given environment.

Previous studies have focused on ownership concentration and director ownership on one side, and social disclosure on the other side. However, this thesis will look at ownership from a different point of view, i.e. based on ownership structure. This area needs more attention and analysis. Companies operating in the Libyan extractive sector are classified as national, joint venture or international. To date, there is no empirical evidence on this in Libya. Consequently, it is hypothesised that:

*There is a positive relationship between levels of CSDR practices and ownership structure.*

#### **2.5.4.3 Company Activity Location**

Zubek (2008) examined whether there is a significant difference between the amounts of HR disclosure according to where companies operate (onshore, offshore, and both on and offshore). It was found that there is a statistically significant difference between these groups. Companies operating in onshore locations disclosed less HR information than companies operating in other locations (offshore locations and both locations). Adams et al. (1998) demonstrate that a company's original location has an impact on CSDR patterns. Applying a multi-theoretical perspective, Adams (2002) found that the process of reporting and decision making appears to depend on the original location of the company. Griffin and Sun (2018) found that managers make firm-value-increasing CSDR decisions that cater to the religious and social norms of the local community. They believe that local norms (measured at the country level) can affect companies' disclosure practices and firm value, especially voluntary disclosure on climate change and environmental and social responsibility. One of the reasons for this result may be the different forms of socioeconomic situation, political culture, freedom of the press, legislation and business competition in each location, and the influence these factors have on CSDR practices. To date, there is no empirical evidence on this in Libya. Consequently, it is hypothesised that:

*There is a positive relationship between levels of CSDR practices and the location where companies operate.*

#### **2.5.4.4 Employee Demographics and Employee Perceptions**

According to Aldrugi (2013), the background information and experience of respondents is likely to affect the level of confidence researchers can have in their responses. Educational and professional background are important determinants of CSDR practices, with better educated employees being more likely to adopt innovative activities and disclose more information (Lodhia, 2003; Ahmad, 2004; Kuasirikun 2005; Kamla et al., 2012). Using a multi-theoretical perspective, Haniffa and Cooke (2002) found a significant association between the extent of disclosure including CSDR and the proportion of directors on the board having an educational and professional

background in accounting and business. They also suggest that professional training in accounting or finance will help financial controllers to be more aware of disclosure issues. Directors having an academic background in accounting and business may choose to disclose more information to demonstrate accountability. Zubek (2008) found that participant demographics significantly influence participants' perceptions toward the reasons behind disclosure and non-disclosure of HR information. Consequently, it is hypothesised that:

*There are significantly different perceptions of CSRD practices in terms of employee demographics*

#### **2.5.4.5 Corporate Characteristics and Employee Perceptions**

An examination of the issues relating to the practice of CSRD, from a comprehensive theoretical perspective, would suggest that the perception of undertaking CSRD within individual companies is dependent upon, or at least associated with, particular factors or variables of the firm (i.e. company characteristics). Using company size and ownership structure to examine the legitimacy theory arguments, Patten (1992) claims that social disclosure can be viewed as a way of responding to the changing perceptions of a company's relevant publics. Using political economy theory, Williams (1999) concludes that the socio-political and economic systems of nations interact to shape the perceptions of organisations in terms of the need to release voluntary CSRD that meets social expectations, as well as to avoid government regulation to preserve their own self-interest. Swift et al. (2001) investigated the perceptions of stakeholders in 39 UK-based CSR-aware organisations. They found a great variety of perceptions among stakeholders. Zubek (2008) found that company characteristics significantly influence participants' perceptions of the reasons behind the disclosure and non-disclosure of HR information. Consequently, it is hypothesised that:

*There are significant differences in employee perceptions of CSRD across different company characteristics.*

#### **2.5.5 The Theories Evaluated**

Based on the above discussion, political economy theory shares much with stakeholder theory and legitimacy theory. Both legitimacy and stakeholder theories, which have their roots in the political economy perspective, are commonly offered as explanations

of motivations for CSDR. All of the three socio-political theories of CSDR are founded on the notion of a ‘social contract’ that can be seen as existing between society and the individual company, in order for it to become socially responsible. These theories present overlapping interpretations of CSDR; all of them are logical and acceptable and none can be voted as the best theory to interpret and justify CSDR practice. They are complementary rather than competing as such. These theories, however, ‘are not as yet fully fledged theories... but provide useful frameworks within which to study the developing practice of CSDR’ (Gray et al., 1996: 49).

Agency theory, which is derived from a pure economic approach, explains the world from a perspective that involves only internal factors, namely management behaviour. It neglects external environmental determinants such as social and political contexts that may have an equally significant role in explaining CSDR practices in a given country. From an agency theory point of view, in terms of social and environmental disclosure, agents would issue such items to influence the stock price movements in the market-place and to obtain financial rewards. This, therefore, makes the theory a one-sided and a financial-purpose-oriented perspective, since the theory is completely financial.

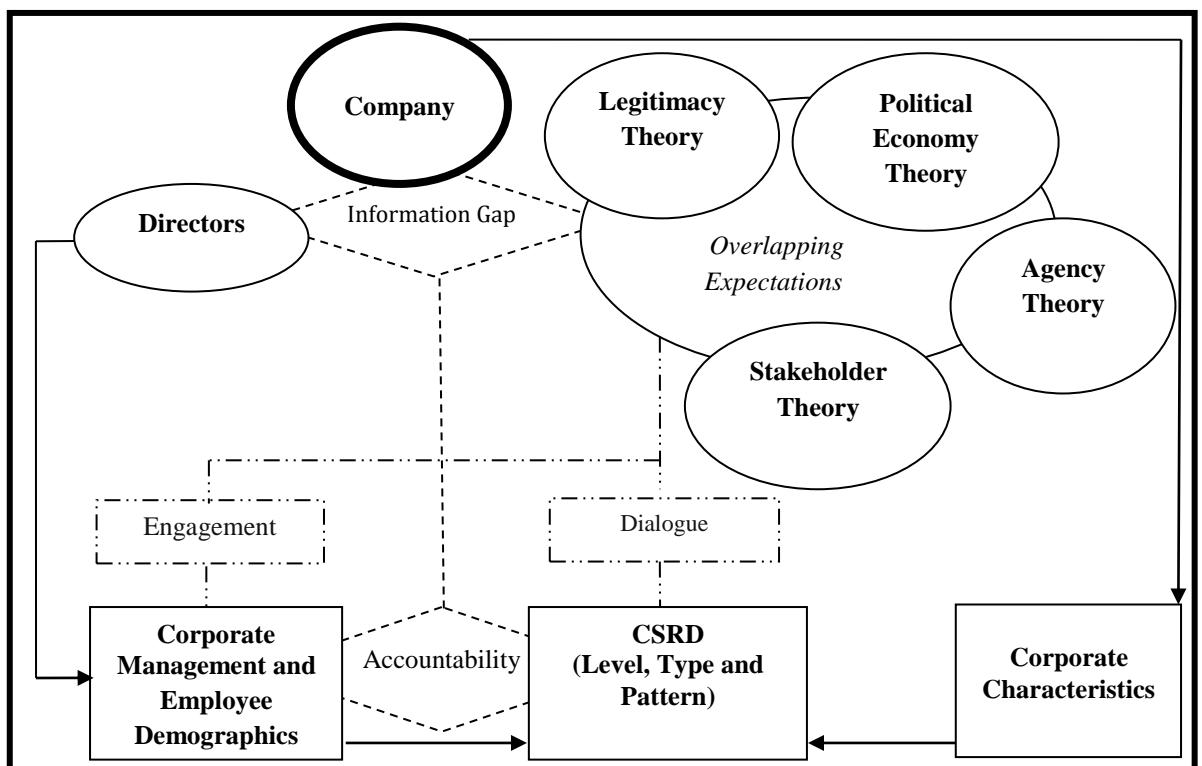
Legitimacy theory seems also to fail to provide a comprehensive basis for an explanation of CSDR in a given country, simply because it is also derived from neo-classical political economy theory. Thus, this theory may not explain CSDR practices in a different social, political and economic setting such as Libya. In such a theory, society plays a dominant role in the majority of economic activities as well as an important role in industrial development through the provision of finance and other resources. Society, via central authorities (which is the case in Libya), may continually intervene in the economy with the purpose of achieving its development and growth aims. Company directors in Libya seem not to be using CSDR to justify their companies’ continued existence, enhancing the corporate image or the reputation status of the corporation, and anticipating or avoiding social pressure rather than achieving the objectives of society. They act as both decisions-makers and as actors within society where decisions are to be implemented.

Stakeholder theory focuses on the way the corporation manages its stakeholders. It sees the world only from the perspective of management rather than the environmental

contexts of the country. CSRD is thus seen as part of the dialogue between the company and its stakeholders. It is observed that CSRD has been a relatively successful medium for negotiating these relationships. Indeed, from the perspective of the organisation, there is much to recommend this approach to theorising the corporation-society interactions (environmental determinants). The main theme of political economy theory is the relationship between political, economic and social contexts, which should all be considered in CSRD research. However, this theory fails to consider the corporation-specific social internal determinants such as company characteristics and management attitudes and perceptions. These determinants can have an equally if not more significant role in corporate social disclosure practices in a given country.

Prior literature has questioned the explanatory power of present theories (Adams et al., 1995; Wilmshurst and Frost, 2000; Adams, 2002; O'Dwyer, 2002) and has suggested that there is a need for integrating theory with other dimensions to provide a complementary understanding of the content of CSRD practices (Bebbington et al., 2008). Figure 2.1 depicts the suggested theoretical framework of this thesis.

**Figure 2.1: Suggested Theoretical Framework**



**Source:** Author.

The figure claims that CSRD may be a function of management. It investigates the effect of various environmental factors, after controlling for company-specific characteristics, on the practices of CSRD in the annual reports of companies operating in Libya. A multi-theoretical perspective is adopted as the study's theoretical framework because the study seeks to understand to what extent the variables of interest may influence companies' actions in responding to various groups. CSRD can be a function of corporate management in the sense that directors who have better access to a company's information than other groups can make comprehensive and credible disclosure to enhance company value. Based on a multi-theoretical perspective, it is argued that CSRD is directed to various parties is enhanced when they monitor directors' opportunistic manipulation.

Stakeholder demands, economic systems, political systems, social context have an influence on CSRD practices and link to a company through either engagement or dialogue. Engagement with the company takes place through participating in corporate management and accounting practices. Dialogue with the company takes place partially through CSRD, where companies report on their social and environmental activities. These links allow a correspondence between different parties' expectations and a company's behaviour, mitigating the information gap between management and other information users, thereby enhancing CSRD practices. CSRD is based on the notion of accountability. Better accountability of top management turns into an increasing level of stakeholder, economic, political and social CSRD satisfaction. Employee demographics such as educational and professional background are important determinants of CSRD practices. Haniffa and Cooke (2002) believe that managers trained and educated in accounting and/or finance are more likely to disclose more information including CSRD to demonstrate accountability and enhance the image of the company.

An information gap exists between directors and other information users due to absence of information or manipulation of the disclosed information. This may lead to a failure to satisfy the expectations of these users towards the company's disclosure. Corporate disclosures, including CSRD, diminish informational asymmetries between a company and its stakeholders (Brammer and Pavelin, 2008). CSRD mechanisms adopted by the company give an indication about how stakeholder, socio-economic and political interests are considered at the management level, as reflected in CSRD practices.

Given the absence of a significant integrated framework, based on a clear theoretical background in CSR studies, this thesis aims at empirically examining the impact of various environmental factors on the CSR issue within the Libyan context, providing a comprehensive explanation of CSR practices. The thesis is based on a multi-theoretical perspective as a basic motive for the efforts made to reduce the information gap by reaching different parties expectations about CSR.

It is asserted that understanding CSR in a given country can derive from individual accountants as they are the most influential party in the decision-making process in regards to social disclosure (Haniffa, 1999), i.e. by looking at their perspectives, competence and attitudes, and not just from studying corporate reports (see, for example, Lodhia, 2003; Kuasirikun, 2005; Islam and Dellaportas, 2011; Chiu and Wang, 2015). This gap between accountants' perceptions and actual social reporting may need further research to consider other factors affecting the practice. In order to gain this understanding, interviews with academic accountants were conducted. In light of the review of the literature on CSR, these interviews contain perspectives on both CSR, accounting teaching and the accounting profession, as it is insisted that these combined perspectives will deliver a comprehensive and relevant data set with which to seek an understanding of CSR practice in Libya.

## **2.6 Discussion and Evaluation**

The chapter has investigated the relevant previous literature on CSR practice to produce a background and to understand the dynamics of this thesis. In order to serve the purpose of this thesis, a more flexible definition of CSR was provided. Four reasons have been identified that make this definition different and more comprehensive than the others provided previously by authors such as Mathews (1993), Gray et al. (1987) and Ahmad (2004). Firstly, the definition does not support the notion that CSR should be voluntary rather than compulsory (or vice versa). Secondly, it does not limit the reporting to annual reports or any specific social and environmental reports. Thirdly, by using the term 'public', it does not limit the group or individuals which this information should be provided to. Rather it should be provided to any users who have an interest with a corporation. This particular point was dismissed in Ahmad's (2004) definition. Fourth, it does not limit CSR practice to only the environmental effects of

firms' economic activities, but also includes other social and environmental practices which could contribute to societal development and environmental protection.

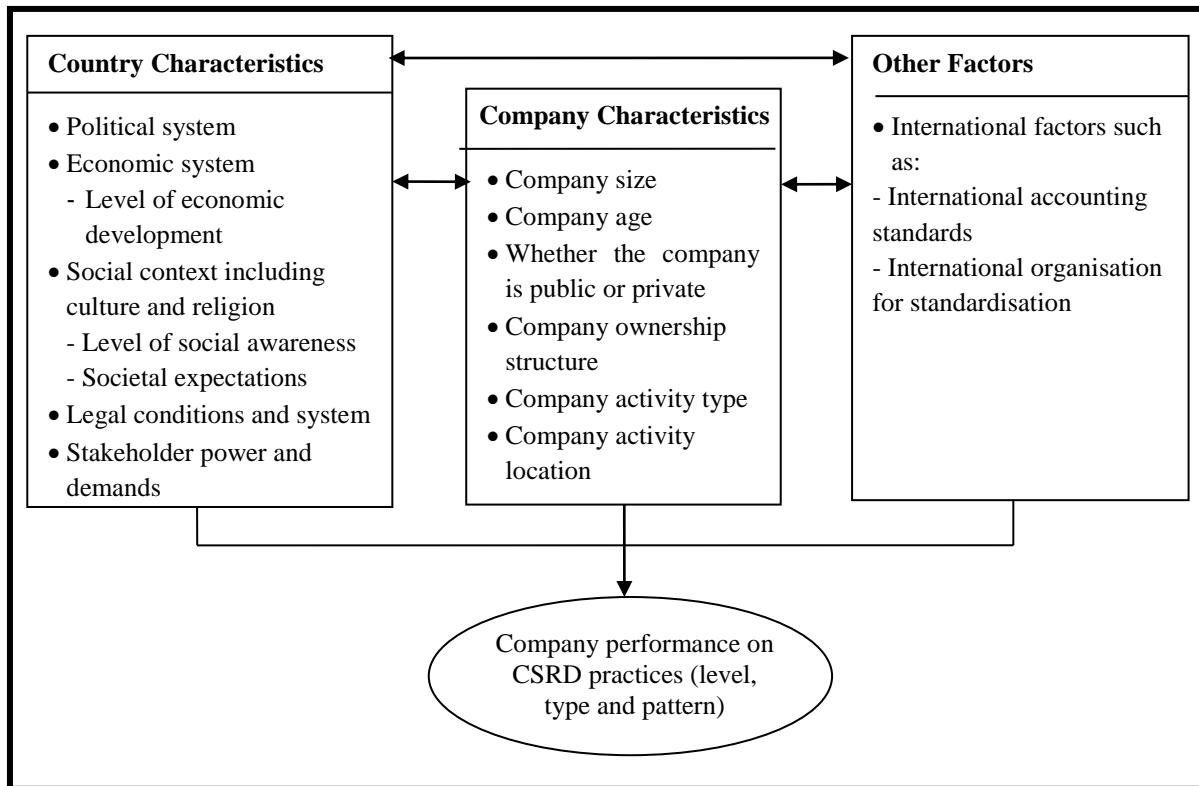
Previous literature yielded inconclusive results concerning the nature of CSRD. There are a number of authors who have perceived that company responsibility is only social when there is no legal compliance; in other words, CSRD begins where the law ends, while others claim that social responsibility includes all those actions required by public pressure which have a social tendency and aspect. It is the nature of the activity that determines whether or not it is social. Regarding the scope of CSRD practice, six main categories of CSRD were identified: environmental disclosure; consumer disclosure; community disclosure; HR&E; directors' data; and corporate governance. A general other category was also added to address any references regarded as CSRD but that cannot be classified into the above categories.

Reviewing the literature, this chapter has identified gaps that exist in the accounting literature in terms of research related to CSRD practices. These gaps are namely: (1) the requirement for investigating CSRD practice in the Libyan extractive sector where there is no prior study for this industry; (2) the need for a comprehensive theoretical approach to analysis that would fit with the nature and scope of CSRD practices in Libya; and (3) the need to examine CSRD practices in light of the social significance of accounting in a developing country such as Libya, and to suggest means by which to improve national accounting education systems to deliver meaningful CSRD into practice. This thesis aims to fill these gaps by firstly recording CSRD practice in this context and then examining potential explanations for this recorded practice, utilising multi-theoretical perspectives on CSRD. These perspectives will facilitate some understanding of actual CSRD practice in developing countries such as Libya.

Drawing on the literature reviewed, various influences on CSRD practices can be identified. Figure 2.2 portrays a conceptual model of factors affecting CSRD. These include company characteristics, such as company size, age, whether it is public or private, ownership structure, type of activity and activity location; economic performance of a corporation; stakeholder demands; political, economic and social contexts, including culture and religion; and accounting education and the accounting profession.

The figure illustrates how these factors have been grouped in this thesis. It shows the two-way influence between the groups of factors and the interrelationship between these variables and CSRD practice. This figure is not intended to represent a full picture of CSRD but highlights the influential factors and the relationships between them. It is suggested that to gain more understanding, and to gain a full picture of CSRD practices in a given country, both internal and external factors should be investigated.

**Figure 2.2: Conceptual Model of Factors Affecting CSRD**



**Source:** Author

The current literature does not provide an integrated framework, based on a clear theoretical background, which could provide a comprehensive explanation of CSRD practices. This leads to a lack of any full or comprehensive understanding of why organisations are involved in these practices. This thesis empirically examines the influence of various environmental factors on the CSRD issue within the Libyan context, presenting a comprehensive understanding and explanation of CSRD practices.

## 2.7 Chapter Summary

This chapter has outlined the topic of CSRD, its definition and its history. The debate on the nature of CSRD practice and other aspects related to its scope has also been outlined. The chapter has provided a review of previous studies that relate to CSRD and relevant to the research problem of this thesis. This was to identify whether there are any gaps in these related studies, and to provide background to and understanding of the dynamics of this thesis. Based on the literature review, this chapter has presented the theoretical framework and the development of the propositions employed in this thesis. The next chapter, Chapter Three: ***Research Design and Methods***, outlines the research design and methods adopted by this thesis, with a brief discussion of the three techniques to be utilised in collecting and analysing data in order to carry out the research. These are content analysis, survey questionnaires and interviews.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODS

#### **3.1 Chapter Introduction**

This chapter provides details of the research methods and the methodological stances underpinning the thesis. It illustrates how these are designed to answer the research questions and achieve the study's objectives. The chapter, therefore, is structured as follows:

**Section 3.2** introduces the research philosophy.

**Section 3.3** presents the philosophical assumptions and methodological choices underpinning the thesis.

**Section 3.4** discusses the research methods used in this thesis.

**Section 3.5** describes the time horizon of this thesis.

**Section 3.6** contains the chapter's discussion and evaluation.

**Section 3.7** is the chapter summary.

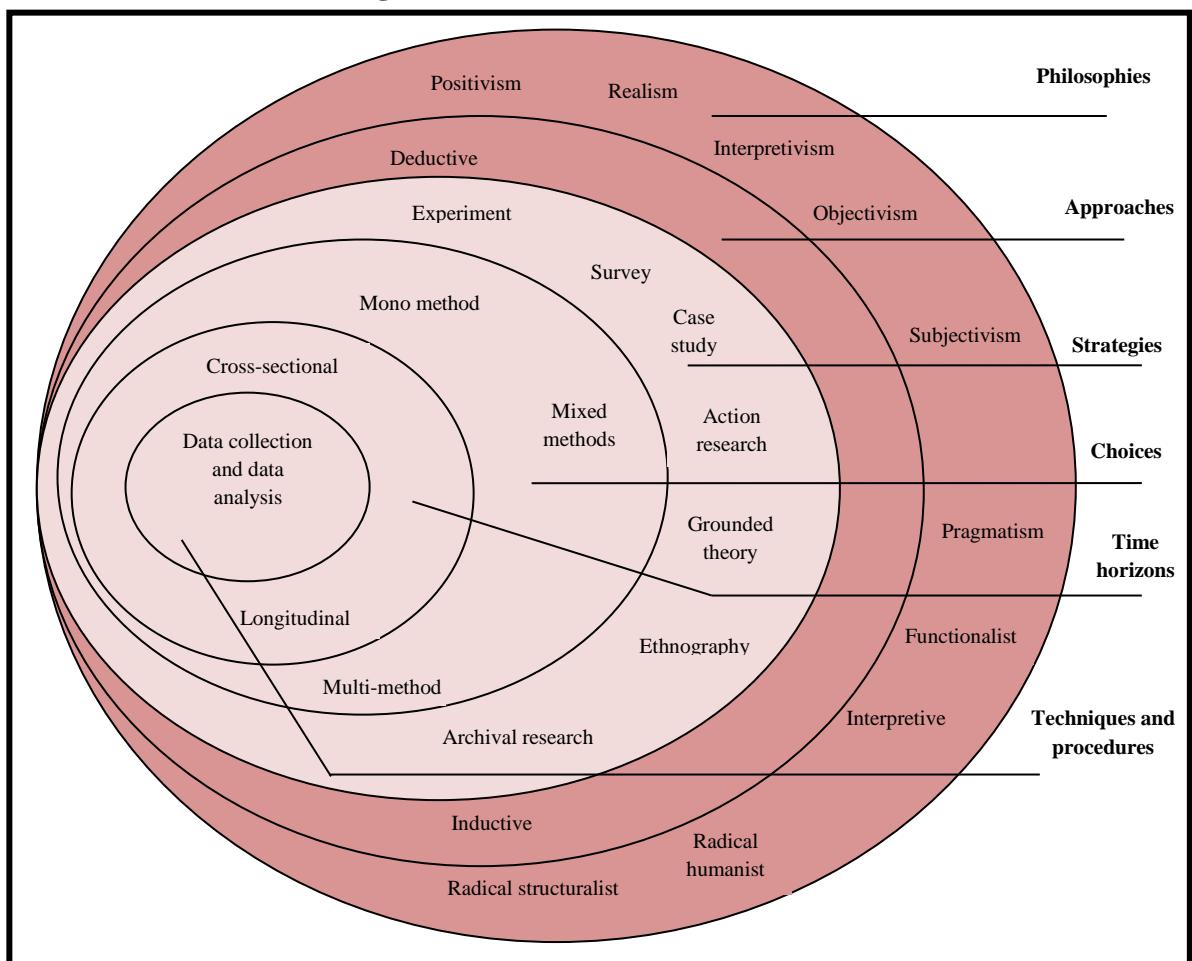
#### **3.2 Research Design**

The design of this thesis follows an approach suggested by Saunders et al. (2012). This approach consists of a number of stages that could be described as layers of a 'research onion'. The research onion includes six layers: research philosophy, research approach, research strategy, research methodological choices, time horizons, and techniques and procedures in relation to data collection and analysis. Figure 3.1 provides a schematic representation of the alternative choices that the researcher can choose from according to the objectives of the intended research.

In order to reveal the methodology employed for this thesis, previous literature on relevant methodological issues is considered, evaluatively discussed and then concluded

upon. The various methodological aspects and selections made and discussed in the following sections of this chapter reflect the empirical nature of this thesis.

**Figure 3.1: The Research Onion**



**Source:** Adapted from Saunders et al. (2012: 128).

### 3.3 Research Philosophy and Methodological Choices

The argument of this thesis is based on a multi-theoretical approach that is assumed to be part of positive accounting theory rather than normative accounting theory (Gaffikin, 2007). Positive accounting theory is referred to as neo-empirical research, due to its dependence on empiricism or the systematic use of empirical evidence to establish theory from best practices (Henderson et al., 1992 cited in AbuRaya, 2012:182). The thesis seeks to provide empirical evidence, derive generalisable conclusions and make predictions regarding CSRD in Libya. Therefore, it involves developing hypotheses and

propositions and testing these hypotheses and propositions. To achieve its objectives, this thesis employs both objective and subjective methodological positions in terms of philosophical assumptions.

Ontologically, this thesis adopts the realism and nominalism positions. Social reality, according to this thesis, is socially constructed and objectively determined. This thesis attempts to view things accurately from either a social or emotional perspective. The primary attention of this thesis is given to both subjective and objective measurements of the investigations comprising the phenomena under study (CSRD practice). Epistemologically, the thesis also takes a positivist and subjectivist position. This epistemology is in line with neo-empirical research or positive accounting theory. Knowledge of the social phenomena being studied can be obtained primarily and exclusively. The knowledge is therefore seen as subjective as well as objective, and it is possible to arrive at a description of reality. This thesis's knowledge regarding the phenomena under study was gathered through both quantitative and qualitative measurements utilising content analysis, survey questionnaires and interview techniques. Axiologically, this thesis assumes determinism and voluntarism. In this regard, this thesis seeks subjectively and objectively measurable and observable human behaviour. The thesis is conducted under both value-laden and value-free inquiry.

The ontological view of qualitative research is that of multiple meanings. In such a research approach, the researcher shapes the reality of the phenomena being investigated by partaking in the research, which can have multiple realities to varying investigators and hence is subjective in nature. Consequently, the researcher realised that objective three of the thesis adopts a subjective approach when ascertaining a particular reality being observed using a particular approach from the possible range of approaches that could have been employed.

Considering the positivistic nature of this thesis, the processes and procedures adopted are virtually all replicable. They may also be applied to other contexts and different timeframes. In this context, present existing theories (see Chapter Two) are tested using a set of propositions and hypotheses that are accepted or rejected and that may then provide development of a new theory which can then be subject to study by further investigations. Owing to the nature of this thesis, it is mostly pursuant to this positivist

paradigm that is adopted. The researcher realised that the nature of the questions related to the first and second objectives of this thesis demand positive and finite answers. A positivistic approach helps in selecting methods that are statistical and mathematical in nature and that provide finite answers. Therefore, these objectives are achieved through statistical procedures using relevant tools that present statistical inferences based on a positive and finite set of data that is selected from a specific research period.

This thesis seeks to describe CSRD practices in Libya, determining the most appropriate theoretical explanation of this phenomenon. As this thesis is based on a multi-paradigm research approach, generating a theory can also be an aim of it. Therefore, the inductive as well as the deductive approach were considered to be relevant to this thesis. These approaches have been employed broadly in the CSRD literature (see, for example, Haniffa and Cooke, 2005; Alciatore and Dee, 2006; Golob and Bartlett, 2007; Liu and Anbumozhi, 2009).

This thesis generally follows both subjective and objective positions. Additionally, the thesis employs some triangulation, where both quantitative and qualitative research methods are made use of. Such a combination may be a very effective theory development strategy. This is simply because qualitative and quantitative methods are mutually supportive (Amaratunga et al., 2002). The explanatory strategy was adopted in this thesis.

The thesis seeks a triangularly measured description and exploration of the perceived reality of CSRD practice. The explanatory strategy was chosen, in which the researcher first begins by collecting quantitative data and then uses the results in exploring qualitative data. The data collection proceeds with rigorous quantitative sampling in the first phase and with purposeful qualitative sampling in the second phase. The quantitative results typically inform the types of participants to be purposefully selected for the qualitative phase and the types of questions that will be asked of the participants.

### **3.4 Research Strategy**

To answer the research questions and meet its objectives, and having considered the main research strategies potentially employable, two research strategies are employed in

this thesis: archival research and survey research. The archival research strategy is employed in relation to the first objective of the thesis. Survey research relates to the second and third objectives of the thesis.

The survey research strategy can be used in different ways depending on the needs of the study. In this thesis, the survey strategy was employed in order to allow the collection of quantitative and qualitative data using a questionnaire and interview techniques, which can be analysed quantitatively and qualitatively using descriptive and inferential statistics and thematic analysis (Saunders et al., 2009).

The archival research strategy enables historic data to be obtained, makes use of administrative records and documents as the principal source of data (Saunders et al., 2009). As such, data has already been generated and may be provided in the public sector, deriving from various sources such as annual reports. The archival research strategy enables relevant records be identified and categorised into data, which can then be analysed using quantities or qualitative techniques (Khan, 2014).

### **3.5 Research Methods**

Based on the requirements of the research problem, its objectives and the questions that need to be investigated, this thesis employed a multi-methodological approach. This provides a bridge between the qualitative and quantitative approaches, and involves adopting different methods to gather various types of data for a single piece of research. Employing both methods together helps the researcher to answer questions that cannot be answered by either qualitative or quantitative methods alone. This should also give a fully understandable picture about CSRD in the Libyan context and for the needs of future users. These methods are: content analysis, a survey questionnaire and personal interviews. The next sections are devoted to discussing the methods employed in this thesis in more detail.

#### **3.5.1 Content Analysis**

Content analysis was conducted to provide a preliminary indication of the extent and nature of CSRD practices in the Libyan extractive sector. Using the content analysis technique, the researcher then sought to gather the required data based on a longitudinal

horizon. Annual reports were exclusively used in this thesis, since 100 per cent of the disclosing companies located their disclosures inside their annual reports. Other communication methods are still not common in Libya. The annual report is used because it is easier to access than other corporate reports, being provided on a regular basis year after year. It is widely recognised as possessing a high degree of reliability, credibility (Tilt, 1994; Unerman, 2000), availability (Tilt, 1994) and accessibility (Wilmshurst and Frost, 2000).

Using content analysis to analyse documents can be subjective, as the same document can be interpreted differently by different researchers. To minimize subjectivity, the decision rules defining CSRD categories, as designed and developed by Gray et al. (1995a), Chambers (2003) and (CSEAR, 2004), which are mainly adopted in this thesis, were pre-tested and adjustments were made to align them with the Libyan context in which this thesis is conducted (see Appendix 4.1). CSRD was measured using number of words disclosed. The most recommended techniques of analysis in written communications tend to be word count, sentence count and page proportion count, or a mix of these units (Gray et al., 1995a). The word as a measurement unit is more accurate and reliable approach as it reduces the scope for human error, as the smaller the recording unit, the more reliable it is (Ince, 1998). The word as the smallest unit of measurement for analysis can be expected to provide the maximum robustness to a study in assessing the quantity of disclosure (Campbell, 2004).

Seven main exclusive themes of CSRD were classified in this thesis. These are: environmental disclosure, consumer disclosure, community disclosure, HR&E disclosure, directors' data and corporate governance. These themes are used within four testable dimensions:

1. Text sources, annual reports;
2. The evidence of disclosure, monetary quantitative, non-monetary quantitative and declarative;
3. The type of disclosure, bad, neutral and good classification;

4. The amount of disclosure, number of words.

Distinguishing between voluntary and mandatory disclosure is beyond the scope of this thesis as the purpose is to investigate the extent of CSRD.

### **3.5.1.1 The Process of Collecting Data in Content Analysis**

The first step needed in the process was a list of all corporations operating in the extractive sector in Libya listed on the NOC, which represent the population for this thesis, along with contact details for each company. A directory of the extractive sector was sent after contact with the NOC, which contains a list of all companies' names, affiliations and contact details.

As the researcher was ethically unauthorised to conduct any work related to his research in the country of study, the following step was to undertake personal attempts by mailing, faxing, emailing and phoning a number of corporations, through two stages, requesting their annual reports for the six years between 2009 and 2014. All contact was made from the UK. The emails contained a brief outline of the researcher's curriculum vitae along with an outline of the thesis. To avoid misunderstanding, it was explained that what the researcher was requesting was the whole annual report of the company's activities in the year, not just the financial statement and its notes. A number of initiatives were made to contact companies over a seven-month period. The researcher made use of any means already available, such as family members, relatives and friends, asking them to provide an introduction to companies which might have the data. Academics who might be more knowledgeable about the thesis topic and relevant information were also asked for help. A full explanation of access requirements was provided. Asking for access and cooperation without being specific about your requirements is likely to be considered unethical.

With the hope of a good response rate, contact was made to as many companies as possible. With great difficulty and financial cost, approximately 35 contacts at twelve companies included in the NOC were made during this stage. Official headed letters were sent from the University of Brighton and the Libyan Embassy in the UK, along with efforts made by family members, friend and colleagues. All companies replied, of

which nine companies sent their 40 annual reports. This was not surprising, however, as the researcher was aware that collecting data in this way in Libya is very difficult, as he had conducted research in the country during his Master's degree.

Another stage of contact was made with the NOC. It should be pointed out that all extractive companies operating in Libya have to send their annual reports to the NOC regularly. Over a three-month period, a number of attempts were made to contact staff at the NOC, specifically in departments such as Health, Safety and Environment (HSE), HR Follow up and Planning Management. Many replies were received with 24 annual reports for eight companies. No complete sets of annual reports were available as collecting annual reports was one of the most challenging tasks in the data collecting stage. A number of the companies refused to present their annual reports to students, stating that such reports are confidential and limited to the central authorities and therefore could not be provided to a public audience such as a student. Some companies did not store their annual reports, especially those whose premises were damaged and/or destroyed as a result of the civil war that Libya witnessed. A number of annual reports were incomplete, making them unsuitable for analysis, which necessitated the researcher leaving them out of the sample.

The content analysis approach has many benefits, but it also has some drawbacks. It is unable to inform us much about participants' perceptions, views and opinions. A combination of using questionnaire surveys with content analysis enabled the researcher to satisfy the quest for discovery and understanding of CSRD practices in Libya. As a result, a questionnaire was designed to find the details which were inaccessible through the content analysis approach.

### **3.5.1.2 Reliability and Validity Assessment**

Data was analysed by the researcher using a rigorous research instrument along with its decision rules and categories. Reliability was tested, in the form of reproducibility, classification process, and the validity of the method and its process employed. A six-year period from 2009 to 2014 was chosen for this thesis. A small sample of six annual reports was independently coded by another individual (the researcher's colleague). The reports were coded separately. Using varied coders would strengthen the reliability of

the results of this thesis, making the researcher confident that data drawn from the content analysis is reliable. The validity of the procedure of categorisation was enhanced by the above mentioned pilot test. The researcher drew heavily on the dimensions and categories of CSDR already identified in the mainstream literature, which can also enhance the validity of the method and the research results. It is recognised, however, that perfect reliability and validity are impossible to achieve even though they are the ideals to which researchers aim (Neuman, 2014).

### **3.5.2 The Questionnaire Survey**

The questionnaire was employed to elicit reliable responses from the participants about CSDR activities. It was administered to the wider group of the financial management of companies operating in the Libyan extractive sector. These are financial managers, employees in financial departments, managers of internal audit departments and employees in internal audit departments.

#### **3.5.2.1 Types of Questionnaire**

Research questions can be classified into two main categories, open-ended and closed, as well as those that are a mixture of the two (for more details see Bryman and Bell, 2011; Saunders et al., 2012; Sarantakos, 2013). In this thesis, both styles of questions were adopted in order to achieve the research objectives and overcome the disadvantages associated with each style.

#### **3.5.2.2 The Process of Questionnaire Design**

In designing a questionnaire, five main issues are considered by researchers. The first is question formulation, wording and language. The second is the sequencing of the questions. The third is the content of the questionnaire. The fourth is the pilot study. Administration of the questionnaire is the fifth. Such issues can minimise bias in research (Sekaran, 2003).

### ***Formulating Questions***

In the formulation process, many considerations were taken into account. These are:

1. It is important to avoid questions that may bring embarrassment or prejudice to respondents.
2. Attempts were made to use simple, uncomplicated language, using familiar and straightforward terms that would be understandable by all respondents in the same way; vague words, jargon, idioms and technical terms were avoided as much as possible.
3. Attempts were also made to keep the questions as short as possible, since shorter questions are easy to understand.
4. The questions were not to be formulated to include negatives such as ‘not’ or similar formulations, as they are considered difficult to understand and respondents might miss the word out when completing the questionnaire.
5. The attempt was made to avoid leading questions that might appear to lead respondents to answer in a particular direction.
6. The attempt was made to avoid asking double-barrelled questions that ask about more than one thing at once, which may leave respondents unsure how best to answer.
7. The questions were not formulated to be very general but rather were as specific as possible, avoiding questions regarding things that it was not necessary to know about.

Application to the Arabic language was also cautiously considered. Previous research using data collection originally constructed in English and then translated to Arabic in relation to the research topic was reviewed (Mashat, 2005; Zubek, 2008; Elmogla, 2009; Aldrugi, 2013). This enables the researcher to choose the most appropriate terms and expressions used in such studies, which may enhance the process of designing the Arabic version of the questionnaire intended for this thesis. After translating the

questionnaire, with the researcher did himself, it was discussed in more detail through a pilot study that involved people whose native language is Arabic, for any necessary rectification and comments. The English and Arabic versions of the questionnaire are attached in Appendices 5.1 and 5.2.

### ***Sequencing of Questions: Order and Flow***

With regards to the sequencing of the questionnaire, the following considerations were taken into account:

1. General demographic questions were placed at the beginning of the questionnaire. It is preferable to locate such information at the beginning, as participants may psychologically identify with the questionnaire and feel committed about their answers once they have said something about themselves at the beginning (Saunders et al., 2000).
2. The questionnaire starts with easy questions and moves to those that are progressively more complex.
3. Questions that require more concentration from participants are placed at the beginning.
4. The questionnaire progresses from concrete to abstract questions.
5. Sufficient space was provided for respondents to make additional comments and relevant remarks at the end of the questionnaire.

### ***Content of the Questionnaire***

To help with structure and to provide flow, the questionnaire is divided into two main parts as follows: the first part identifies general demographic information regarding the respondent's educational and professional qualifications, in terms of accounting, length of professional experience, level and place of education, current occupation, and any training courses on CSRD attended by the respondents. The rationale of these questions is to identify the classification or characteristic of the participants. The second part was

scaled to explore the participants' perceptions and views regarding their company's CSRD activities. It covered five sections:

- **Section One** is designed to investigate the attitudes of the Libyan context toward CSRD practices (Research Question 2 – see Section 1.3).
- **Section Two** investigates participants' perceptions regarding the incentives for CSRD practices (Research Question 2).
- **Section Three** investigates participants' perceptions regarding the disincentives for CSRD practices (Research Question 2).
- **Section Four** is designed to investigate whether participants are keen to establish a sustainable, CSRD-based approach to their work within the company (Research Questions 2 and 3).
- **Section Five** is designed to investigate whether participants' accounting education and training included appropriate CSRD content (Research Questions 2 and 3).

Based on their knowledge and perceptions, respondents were asked to indicate their assessment of agreement and importance using a five-point Likert scale. Using the Likert scale allowed for answers that are not achievable using a yes/no question format, and extended the anticipated answers of the questionnaire, and also allowed for the answer to be a more realistic measure of the participants' approaches and stances (Sekaran, 2010; Sarantakos, 2013). This scale is designed to allow descriptive statistics to be compiled and to measure the magnitude of the differences in the preferences among the individuals. To identify the length of each scale, the extension of this scale was calculated by  $5 - 1 = 4$  and then divided by the number of scales:  $4 / 5 = 0.80$ . This value was added to the least value of each scale to determine their upper and lower limits. Consequently, values from 1 to 1.80 represent either *strongly disagree* or *not at all important*, values from 1.81 to 2.60 represent either *disagree* or *not important*, values from 2.61 to 3.40 represent either *neither disagree nor agree* or *neither unimportant nor important*, values from 3.41 to 4.20 represent either *agree* or

*important*, and values from 4.21 to 5 represent either *strongly agree* or *very important* (Malhotra and Birks, 2007, cited in Algeru, 2011: 170). To ensure that the research design was both methodologically sound and ethically defensible, full explanation for access requirements was provided to all those who were involved in this thesis. Official letters from the Libyan Cultural Attaché and the researcher's lead supervisor were attached with the questionnaire.

### ***Pilot Study***

The validity and reliability of data collection and response rate are largely dependent on the design of the questionnaire, its structure and the rigour of pilot testing. The questionnaire was pre-tested with the supervision team and then staff members from Brighton Business School and Libyan educational institutions who are interested in or teach CSRD, statistics departments, colleagues in the same school and other postgraduate students from the same discipline in the UK whose native language is Arabic. This stage helped the researcher to improve the questionnaire before the final versions were distributed.

### ***Administration of the Questionnaire***

Questionnaires were either sent by e-mail or handed personally to respondents. Taking into account the current civil unrest as well as the abovementioned disadvantages of the personally administrated questionnaire, e-mailing questionnaires was the only appropriate tool in collecting data in Libya. E-mailing questionnaires is convenient when the sample is geographically widely dispersed, which is so in this thesis due to the vast geographic area of Libya and the wide dispersal of the extractive companies. It is less expensive than personally administered questionnaires and less time-consuming as well.

### **3.5.3 Personal Interviews**

The third step in the examination of CSRD practices in Libya was to investigate through interviews the perceptions of the issues concerned of a representative group of those working in accounting education and in the accounting profession itself. The interview instrument was employed to help the researcher understand the practice of CDRD in a

real-world context, and to gather participants' experiences of present and future company policies regarding the phenomenon. It aimed to ascertain whether current accountancy education, training and professional practice in Libya can be used to encompass CSRD practices, suggesting means by which to improve the national accounting education systems to deliver meaningful CSRD into practice.

There is a need for phenomenologically inclined investigators to explore issues from the participants' point of view (Bogdan and Taylor, 1975), which is exactly consistent with the philosophical assumptions and methodology underpinning this thesis. This fits the qualitative inquiry required to gain subjective understanding and provide explanations of the phenomenon under investigation.

### **3.5.3.1 The Design of the Interview Questions**

Interviews were designed to probe the potential contributions of researchers towards CSRD practices in business within Libya. They were to gather data that cannot be obtained through the content analysis and questionnaire techniques. The interview questions are divided into three parts. The first part provides general information about the interviewee. Each interviewee was asked to introduce him/herself, explaining their educational background and length of work experience.

The second part examines respondents' perceptions and understanding of the association and interconnection between companies and society in terms of CSRD practices. It also explores the role played by accounting education and the accounting profession in developing such practices. The final part is devoted to any further comments and/or suggestions from respondents on matters that might be relevant in developing the thesis (a list of the English and Arabic interview questions is provided in Appendices 6.1 and 6.2).

The design of the interview questions reflects the research questions and objectives and was based on the literature review. Previous qualitative CSRD-related research was carefully considered and studied. The purpose of the thesis and the research design were also considered. Applying a multi-theoretical perspective, this thesis is theory-neutral. The questions were not influenced by a particular theory but rather were derived from a

broad theoretical perspective. To achieve success in personal interviews, formulating appropriate questions is important. A detailed outline of the use of this method in this thesis is provided in the following section.

### **3.5.3.2 Interview Process**

After carrying out a preliminary consultation meeting with the supervision team and then staff members from the Brighton Business School regarding the questions and issues included in the interview guide, the final version of the key questions and guidelines was determined as a control device on the direction of the interviews. Other postgraduate students from the same discipline whose native language is Arabic were also involved. A series of semi-structured interviews were held with a number of academics and accounting practitioners. The snowball sampling method was used to select interviewees as it is commonly used when it is difficult to identify members of the desired population or to find those who meet the necessary criteria to participate (Saunders et al., 2009: 240), which was the case in this thesis. After each interview was completed, the researcher asked the interviewees to suggest other experienced participants who could be involved in the study.

While face-to-face interviews are the most popular (Opdenakker, 2006), online interviews have also become widely used (Hanna, 2012; Deakin and Wakefield, 2014; Moylan et al., 2015) to avoid the limitations of face-to-face interviews. However, the conduct of this thesis was guided by the University of Brighton's code of ethics or ethical guidelines. Therefore, the researcher was not be able to carry out a number of face-to-face interviews and data collection in this way in Libya can be difficult due to the current Libyan political circumstances. Online interviews using internet technologies (mainly Skype) were an alternative method.

Drawing on recent insights regarding the methodological and practical advantages of utilising internet technologies such as Skype and Viber (Sedgwick and Spiers, 2009; Hanna 2012; Deakin and Wakefield, 2014; Moylan et al., 2015), it could be argued that online interviews do offer a viable alternative to face-to-face interviews. This thesis goes further towards addressing this dearth of research by not limiting itself to the traditional face-to-face interview; it incorporated new technological tools into the

research process (i.e. Skype interviews). This domain of exploration and discussion might really set the thesis apart as a valuable original contribution as there are no previous studies employing such a scheme.

More clarifications of the research topic and the elements of the thesis were presented before commencing the conversation, and interviewees were given the chance to seek this clarification. The interviews were designed to allow an open discussion to proceed at any point. This approach led to a more relaxed atmosphere during the interviews (O'Dwyer, 1999). To elicit open and unguarded answers to the questions asked throughout each interview, it was stressed that confidentiality and anonymity is ensured. Interviewees were given guarantees that details will be kept confidential and nothing would be disclosed in the thesis that would individually identify them or their firms. The timing and duration of the interviews were up to the interviewees. Notes on any general observations, possible themes and key points were taken throughout the interviews.

To optimise the value from the interviews, they were recorded on tape. The use of a tape recorder also helped the researcher to focus on questioning and listing to the respective interviewees' responses. For frankness purposes, permission to record the interview was sought from interviewees. It was illustrated to them that using a tape recorder is only for enhancing the accuracy of the recording of the conversation. The tape recorder was switched off throughout the interviews when desired by interviewees. The tapes were transcribed and the researcher checked the typed versions. The transcribed data was analysed through classification into themes, and then drafted. No attempt was made to remove what may not seem important since, as Eisenhardt (1989: 539) suggests, 'it is often difficult to know what will and will not be useful in the future'. As the small number of interviews are easy to manage through manual procedures (Lodhia, 2003), coding through packages such as Nvivo was not required. Manual analysis was undertaken as an alternative method. Analysis of the interviews started with reading all the transcripts and going over them again and again.

The nature of the qualitative data collected has implications for its analysis (Saunders et al., 2009: 482). The major purpose of the qualitative research approach is considered to

be its production of descriptive research data free from external concepts and ideas. Its aim is to produce ‘thick description’<sup>6</sup> (Geertz, 1973) which allows others to understand the cultural connotations from inside in the terms that the participants themselves use (Robson and McCartan, 2016). The feature of qualitative research and data is that their richness and holism has strong potential to reveal the complexity of the research topic (Miles and Huberman, 1994). Some transcripts can be ‘thick’ but many can be ‘thin’ (Miles and Huberman, 1994). The theory in qualitative research data requires intact thick description for thick interpretation (Denzin, 1988). Thick description of qualitative data may lend itself to variable analysis, while thin description of data may not be productive in terms of thick contextual description when the quantity and depth of information are simply not there (Grbich, 2013). Thick descriptions are considered to be more vivid and nested in a real context, and have a ring of truth that has a strong impact on the reader (Miles and Huberman, 1994). Consequently, thick descriptive display using quotations was applied.

To display the data, several quotations were selected in order to support the core code found in the data. As all interviews were undertaken in Arabic, which is the native language in Libya, the quotations had to be translated from Arabic into English after being transcribed. This sometimes required the use of an Arabic-English dictionary to improve the fluency of the English. These quotations are in fact an approximation rather than a word-for-word description of what has been said. This is due to all conversations being in colloquial Arabic language.

The questions included in the interview guide were shaped by the review of the relevant prior literature on CSRD. The questions were also influenced by both the initial results obtained from carrying out the content analysis of the annual reports and primary results

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<sup>6</sup>The term ‘thick description’ has become part of the qualitative researcher’s vocabulary (Ponterotto, 2006). Thick description is not only a matter of amassing relevant detail (Schwandt, 2001: 306). Rather, it is to thickly describe and produce a full picture of the individuals and/or groups in the context of their culture and the setting in which they live. It gives readers an overview of the emotions, feelings, thoughts and perceptions that the research participants experience (Holloway, 1997). The term also involves understanding and absorbing the context of the situation or behaviour (Ponterotto, 2006).

derived from the survey questionnaire (Chapter Four and Five). The interview questions provide only the base around which each interview evolved. Other relevant questions and issues were raised where they appeared relevant. Interviewees were motivated to provide examples where these were deemed relevant. The order in which the questions were presented varied but all interviews were started with the first general question, shown in Appendix 6.1. As questions often had to be asked spontaneously and without previous consideration, the wording and phrasing of questions may have varied somewhat at some points of time. This was also to maintain the flow of conversation within a particular area. However, the researcher ensured that questions were worded clearly and understandably. Each interview sought to address all of the broad issues outlined in the guide above. The nature of the interview process implies very careful listening on the part of the interviewer and following what is said (Maykut and Morehouse, 1994). One of the dangers in doing interview research could be that interviewees can sometimes give answers they think the interviewer wants rather than from their own experience or actual practice. The researcher was aware of this and if it was happening he would quickly close down that line of questioning and ask another question.

### **3.6 Time Horizon**

The choice of time horizons in a research design is directly dependent on the research objectives and questions. Using the survey strategy, the interpretive-functionalist paradigm and adopting the triangulation methodological approach, this thesis sought to gather data based on a longitudinal time horizon, using the research techniques of content analysis and cross-sectional study, using survey questionnaires and interviews. Specifically, the thesis sought to examine the state of CSRD practice in Libya during the period 2009 to 2014.

The choice of the period covered in this thesis was based on three main determinants. The first is that the availability of completed set of annual reports for previous years was rare, since many of the companies, especially those affiliated with international companies, were not established until 2005. Others local companies did not issue annual reports for some years before 2009 (see also Aldrugi, 2013). The second is synchronized with key changes to disclosure regulations in the country which may have

impacted CSRD practices. This is the introduction of environmental legislation in Libya such as the environmental Law 15 (2003). It was hypothesised that the law would lead to significant changes in corporation-society relationships. The quantity and quality of environmental disclosure in Libya, which is one of the aspects of CSRD, would be driven forward by the enactment of the Law (see also Ahmad and Mousa, 2010). However, it has to be clarified that in practice there is no obligatory requirement for companies to publicly disclose any environmental information. The establishing of the Public Organisation of the Environment (POE) in 2000 and recently the Environmental General Authority (EGA) in 2008 were the third determinant. Owing to the timing of the data collection procedures (from early 2015), the latest year for which the researcher was able to collect annual reports was 2014.

### **3.7 Research Data and Analysis**

With regards to the nature of this thesis, its objectives and problem, this section discusses the relevant data sourcing and analysis and how they were derived.

#### **3.7.1 Research Data**

Identifying a suitable sampling frame and the implications for generalisability should be considered in any research study. A sampling technique such as simple random sampling could be employed (Saunders et al., 2009), in which each case of the research population has the probability of being selected. However, given the relative small size of the Libyan extractive sector, what is strongly believed to be the entire population was intended to be surveyed. For some research questions, it is possible to collect data from an entire population, if it is of a manageable size (Saunders et al., 2012). The researcher recognised that sampling technique would not be useful in selecting the final set of companies operating in the Libyan extractive sector. However, the researcher did not assume that a population would necessarily provide more useful results and findings than obtaining data from a sample which represents the entire census. Environmental conditions can lead to constraints on the researcher in the way in which samples are selected (Khan, 2014). The researcher may have little choice in acquiring data and using the entire population for analysis. This is the case with this thesis. The NOC is the main source of both numeric and non-numeric data (especially annual reports). The NOC has

22 listed companies in total as of 2015. When there is little control over the sample cases and there is no attempt to obtain a representative sample which will allow generalising in a statistical sense to a population (Saunders et al., 2009: 235), self-selection is employed to obtain data from the interviewees. Tables 3.1, 3.2 and 3.3 provide details on the precise and relevant data to this thesis and how it was manipulated, illustrating the data form, example, source of data, how the data was gathered, how data integrity was confirmed and techniques of data analysis.

**Table 3.1: Objective 1 – Data Related Details**  
**Data form, example, source, collection, integrity and analysis**

FORM OF DATA	CSRD, ESG and SD
EXAMPLE OF DATA	<p><b>Non-numeric data</b></p> <p>Environmental policy Health and safety at work Education and training Committee structure and governance structure</p> <p><b>Numeric data</b></p> <p>Pension and social security costs Environmental financially-related data Training costs Statutory wages (salaries) excluding pension and social security costs</p>
SOURCE OF DATA	Annual reports of extractive companies operating in Libya as quoted by NOC, 2015.
MEANS OF GATHERING DATA	Through content analysis of the annual reports using word as a measurement unit.
ENSURING DATA INTEGRITY	<p>Ensuring relevant thematic data corresponding to the definition of CSRD, ESG and SD.</p> <p>Themes are checked for conceptual basis against prior literature using similar research method.</p> <p>Discussing the appropriateness of the above exercise with supervisors.</p> <p>A small sample of annual reports was independently coded by another individual.</p> <p>Verification of data type and themes with prior research.</p> <p>Using decision rules for the categories of CSRD provided by Gray et al. (1995a: 96-99), Chambers (2003) and as updated from CSEAR website. Slight adaption of these rules as relevant to the Libyan context was made.</p> <p>Collecting of thematic data in a database created in Excel.</p> <p>Discussing with experts on CSRD and those who are experienced in analysing annual reports using content analysis.</p>
MEANS OF ANALYSING DATA	Thematic analysis of concepts contained in each report. Pattern frequency and word analysis. All data is analysed and results derived through the use of Excel and/or Statistical Package for the Social Sciences (SPSS) software.

**Table 3.2: Objective 2 – Data Related Details**  
**Data form, example, source, collection, integrity and analysis**

FORM OF DATA	CSRD, ESG and SD (theoretical approaches, incentives and disincentives)
EXAMPLE OF DATA	<p><b>Approaches</b>            Economic performance            Societal expectations            Stakeholder demands approach            Socio-political and economic</p> <p><b>Incentives</b>            Social reputation and stakeholder demands            Socio-political and economic pressure            Legal requirements            Economic factors</p> <p><b>Disincentives</b>            The lack of legal requirements and stakeholder demands            The absence of financial incentives from the state            The absence of the role played by regulators such as the AB</p>
SOURCE OF DATA	Perspectives of accounting department employees in the Libyan extractive sector.
MEANS OF GATHERING DATA	E-mail survey questionnaire.
ENSURING DATA INTEGRITY	<p>Ensuring relevant thematic data corresponding to the concept of CSRD, ESG and SD and Research Objective 2.</p> <p>Questionnaire contents are checked for conceptual basis against prior literature using similar research method.</p> <p>Discussing the appropriateness of the above exercise with supervisors.</p> <p>A small sample of annual reports was independently coded by another individual.</p> <p>Verification of data type with prior research.</p> <p>Discussing with experts on CSRD, ESG and SD issues.</p> <p>A pilot study is carried out with staff members from Brighton Business School and Libyan educational institutions who are interested in or teach CSRD, statistics departments, colleagues in the same school and other postgraduate students from the same discipline in the UK whose native language is Arabic.</p> <p>Cronbach's Alpha test is carried out to test reliability (consistency) of questions.</p>
MEANS OF ANALYSING DATA	The data is analysed and results derived through the use of Excel and/or SPSS software.

**Table 3.3: Objective 3 – Data Related Details**  
**Data form, example, source, collection, integrity and analysis**

FORM OF DATA	CSRD, ESG and SD (Rationales and Obstructions)
EXAMPLE OF DATA	<p><b>Rationales</b></p> <p>An obligation to society  Enhancement of company's image  Response to Islamic principles and values  Strategy to defeat competitors</p> <p><b>Obstructions</b></p> <p>Lack of social awareness  Political context does not motivate corporations to engage in CSRD  The low level of cultural and/or religious adherence  Government and companies' priority is economic performance  Absence of private sector  The weakness in accounting education and the accounting profession (inadequate accounting research)  Absence of training programmers</p>
SOURCE OF DATA	Perceptions of professional and academic accountants regarding CSRD practice in Libya.
MEANS OF GATHERING DATA	Semi-structured face-to-face interviews using Skype and Viber.
ENSURING DATA INTEGRITY	<p>Ensuring relevant thematic data corresponding to the concept of CSRD, ESG and SD and Research Objective 3.</p> <p>Themes are checked for conceptual basis against prior literature using similar research method.</p> <p>Discussing the appropriateness of the above exercise with supervisors.</p> <p>Verification of data type and themes with prior research.</p> <p>Discussing with experts on CSRD and those who are experienced in analysing interviews.</p> <p>A pilot study of the interview question is carried out with colleagues in the same school and other postgraduate students from the same discipline in the UK whose native language is Arabic.</p>
MEANS OF ANALYSING DATA	Thematic analysis of concepts contained in each interview. As the small number of interviews is easy to manage through manual procedures, coding through packages such as Nvivo was not required.

This thesis uses the following multivariate model to examine the relationship between factors influencing CSRD practice and CSRD as proposed by the following model. Table 3.4 lists data variables.

$\text{CSRDPP} = f(\text{CSIZE}, \text{CAGE}, \text{CPUBVAT}, \text{COWSHIP}, \text{CACTYPE}, \text{CLOCT}, \text{EDEM}, \text{ECOPER}, \text{SOCEXP}, \text{STAPOW}, \text{POLCON}, \text{ECOCON}, \text{SOCCON}, \text{ACCEP})$

**Table 3.4: Data Variables List**

Data Element No.	Data Elements	Data Label	Variable Nature	Variable Type	Dependent or Independent
1	CSRD practice and perception	CSRDPP	Quantitative & qualitative	Continuous	Dependent
2	Company age	CAGE	Quantitative	Interval	Explanatory
3	Company size	CSIZE	Quantitative	Interval	Explanatory
4	Whether a company is public or private	CPUBVAT	Quantitative	Interval	Explanatory
5	Country of ownership	COWSHIP	Quantitative	Interval	Explanatory
6	Company activity type	CACTYPE	Quantitative	Interval	Explanatory
7	Company activity location	CLOCT	Quantitative	Interval	Explanatory
8	Employee demographics	EDEM	Quantitative	Interval	Explanatory
9	Economic performance	ECOPER	Quantitative & qualitative	Ordinal & evaluative	Explanatory
10	Societal expectations	SOCEXP	Quantitative & qualitative	Ordinal & evaluative	Explanatory
11	Stakeholder power	STAPOW	Quantitative & qualitative	Ordinal & evaluative	Explanatory
12	Political context	POLCON	Quantitative & qualitative	Ordinal & evaluative	Explanatory
13	Economic context	ECOCON	Quantitative & qualitative	Ordinal & evaluative	Explanatory
14	Social context	SOCCON	Quantitative & qualitative	Ordinal & evaluative	Explanatory
15	Accounting education and the accounting profession	ACCEP	Qualitative	Evaluative	Explanatory

### 3.7.2 Data Analysis

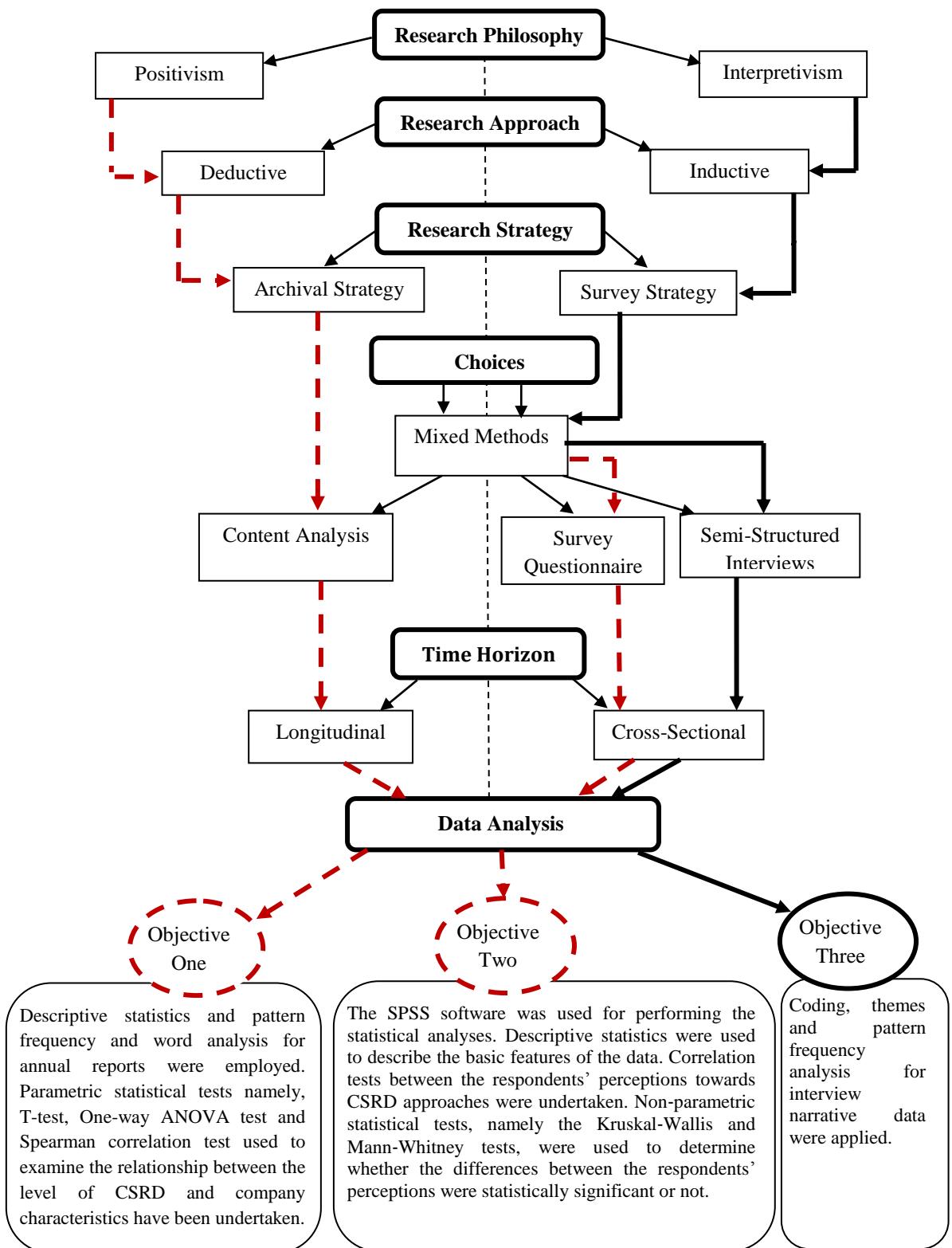
The next step towards achieving the research aims and answering the research questions is to analyse the data collected from each research population using content analysis, questionnaires and interviews. There are a number of statistical methods and techniques to choose from. The SPSS packages are used for performing statistical analyses including descriptive statistics, Kolmogorov-Smirnow, Cronbach's Alpha, independent two sample T-test, One-Way ANOVA test, Mann-Whitney test and Kruskal-Wallis test, and Spearman and Pearson correlations tests (for more details, see Appendix 3.1).

### 3.8 Discussion and Evaluation

This chapter has outlined the research design and methods adopted for this thesis. It has described the philosophical assumptions underlying the thesis, with ontological, epistemological and axiology assumptions. Based on the above discussion of the philosophical assumptions and methodological choices, Figure 3.2 shows the pathway selected in this thesis. Ontologically, this thesis adopts the realism and nominalism positions. Epistemologically, the thesis takes a positivist and subjectivist position. Axiologically, this thesis assumes determinism and voluntarism. In this regard, this thesis seeks subjectively and objectively measurable and observable human behaviour. The thesis is conducted under both value-laden and value-free inquiry.

The interpretive-functional transition (multi-paradigm) is the appropriate research paradigm that fits with the objective research philosophy and methodological approach employed by this thesis. The deductive approach is considered to be more relevant to this thesis. This thesis's knowledge regarding the phenomena under study (CSRD practice) was gathered through both quantitative and qualitative measurements, utilising three different, but complementary, methods, namely content analysis, a survey questionnaire and an interview technique based on a longitudinal time horizon. The quantitative results typically informed the types of participant to be purposefully selected for the qualitative phase and the types of questions that were asked of the participants. It is argued that this increases the validity, credibility, reliability and generalisability of the results more than a single method approach (Amaratunga, 2002; Collis and Hussey, 2009). Therefore, the approach used throughout this thesis was strong indeed.

Content analysis was conducted to present indications of the extent and nature of CSRD practices in Libya. It provides a description of the CSRD practices of 17 companies operating in the Libyan extractive sector from 2009 to 2014. The content analysis technique on its own would be insufficient (Elmogla, 2009). Questionnaire surveys, therefore, were also employed. According to Elmogla (2009), there is a link between the elements of the two methods. The content analysis illustrates what information is reported by the companies, whereas the questionnaire findings show what various parties think of that reported information.

**Figure 3.2: The Pathway Design Selected in this Thesis**

*The dotted RED line refers to the direction of quantitative research development*

*The solid BLACK line refers to the direction of qualitative research development*

As the questionnaire is one of the most popular techniques used by many previous studies in term of exploring individuals' attitudes in relation to CSRD issues, in this thesis it was employed to elicit the views and perceptions of the Libyan accounting community in regards to CSRD practice. Three groups, representing the accounting community (academics, external auditors, and managers and employees of financial department) were chosen as they are thought to be the most influential parties dealing with CSRD in Libya. The thesis was conducted on 17 companies operating in the extractive sector in Libya. 250 questionnaires were distributed to accounting department employees; out of these, 213 questionnaires were collected, giving a response rate of 85%. Taking into account the current civil unrest as well as the disadvantages of the personally administrated questionnaire, questionnaires were e-mailed to participants.

To supplement and enhance the knowledge obtained from questionnaires regarding the analysis of the perspectives of participants, semi-structured Skype interviews were conducted with those who were thought to possess familiarity with accounting education and the profession, as well as the social, political and economic development of the Libyan context. This includes those with professional and academic posts in the accounting arena; who are expected to be engaged in one way or another in the practice of corporate disclosure in Libya; and who are able to suggest means to improve the national accounting education systems to deliver meaningful CSRD into practice. That is, those who represent the accounting community in the country. This thesis was not aimed at investigating the level of CSRD practice solely in such corporate terms. Rather, it sought to obtain insights and empirical evidence into the preparedness of accountants in Libya to handle CSRD within the conventional accounting framework.

The methodological approach adopted serves as a link between the theoretical perspective and the empirical results and findings of the thesis. Both theoretical evidence and empirical analysis guided the provision of answers to the research questions. Based on the theoretical approach adopted in this thesis, the selected methodology portrays the sequential stages through which the empirical results and findings will progress in the following chapters. The following three chapters are devoted to the empirical investigation of the current state of CSRD practices in Libya, with a view to testing and evaluating certain environmental factors which may significantly influence these practices in light of the social significance of accounting

education and the accounting profession. The descriptive statistical method was used to carry out data analysis. The collected data was also analysed utilising SPSS packages. The analytical tools applied contain parametric and non-parametric tests, namely Mann-Whitney and Kruskal-Wallis, independent two sample T-test, One-way ANOVA tests and Spearman correlations tests.

### **3.9 Chapter Summary**

The chapter has explained the research design and data collection methods used for achieving the objectives of the thesis. It commenced with explaining the research philosophy and how this verifies the choice of methods used in undertaking the thesis. Research approach and methodological choices were outlined. This chapter casts lights upon the philosophical assumptions and methodological choices underpinning this thesis. The choice of time horizons in the research design was also described. This thesis takes a structure and systematic approach in generating new knowledge and enhancing the current literature in the area studied. The research onion, developed by Saunders et al. (2012), presents a basis for this thesis's design and development.

The next chapter, Chapter Four: *Corporate Characteristics and CSDR Insights*, discusses the empirical investigation of CSDR practices of the annual reports of the extractive companies operating in Libya. It aims to investigate the current state of CSDR practice in Libya in the period 2009 to 2014, with a view to testing the relationship between amounts of CSDR practice and company characteristics such as size, age, whether it is public or private, ownership structure, activity type and activity location. A comparison between Libyan and UK patterns and trends for the year 2014 is also carried out. British Petroleum's (BP) annual report was chosen for this comparison, as it is one of the world's leading extractive companies.

## CHAPTER FOUR

# CORPORATE CHARACTERISTICS AND CSRD INSIGHTS

### **4.1 Chapter Introduction**

The preceding chapters have provided an overview of the theoretical framework and background to the thesis; the remainder of the thesis deals with the empirical results and findings. This chapter reports on the findings of the content analysis and seeks to achieve the first objective of this thesis. The main aim of using this method was to examine and evaluate CSRD practices in the Libyan extractive sector over a six-year period from 2009 to 2014, using annual reports. The content analysis technique was used to find out the answers to the following questions:

1. What are the trends in and levels of CSRD practices in the extractive companies operating in Libya?
2. What social information categories have been disclosed in the annual reports and which are most prevalent?
3. What types of disclosures i.e. bad, neutral and/or good are produced by these companies?
4. What evidence of disclosure (monetary quantitative, non-monetary quantitative or declarative) are mainly disclosed by the disclosing companies?
5. Is there a positive relationship between levels of CSRD and company characteristics, namely size, age, whether a company is public or private, ownership structure, activity type and activity location?
6. What are the differences in the levels and patterns of CSRD practices between Libya and the UK (with BP as an example)?

To address the above questions, the chapter proceeds in five sections, as follows:

**Section 4.2** provides a general view of the current state of CSRD practice in Libya.

**Section 4.3** outlines the relationship between company characteristics, namely size, age, whether a company is public or private, ownership structure, activity type and activity location, and the level of CSDR practices in Libya.

**Section 4.4** provides a comparison of CSDR practices between Libya and BP.

**Section 4.5** is a discussion and evaluation of the chapter.

**Section 4.6** is the chapter summary.

## 4.2 The Current State of CSDR Practice in Libya

### 4.2.1 The Mean Volume and Trends of CSDR

A total of 64 annual reports representing 17 companies from the period 2009 to 2014 were collected through the assistance of the NOC (see Table 4.1).

**Table 4.1: Summary of Overall CSDR and Total Annual Reports Collected**

Type of company	Number of companies	Respondent companies	Disclosing companies	% of responding companies	Total annual reports collected
CFO	12	10	10	84	31
CJV	8	6	6	75	27
CEPSA <sup>7</sup>	2	1	1	50	6
<b>Total</b>	<b>22</b>	<b>17</b>	<b>17</b>	<b>77</b>	<b>64</b>

**Key:**

CFO = Companies Fully Owned by NOC;

CJV = Companies Having a Joint Venture with NOC;

CEPSA = Companies Having Exploration and Participation Sharing Agreement with NOC.

**Source:** The number of surveyed companies was quoted according to the NOC, 2015.

<sup>7</sup>The total number of international companies that have established branches in Libya is eight companies. Due to the current political circumstances, six of these companies have suspended their activities in Libya. However, it should be mentioned that these companies, according to the NOC, have no major impact on the Libyan extractive sector and their activities are limited to exploratory operations.

As can be noticed from Table 4.2, all 17 companies included in this thesis made at least some social and environmental disclosure. Environmental and HR&E disclosures were undertaken by the majority of corporations over the six-year period. Community disclosure was given in many companies' reports.

**Table 4.2: Companies' Disclosure of CSR Information**

Disclosure Category \ Year	2009	2010	2011	2012	2013	2014	Total 2009-2014
<b>Environmental Disclosure</b>							
Number of companies disclosing	6	7	5	15	14	11	
% of companies disclosing	35	41	29	88	82	65	
Total disclosure in number of words	<b>752</b>	<b>1095</b>	<b>580</b>	<b>1897</b>	<b>1657</b>	<b>1406</b>	<b>7387</b>
<b>Consumer Disclosure</b>							
Number of companies disclosing	0	0	0	0	0	0	
% of companies disclosing	0	0	0	0	0	0	
Total disclosure in number of words	<b>0</b>						
<b>Community Disclosure</b>							
Number of companies disclosing	3	2	3	6	8	5	
% of companies disclosing	18	12	18	35	47	29	
Total disclosure in number of words	<b>102</b>	<b>47</b>	<b>50</b>	<b>178</b>	<b>111</b>	<b>96</b>	<b>584</b>
<b>HR&amp;E</b>							
Number of companies disclosing	8	8	7	16	14	11	
% of companies disclosing	47	47	41	94	82	65	
Total disclosure in number of words	<b>1217</b>	<b>1890</b>	<b>560</b>	<b>2205</b>	<b>1997</b>	<b>1090</b>	<b>8959</b>
<b>Directors' Data</b>							
Number of companies disclosing	1	1	1	3	2	0	
% of companies disclosing	6	6	6	18	12	0	
Total disclosure in number of words	<b>3</b>	<b>21</b>	<b>15</b>	<b>55</b>	<b>25</b>	<b>0</b>	<b>119</b>
<b>Corporate Governance</b>							
Number of companies disclosing	3	3	1	5	5	4	
% of companies disclosing	18	18	6	29	29	24	
Total disclosure in number of words	<b>44</b>	<b>105</b>	<b>3</b>	<b>121</b>	<b>141</b>	<b>82</b>	<b>496</b>
<b>General Other</b>							
Number of companies disclosing	1	2	1	3	5	1	
% of companies disclosing	6	12	6	18	29	6	
Total disclosure in number of words	<b>34</b>	<b>95</b>	<b>10</b>	<b>48</b>	<b>73</b>	<b>16</b>	<b>276</b>
<b>Total Disclosure</b>	<b>2152</b>	<b>3253</b>	<b>1218</b>	<b>4504</b>	<b>4004</b>	<b>2690</b>	<b>17821</b>

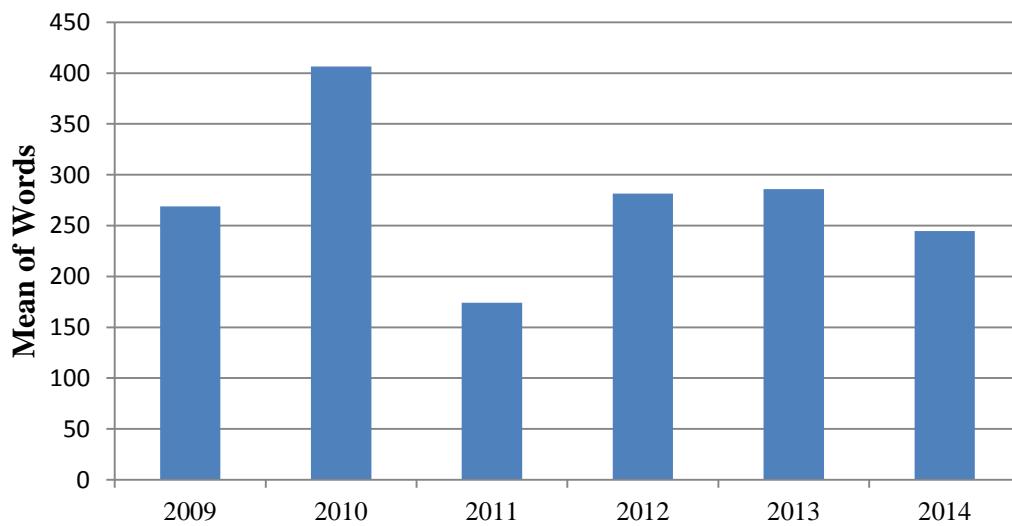
**Note:**

- % = number of companies disclosing ÷ the total number of respondent companies i.e. 17 companies.

Few companies provided directors' data and corporate governance information, while none of the surveyed companies provided any information related to consumers. This might indicate that companies are not very concerned with this element of CSRD. With regard to CSRD reports, the results show that the highest percentage of companies that did not produce corporate social and environmental responsibility reports was in 2011, or if they did, the reports were often brief and incomplete. This was due to the political unrest that the Libyan extractive sector was affected by in this year. The number of companies that did not disclose information about environmental issues in this particular year was 12 (nearly 71% of the sample).

The mean volume and trends of CSRD are depicted in Figure 4.1 (compiled from Table 4.3). The mean of total CSRD information over the six-year period was around 279 words (mostly written in Arabic<sup>8</sup>) (max 406.63; min 174). The result reflects that the total mean of reporting on CSRD issues decreased slightly between 2009 and 2014 from 269 words to 244.55 words. The following section further illuminates the evidence and types of CSRD by discussing the major categories making up CSRD undertaken over the six-year period.

**Figure 4.1: The Mean Volume of CSRD Disclosure over the Six-Year Period**



<sup>8</sup> Some annual reports are divided into two sections; the first is prepared and issued in Arabic while the second is prepared and issued in English. The English section is mainly reported to particular users whose native language is not Arabic. For consistency issues and as it is unfair to count the same information twice, it should be mentioned that only the Arabic version was taken into consideration in this thesis.

**Table 4.3: Mean Volume and Trends of CSRD**

No. of Companies' Annual Reports	8			8			7			16			14			11			64			
Category	Years																		Trends			
	2009			2010			2011			2012			2013			2014			Total 2009-2014			
	N	%	M	N	%	M	N	%	M	N	%	M	N	%	M	N	%	M	N	%	M	
Environmental Disclosure	752	34.94	94	1095	33.66	136.88	580	47.62	82.86	1897	42.12	118.56	1657	41.38	118.36	1406	52.27	127.82	7387	41.45	115.42	↑
Community Disclosure	102	4.74	12.75	47	1.44	5.88	50	4.11	7.14	178	3.95	11.13	111	2.77	7.93	96	3.57	8.73	584	3.28	9.125	↓
Consumer Disclosure	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
HR&E Disclosure	1217	56.55	152.13	1890	58.10	236.25	560	45.98	80	2205	48.96	137.81	1997	49.88	142.64	1090	40.52	99.09	8959	50.27	139.98	↓
Directors' Data Disclosure	3	0.14	0.38	21	0.65	2.63	15	1.23	2.14	55	1.22	3.44	25	0.62	1.79	0	0.00	0	119	0.67	1.86	↓
Corporate Governance Disclosure	44	2.04	5.5	105	3.23	13.13	3	0.25	0.43	121	2.69	7.56	141	3.52	10.07	82	3.05	7.45	496	2.78	7.75	↑
General Other Disclosure	34	1.58	4.25	95	2.92	11.88	10	0.82	1.43	48	1.07	3	73	1.82	5.21	16	0.59	1.45	276	1.55	4.31	↓
<b>Total</b>	<b>2152</b>	<b>100</b>	<b>269</b>	<b>3253</b>	<b>100</b>	<b>406.63</b>	<b>1218</b>	<b>100</b>	<b>174</b>	<b>4504</b>	<b>100</b>	<b>281.5</b>	<b>4004</b>	<b>100</b>	<b>286</b>	<b>2690</b>	<b>100</b>	<b>244.55</b>	<b>17821</b>	<b>100</b>	<b>278.45</b>	<b>↓</b>

**Notes:**

-N= number of words disclosed.

- % = N ÷ total amount of words, e.g. percentage of environmental disclosure in 2009 = 752 words ÷ 2152 = 34.94%.

- M = Mean = total of words frequency of CSRD for each year ÷ number of sources for each year, e.g. mean of CSRD 2009 = 2152 words ÷ 8 reports = 269 words.

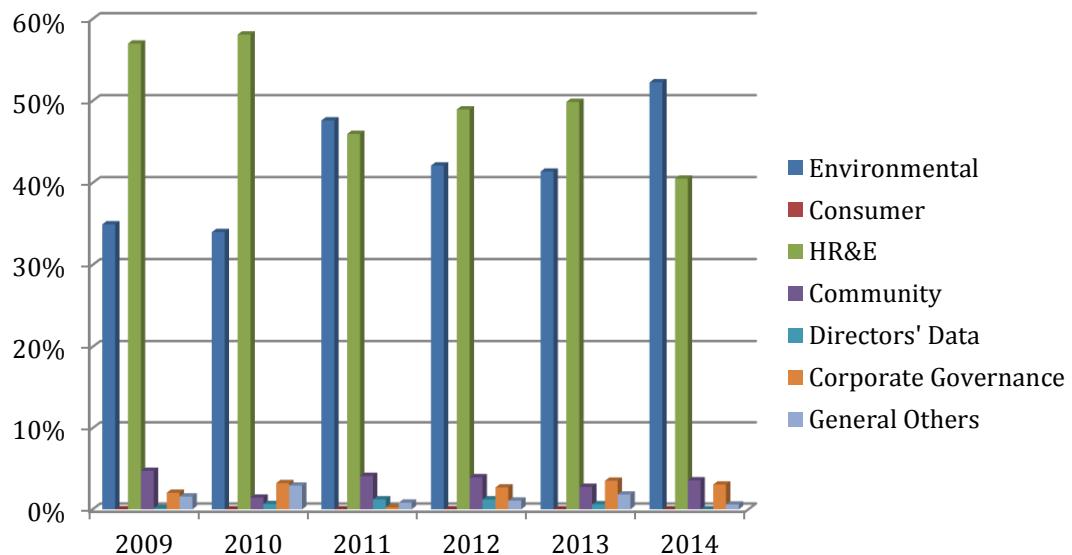
- Overall mean = total of words frequency of CSRD for all years ÷ total of sources, e.g. overall mean of CSRD = 17821 words ÷ 64 reports = 278.45 words.

- The figures for each year represent the total number of disclosures for the sample; the total amount of disclosure within each category is recorded as one incidence. For example, under the environmental category every time a company undertakes a disclosure regarding any of the environmental subcategories, this is counted as one incidence.

#### 4.2.2 Patterns of Disclosure

As is evident from Figure 4.2 (derived from Table 4.3), the most popular two areas of CSRD over the six-year period were HR&E and environmental disclosure, with 50.27% and 41.45%, respectively. The predominance of HR&E disclosure and environmental disclosure is consistent for each year.

**Figure 4.2: Proportion of CSRD over the Six-Year Period**



The level of disclosure of environmental issues in the Libyan extractive sector suggests that, while environmental protection and pollution concerns are getting more global attention, such disclosure is of secondary importance to the companies compared to disclosure of HR&E issues. The results of this thesis also indicate that low priority is given to the disclosure of community issues (3.28%), assuming a negligible degree of importance. The following are verbatim quotations that give examples of environmental, HR&E and community disclosures.

#### ***Environmental Disclosure***

*We consider that our activities must be carried out ensuring the protection and preservation of the environment through an efficient use of natural resources. Our commitment to comply with Libyan environmental legislation, company procedure and industry best practices will be applied to our operations. These regulations and*

*practices will be applied from the field to storage areas and will be passed on to our customers and contractors.* (Company 1, 2014: 8)

### ***HR&E Disclosure***

*In order to upgrade the levels of the company's employees to fulfil the shortage in technical and scientific specializations and to help provide them with the necessary knowledge and skills for the improvement of work, the training and development department establishes and administrates local and overseas training programmes. This is for national employees in various specializations related to the oil industry, namely: environmental and pollution control, waste management, health and safety, computing, materials, accounting, administrative, and English language courses. Local and overseas (with distribution) training programmes conducted during the year are illustrated in the following table.* (Company 8, 2014: 47)

<b><i>Training</i></b>	<b><i>Number</i></b>	<b><i>Percentage</i></b>
<i>Local training</i>	150	73
<i>Overseas training</i>	55	27
<b><i>Total</i></b>	<b>205</b>	<b>100</b>
<b><i>Distribution of overseas training</i></b>		
<i>Egypt</i>	11	20
<i>Jordan</i>	10	18
<i>Malaysia</i>	6	11
<i>UK</i>	20	37
<i>USA</i>	2	4
<i>Australia</i>	1	2
<i>Canada</i>	2	4
<i>Italy</i>	2	4
<b><i>Total</i></b>	<b>54</b>	<b>100</b>

### ***Community Disclosure***

*The safeguard and respect of people as well as the socio-economic development of the communities where it operates have always been guiding principles for the NOC. The company's mission is to continue to grow through planning and realisation of new business ventures, and we favour sustainable development of the host community, adding value and generating growth opportunities for the future. The NOC strongly believes that the only effective means to ensure sustainable development for the future is to manage relations with all its relevant stakeholders efficiently and with respect. Therefore, all the company's activities are conducted according to continuous and*

*effective engagement with and involvement of every stakeholder, conscious that dialogue and interaction with the civil society are assets to the company itself.* (Company 7, 2012: 6)

Although disclosure of directors' data and corporate governance issues have become popular areas of disclosure in the UK, partly as a result of increased regulation (Momin, 2006), such issues were negligible within the surveyed sample of this thesis. This was the case both in terms of the percentage of firms reporting in these categories and the mean volume of disclosure undertaken. This can be explained by the fact that director and corporate governance issues are a very recent phenomenon in Libya. Previous studies in the Libyan context limited the term of CSRD to five categories of disclosure (i.e. environmental, consumer, community, HR&E and other CSRD-related information).

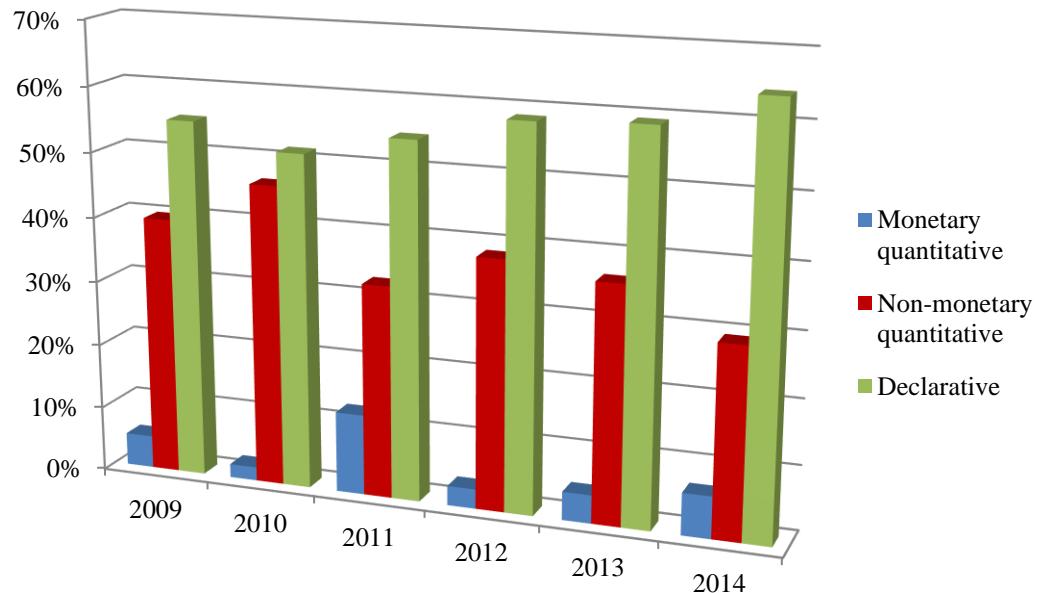
However, there is some recognition in the literature that this exclusive focus on the five mentioned categories might not give a comprehensive picture of all CSRD practices in a country. Following the databases provided by Chambers (2003) and CSEAR (2004), two other categories, namely directors' disclosure and corporate governance, were added as parts of CSRD in this thesis. The capturing of CSRD evidence (monetary quantitative, non-monetary quantitative or declarative) and CSRD type (bad, neutral or good) can contribute to enriching the content analysis data and assessing the quality of the information disclosed (Zubek, 2008). Therefore, the following two sections analyse the practice of CSRD according to its evidence and type.

#### **4.2.3 Evidence and Types of Disclosure**

Figure 4.3 (derived from Table 4.4) below illustrates the proportion of CSRD containing the communication of monetary quantitative, non-monetary quantitative and declarative information. The results show that declarative disclosure accounts for the highest proportion of CSRD practices in the communication means of the sampled companies, representing more than 57% of the total proportion. Non-monetary quantitative disclosure accounted for around 38% and the remaining 5% was monetary. While the proportion of quantitative disclosure declined marginally, there was a slight

increase in the proportion of declarative disclosure. Monetary disclosure fluctuated over the period.

**Figure 4.3: CSDR Evidence over the Six-Year Period**



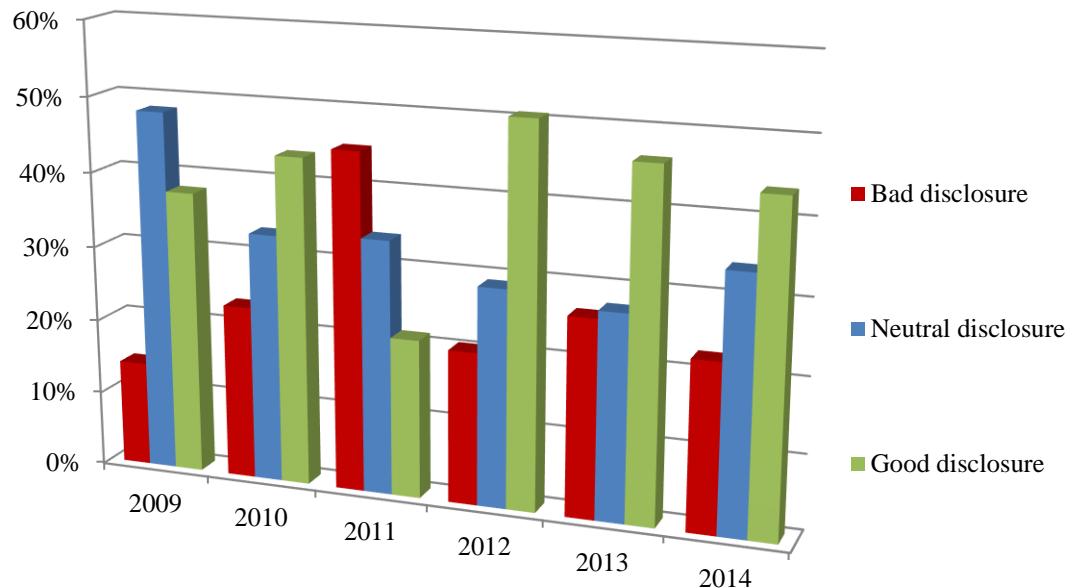
**Table 4.4: CSDR Evidence Analysis over the Six-Year Period**

Years \ CSDR Evidence	2009		2010		2011		2012		2013		2014		Total 2009-2014	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Monetary quantitative	46	5.05	65	2.1	167	12.5	172	3.03	177	4.38	178	6.5	805	4.77
Non-monetary quantitative	759	39.82	1569	46.36	396	32.74	1567	38.4	1379	36.39	708	29.28	6378	37.72
Declarative	1347	55.13	1619	51.46	655	54.76	2765	58.57	2448	59.23	1804	64.22	10638	57.51
Total	2152	100	3253	100	1218	100	4504	100	4004	100	2690	100	17821	100

Figure 4.4 (compiled from Table 4.5) indicates that the majority of the total volume of CSDR was good in the disclosures, with this orientation representing almost 43% of the total proportion. Neutral disclosure orientation accounted for nearly 34%, with 23% bad. The trends of disclosure type demonstrate a slight increase in the proportion of

good and bad disclosure, whereas a slight decrease was shown in neutral-oriented disclosures.

**Figure 4.4: CSRD Type Analysis over the Six-Year Period**



**Table 4.5: CSRD Type Analysis over the Six-Year Period**

Years CSRDI Type	2009		2010		2011		2012		2013		2014		Total 2009-2014	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Bad Disclosure	371	14	875	23.2	614	45	913	20.35	1061	26.36	653	22.48	4487	23.38
Neutral disclosure	917	48.2	1142	33.16	306	33.84	1311	29	1168	27.4	877	33.95	5721	33.84
Good disclosure	864	37.8	1236	43.64	298	21.16	2280	50.65	1775	46.24	1160	43.57	7613	42.78
Total	2152	100	3253	100	1218	100	4504	100	4004	100	2690	100	17821	100

The following are verbatim quotations that outline examples of bad, neutral and good qualitative disclosures.

***Bad Disclosure***

*The statistic of manpower for the year illustrates a decrease in the number of qualified national employees due to the lack of financial incentives. 185 national employees resigned despite the tireless efforts taken by the management of the company to keep them. In addition to this, obtaining the required employment approval for specialist expatriate staff and the restriction on contract renewals of present expatriate employees whose age has exceeded 50 years was a major concern. Thus, this negatively affects the company's ability to replace specialist expatriate position losses in manpower.* (Company 4, 2009: 36)

***Neutral Disclosure***

*Chemicals at all warehouses should be stored, handled and transferred in accordance with international standards. All required equipment should be fulfilled and special training programs should be conducted for all concerned personnel. Ordering and handling chemicals must consider efficiency, economy and safety issues. In addition, the company should search for and try environmentally friendly chemicals. The environmental engineers should be supported and given the responsibilities to play their roles in protecting the environment.* (Company 15, 2012: 7)

***Good Disclosure***

*The department of HSE prepared and carried out safety training courses for second-line safety supervisors as part of personal development programs. The safety standard of drilling and work over rigs has been improved after all non-conformance issues were rectified and awaiting third party inspection and certification.* (Company 17, 2010: 3)

The preceding sections investigate the overall trends in both the incidence and volume of total CSRD over the period of six years from 2009 to 2014. The following sections consider the social and environmental disclosures undertaken in more detail in order to outline the impact of company characteristics on the level of CSRD.

### **4.3 The Relationship between Company Characteristics and CSRD Levels**

#### **4.3.1 Analysis of CSRD According to Company Size**

Company size has been identified in the CSRD literature using a range of different measurements (e.g. the number of employees, total asset value, sales volume, the

market value of equity, capital employed and turnover, etc.).<sup>9</sup> Obtaining information on Libyan companies' total assets value, equity market value or sales volume can be difficult. The confidentiality associated with obtaining such information makes the measurement of these values problematic. Table 4.6 provides the mean volume of CSRD practices, as calculated from number of words devoted to CSRD in the annual reports published by small, medium and large companies operating in the Libyan extractive sector between 2009 and 2014. From data in the companies' annual reports, around 41% of companies sampled (7 companies) are large in size, 35% (6 companies) are medium and 24% (4 companies) are small.

Large companies provide more CSRD information than the small and medium companies, with an overall mean of 296.10 words compared to 251.60 words and 272.52 words, respectively. The average amount of CSRD fluctuated throughout the period in all three groups. The overall percentage of CSRD was around 41.53% in the large companies, compared to approximately 44% and 14.12% in the medium and small companies, respectively (see also Figure 4.5).

Looking at the means and percentages of CSRD for each year, clearly a difference in the level of CSRD between small, medium and large companies can be identified, and this difference is in favour of large companies. In order to determine whether the difference in the amount of CSRD published by small, medium and large extractive companies is or is not significant, the One-Way ANOVA test was undertaken. The results indicate that there is no statistically significant difference between these groups ( $p$ -value = 0.520,  $F$  0.677). The calculated  $F$  value is less than the critical  $F$  (3.55) and the  $p$ -value is greater than 0.05.

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<sup>9</sup>In this thesis, number of employees was used as the measurement of company size. The NOC's definition of company size was adopted to classify companies as follows:

- A small enterprise is defined as an enterprise which employs fewer than 2000 persons,
- A medium-sized enterprise is defined as an enterprise which employs fewer than 5000 persons,
- A large-sized enterprise is defined as an enterprise which employs more than 5000 persons.

This measure was based on an interview with a Head of the Investment and Management Committees, Department Management in the NOC, October 2016.

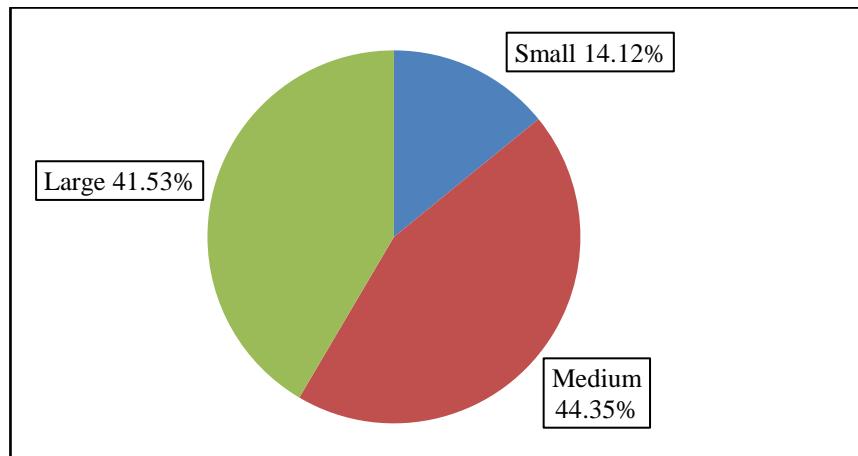
**Table 4.6: Descriptive Statistics for CSRD Practice by Size**

Company Size	Year Statistics	2009	2010	2011	2012	2013	2014	Total 2009-2014
Small	N. of sources	1	2	1	4	2	0	10
	N. of words	440	640	252	795	389	0	2516
	Mean	440	320	252	198.75	194.5	-	251.60
	%	20.45%	9.84%	20.69%	4.41%	4.86%	-	14.12%
	Minimum	0	201	0	25	61	0	
	Maximum	440	439	252	539	328	0	
	SD	311.13	168.29	178.19	232.94	188.80	-	
Medium	N. of sources	5	4	4	6	6	4	29
	N. of words	1373	1636	301	1713	2004	876	7903
	Mean	274.6	409	75.25	285.50	334	219	272.52
	%	63.80%	50.29%	24.71%	38.03%	50.05%	32.57%	44.35%
	Minimum	100	53	18	77	98	51	
	Maximum	535	832	112	543	627	347	
	SD	179.37	331.33	40.90	175.69	216.90	144.58	
Large	N. of sources	2	2	2	6	6	7	25
	N. of words	339	977	665	1996	1611	1814	7402
	Mean	169.5	488.5	332.5	332.7	268.5	259.1	296.1
	%	15.75%	30.03%	54.60%	44.32%	40.23%	67.43%	41.53%
	Minimum	90	213	190	139	116	37	
	Maximum	249	764	475	473	438	552	
	SD	112.43	389.62	201.53	149.64	123.03	187.45	

**Notes:**

- Mean = total of words frequency of CSRD for each year ÷ number of sources for each year, e.g. mean of CSRD 2009 = 440 words ÷ 1 report = 440 words.
- Overall mean = total of words frequency of CSRD for all years ÷ total of sources, e.g. overall mean of CSRD = 2516 words ÷ 10 reports = 251.60 words.
- % = the mean of each year ÷ the mean of each year of small companies + the mean of each year of medium companies + the mean of each year of large companies, e.g. % of 2009 = 440 ÷ (440 + 274.6 + 169.5).

For more details, see Appendix 4.2.

**Figure 4.5: Overall Ratio of CSDR by Size**

The results of the Pearson correlation test ( $r = 0.264$  and  $p\text{-value} = 0.248$ ) demonstrate that there is no significant relationship between company size and the level of CSDR in Libya. Accordingly, the null hypothesis is accepted:

***H<sub>0</sub>: That there is no positive relationship between levels of CSDR practices and company size.***

and the following alternative hypothesis is rejected:

***H<sub>1</sub>: That there is a positive relationship between levels of CSDR practices and company size.***

### 4.3.2 Analysis of CSDR According to Company Age

This section seeks to examine whether CSDR practice differs in old and new companies. Company age is divided into old and new.<sup>10</sup> The analysis of the mean volume of disclosure made by each group indicates that nearly 47% of companies sampled (8 companies) are old and 53% (9 companies) are new. The mean volume of CSDR for each group is demonstrated in Table 4.7.

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<sup>10</sup>According to the NOC, a company is classified as old if it has exceeded the useful life of thirty-six years (i.e. it was established before 1980), while new companies are thirty-eight years old or less. This measure was based on an interview with the Head of the Investment and Management Committees, Department Management in the NOC, October 2016.

**Table 4.7: Descriptive Statistics for CSRD Practice by Age**

Company Age	Year Statistics	2009	2010	2011	2012	2013	2014	Total 2009-2014
Old	N. of sources	2	2	2	7	7	7	27
	N. of words	784	1596	266	2434	2082	1698	8860
	Mean	392	798	133	347.71	297.43	242.57	328.15
	%	63.23%	74.29%	41.13%	60.19%	52%	49.45%	57.54%
	Minimum	90	213	76	132	105	37	
	Maximum	535	832	475	543	627	552	
	SD	202.23	48.08	80.61	150.65	168.22	170.81	
New	N. of sources	6	6	5	9	7	4	37
	N. of words	1368	1657	952	2070	1922	992	8961
	Mean	228	276.17	190.4	230	274.57	248	242.19
	%	36.77%	25.71%	58.87%	39.81%	48%	50.55%	42.46%
	Minimum	100	53	18	25	61	51	
	Maximum	196	272	95	380	364	146	
	SD	147.85	159.45	180.11	187.60	185.89	184.84	

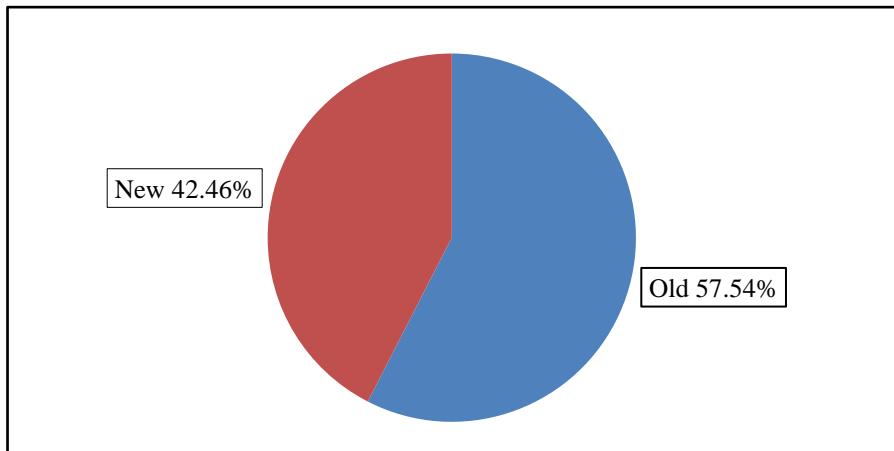
**Notes:**

- Mean = total of words frequency of CSRD for each year ÷ number of sources for each year, e.g. mean of CSRD 2009 = 784 words ÷ 2 reports = 392 words.
  - Overall mean = total of words frequency of CSRD for all years ÷ total of sources, e.g. overall mean of CSRD = 8860 words ÷ 27 reports = 328.15 words.
  - % the mean of each year ÷ the mean of each year of old companies + the mean of each year of new companies, e.g. % of 2009 = 392 ÷ (392 + 228).
- For more details, see Appendix 4.3.

The table indicates that the mean level of CSRD by old companies decreased from 392 words in 2009 to 242.57 words in 2014. The mean level of CSRD by new companies increased slightly from 228 words in 2009 to 248 words in 2014. The percentages for CSRD in old and new companies differed throughout the period. The mean disclosure was found to be higher in old companies than new companies. The results of the descriptive analysis reveal that the mean level of total disclosure reported by old companies reached 328.15 words on average, with the new companies reaching 242.19 words. The percentages of CSRD for old companies were 63.23%, 74.29%, 41.13%, 60.19%, 52% and 49.45% in 2009, 2010, 2011, 2012, 2013 and 2014, respectively, while the equivalent figures for new companies were 36.77%, 25.71%, 58.87%, 39.81%, 48% and 50.55%. The ratio of the overall mean of CSRD is 57.54% in old

companies, while it is 42.46% in new companies. The difference in the amount of CSRD being provided by various companies may be significant, and this difference is in favour of old companies (see also Figure 4.6).

**Figure 4.6: Overall Ratio of CSRD by Age**



A T-test was undertaken to test the influence of company age on the level of CSRD. The result indicates that there is no significant difference between the two groups. The calculated T value is less than 2.160 and the p-value is higher than 0.05 (T score significance is T- statistic = 1.33, p-value = 0.207). Pearson correlation results ( $r = -.401$  and p-value = 0.155) indicate that the relationship between company age and level of CSRD does not appear to be significant. Accordingly, the null hypothesis is accepted:

*H<sub>0</sub>: That there is no positive relationship between levels of CSRD practices and company age.*

and the following alternative hypothesis is rejected:

*H<sub>1</sub>: That there is a positive relationship between levels of CSRD practices and company age.*

### **4.3.3 Analysis of CSRD According to Whether a Company is Public or Private.**

The descriptive statistics for CSRD practices as presented in the annual reports of public and private extractive companies in Libya and the distribution between different companies are presented in Table 4.8. The table shows that the average amount of CSRD fluctuated during the period in the two groups. Public companies achieved their

highest percentage (nearly 92%) in 2011, while private companies achieved theirs (almost 26%) in 2009. The table clearly shows the difference in the amount of CSRD practice between the two groups.

**Table 4.8: Descriptive Statistics for CSRD Practice by Private/Public**

Public or Private	Year Statistics	2009	2010	2011	2012	2013	2014	Total 2009-2014
<b>Public</b>	N. of sources	7	7	6	15	13	10	58
	N. of words	2052	3200	1200	4427	3906	2639	17424
	Mean	293.14	457.14	200	295.13	300.46	263.9	300.41
	%	74.56%	89.61%	91.74%	79.31%	75.41%	83.80%	81.95%
	Minimum	90	201	76	25	61	37	
	Maximum	535	832	475	543	627	552	
	SD	162.22	256.57	150.05	174.78	168.55	162.08	
<b>Private</b>	N. of sources	1	1	1	1	1	1	6
	N. of words	100	53	18	77	98	51	397
	Mean	100	53	18	77	98	51	66.17
	%	25.44%	10.39%	8.26%	20.69%	24.59%	16.20%	18.05%
	Minimum	100	53	18	77	98	51	
	Maximum	100	53	18	77	98	51	
	SD	0	0	0	0	0	0	

**Notes:**

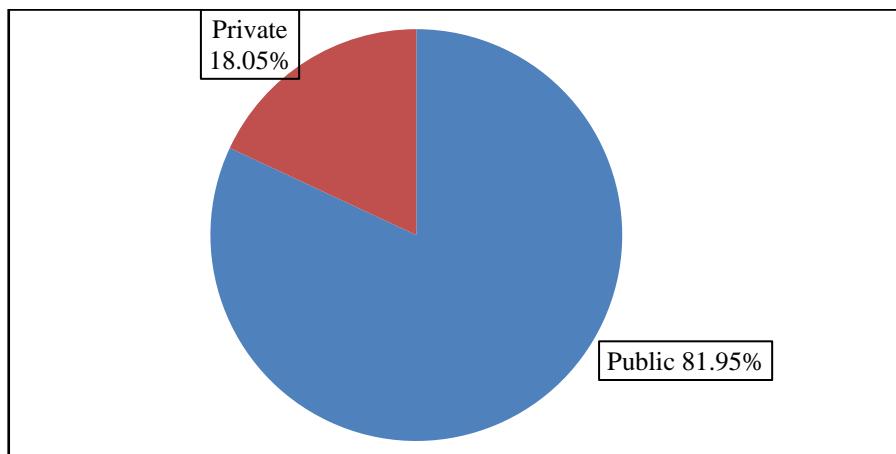
- Mean = total of words frequency of CSRD for each year ÷ number of sources for each year, e.g. mean of CSRD 2009 = 2052 words ÷ 7 reports = 293.14 words.

- Overall mean = total of words frequency of CSRD for all years ÷ total of sources, e.g. overall mean of CSRD = 17424 words ÷ 58 reports = 300.41 words.

- % = the mean of each year ÷ the mean of each year of public companies + the mean of each year of private companies, e.g. % of 2009 = 293.14 ÷ (293.14 + 100).

For more details, see Appendix 4.4.

The total ratio of CSRD was nearly 82% in public companies, while it was less than 19% in private companies. Therefore, the difference in the amount of CSRD being produced by the two groups of companies may be significant, and this difference favours public companies (see also Figure 4.7).

**Figure 4.7: Overall Ratio of CSDR by Private/Public**

To determine whether there is a significant difference regarding the volume of CSDR between the different kinds of company in terms of whether a company is public or private, a T-test was undertaken between the two groups of companies. The test shows that the calculated T value is greater than 2.160 and the level of significance is less than 0.05 (T score significance is T- statistic = 7.52, p-value = 6.98E-006). Therefore, the difference in disclosure between public and private companies is found to be significant. The results of a Pearson correlation test ( $r = -0.908$  and  $p\text{-value} = 0.0000007$ ) show that there is a significant relationship between whether a company is public or private and the level of CSDR in Libya. Accordingly, the null hypothesis is rejected:

*$H_0$ : That there is no positive relationship between levels of CSDR practices and whether a company is public or private.*

and the following alternative hypothesis is accepted:

*$H_1$ : That there is a positive relationship between levels of CSDR practices and whether a company is public or private.*

#### **4.3.4 Analysis of CSDR According to Company Ownership Structure**

The level of CSDR was examined across the ownership groups operating in the Libyan extractive sector (CFO, CJV and CEPSA). Table 4.9 summarises the descriptive statistics for CSDR practices in the reports and their distribution across the different company types. CJV companies were consistently found to be the highest in CSDR.

**Table 4.9: Descriptive Statistics for CSRD Practice by Ownership Structure**

Company Ownership Structure	Year Statistics	2009	2010	2011	2012	2013	2014	Total 2009-2014
CFO	N. of sources	3	3	4	9	7	5	31
	N. of words	892	1305	473	2028	1699	669	7066
	Mean	297.33	435	118.25	225.33	242.71	133.8	227.94
	%	43.26%	45.23%	23.66%	32.09%	34.26%	23.12%	33.63%
	Minimum	161	201	76	25	61	37	
	Maximum	535	832	190	543	627	222	
	SD	206.57	345.64	50.04	177.76	199.55	66.08	
CJV	N. of sources	4	4	2	6	6	5	27
	N. of words	1160	1895	727	2399	2207	1970	10358
	Mean	290	473.75	363.5	399.83	367.83	394	383.63
	%	42.19%	49.26%	72.74%	56.94%	51.91%	68.07%	56.60%
	Minimum	90	213	252	213	259	276	
	Maximum	440	764	475	539	528	552	
	SD	155.42	226.18	157.68	114.25	101.38	111.47	
CEPSA	N. of sources	1	1	1	1	1	1	6
	N. of words	100	53	18	77	98	51	397
	Mean	100	53	18	77	98	51	66.17
	%	14.55%	5.51%	3.60%	10.97%	13.83%	8.81%	9.76%
	Minimum	100	53	18	77	98	51	
	Maximum	100	53	18	77	98	51	
	SD	0	0	0	0	0	0	

**Notes:**

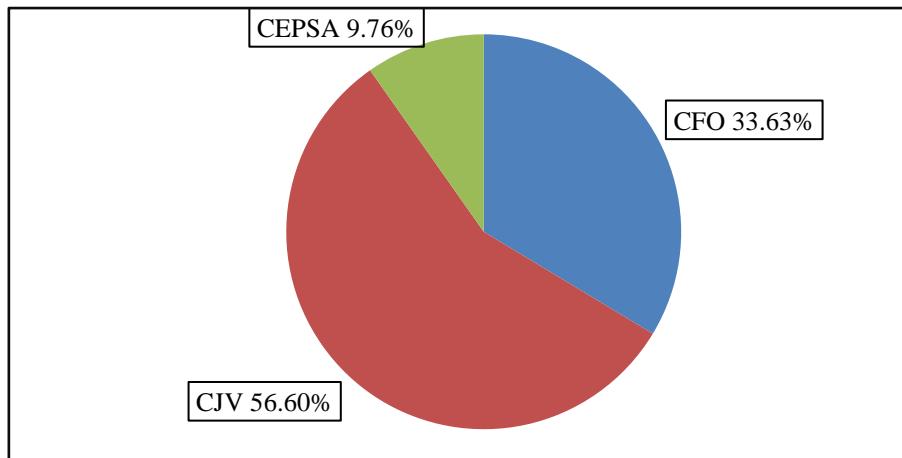
- Mean = total of words frequency of CSRD for each year ÷ number of sources for each year, e.g. mean of CSRD 2009 = 892 words ÷ 3 reports = 297.33 words.
- Overall mean = total of words frequency of CSRD for all years ÷ total of sources, e.g. overall mean of CSRD = 7066 words ÷ 31 reports = 227.94 words.
- % = the mean of each year ÷ the mean of each year of CFO companies + the mean of each year of CJV companies + the mean of each year of CEPSA companies, e.g. % of 2009 = 297.33 ÷ (297.33 + 290 + 100).

For more details, see Appendix 4.5.

The results indicate that the overall mean of the volume of disclosure provided by CJV companies totalled 383.63 words. The CFO group ranked second with 227.94 words, whereas the mean disclosure provided by CEPSA group was 66.17 words. The table shows that the average amount of CSRD fluctuated throughout the period in all three groups. CFO companies achieved their highest percentage (nearly 46%) in 2010, while

CEPSA companies achieved theirs (almost 15%) in 2009. The highest percentage of mean total CSRD (72.74%) was achieved by CJV companies in 2011. The total ratio of CSRD was nearly 34% in CFO companies, while it was less than 10% in CEPSA companies. CJV companies reached 56.60% in the ratio of mean total CSRD. Therefore, the difference in the amount of CSRD being provided by various companies may be significant, and this difference favours CJV companies (see also Figure 4.8).

**Figure 4.8: Overall Ratio of CSRD by Ownership Structure**



A One-Way ANOVA test was conducted to identify whether the difference in the amount of CSRD practices between the three types of companies is significant. The results shows that there is in fact a statistically significant difference between these groups ( $p\text{-value} = 6.62\text{E-}007$ ,  $F = 34.73$ ). The calculated F value is higher than critical F (3.55) and the p-value is less than 0.05. The results of a Pearson correlation test ( $r = -0.490$  and  $p\text{-value} = 0.024$ ) imply that there is a significant relationship between company ownership structure and the level of CSRD in Libya. Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: That there is no positive relationship between levels of CSRD practices and ownership structure.***

and the following alternative hypothesis is accepted:

***H<sub>1</sub>: That there is a positive relationship between levels of CSRD practices and ownership structure.***

### 4.3.5 Analysis of CSDR According to Company Activity Type

Company activity in the Libyan extractive sector can be divided into four types, namely exploration (E), production (P), both (E&P), or service and refining (S&R). Analysis of the mean level of disclosure made by each group indicates that nearly half of the sample (seven companies) are involved in P&E activities, seven companies in S&R activities, one company in P and the final two companies in E. This section aims to establish whether CSDR practice differs between these companies. It seeks to identify whether there is a relationship between the level of CSDR and company activity type. Table 4.10 presents the descriptive statistics for CSDR practices reported by different company activities. From the table, companies involved in P activities were found to report the highest levels of CSDR (see also Figure 4.9).

The overall mean of total disclosure produced by the P sample reaches 358.67 words on average, with minimum and maximum words increasing from 90 in 2009 to 463 in 2014. Companies involved in both (P&E) activities ranked second with 355.85 words. The minimum number of words declined from 249 to 141 and the maximum from 440 to 552. The overall mean of total disclosure produced by the S&R and E activity groups was 240.26 and 66.88 words, respectively. The P&E group achieved its highest percentage (nearly 45%) in 2010, while the S&R and E groups achieved theirs (around 35% and 12%) in 2009. The highest percentage of mean total CSDR (approximately 59%) was achieved by the P group in 2011. The overall ratio of CSDR was more than 35% in the P companies, compared to nearly 35%, 24 % and 7% in the P&E, S&R and E companies, respectively.

The difference in the amount of CSDR being provided by the various groups may be significant, and this difference is in favour of the P group. In order to determine whether there is or is not a significant difference regarding the level of CSDR between the various groups' activities, a One-Way ANOVA test was conducted. The result revealed that there is indeed a statistically significant difference.

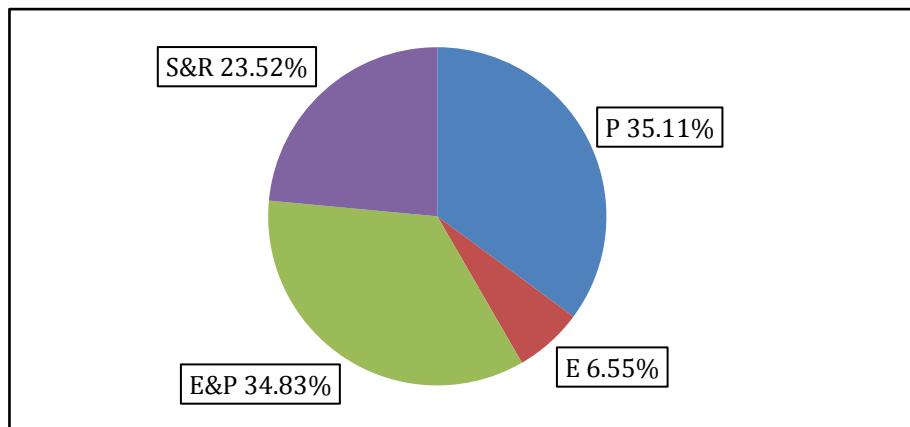
**Table 4.10: Descriptive Statistics for CSRD Practice by Type of Activity**

Company Activity type	Year Statistics	2009	2010	2011	2012	2013	2014	Total 2009-2014
P	N. of sources	1	1	1	1	1	1	6
	N. of words	90	213	475	473	438	463	2152
	Mean	90	213	475	473	438	463	358.67
	%	10.66%	16.88%	58.76%	41.62%	38.73%	49.91%	35.11%
	Minimum	90	213	475	473	438	463	
	Maximum	90	213	475	473	438	463	
	SD	0	0	0	0	0	0	
E	N. of sources	1	1	1	2	2	1	8
	N. of words	100	53	18	154	159	51	535
	Mean	100	53	18	77	79.5	51	66.88
	%	11.85%	4.20%	2.23%	6.77%	7.03%	5.50%	6.55%
	Minimum	100	53	18	77	98	51	
	Maximum	100	53	18	77	61	51	
	SD	0	0	0	0	26.16	0	
P&E	N. of sources	3	3	2	7	6	6	27
	N. of words	1070	1682	442	2504	2040	1870	9608
	Mean	356.67	560.67	221	357.71	340	311.67	355.85
	%	42.26%	44.44%	27.34%	31.47%	30.06%	33.60%	34.83%
	Minimum	249	439	19	154	259	141	
	Maximum	440	764	252	539	528	552	
	SD	97.80	177.22	43.84	134.48	101.19	139.90	
S&R	N. of sources	3	3	3	6	5	3	23
	N. of words	892	1305	283	1373	1367	306	5526
	Mean	297.33	435	94.33	228.83	273.4	102	240.26
	%	35.23%	34.48%	11.67%	20.13%	24.18%	11.00%	23.52%
	Minimum	161	201	76	25	105	37	
	Maximum	535	832	112	543	627	146	
	SD	206.57	345.64	18.01	192.95	223.83	57.45	

**Notes:**

- Mean = total of words frequency of CSRD for each year ÷ number of sources for each year, e.g. mean of CSRD 2009 = 90 words ÷ 1 reports = 90 words.
- Overall mean = total of words frequency of CSRD for all years ÷ total of sources, e. g. overall mean of CSRD = 2152 words ÷ 6 reports = 358.67 words.
- % = the mean of each year ÷ the mean of each year of P companies + the mean of each year of E companies + the mean of each year of P&E companies + the mean of each year of S&R companies, e.g. % of 2009 = 90 ÷ (90 + 100 + 356.67 + 297.33).

For more details, see Appendix 4.6.

**Figure 4.9: Overall Ratio of CSDR by Type of Activity**

The results reveal that there is in fact a statistically significant difference between these groups ( $p\text{-value} = 7.78\text{E-}005$ ,  $F = 11.37$ ). The calculated F value is higher than critical F (3.01) and the p-value is less than 0.05. However, the results of a Pearson correlation test ( $r = -0.047$  and  $p\text{-value} = 0.813$ ) revealed that there is no significant relationship between company activity type and the level of CSDR in Libya. Accordingly, the null hypothesis is accepted:

*$H_0$ : That there is no positive relationship between levels of CSDR practices and a company's activity type.*

and the following alternative hypothesis is rejected:

*$H_1$ : That there is a positive relationship between levels of CSDR practices and a company's activity type.*

#### 4.3.6 Analysis of CSDR According to Company Activity Location

Companies are divided into two groups according to the location of their activities: onshore or both on and offshore. This section aims to establish whether CSDR practice differs between these groups. It seeks to identify whether there is a relationship between the level of CSDR and the location of a company's activities. The amount of CSDR practices reported by different groups and the associated descriptive statistics are presented in Table 4.11. The mean rows indicate that companies operating in both onshore and offshore locations disclosed more. The total mean for this group was 438.6 words. The level of CSDR produced by this group increased from 344.5 words in 2009

to 552 words in 2014. The minimum disclosure decreased from 249 to 0 words and the maximum from 440 to 552 words.

The peak in the percentage (72.08%) of disclosure for this group was in 2014. The onshore group ranked lower with a total average of 248.80 words, with minimum words decreasing from 90 to 37 and maximum from 535 to 463 words. Onshore companies achieved their highest percentage (44.03%) in 2013. The total ratio of CSRD is 63.81% in companies operating in both locations, while it is 36.19% in the onshore group (see also Figure 4.10).

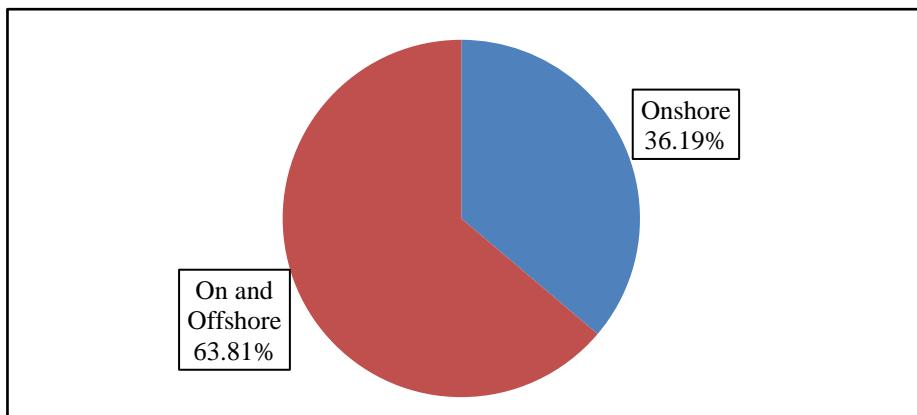
**Table 4.11: Descriptive Statistics for CSRD Practice by Activity Location**

Company Activity Location	Year Statistics	2009	2010	2011	2012	2013	2014	Total 2009-2014
Onshore	N. of sources	6	6	6	14	12	10	54
	N. of words	1463	2050	966	3514	3304	2138	13435
	Mean	243.8	341.67	161	251	275.3	213.8	248.80
	%	41.44%	36.23%	38.98%	33.65%	44.03%	27.92%	36.19%
	Minimum	90	53	18	25	98	37	
	Maximum	535	832	475	543	627	463	
	SD	177.25	277.06	163.63	167.38	183.01	138.91	
On and Offshore	N. of sources	2	2	1	2	2	1	10
	N. of words	689	1203	252	990	700	552	4386
	Mean	344.5	601.5	252	495	350	552	438.6
	%	58.56%	63.77%	61.02%	66.35%	55.97%	72.08%	63.81%
	Minimum	249	439	0	451	328	0	
	Maximum	440	764	252	539	372	552	
	SD	135.06	229.81	178.19	62.23	31.11	390.32	

**Notes:**

- Mean = total of words frequency of CSRD for each year ÷ number of sources for each year, e.g. mean of CSRD 2009 = 1463 words ÷ 6 reports = 243.8 words.
- Overall mean = total of words frequency of CSRD for all years ÷ total of sources, e.g. overall mean of CSRD = 13435 words ÷ 54 reports = 248.80 words.
- % = the mean of each year ÷ the mean of each year of onshore companies + the mean of each year of on and offshore companies, e.g. % of 2009 = 243.8 ÷ (243.8 + 344.5).

For more details see Appendix 4.7.

**Figure 4.10: Overall Ratio of CSRD by Location of Activity**

Looking at the means and percentages of CSRD for each group, a clear difference can be identified between them in terms of their level of CSRD. This difference seems to be in favour of companies operating in both on and offshore locations. In order to ascertain whether there is a significant difference regarding the volume of CSRD between these groups, a T-test was conducted. The result reveals that there is statistically significant difference between the location groups; the T score is significant at (T statistic = 3.59, p-value = 0.004), the calculated T value is greater than 2.160 and the p-value is less than 0.05. The results of a Pearson correlation test ( $r = -0.719$  and p-value = 0.004) show that there is a significant relationship between company activity location and the level of CSRD in Libya. Accordingly, the null hypothesis is rejected:

*H<sub>0</sub>: That there is no positive relationship between levels of CSRD practices and the location where companies operate.*

and the following alternative hypothesis is accepted:

*H<sub>1</sub>: There is a positive relationship between levels of CSRD practices and the location where companies operate.*

#### 4.4 CSRD: A Comparison between Libya and the UK

Previous studies on CSRD have concentrated on developed countries, in particular the USA and the UK. International literature and comparative studies have revealed a significant gap between developed and developing countries in CSRD practices, as CSRD is considered a Western phenomenon. As the purpose of this thesis is to present a comprehensive investigation and explanation of the CSRD phenomenon, the following

section provides a comparative investigation between Libya and a UK company as a basis for the empirical study.

To examine whether the results concerning the quantity of CSRD in Libya follow international distribution disclosure for data, an international glance at CSRD practices was conducted. This section outlines the main differences in the level and patterns of CSRD between Libya and an international example operating in a stable political environment in 2014 (the most recent year). BP was chosen for this comparison as it is one of the world's leading extractive companies, with around 84,500 employees and operations in almost 80 countries across the globe (BP Annual Report, 2014). Table 4.12 illustrates the CSRD provided by companies in different areas of social and environmental disclosure in Libya and from the perspective of the international standard for the year 2014.

**Table 4.12: CSRD Practices in Libya and BP Annual Report for the Year 2014**

Category	11			1		
	The Libyan context			An international context		
	N	%	M	N	%	M
Environmental disclosure	1406	52.27	127.82	454	18	454
Consumer disclosure	0	0.00	0	183	7	183
HR&E disclosure	1090	40.52	99.09	531	22	531
Community disclosure	96	3.57	8.73	145	6	145
Directors' data disclosure	0	0.00	0	450	18	450
Corporate governance disclosure	82	3.05	7.45	608	25	608
General other	16	0.59	1.45	98	4	98
<b>Total</b>	<b>2690</b>	<b>100</b>	<b>244.55</b>	<b>2469</b>	<b>100</b>	<b>2286</b>

**Notes:**

- N = number of words disclosed.
- M = Mean = total of words frequency of disclosure for each ÷ number of annual reports for the year, e.g. the mean of environmental disclosure of the Libyan context = 1406 words ÷ 11 reports = 127.82 words.
- % = N ÷ total amount of words, e.g. percentage of environmental disclosure = 1406 words ÷ 2690 words = 52.27%.

Consistent with expectations, the total volume of CSDR practices reported in Libya is very low compared to the international context. The table indicates that while on mean 244.55 words are related to CSDR issues in Libyan annual reports, this compares with a mean of 2286 words in the annual report of the international standard. The Mann-Whitney test was conducted to identify whether the difference in the amount of CSDR practices, as gauged by number of words, between the two contexts is significant, and then the following hypothesis was formulated:

***H<sub>0</sub>: There is no significant difference in levels and patterns of CSDR practices between Libyan companies and the international context.***

The result indicates that there is in fact a significant difference; the Z score is significant at (Z- statistic = -2.88, p-value = 0.003), the calculated Z value is below -1.96 and the p-value is less than 0.05. Accordingly, if this research question is expressed in the form of a hypothesis, the null hypothesis above may be rejected and the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is a significant difference in levels and patterns of CSDR practices between Libyan companies and the international context.***

With regard to the patterns of CSDR and as can be seen from Table 4.12, patterns of CSDR in the international example are significantly different to Libya. In the case of Libya, information regarding HR&E disclosure and environmental disclosure are the most popular areas of disclosure. The least popular area of disclosure is corporate governance followed by directors' data, and no disclosure occurs for consumer information. In the international case, corporate governance issues and HR&E related information appear to be the most popular disclosures in the annual reports. Environmental issues and directors' data were also given an important space in the annual reports of the international example, which demonstrates that these are the next popular areas of CSDR in annual reports. The least popular areas of disclosure are community and consumer disclosure.

Surprisingly, in Libya, a developing country, the percentages of HR&E and environmental issues disclosed are at a higher level than in the international context, although both issues are very recent phenomena in Libya. In terms of community

disclosure (society responsibility), the proportion of disclosure devoted to community involvement and charity issues in the annual reports is lower in Libya compared to the international context. The percentage was 6% in the international context and 3.57% in Libya. Table 4.13 presents a summary of the hypotheses tested in this chapter and their related results.

**Table 4.13: Summary of Hypotheses Tested and Related Results**

Hypotheses	No.	Expression	Results
	1	<i>There is a positive relationship between levels of CSDR practices and company size</i>	Rejected
	2	<i>There is a positive relationship between levels of CSDR practices and company age</i>	Rejected
	3	<i>There is a positive relationship between levels of CSDR practices and whether a company is public or private</i>	Accepted
	4	<i>There is a positive relationship between levels of CSDR practices and ownership structure</i>	Accepted
	5	<i>There is a positive relationship between levels of CSDR practices and a company's activity type</i>	Rejected
	6	<i>There is a positive relationship between levels of CSDR practices and the location where companies operate</i>	Accepted
	7	<i>There is a significant difference in levels and patterns of CSDR practices between Libyan companies and the international context</i>	Accepted

## 4.5 Discussion and Evaluation

This chapter has assessed the current state of CSDR in the annual reports of companies operating in the Libyan extractive sector from 2009 to 2014, with a view to testing the relationship between amounts of CSDR practice and company characteristics including size, age, whether a company is public or private, ownership structure, activity type and

activity location. In particular, it sought answers to the following questions. This section is structured based on the answers to these questions as follows:

**1. What are the trends in and levels of CSRD practices in the extractive companies operating in Libya?**

Annual reports were found to be the most popular means utilised by corporations operating in the Libyan extractive sector to disclose social and environmental related information, since the vast majority of the disclosing companies located their disclosure inside their annual reports. Other means of disclosure such as websites and separate social and environmental reports are still not common in Libya.

The results reveal that the total mean of reporting on CSRD issues decreased slightly between 2009 and 2014. Almost all sampled corporations produced some social and environmental related information in their annual reports. This high proportion of companies reflect the growing interest of corporations operating in the extractive sector in CSRD practices and is consistent with what has been reported in earlier studies (Mashat, 2005; Elmogla, 2009). In the Libyan extractive sector, authority has been given to the NOC to manage and direct oil companies. As a result, this increase in the number of companies disclosing information related to their social and environmental activities may be in response to requests for such information from the NOC.

**2. What social information categories have been disclosed in the annual reports and which are most prevalent?**

The most popular area of CSRD was related to HR&E, followed by environmental disclosure. The predominance of HR&E and environmental disclosure is consistent for each year. The least popular theme of disclosure is information on consumers, which indicates that companies are not very concerned with this element of CSRD. The results also indicate a low priority given to community disclosure, assuming a negligible perception of importance. Although disclosure of director and corporate governance issues have become popular in some countries such as the UK, partly as a result of increased regulation (Momin, 2006), such issues were negligible within the surveyed

sample of this thesis. This was the case both in terms of the percentage of firms reporting in those categories and the mean volume of disclosure undertaken. This can be explained by the fact that director and corporate governance issues are a very recent phenomenon in Libya.

The overall pattern of CSRD in Libya found in this thesis is consistent with the findings of other studies conducted in the Libyan context and even those related to other countries, both developed and developing. Mashat (2005) found that HR&E information is the most important category in annual reports of 56 Libyan business enterprises from different sectors (manufacturing, service, and banking and insurance). He also found that CSRD is made on some other common issues such as environmental and community disclosure. Disclosure of consumer information was found to be negligible in these studies, which is consistent with the results of this thesis. However, in terms of the total volume of CSRD practices, the findings of this thesis differ from Mashat (2005). This could be due to the different measurement unit utilised in this thesis compared to Mashat's study. While he coded by number of pages, this thesis utilises number of words as its measurement unit.

Abu-Baker and Naser (2000) conclude that HR&E issues have the highest level of disclosure in Jordanian companies' annual reports. Momin (2006) indicates that almost 100% of companies both in the UK and Bangladesh disclose employee information. Saleh (2009) found that most Malaysian companies disclose social and environmental information concerned with HR&E issues. HR&E-related information was also found to be the most important information in Hong Kong (Lynn, 1992) and Egypt (Rizk et al., 2008). In developed countries, Hackston and Milne (1996) report that HR&E disclosure is one of the most important categories in New Zealand firms.

### **3. What types of disclosures i.e. bad, neutral and/or good are produced by these companies?**

Most of the CSRD provided is in the form of good or neutral disclosure. Little attention has been given to bad disclosure that could hamper the economic interests and social image of corporations. Using this perspective, CSRD is only seen as useful if it can be

used to enhance a company's corporate image or reputation. Companies in Libya seem to be using CSRD to legitimise their continued existence, enhancing their image within society in order to avoid any social pressure. They do compete for reputation status in institutional fields and seek to influence society's assessments by signalling their salient advantages. Results provide evidence that meeting the expectations of society is a key driver for extractive companies operating in Libya.

**4. What evidence of disclosure (monetary quantitative, non-monetary quantitative or declarative) are mainly disclosed by the disclosing companies?**

The results show that declarative disclosure accounts for the highest proportion of CSRD practices in the annual reports of the sampled companies. Non-monetary quantitative disclosure accounted second and the remaining was monetary.

**5. Is there a positive relationship between levels of CSRD and company characteristics, namely size, age, whether a company is public or private, ownership structure, activity type and activity location?**

***The Relationship between Levels of CSRD and Company Size***

The results of the content analysis confirm that level of CSRD practice is not positively associated with the size of company. These results are similar and consistent with many previous studies that have not supported a size-disclosure relationship. Roberts (1992), for example, found no significant relationship between company size and volume of CSRD. Looking at HR as an area of CSRD, Zubek (2008) found no significant correlation between company size and the level of HR disclosure in Libya. Nalukenge et al. (2017), who investigated the relationship between corporate governance and firm-specific characteristics in financial reporting of microfinance institutions in Uganda, found no significant relationship between corporate governance and company size.

However, these results are not consistent with a number of previous studies that have found a positive relationship between CSRD and company size. Patten (1991) found that company size is a significant explanatory variable of CSRD. Hackston and Milne

(1996) examine the annual reports of the largest 47 organisations listed on the New Zealand Stock Exchange in 1992, finding an association between company size and CSRD. Using content analysis to examine a sample of 150 annual reports of the largest 25 companies from a group of six Western European countries, Adams et al. (1998) found that company size is a significant factor in influencing patterns and volume of CSRD. Alnajjar (2000) tends to support the hypothesized association between company size and CSRD in UK. This result is consistent with Cormier and Gordon's (2001) findings when they examined the strategies of CSRD in Canada; they related the difference between the publicly owned firms and the privately owned firms in CSRD to the size of firms. Adams (2002) and Silberhom and Warren (2007) found that the process of reporting on CSRD issues in the UK and Germany appears to be dependent upon company size. Uwalomwa (2011a) investigated the relationship between CSRD practice and company size and found that company size is significant and positively related to the level of CSRD in the Nigerian financial sector. These results are also consistent with previous studies in developing economies such as Malaysia, Singapore, Hong Kong, China and Brazil (e.g. Gao et al., 2005; Haniffa and Cooke, 2005; Liu and Anbumozhi, 2009; Abd Rahman et al., 2011; Abreu et al., 2012; Goncalves et al., 2014). However, the results of this thesis present validity and support to those studies that have supported no size-disclosure relationship.

### ***The Relationship between Levels of CSRD and Company Age***

The analysis of annual reports confirms that the relationship between level of CSRD and company age is not statistically significant. This suggests that experience is not a very important driver of company success. This result is consistent with previous studies that found company age to be not significantly associated with level of CSRD, suggesting that old, more experienced organisations do not necessarily disclose more information than newly-established companies. Liu and Anbumozhi (2009) explored the determinants affecting the volume of CSRD practices using the annual reports of Chinese listed companies in 2006: their results indicate that there is no significant influence of the economic performance on the volume of CSRD. Looking at Environmental Disclosure (ED) as an area of CSRD, Al-Drugi and Abdo (2012), in their examination in Libya, also found no significant correlation between company age and level of ED. Alsaeed (2006) examined the impact of several firm characteristics on

the extent of voluntary disclosure in the annual reports of 40 non-financial Saudi firms. Company age was found to be insignificant in influencing the level of voluntary disclosure. Other studies such as Akhtaruddin (2005), Rettab et al. (2009) and Galani et al. (2011) also found that company age has no significant influence on the disclosure of information. Dienes et al. (2016) found that company age does not influence the disclosure of sustainability reports. Nalukenge et al. (2017) reveal that company age has no significant relationship with corporate governance and internal controls over financial reporting in Uganda.

However, this result is inconsistent with a number of previous studies in developed and developing economies that have supported an age-disclosure relationship. For example, in the US, Roberts (1992) found that company age has a significant influence on level of CSRD, suggesting that companies with more experience produce more CSRD information than new companies. Delaney and Huselid (1996), in their investigation of HR management in the US, conclude that company age has a major effect on levels of CSRD. Owusu-Ansah (1998) also studied the association between company age and level of disclosure of financial information and found that the company age has a positive influence on disclosure practices. Bayoud et al. (2012a) found that company age is a key driver and has a material impact on the level of CSRD in the annual reports of a sample of Libyan companies (excluding oil and gas companies).

### ***The Relationship between Levels of CSRD and Whether a Company is Public or Private.***

Whether a company is public or private is a strong feature in the Libyan extractive sector. The results of this thesis suggest that there is a positive association between the level of CSRD and whether a company is public or private. The growth of public concerns regarding social and environmental issues has also put pressure on corporations and governments to increase the level of CSRD information in corporate reports. Privatisation has been found to be insignificant and negatively associated with CSRD practice in many previous studies. Cormier and Gordon (2001) examined the strategy of social and environmental reporting in publicly and privately owned companies, finding that privatisation structure has no significant positive effect on the extent of CSRD. Ghazali (2007) found evidence consistent with the hypothesis that

firms with a higher level of public accountability may necessitate additional engagement in social and environmental activities and disclosure of these activities. Public firms are more concerned to protect their reputation than private firms, which do have shareholders or shares traded in the stock market. Similar findings were also reported by Al-Drugi and Abdo (2012). The results of this thesis confirm that whether a company is public or private is a key driver of CSRD.

### ***The Relationship between Levels of CSRD and Company Ownership Structure***

Company ownership structure has also been found to be significant and positively associated with the level of CSRD practice in Libya. Janggu et al. (2007) examined the volume and trend of CSRD practices of industrial companies in Malaysia and its relationship with company characteristics. They conclude that Malaysian local companies provide a higher level of CSRD than their foreign counterparts. Similarly, Dawkins and Ngunjiri (2008) compared the CSRD in the emerging market economy of South Africa with that of firms in the leading economies represented by the Fortune Global 100. They found that the level of CSRD in South African companies was significantly higher than that of the Fortune Global 100, indicating a greater willingness to convey social responsibility in their disclosure practices. On the other hand, these findings contradict the findings of other prior studies in both developed and developing countries. For example, Moneva and Llena (2000) investigated the relationship between company affiliation and the level of environmental disclosure in Spain. They provide no difference between the level of environmental information produced by foreign companies and that provided by Spanish companies. Hossain et al. (2006) found no clear evidence that international companies in Bangladesh disclose social and environmental information more than their local counterparts. The results of Monteiro and Guzmán's (2010) study also indicate that there are no significant differences in the volume of environmental disclosure between national companies and international parent companies. However, the results of this thesis give validity and support to those studies that perceive that company ownership is a key driver and has a material impact on the level of CSRD.

***The Relationship between Levels of CSRD and Company Activity Type***

The level of disclosure is not significantly different when companies are from different activity types. These results echo the findings of previous studies. Ishwerf (2012) found that the sensitivity and confidentiality of information appeared to be impeding corporate environmental reporting practices in Libya. On the other hand, Hackston and Milne (1996) in their study of the context of New Zealand firms report activity type significantly influencing CSRD in annual reports. Similar results were also reported by Newson and Deegan (2002) in their study on the context of Australia, Singapore and South Korea. Gao et al. (2005) investigated the patterns and determinants of CSRD practices in the context of Hong Kong, and found clear evidence in the correlation between the type of activity and the volume of CSRD. Liu and Anbumozhi (2009) provide evidence consistent with the hypothesis that companies with high environment-sensitive activities such as oil and gas, chemicals, and paper products disclosed significantly more social and environmental information in their annual reports. Types of activity have also been found to have a significant impact on the extent of intellectual capital disclosure (Singh and Zahn, 2006). Wanderley et al. (2008) found that levels of disclosure are significantly different when companies are from different industries.

***The Relationship between Levels of CSRD and Company Activity Location***

Activity location of company was also found to be a significant factor associated with the level of CSRD practice in Libya. Zubek (2008) examined HR disclosure as one of the themes of CSRD in Libya and found that company activity location is a positive determinant of the level of HR disclosure. A number of researchers have investigated the relationship between country of domicile and the level of CSRD provided by companies (Adams et al., 1998; Adams, 2002; Goloband Bartlett, 2007; Abreu et al., 2012); they too have found that company country of origin has a significant impact on the extent and patterns of CSRD.

**6. What are the differences in the levels and patterns of CSRD practices between Libya and the UK (with BP as an example)?**

The results illustrate a significant difference in the levels and patterns of CSRD between Libyan companies in the extractive sector and BP as an exemplar of UK practice. The

difference in the level of development between the two contexts is likely to be an important factor influencing CSRD practices. The stage of economic development could also be an influence on the level of CSRD practices (Tsang, 1998). Another possible reason for the low level of CSRD is the lack of statutory requirements in Libya. The more likely reason for this result is the absence of an effective accounting education and professional system. The accounting system could be an important driver for the level of CSRD practices. A well-structured accounting education and professional system maybe associated with increased disclosure (Kuasirikun, 2005; Mashat, 2005). Legal and political contexts are not the only influence on organisational life, and there are interrelated social elements such as accounting systems and accounting education with which companies must also interact (Haniffa and Cooke, 2002; Barakat, 2016). This is based on the notion that accounting education and the accounting profession have a role beyond merely that of a technocratic (number crunching and bookkeeping) and procedural activity. Therefore, this thesis aims to ascertain whether Libya's current accountancy education, training and professional practice can be used to encompass CSRD practices and to suggest means by which to improve the national accounting education systems to deliver meaningful CSRD into practice.

From the above discussion, it can be concluded that social and environmental disclosure is to some extent context-specific. Consequently, an interpretation of differences in CSRD between two entirely different contexts is complex and questionable. This might be because of the variation in the sample size and nature, and/or because of country characteristics such as political, social, economic and cultural contexts that can influence companies to provide varied types of information at different volumes in these countries.

#### **4.6 Chapter Summary**

This chapter has provided an overview of present CSRD practices in Libya as the first step of this exploration.

Using the content analysis method, this chapter has confirmed that almost all sampled corporations produce some social and environmental related information in their annual reports. However, companies in Libya are at a very early stage in their consideration of

CSRD. The most popular area of CSRD relates to HR&E, followed by environmental disclosure. The results indicate that whether a company is public or private, ownership structure and activity location are the major significant determinants influencing and correlating with CSRD levels in Libya. Conversely, company size, age and activity type are not positively correlated with CSRD levels in Libya. Finally, the chapter examined whether the results of the quantity of CSRD in Libya follows international distribution disclosure for data. Analysing the annual report of BP for the year 2014, an international perspective on CSRD practices was produced. The chapter found that the current total level of CSRD practices reported in Libya is very low compared to the international context.

The extent of CSRD in Libya seems to be dependent on exposure to public pressure in the social, political and economic environment in the form of social or regulatory changes. CSRD practices in Libya are shaped not only by a single factor approach but by various external and internal factors. Results derived from the content analysis do not provide an integrated framework, based on a clear theoretical background, which could provide a comprehensive explanation of CSRD practices in Libya. Given the interpretative nature of these results, no definitive conclusions can be suggested behind the CSRD practices found in this chapter. Therefore, the next chapter, Chapter Five: *Questionnaire Results and CSRD Insights*, attempts to empirically examine the present popular theoretical explanations behind the motivations for CSRD documented in the literature. The aim is to understand and justify the reaction of corporations to social and environmental disclosure responsibility. This also aims to provide a logical theoretical foundation.

## **CHAPTER FIVE**

### **QUESTIONNAIRE RESULTS AND CSDR INSIGHTS**

#### **5.1 Chapter Introduction**

The previous chapter provided an analysis of CSDR recorded in Libya using content analysis. Specifically, Chapter Four explained CSDR issues in Libya, which are found to be in line with the previous literature, notably with research conducted by Mashat (2005) and Elmogla (2009). This chapter aims to achieve the second objective of this thesis, exploring the perceptions and views of accountants in the Libyan extractive sector on the CSDR observed in Chapters Four. It explores the perceptions and views of a group of those representing the accounting community in the Libyan extractive sector. Survey questionnaires were distributed to those corporations in which CSDR has been recorded, having stated that the conduct of this thesis was guided by the University of Brighton's code of ethics or ethical guidelines. Taking into account the current civil unrest in Libya and the geographically widely dispersed locations of the surveyed companies, e-mailing questionnaires was the only appropriate tool for collecting data in Libya. Clarifications regarding the research topic and the elements of the thesis were provided in case of need. This chapter seeks to answer the following questions:

1. To what extent does the economic performance of corporations influence CSDR practice in Libya?
2. To what extent do societal expectations influence CSDR practice in Libya?
3. To what extent do stakeholder power and demands influence CSDR practice in Libya?
4. To what extent do political, economic and social contexts influence CSDR practice in Libya?
5. What are the main incentives and disincentives to disclosing CSDR practices in Libya?

6. What differences exist in the perceptions of employees on CSDR practice within Libya regarding their demographics?
7. What differences exist in the perceptions of employees on CSDR practice within Libya regarding company characteristics, namely size, age, whether a company is public or private, ownership structure, activity type and activity location?
8. What is the current educational level of CSDR and to what extent can sustainable CSDR within companies in Libya be established?

To answer these questions, the chapter proceeds as follows:

**Section 5.2** presents respondents' demographics.

**Section 5.3** outlines the response rate. **Section 5.4** tests the reliability of the questions.

**Section 5.5** determines the perceptions of management and employees towards social responsibility and CSDR approaches, highlighting the influence of employee demographics and company characteristics on employees' perceptions regarding social responsibility and CSDR approaches.

**Section 5.6** determines the main incentives and disincentives to CSDR practices, highlighting the influence of employee demographics and company characteristics on employees' perceptions regarding the incentives and disincentives for CSDR practices in Libya.

**Section 5.7** discusses education and the possibility of establishing sustainable CSDR within companies in Libya.

**Section 5.8** is a discussion and evaluation of the chapter.

**Section 5.9** is the chapter summary.

## 5.2 Respondent Demographics

According to Aldrugi (2013), the background information and experience of respondents is likely to affect the level of confidence researchers can have in their responses. This section deals with background information gathered about the respondents in the present study in terms of distribution of managerial responsibilities, length of experience, the level and place of highest education qualification, type of educational qualification, attendance at training programmes, and professional qualifications and academic posts.

The participants of the thesis were classified into four groups: financial managers, employees in accounting departments, managers of internal audit departments and employees in internal audit departments. In the survey, as Table 5.1 shows, 16% of respondents are financial managers. More than half of the research respondents are employees in accounting departments, while 3.8% are managers of internal audit departments; 20.5% are employees in internal audit departments. More than 50% of respondents have practical experience exceeding ten years, whereas the remaining respondents 48.9% have less than ten years of experience (Table 5.2).

The survey illustrates that more than half of respondents (65.3%) hold a Bachelor's degree, with many also having a Master's degree. Respondents who hold an Intermediate Diploma and Higher Diploma represent merely 1.4% and 14.1%, respectively (Table 5.3). Regarding the countries from which respondents obtained their educational qualifications, the analysis indicates that the majority of respondents (85.3%) obtained their higher degrees from Libya, whereas 9.4% obtained their degrees from the UK; the remaining respondents (5.3%) obtained their qualification from other Arabic and overseas countries such as Egypt, Tunisia, the USA, France, Pakistan and Bangladesh (Table 5.4). Most (86.9%) of respondents hold an accounting qualification, with a relatively small proportion (13.1%) holding a non-accounting qualification (Table 5.5). The results also indicate that 11.3% of respondents have professional qualifications such as from the LAAA, the Arabic Institute of Certified Public Accountants (AICPA1), the International Arab Society of Certified Accountants (IASCA), the Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants in England and Wales (ICAEW), and the American Institute of

Certified Public Accountants (AICPA2), whereas 88.7% of them do not have such professional qualifications (Table 5.6). As to respondents who have professional qualifications, the survey indicated that 54% of them had LAAA and 17% had ACCA, while the remaining respondents had AICPA, IASCA and other professional qualifications such as Association of Accounting Technicians (AAT) and Certified Management Accountant (CMA). The non-preparedness of respondents in handling CSRD issues was noted by this survey, since Table 5.7 demonstrates that the majority of the respondents (88.3%) had not undertaken any training programmes on CSRD practice. With regard to academic posts in any of educational institutions in Libya, the survey confirm that a relatively low proportion (3.3%) of respondents have an academic post, whereas the reminder do not (Table 5.8).

### **Financial managers**

In this group the results indicate that more than 67% of respondents have practical experience exceeding fifteen years, with approximately a third (29.6%) of them having experience of less than fifteen years and more than five years, whereas just 2.9% have experience of less than five years (Table 5.2). The survey indicated that more than a third of financial managers (38.2%) hold a Bachelor's degree, with 32.4% having a Master's degree. Respondents who hold an Intermediate Diploma and Higher Diploma represent 2.9% and 26.5%, respectively (Table 5.3). The majority of this group (82.4%) obtained their higher degrees from Libya, whereas 14.7% obtained their degrees from the UK; the remaining respondents (2.9%) obtained their qualification from other Arabic countries (Table 5.4). The vast majority (94.1%) of respondents from this group hold an accounting qualification, with a small proportion (5.9%) having a non-accounting qualification (Table 5.5). The overwhelming majority (94.1%) of respondents among the financial managers have no professional qualification in accountancy (Table 5.6). A relatively low proportion (23.5%) of them had undertaken training programmes on CSRD practice (Table 5.7), with just 8.8% having an academic post in the educational institutions within Libya (Table 5.8).

### **Employees in accounting departments**

According to the analysis, nearly a third (29%) of employees in accounting departments have more than fifteen years' experience, with 43.31% of them having experience of

less than fifteen years and more than five years, and only 27.65% of them having less than five years' experience (Table 5.2). 15.7% of the respondents from this group have a Master's degree. More than two thirds (71.7%) of them have a Bachelor's degree, whereas those who held a Higher Diploma degree and an Intermediate Diploma degree represent 11% and 1.6%, respectively (see Table 5.3). The results also show that 89% of accounting department employees obtained their degrees from Libya and 6.3% from the UK, whereas 3.1% and 1.6% of this group have their most recent degree from other Arabic and overseas countries, respectively (Table 5.4). The majority (84.1%) of respondents from this group hold an accounting qualification, with a relatively small proportion (15.7%) holding a non-accounting qualification (Table 5.5). The results indicate that the overwhelming majority (91.1%) of respondents of this group have no professional qualification in accountancy (Table 5.6). Only 9.4% of respondents from this group had attended courses related to CSDR (Table 5.7) and none of them has an academic post in the educational institutions within Libya (Table 5.8).

### **Managers of internal audit departments**

The results indicate that half of the managers of internal audit departments participating (50%) have more than 15 years' experience, with 25% having experience exceeding ten and less than fifteen years, while 25% of this group have less than ten and more than five years' experience (Table 5.2). The results reveal that the majority of this group (87.5%) hold a Bachelor's degree, with only 12.5% of them holding a Master's degree (Table 5.3). The results also show that the majority of respondents from this group obtained their last degree either from Libya (87.5%) or from the UK (12.5%) (Table 5.4). All (100%) respondents from this group hold an accounting qualification (Table 5.5) but a relatively low proportion (25%) of them have a professional qualification in accounting (Table 5.6). The non-preparedness of respondents in handling CSDR issues was noted in this group, since the majority of them (87.5%) had not undertaken any training programmes on CSDR practice (Table 5.7). No one from this group has an academic post in any of the educational institutions within Libya (Table 5.8).

### **Employees in internal audit departments**

The results indicate that the majority of employees in internal audit departments (79.5%) have more than five years' experience, with 38.6% having experience

exceeding fifteen years and only 20.5% of this group having less than five years' experience (Table 5.2). Nearly two thirds (63.6%) of the respondents from this group hold a Bachelor's degree. An important percentage of this group (20.5%) hold a Master's degree, while 15.9% hold a Higher Diploma, but none had a degree lower than a Higher Diploma qualification (Table 5.3). The results show that two thirds (77.3%) of respondents from this group obtained their highest education qualification from Libya and nearly 14% obtained their qualification from the UK, whereas 9.1% is divided evenly between those who obtained their highest education qualification from other Arabic or overseas countries (Table 5.4). The results indicate that 86.4% of the employees in internal audit departments hold an accounting qualification, whereas those who have a non-accounting qualification represent only 13.6% (Table 5.5). Less than a quarter (22.7%) of respondents from this group stated that they hold professional qualifications in accounting (Table 5.6). As in the case of the managers of internal audit departments, the majority (90.9%) of the employees in internal audit departments had not undertaken any training programmes on CSDR practice (Table 5.7) and only 2.3% hold an academic post (Table 5.8).

**Table 5.1: Distribution of Managerial Responsibilities**

Current Occupation	Frequency	%
Financial managers	34	16
Employees in accounting departments	124	58.2
Managers of internal audit departments	8	3.8
Employees in internal audit departments	44	20.5
Others	3	1.5
<b>Total</b>	<b>213</b>	<b>100</b>

**Table 5.2: Length of Experience of Respondents**

Groups	Length of Experience								Total	
	Less than 5 years		From 5 years to 10 years		From 11 years to 15 years		More than 15 years			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Financial managers	1	2.9%	7	20.6%	3	8.8%	23	67.6%	34	100%
Employees in accounting departments	35	27.56%	38	29.92%	17	13.39%	37	29%	127	100%
Managers of internal audit departments	0	0%	2	25%	2	25%	4	50%	8	100%
Employees in internal audit departments	9	20.5%	12	27.3%	6	13.6%	17	38.6%	44	100%
<b>Total</b>	<b>45</b>	<b>21.1%</b>	<b>59</b>	<b>27.7%</b>	<b>28</b>	<b>13.1%</b>	<b>81</b>	<b>38%</b>	<b>213</b>	<b>100%</b>

**Table 5.3: Level of Education of Respondents**

Groups	Level of Education								Total	
	Intermediate diploma		Higher diploma		Bachelor		Master			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Financial managers	1	2.9%	9	26.5%	13	38.2%	11	32.4%	34	100%
Employees in accounting departments	2	1.6%	14	11%	91	71.7%	20	15.7%	127	100%
Managers of internal audit departments	0	0%	0	0%	7	87.5%	1	12.5%	8	100%
Employees in internal audit departments	0	7%	7	15.9%	28	63.6%	9	20.5%	44	100%
<b>Total</b>	<b>3</b>	<b>1.4%</b>	<b>30</b>	<b>14.1%</b>	<b>139</b>	<b>65.3%</b>	<b>41</b>	<b>19.2%</b>	<b>213</b>	<b>100%</b>

**Table 5.4: Place of Highest Education Qualification of Respondents**

Groups	Place of Highest Education Qualification								Total	
	Libya		The UK		Other Arabic countries		Other overseas countries			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Financial managers	28	82.4%	5	14.7%	0	0%	1	2.9%	34	100%
Employees in accounting departments	113	89%	8	6.3%	4	3.1%	2	1.6%	127	100%
Managers of internal audit departments	7	87.5%	1	12.5%	0	0%	0	0%	8	100%
Employees in internal audit departments	34	77.3%	6	13.6%	3	6.8%	1	2.3%	44	100%
<b>Total</b>	<b>182</b>	<b>85.4%</b>	<b>20</b>	<b>9.4%</b>	<b>7</b>	<b>3.3%</b>	<b>4</b>	<b>1.9%</b>	<b>213</b>	<b>100%</b>

**Table 5.5: Type of Educational Qualification of Respondents**

Groups	Type of Educational Qualification					Total			
	Accounting qualification		Non-accounting qualification						
	Freq.	%	Freq.	%	Freq.				
Financial managers	32	94.1%	2	5.9%	34	100%			
Employees in accounting departments	107	84.3%	20	15.7%	127	100%			
Managers of internal audit departments	8	100%	0	0%	8	100%			
Employees in internal audit departments	38	86.4%	6	13.6%	44	100%			
<b>Total</b>	<b>185</b>	<b>86.9%</b>	<b>28</b>	<b>131.1%</b>	<b>213</b>	<b>100%</b>			

**Table 5.6: Professional Qualifications in Accounting of Respondents**

Groups	Professional Qualifications in Accounting				Total	
	Yes		No			
	Freq.	%	Freq.	%	Freq.	%
Financial managers	2	5.9%	32	94.1%	34	100%
Employees in accounting departments	10	7.9%	117	92.1%	127	100%
Managers of internal audit departments	2	25%	6	75%	8	100%
Employees in internal audit departments	10	22.7%	34	77.3%	44	100%
<b>Total</b>	<b>24</b>	<b>11.3%</b>	<b>189</b>	<b>88.7%</b>	<b>213</b>	<b>100%</b>

**Table 5.7: Attendance at Training Programmes on CSDR**

Groups	Attendance at Training Programmes on CSDR				Total	
	Yes		No			
	Freq.	%	Freq.	%	Freq.	%
Financial managers	8	23.5%	26	76.5%	34	100%
Employees in accounting departments	12	9.4%	115	90.6%	127	100%
Managers of internal audit departments	1	12.5%	7	87.5%	8	100%
Employees in internal audit departments	4	9.1%	40	90.9%	44	100%
<b>Total</b>	<b>25</b>	<b>11.7%</b>	<b>188</b>	<b>88.3%</b>	<b>213</b>	<b>100%</b>

**Table 5.8: Respondents Having an Academic Post**

Groups	Having Academic Post				Total	
	Yes		No			
	Freq.	%	Freq.	%	Freq.	%
Financial managers	3	8.8%	31	91.2	34	100%
Employees in accounting departments	3	2.4%	124	97.6%	127	100%
Managers of internal audit departments	0	0%	8	100%	8	100%
Employees in internal audit departments	1	2.3%	43	97.7%	44	100%
<b>Total</b>	<b>7</b>	<b>3.3%</b>	<b>206</b>	<b>96.7%</b>	<b>213</b>	<b>100%</b>

It can be seen that respondents are generally highly experienced in their current occupation, which enabled them to understand the nature of the subject of this thesis and to express reliable views on all the issues addressed. This may not be surprising, since the nature of management in extractive companies requires a minimum of a university education or equivalent as well as long periods of practical experience. However, the non-preparedness of respondents in handling CSDR issues was noted by this survey, since Table 5.7 demonstrates that the majority of the respondents from different groups had not undertaken to any training programmes on CSDR practice. This result is consistent with Ahmad (2004), who reports that Libyan managers are ill-equipped to handle environmental issues, including environmental disclosure. Buzied (1998) found that the majority of accountants in the selected companies (excluding extractive companies) did not attend any training courses after their graduation. This may explain the low level of CSDR practice in Libya. Ahmad (2004) also found that the lack of expertise, qualification and training in the field of CSDR are the main determinants that have prevented companies in Libya from engaging in CSDR.

The analysis shows that the majority of respondents have a higher degree of education and this indicates that, in general, the respondents have an adequate level of knowledge in terms of academic education to reflect upon and respond to challenges that lie outside

their existing knowledge. This should have helped them to understand the research problem and to provide more reliable answers to the questionnaire questions, which may increase the level of confidence in the results (Aldrugi, 2013). The results also show that a number of respondents had advanced Western educational backgrounds in accounting, where the interest in CSDR practice is strongest. It is clear that the overwhelming majority of respondents have an accounting background. This connection of respondents with accounting will enhance their insight on the accounting issues, and help them understand the subject of the questionnaire and give practical answers.

### **5.3 Response Rate**

This section highlights the response rate of the questionnaire and considers the results of the test that was applied to assess the internal consistency (reliability) of the three dimensions researched by the survey questionnaire. The survey was conducted within 17 companies operating in the extractive industry within Libya. A total of 250 questionnaires were distributed; 213 usable questionnaires were returned, giving a response rate of 85% (see Table 5.9).

**Table 5.9: Response Rate for the Questionnaire Survey**

Groups	Distributed Questionnaires	Useable Questionnaires	Rate of Response (%)
Financial managers	40	34	85
Employees in accounting departments	144	123	84
Managers of internal audit departments	9	8	89
Employees in internal audit departments	52	44	85
Other	5	4	80
<b>Total</b>	<b>250</b>	<b>213</b>	<b>85</b>

Although questionnaires may be used as the only data collection method, it may be better to link them with other methods, such as interviews, in a multi-method research

design (Saunders et al., 2009: 362). This thesis adopts a combination of quantitative and qualitative techniques. The quantitative technique is employed to give some insight into respondents' opinions concerning CSDR practices, but it was felt that the qualitative technique would enable a deeper understanding of the key issues. The second stage of data collection involved undertaking personal interviews.

#### **5.4 Reliability Analysis**

Reliability refers to the degree of stability and consistency amongst items of a scale. According to Sekaran (2003), the reliability of a measure is established by testing for both consistency and stability. As it is of relevance to a survey questionnaire based on the five-point Likert scale, the Cronbach's Alpha test was used in this analysis. A score of  $>0.70$  is the conventional satisfactory level of reliability coefficient (Cortina, 1993; George and Mallory, 2005), and this can decrease to  $>0.6$  (Robinson et al., 1991; Hair et al., 1998). 'Few researchers seem to know that ... a coefficient of 0.91 can be obtained from a series of items with inter-item correlation coefficients around .30, or that a test retest reliability correlation of 0.50 may indicate a higher reliability than a split-half reliability of 0.80' (Robinson et al., 1991: 5). The reliability test was conducted for 42 items, i.e. approaches which represent attitudes of the Libyan context toward CSDR practices (15 items), incentives for CSDR practices (14 items), disincentives for CSDR practices (13 items), and education and possibility of establishing a sustainable CSDR within companies in Libya (2 items). As can be seen from Table 5.10, the values of Cronbach's Alpha were higher than 0.6, suggesting that the items have relatively high internal reliability.

**Table 5.10: Results of Cronbach's Alpha Test of Questionnaire Reliability**

N	Measurement items	No. of items	No. of cases	Cronbach's Alpha
1	Elements representing perceptions and views of financial management and employees towards CSDR approaches	15	213	0.648
2	Incentives for CSDR practices	14	213	0.805
3	Disincentives for CSDR practices	13	213	0.822
	<b>Total</b>	<b>42</b>	<b>213</b>	<b>0.845</b>

## 5.5 Perceptions of Management and Employees towards CSDR Approaches

In part two, section 1 of the questionnaire, respondents were provided with a list of 15 statements related to CSDR. Statements are grouped into four categories of approaches to CSDR practices: economic performance approach, stakeholder demands approach, societal expectations approach, and socio-political and economic approach. The respondents were asked about the extent of their agreement (or disagreement) with these statements. Table 5.11 illustrates frequencies (counts and percentages) of the respondents for each statement.

### Economic Performance Approach

The results (Statements 1, 2 and 3) indicate that the majority of respondents agreed that it is not advisable to limit the responsibilities of companies to the making of profit regardless of their social and environmental responsibilities. The nature of the Libyan economic system in part explains this approach. Since most Libyan organisations are public-owned, their main aim is to provide services and goods to the public rather than to make a profit. The economic system in Libya is not based on the capitalist-orientation. Profit maximisation has a lower priority for Libyan companies.

Buzied (1998) confirms that profit maximisation has a lower priority for Libyan organisations, who instead prioritise meeting social responsibilities towards society at large. This was supported also by Ahmad (2004), who found that more than half (55%) of the managers participating in his survey agreed with the suggestion that achieving environmental protection, even if it leads to lower profits, should be accepted by a company. The Islamic religion may also play a part in explaining this approach. According to Gray et al. (1995b), CSDR is not predominantly motivated by a concern with the requirements of the financial community. Determinants such as social, political and economic contexts, which may have an equally significant role in explaining CSDR practices, must be involved (Haniffa and Cooke, 2002). Consequently, the pure economic approach does not offer a full explanation for the nature of CSDR in Libyan. However, this does not mean dismissing this approach completely as it is still has some influences on CSDR practice. Accordingly, the null hypothesis is rejected:

**Table 5.11: Respondents' Views about CSDR Approaches**

	N	Statement	Total Response	1	2	3	4	5	M	SD
Economic performance approach	1	The sole responsibility of the company is to maximise profits	213 100%	32 15%	70 32.9%	31 14.6%	67 31.5%	13 6.1%	2.81	1.21
	2	CSRD should be adopted only if it leads to greater economic efficiency as defined by the market	213 100%	17 8%	77 36.2%	48 22.5%	61 28.6%	10 4.7%	2.86	1.07
	3	Business companies should bear greater economic responsibilities to justify their presence in the community regardless of their social and environmental responsibilities	213 100%	28 13.1%	89 41.8%	17 8%	67 31.5%	12 5.6%	2.75	1.19
<b>Overall mean score of agreement level</b>			<b>213 100%</b>						<b>2.81</b>	<b>0.076</b>
Stakeholder demands approach	4	CSRD of companies is a part of their responsibility towards the accounting information users	213 100%	6 2.8%	22 10.3%	19 8.9%	148 69.5%	18 8.5%	3.70	0.87
	5	Management should contribute to a company's social responsibility to satisfy its stakeholders	213 100%	6 2.8%	35 16.4%	36 16.9%	116 54.5%	20 9.4%	3.51	0.97
	6	The level of CSRD is positively related to the pressure applied by stakeholders	213 100%	4 1.9%	36 16.9%	67 31.5%	91 42.7%	15 7%	3.36	0.91
<b>Overall mean score of agreement level</b>			<b>213 100%</b>						<b>3.52</b>	<b>0.050</b>

**Notes:**

M = Mean; SD = Standard Deviation; 1= Strongly Disagree; 2 = Disagree; 3 = Neither Agree nor Disagree; 4 = Agree; 5 = Strongly Agree.

**Table 5.11: Continued**

	N	Statement	Total Response	1	2	3	4	5	M	SD
Societal expectations Approach	7	CSRD serves as a tool for sustaining and legitimising social arrangements, institutions, which contribute to the company's aims	213 100%	7 3.3%	17 8%	26 12.2%	134 62.9%	29 13.6%	3.76	0.90
	8	Every company should be thought of as a social enterprise, which is an entity whose existence and decisions can be justified in so far as they serve public or social purposes	213 100%	8 3.8%	22 10.3%	40 18.8%	118 55.4%	25 11.7%	3.60	0.95
	9	Companies should bear some sort of social responsibility to justify their existence within society	213 100%	1 0.5%	14 6.6%	30 14.1%	131 61.5%	37 17.4%	3.90	0.78
<b>Overall mean score of agreement level</b>			<b>213 100%</b>						<b>3.75</b>	<b>0.087</b>
Socio-political and economic approach	10	Companies should consider CSRD in equal proportion to their economic interests	213 100%	3 1.4%	12 5.6%	28 13.1%	122 57.3%	48 22.5%	3.94	0.84
	11	Government should play a major role in enhancing the level of social and environmental responsibility of companies operating in Libya	213 100%	1 0.5%	5 2.3%	10 4.7%	132 62%	65 30.5%	4.2	0.67
	12	CSRD is largely in line with Islamic principles and values	213 100%	1 0.5%	9 4.2%	38 17.8%	118 55.4%	47 22.1%	3.90	0.78
	13	Concern for the environment and society should occupy high status within the company even if it could lead to reduced profits	213 100%	5 2.3%	28 13.1%	30 14.1%	108 50.7%	42 19.7%	3.70	1
	14	The relationship between political, economic and social contexts should all be considered in CSRD studies	213 100%	4 1.9%	33 15.5%	27 12.7%	129 60.6%	20 9.4%	3.60	0.92
	15	Apart from financial responsibility, any company should have social and environmental responsibility	213 100%	3 1.4%	6 2.8%	12 5.6%	131 61.5%	61 28.6%	4.13	0.75
<b>Overall mean score of agreement level</b>			<b>213 100%</b>						<b>3.91</b>	<b>0.120</b>

**Notes:**

M = Mean; SD = Standard Deviation; 1= Strongly Disagree; 2 = Disagree; 3 = Neither Agree nor Disagree; 4 = Agree; 5 = Strongly Agree.

***H<sub>0</sub>: That the economic performance has no influence upon the levels and patterns of CSRD practice in Libya.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: That the economic performance has an influence upon the levels and patterns of CSRD practice in Libya.***

To measure the correlation between respondents' views regarding CSRD and what they think about the various theoretical approaches adopted in explaining this phenomenon, the Spearman correlation test was computed. The closer the coefficient is to 1.00, the stronger is the correlation between the dependent and independent variables. The test was undertaken to measure whether there is any correlation between the pure economic approach and the social and political economy approaches (stakeholder, societal expectations, and socio-political and economic).

The results indicate that there are no statistically significant correlations between the respondents' views towards the two approaches (Appendix 5.3). Accordingly, the following null hypotheses are accepted:

***H<sub>0</sub>: There are no correlations between respondents' perceptions of the pure economic and the societal expectations approaches.***

***H<sub>0</sub>: There are no correlations between respondents' perceptions of the pure economic and the stakeholder approach.***

***H<sub>0</sub>: There are no correlations between respondents' perceptions of the pure economic and the political economy approach.***

### **Stakeholder Demands Approach**

The above results (Statements 4, 5 and 6) indicate that a number of respondents thought that stakeholders can play a positive role in the development of CSRD practices. Such a view might be explained as that they may believe that an organisation will be responsive to stakeholders' demands as the latter are able to control resources critical to an organisation. Respondents may see the world only from the approach of management rather than the environmental contexts of the country. They focus on the way the corporation manages its stakeholders. If CSRD is perceived as an active management

strategy for dealing with stakeholders, a positive relationship between stakeholder power and CSDR practice is expected (Roberts, 1992). CSDR can be seen as a kind of reciprocal relationship between the company and its stakeholders and therefore the lack of stakeholder engagement is predicted to result in low levels of CSDR (Liu and Anbumozhi, 2009). This may explain the low level of CSDR practice in Libya.

Stakeholder power tends to be positively correlated with social and environmental performance. However, if the power of stakeholders is low, their requirements might be neglected by the company. This may also dismiss any obligations on a company to provide this sort of disclosure. It is for the management to decide what type of social and environmental information is to be reported and when. In Libya, where the private sector is relatively small and has little power compared with the large public sector on which Libyan organisations depend, the society via central authorities often guarantees loans and support for them. Central authorities such as the NOC, the EGA and the Audit Bureau (AB) are the main users of accounting reports in Libya (Buzied, 1998). There are no other interest groups with conflicting objectives such as in the liberal market. Consequently, this approach may be seen as irrelevant in approaching the form of CSDR suggested for Libya. However, this does not mean dismissing this approach completely as it is still has some influences on CSDR practice. Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: That stakeholder demands and power have no influence upon the levels and patterns of CSDR practice in Libya.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: That stakeholder demands and power have an influence upon the levels and patterns of CSDR practice in Libya.***

### **Societal Pressure and Expectations Approach**

The above results (Statements 7, 8 and 9) indicate that respondents agreed that businesses must retain their social role by responding to society's needs and giving society what it wants. They suggest that CSDR serves as a tool for sustaining and legitimising social arrangements. They also believe that every company should be

thought of as a social enterprise and should bear some sort of social responsibility to justify their existence within society. This might be explained as within the Libyan context society plays a dominant role in the majority of industrial activities and in economic development through financial support and other resources. It is continually intervening in the economy with the purpose of achieving its development and growth goals. A failure to fulfil societal objectives may lead to actions by society to remove an organisation's rights to continue in existence (Deegan and Rankin 1997; Newson and Deegan 2002; Cho and Patten 2007). When there is any actual or potential contrast between organisational and social values, organisational legitimacy will be threatened.

Respondents recognised public pressures in relation to the CSDR and the need to respond to them. This suggests there may have been some desire to respond to perceived public pressure by engaging in CSDR practice. However, the success of a legitimisation strategy is dependent on members of society actually seeking and using the CSDR data (Deegan and Rankin, 1997). Companies in Libya seem to be using CSDR to justify their continued existence, enhancing their image within society, in order to avoid any social pressure. This was supported by the results of the content analysis where more attention was paid to good disclosure by surveyed companies (see Chapter Four, p. 102). They compete for reputation status in institutional fields and seek to influence society's assessments by signalling their salient advantages.

Despite the existence of the notion of legitimacy, the popularity of disclosure issues as a legitimacy strategy for directors also depends on how management itself articulates social expectations in a particular context and at a particular time. Management produces CSDR information for two purposes. First, to protect their self-interests and to legitimise their existence by presenting an image of how they support society. Second, to avoid possible regulatory intervention (Williams 1999). The Libyan regulatory framework of the accounting profession does not require business enterprises to report information related to CSDR to the public. CSDR is not mandatory under the law in Libya and therefore any exhibition of information is at the discretion of management (Mashat, 2005). This emphasises the management's purpose and its power over information, which may leave much of CSDR at the discretion of management and neglect the rights of many interest groups to receive such information. CSDR practice may be distorted by the management. Consequently, this approach may be seen as

irrelevant in approaching the form of CSDR suggested for Libya. Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: That societal pressure and expectations have no influence upon the levels and patterns of CSDR practice in Libya.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: That the societal pressure and expectations have an influence upon the levels and patterns of CSDR practice in Libya.***

### **Political Economy Approach**

The above results (Statements 10, 11, 12, 13, 14 and 15) indicate that respondents agreed that government can play a major role in enhancing the level of CSDR of companies operating in Libya. They expected that high standards of government practice would be positively correlated with disclosure. This might be explained as within the Libyan context companies make social disclosure not just in their own economic self-interests, but also to meet social expectations, as well as avoiding government criticism.

In order to get a better understanding of CSDR in Libya, it is important to take into account Islamic principles and values (Ishwerf, 2012). A majority of respondents asserted that CSDR is largely in line with Islamic principles. Cultural values are also recognised by respondents as one of the most powerful environmental factors impacting on the accounting system and practices of a country. Libya has some cultural traits (for example, strong social relationships and Islamic beliefs), which cannot be found in other developed nations and which might influence the practice of CSDR in the country. Religion, as with other cultural factors, also influences accounting and corporate disclosure. Religion, particularly Islam, can play a role in a Muslim society in enforcing ethical behaviour (Afifuddin and Siti Nabiha 2010). In the Islamic religion, people are expected to be responsible for others in the community. Disclosure is an important aspect of Islam; it applies to businesses as much as to individuals (Lewis, 2001).

Respondents also believed that social, political and economic contexts are inseparable and should all be considered in relation to CSRD practices. The broader social, political and economic Libyan structures and pressures can help provide an explanation for CSRD practices in Libya. Many argue that the socio-political and economic systems of countries interact to shape companies' attitudes towards CSRD practice (Adams and Harte 1998; Williams, 1999; Ahmad, 2004; Hanafi 2006). Gray et al. (1995b) contend that the economic approach cannot be investigated in isolation from the social and political framework within which the economic takes place. Socio-political and economic systems of nations interact to shape the perceptions of organisations (Williams, 1999). Being under pressure from various groups in society, a company engages in CSRD in order to capture the social agenda to suit its interests (Adler and Milne, 1997). However, the low level of disclosure found in the practices of corporations' annual reports in this thesis may offer little evidence to support this version of the socio-political and economic approach.

The political economy explanation of CSRD in Libya seems to be supported by the absence rather than presence of disclosure. The explanation for the absence of CSRD is that a company discretionally refrains from disclosure if it is not consistent with or is detrimental to its business interests and social image, therefore it hides many issues of social and environmental concern and provides little information. The absence of some social and environmental issues in the CSRD examined here appears to confirm this. This is also supported by the fact that most of the CSRD provided is in the form of good or neutral disclosure, and has a declarative nature. Little attention has been given to bad disclosure that could hamper the economic interests and social image of corporations. Despite the growing social concern over product and process-related environmental issues, such issues were negligible within the surveyed sample of this thesis. This was the case both in terms of the percentage of firms reporting in those categories and the mean volume of disclosure undertaken.

The majority of respondents agreed that before the resources of a corporation are devoted to meeting economic interests, acceptable levels of social demand is necessary. Employing a strategy of CSRD may be seen as an additional burden leading to increased production costs and reduced profits, and therefore has only negative impacts upon a company's economic performance. However, a review of the literature on CSRD

suggests the opposite is true (Freedman and Jaggi, 1994; Aldrugi, 2013). This finding may provide some support to Williams's (1999) argument that social and environmental disclosure is more influenced by public rather than economic pressure.

Based on the above analysis, it is clear that the political economy approach has much to offer and may provide a better explanation of the nature and patterns of CSRD by a company when compared with the pure economic, stakeholder and legitimacy approaches. This is because it sees the world from a perspective that involves social, political and economic factors. However, this approach fails to consider the corporation-specific internal determinants such as company characteristics and management attitudes and perceptions. These determinants can have an equal if not a more significant role in CSRD practices in a given country (Haniffa and Cooke, 2002; O'Dwyer, 2002; Ahmad, 2004). Therefore, Gray et al.'s (1995b) suggestion seems to be true that in the case of absence of a relevant comprehensive single approach to examining the phenomenon of CSRD, stakeholder and legitimacy explanations can be put within the broader approach of a political economy explanation. Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: That the political, economic and social context have no influence upon the levels and patterns of CSRD practice in Libya.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: That the political, economic and social context have an influence upon the levels and patterns of CSRD practice in Libya.***

To measure the correlation between respondents' perceptions regarding the three social and political approaches (stakeholder, societal expectations and socio-political and economic approach), the Spearman correlation test was computed. The results indicate that there are statistically positive correlations between the respondents' perceptions of these approaches (Appendix 5.3). Accordingly, the following null hypothesis is rejected:

***H<sub>0</sub>: There are no correlations between respondents' perceptions of the three social and political approaches (stakeholder, societal expectations and political economy approach).***

Whereas the alternative hypothesis is accepted:

***H<sub>1</sub>: There are correlations between respondents' perceptions of the three social and political approaches (stakeholder, societal expectations and political economy approach).***

### **5.5.1 The Influence of Employee Demographics on Their Perceptions of Social Responsibility and CSDR Approaches**

To determine the influence of the employees' demographics on their perceptions, the various CSDR approaches were also examined based on the characteristics of respondents. By using the Kruskal-Wallis and Mann-Whitney tests, the statistical results were summarized (Appendix 5.4). The employees' demographics were divided into their groups, length of experience, level of education, place of highest education, type of education, professional qualifications, training programmes and academic posts.

The results indicate that there is general consensus amongst all groups of respondents (financial managers, employees in accounting departments, internal audit department managers and employees in internal audit departments) in terms of the level of agreement they assign to the CSDR approaches, which is supported by the results of the Kruskal-Wallis test. The results are not significant at the 0.05 level, suggesting that there is no significant difference between the mean of the four groups involved in this survey (Appendix 5.4). Accordingly, the null hypothesis is accepted:

***H<sub>0</sub>: There are no significant different perceptions of CSDR approaches between all groups involved in the survey.***

Regarding the respondents' experience length, the results illustrate that there are no significant differences between the different employees' experience lengths in terms of how they answered questions regarding their perception of the various CSDR approaches. The calculated  $\chi^2$  values are less than 7.815 and the p-values are higher than 0.05 (Appendix 5.4). Accordingly, the null hypothesis is accepted:

***H<sub>0</sub>: There are no significant different perceptions of CSDR approaches between employees with different lengths of experience.***

The result of the Kruskal-Wallis test also shows that there are no significant differences in the mean perceptions amongst the employees in terms of their educational level, except their perceptions regarding ‘the positive relationship between the level of CSDR and the pressure applied by stakeholders’ and ‘the equality proportion of CSDR to economic interests’. The test shows that there are in fact statistically significant differences between the employees in how they answered those questions. The levels of significance are less than 0.05 (0.034 and 0.027 respectively) and the calculated  $\chi^2$  values are higher than 7.815 (8.681 and 9.186 respectively) (Appendix 5.4). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significant differences in perceptions of CSDR approaches between employees with different levels of education.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of CSDR approaches between employees with different levels of education.***

The analysis shows that respondents who hold a Higher and Intermediate Diploma are more likely to agree with these statements than those holding a Bachelor’s and/or Master’s degree. Respondents from the different groups inclined towards accepting the statements (Appendix 5.5). The nature of the education system applied in Libya in general, and the Libyan extractive sector in particular, is possibly reflected in the employees’ perceptions of CSDR practice (Haniffa and Cook, 2002). The results of this thesis support some previous CSDR studies which indicate that education is an important determinant in CSDR practices, suggesting that with better trained and educated employees, companies are more likely to adopt innovative activities and disclose more information, including CSDR (Lodhia, 2003; Kuasirikun, 2005; Kamla et al., 2012). For example, the analysis of companies’ annual reports recognised company activity type as a factor that affects CSDR. The results illustrate a statistically significant difference in the level of CSDR across different companies’ activity. Companies involved in production activities are found to be the highest in CSDR. The analysis of the questionnaire show that employees from these companies are highly educated compared with employees from companies engaged in other activities such as exploration and service and refining. 100% of them held a Bachelor’s and/or a Master’s degree.

Based on the place of the highest educational qualification, the results of the Kruskal-Wallis test show no significant differences between the place of the highest educational qualification of employees and their perceptions of CSDR approaches. The calculated  $\chi^2$  values are less than 7.815 and the p-values are higher than 0.05 (Appendix 5.4). Accordingly, the null hypothesis is accepted:

***H<sub>0</sub>: There are no significant different perceptions of CSDR approaches between employees who obtained their highest educational qualifications in different places.***

In the context of educational qualification type (accounting qualification and non-accounting qualification), the results of the Mann-Whitney test show that there are no statistically significant differences in the mean perceptions amongst the employees in terms of their educational qualification type, except their perception of ‘the role of corporation management towards CSDR to satisfy its stakeholders’. The test shows that there is a significant difference between the employees in how they answered this question: the Z score is significant at (Z- statistic = -2.091, p-value = 0.0017), the calculated Z value is below -1.96 and the p-value is less than 0.05 (Appendix 5.4). The results show that respondents who had a non-accounting qualification are more likely to agree with this statement than those holding an accounting qualification. However, respondents from both groups inclined towards accepting the statement (Appendix 5.5). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significant different perceptions of CSDR approaches between employees with different types of educational qualification.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significant different perception of CSDR approaches between employees with different types of educational qualification.***

Regarding the professional qualifications, the results indicate that the respondents share the same perceptions towards CSDR approaches. By using the Mann-Whitney test, the results show that there are no significant differences between employees’ perceptions regarding CSDR approaches in terms of their professional qualification. The calculated Z values are greater than -1.96 and the p-values are higher than 0.05 (Appendix 5.4). Accordingly, the null hypothesis is accepted:

***H<sub>0</sub>: There are no significant different perceptions of CSDR approaches between employees in terms of their professional qualification.***

With regard to training programmes on CSDR practice, the results of the Mann-Whitney test reveal that there are no statistically significant differences between employees' perceptions of CSDR approaches in terms of the training programmes they had undertaken. The calculated Z values are greater than -1.96 and the p-values are over 0.05 (Appendix 5.4). Accordingly, the null hypothesis is accepted:

***H<sub>0</sub>: There are no significant different perceptions of CSDR approaches between employees in terms of their training programmes.***

In the context of employees' academic posts in any of the educational institutions within Libya, the Mann-Whitney test reveals that there are no statistically significant differences between employee perceptions of CSDR approaches in terms of their academic posts. The calculated Z values are greater than -1.96 and the p-values are higher than 0.05 (Appendix 5.4). Accordingly, the null hypothesis is accepted:

***H<sub>0</sub>: There are no significant different perceptions of CSDR approaches between employees in terms of their academic posts.***

### **5.5.2 The Influence of Company Characteristics on Employee Perceptions of CSDR Approaches**

To determine the influence of company characteristics on the perceptions of employees, the various CSDR approaches were also examined based on company size, age, whether a company is public or private, ownership structure, activity type and activity location.

#### **Company Size**

To determine whether company size has any effect on the perceptions of employees, the various CSDR approaches were examined based on the size of the company that the employees work for. The results demonstrate that there is a general consensus amongst all employees across different company sizes towards the majority of CSDR approaches. The Kruskal-Wallis test indicates that there are no statistically significant differences between employee perceptions of CSDR approaches across different

company sizes, except their perceptions regarding the statement that ‘every company should be thought of as a social enterprise, which is an entity whose existence and decisions can be justified in so far as they serve public or social purposes’. The result shows that there is a statistically significant difference between company size and how employees answered this question; the level of significance is less than 0.05 (0.02) and the calculated  $\chi^2$  value is higher than 5.991 (7.82) (Appendix 5.6). The analysis demonstrates that respondents from large companies are more likely to agree with this statement than those from medium and small companies respectively. Respondents from different groups inclined towards accepting the statements (Appendix 5.5). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significant differences in employee perceptions of CSDR approaches across different company sizes.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significant difference in employee perceptions of CSDR approaches across different company sizes.***

### **Company Age**

The respondents’ perceptions of the various CSDR approaches were identified based on the age of the company they work for, in order to investigate the influence of company age on the perceptions of employees. By using the Mann-Whitney test, the results illustrate that company age has no influence on employee perceptions of CSDR approaches, except their perceptions about the statements that ‘sole responsibility of the company is to maximise profits’ and ‘every company should be thought of as a social enterprise, which is an entity whose existence and decisions can be justified in so far as they serve public or social purposes’. The results show that there are statistically significant differences between company age and how employees answered these questions: the Z score is significant at (Z- statistic = -2.29 and -2.64, p-value = 0.022 and 0.008), the calculated Z value is below -1.96 and the p-value is less than 0.05 (Appendix 5.6). The statistics indicate that respondents from older companies are more likely to disagree with the first statement than those from new companies, whereas they are more likely to agree with the second statement. Respondents from both groups

tended towards accepting the statements (Appendix 5.5). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significant differences in employee perceptions of CSDR approaches across different company ages.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significant difference in employee perceptions of CSDR approaches across different company ages.***

### **Whether a Company is Public or Private**

The Mann-Whitney test indicates that whether a company is public or private has no influence on the employees' perceptions of CSDR approaches, except their perceptions regarding the statements that 'CSDR should be adopted only if it leads to greater economic efficiency as defined by markets' and 'every company should be thought of as a social enterprise, which is an entity whose existence and decisions can be justified in so far as they serve public or social purposes'. The results show that there are statistically significant differences between whether a company is public or private and how employees answered these questions: the Z score is significant at (Z- statistic = -2.32 and -2.07 and p-value = 0.021 and 0.038), the calculated Z value is below -1.96 and the p-value is less than 0.05 (Appendix 5.6). The results indicate that respondents from private companies are more likely to agree with these statements than those from public companies. Respondents from both groups tended towards accepting the statements (Appendix 5.5). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significant differences in employee perceptions of CSDR approaches according to whether a company is public or private.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significant difference in employee perceptions of CSDR approaches according to whether a company is public or private.***

### **Company Ownership Structure**

The results indicate that type of company ownership has no influence on the employees' perceptions of CSDR approaches, except regarding the statement that 'CSDR should be

adopted only if it leads to greater economic efficiency as defined by the market'. The Kruskal-Wallis test reveals that there is a statistically significant difference between company ownership structure and how the employees answered this question: the level of significance is less than 0.05 (0.039) and the calculated  $\chi^2$  value is higher than 5.991 (6.48) (Appendix 5.6). The analysis shows that respondents from CEPSA are more likely to disagree with this statement than those from CFO and JV. However, respondents generally inclined towards rejecting the statement (Appendix 5.5). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significant differences in employee perceptions of CSDR approaches across different company ownership structures.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significant difference in employee perceptions of CSDR approaches across different company ownership structures.***

### **Company Activity Type**

The Kruskal-Wallis test indicates that there are no significant differences between employee perceptions regarding CSDR approaches across different company activity groups (Appendix 5.6). Accordingly, the null hypothesis is accepted:

***H<sub>0</sub>: There are no significant differences in employee perceptions of CSDR approaches across different company activity types.***

### **Company Activity Location**

The results demonstrate that there is a general consensus amongst all employees across different company activity locations towards the majority of CSDR approaches. By using the Mann-Whitney test, the results indicate that activity location has no influence on employees' perceptions of CSDR approaches, except their perception about the statement that 'CSDR should be adopted only if it leads to greater economic efficiency as defined by the market'. There are significant differences between company ownership structure and how the employees answered this question: the Z score is significant at (Z- statistic = -2.04 and p-value = 0.041), the calculated Z value is below -1.96 and the p-value is less than 0.05 (Appendix 5.6). The statistics reveal that

employees from onshore companies are less likely to disagree with this statement than those from both on and offshore companies. However, respondents from both groups of companies tended generally towards rejecting the statement (Appendix 5.5). Accordingly, the null hypothesis is rejected:

*H<sub>0</sub>: There are no significant differences in employee perceptions of CSDR approaches across different company activity locations.*

Whereas the following alternative hypothesis is accepted:

*H<sub>1</sub>: There is at least one significant difference in employee perceptions of CSDR approaches across different company activity locations.*

## **5.6 Incentives and Disincentives for CSDR Practices in Libya**

In the second part of the questionnaire, the respondents were provided with a list of possible incentives (Section 2a) and disincentives (Section 2b) for CSDR practices in Libya, and were asked to scale the level of importance they would accord to each of these incentives and disincentives. These incentives and disincentives were compiled and classified following consultation of a number of previous studies (see, for example, Ahmad, 2004; Cormier et al., 2005; Laine 2009; Fifka, 2013). This may provide insights about some of the possible ways of implementing this sort of disclosure in Libya.

### **5.6.1 Incentives for CSDR Practices in Libya**

This section discusses the potential motivating incentives identified in Table 5.12. These incentives are grouped into categories: social reputation and stakeholder demands, socio-political and economic pressure, legal requirements, and economic factors. The table indicates that respondents thought that the most important incentives for Libyan companies to undertake CSDR practices are: (1) to meet their social and moral responsibility; (2) to assist society at large and enhance the company's image within society, to gain its trust; (3) as a strategy to defeat competitors; (4) in response to legal obligations; and (5) to illustrate a reasonable responsibility in accordance with Islamic Sharia values.

**Table 5.12: Incentives for CSDR Practices in Libya**

N	Companies disclose their social and environmental activities:	Total Response	1	2	3	4	5	M	SD
<b>Social reputation and stakeholder demands</b>									
<b>1</b>	As a result of the awareness of the importance of social and environmental issues by company management (9).	213 100%	6 3%	27 13%	47 22%	108 51%	25 11%	<b>3.56</b>	0.95
<b>2</b>	As a means by which stakeholders are managed to gain their support and approval for the company's continued existence (11).	213 100%	7 3%	30 14%	44 21%	113 53%	19 9%	<b>3.50</b>	0.95
<b>3</b>	To meet their social and moral responsibility (1).	213 100%	5 2%	9 4%	23 11%	113 53%	63 30%	<b>4.03</b>	0.89
<b>4</b>	To assist society at large and enhance the company's image within society, to gain its trust (2).	213 100%	5 2%	17 8%	20 10%	120 56%	51 24%	<b>3.91</b>	0.93
<b>5</b>	Companies disclose their social and environmental information as a strategy to defeat competitors (3).	213 100%	3 1%	18 9%	36 17%	121 57%	35 16%	<b>3.78</b>	0.87
<b>Socio-political and economic pressure</b>									
<b>6</b>	To illustrate a reasonable responsibility in accordance with Islamic Sharia values (5).	213 100%	5 2%	26 12%	33 16%	102 48%	47 22%	<b>3.75</b>	1.01
<b>7</b>	Responding to socio-cultural influences on companies (7).	213 100%	7 3%	24 11%	44 21%	99 47%	39 18%	<b>3.65</b>	1.01
<b>8</b>	Responding to economic and financial pressure groups (8).	213 100%	4 2%	27 13%	43 20%	115 54%	24 11%	<b>3.61</b>	0.91
<b>9</b>	Responding to political pressure groups (12).	213 100%	6 3%	41 19%	39 18%	114 54%	13 6%	<b>3.41</b>	0.96
<b>10</b>	Responding to social pressure groups (13).	213 100%	8 4%	35 16%	58 27%	95 45%	17 8%	<b>3.37</b>	0.95
<b>Legal requirements</b>									
<b>11</b>	Companies disclose their social and environmental information in response to legal obligations (4).	213 100%	6 3%	21 10%	27 13%	124 58%	35 16%	<b>3.76</b>	0.94
<b>12</b>	Responding to the requirements imposed by the NOC (6).	213 100%	8 4%	25 1%	34 16%	97 45%	49 23%	<b>3.72</b>	1.06
<b>Economic factors</b>									
<b>13</b>	As a result of financial incentives such as low-cost funding or special tax treatment (10).	213 100%	9 4%	33 16%	37 17%	108 51%	26 12%	<b>3.52</b>	1.03
<b>14</b>	To enhance the financial and economic performance of the company (14).	213 100%	13 6%	51 24%	43 20%	94 44%	12 6%	<b>3.19</b>	1.06

**Notes:**

M = Mean; SD = Standard Deviation; 1 = Not at All Important; 2 = Not Important; 3 = Neither Unimportant nor Important; 4 = Important; and 5 = Very Important.

These incentives received the highest ranking amongst the other listed incentives (mean scores of 4.03, 3.91, 3.78, 3.76 and 3.75, respectively). 30% of the respondents ranked the first incentive at point 5 (very important) and an additional 53% at point 4 (important). 24% of the respondents ranked the second incentive at point 5 (very important) and a further 56% at point 4 (important). The third incentive was ranked by 16% of respondents at point 5 and an additional 57% at point 4. In regards to the fourth and the fifth incentives, 16% and 22%, respectively, of respondents ranked them at point 5, and an extra 58% and 48%, respectively, at point 4.

Less important incentives are: (6) the requirements imposed by the NOC; (7) socio-cultural influences on companies; (8) economic and financial pressure groups; (9) the awareness of the importance of social and environmental issues by company management; (10) financial incentives such as low-cost funding or special tax treatment; (11) as a means by which stakeholders are managed to gain their support and approval for the company's continued existence; (12) political pressure groups; (13) social pressure groups; and (14) enhancing the financial and economic performance of the company. They received low mean scores of 3.72, 3.65, 3.61, 3.56, 3.52, 3.50, 3.41, 3.37 and 3.19, respectively.

The results show that there was a general consensus amongst the respondents on all the above incentives. The mean of answers from respondents to the incentives ranged between 3.19 and 4.03. This leads us to accept these incentives as motives for CSRD despite the differences in the order of importance. The analysis indicates that social, political and economic contexts, including culture and religion, are considered to have an important influence on CSRD practice in Libya. Legal requirements, along with social reputation, stakeholder demands and economic factors, also have an influence on CSRD practice.

To determine whether there is any difference in employee perceptions regarding the above possible incentives that may be thought of as the main drivers encouraging CSRD information being reported amongst the four groups, the Kruskal-Wallis test was undertaken. The result indicates that the four groups share the same distributions of perceptions towards any of the listed incentives. The calculated  $\chi^2$  values are less than

7.815 and the p-values are higher than 0.05 (Appendix 5.7). Accordingly, it is fair to accept the null hypothesis:

*H<sub>0</sub>: There are no significant different perceptions of the possible incentives for CSDR practices between all groups involved in the survey.*

#### **5.6.1.1 The Influence of Employee Demographics on Their Perceptions of CSDR Incentives**

To identify the influence of employee demographics on their perceptions regarding the disincentives for CSDR practices in Libya, these disincentives were also examined based on respondents' experience, place of highest education qualification, educational qualification, level of professional qualifications, training programmes and having an academic post.

Regarding the respondents' experience length, education level and place of highest education, the results of the Kruskal-Wallis test reveal that there is a general consensus amongst all respondents in terms of these aspects towards the listed incentives for CSDR practices. The calculated  $\chi^2$  values are less than 7.815 and the p-values are higher than 0.05 (Appendix 5.7). Accordingly, the following null hypotheses are accepted:

*H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices between employees with different lengths of experience.*

*H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices between employees with different levels of education.*

*H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices between employees who obtained their highest educational qualifications in different places.*

With regard to educational qualification type, the results of the Mann-Whitney test reveal that there are no statistically significant differences in the mean perceptions amongst the employees in terms of their educational qualification type toward the incentives for CSDR practices, except their perception about the incentive involving 'assisting society at large and enhancing the company's picture within society to gain its

trust'. The test shows that there is a significant difference between the employees in how they answered this question: the Z score is significant at (Z- statistic = -2.702, p-value = 0.007), the calculated Z value is below -1.96 and the p-value is less than 0.05 (Appendix 5.7). The analysis shows that respondents who had a non-accounting qualification are more likely to agree with this incentive than those holding an accounting qualification. Respondents from both groups inclined towards accepting this incentive (Appendix 5.8). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices in terms of employees' educational qualification type.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible incentives for CSDR practices in terms of employees' educational qualification type.***

In the context of professional qualifications that the employees have, the results of the Mann-Whitney test indicate that there are no statistically significant differences in the mean of perceptions amongst the employees towards the listed incentives for CSDR practices. The only exemption was the perception regarding the incentive involving 'enhancement of the financial and economic performance of the company'. The results show that there is a statistically significant difference between the employees in how they answered this question: the Z score is significant at (Z- statistic = -2.370, p-value = 0.018), the calculated Z value is below -1.96 and the p-value is less than 0.05 (Appendix 5.7). The results illustrate that respondents who had professional qualifications in accounting are more likely to agree with this incentive than those who do not. However, respondents from both groups inclined towards accepting this incentive (Appendix 5.8). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices in terms of employees' professional qualifications.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible incentives for CSDR practices in terms of employees' professional qualifications.***

Regarding the employee training programmes, the results of the Mann-Whitney test demonstrate that there is a general consensus amongst all employees towards the listed incentives for CSDR practices. The calculated Z values are greater than -1.96 and the p-values are higher than 0.05 (Appendix 5.7). Accordingly, the null hypothesis is accepted:

*H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices in terms of employee training programmes.*

In terms of their academic posts, the Mann-Whitney test also reveals that there are no statistically significant differences in the mean amongst employees' perceptions towards the incentives for CSDR, except their perception about the incentive involving 'awareness of the importance of social and environmental issues by company management'. The test shows that there is a statistically significant difference between the employees in how they answered this question; the Z score is significant at (Z-statistic = -2.853, p-value = 0.005), the calculated Z value is below -1.96 and the p-value is less than 0.05 (Appendix 5.7). The statistics show that employees who had an academic post are more likely to agree with this incentive than those who do not. Respondents from both groups tended towards accepting this incentive (Appendix 5.8). Accordingly, the null hypothesis is rejected:

*H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices in terms of employees' academic posts.*

Whereas the following alternative hypothesis is accepted:

*H<sub>1</sub>: There is at least one significantly different perception of the possible incentives for CSDR practices in terms of employees' academic posts.*

### **5.6.1.2 The Influence of Company Characteristics on Employee Perceptions of CSDR Incentives**

To identify the influence of company characteristics on the perceptions of employees regarding the incentives for CSDR practices in Libya, these incentives were also examined based on company size, age, whether it is public or private, ownership structure, activity type and activity location.

### Company Size

The results reveal that there are no statistically significant differences between employee perceptions regarding the main incentives for CSDR practices across different company size groups, except their perceptions about ‘meeting companies’ social and moral responsibilities’, ‘assisting society at large and enhancing the company’s image within society, to gain its trust’ and ‘responding to the requirements imposed by the NOC’. The results of the Kruskal-Wallis test show that there are significant differences between company size and how employees score these questions. The levels of significance are less than 0.05 (0.000 and 0.003 and 0.036 respectively) and the calculated  $\chi^2$  values are higher than 5.991 (17.75, 11.35 and 6.63 respectively) (Appendix 5.9). The results indicate that employees from medium-size companies are more likely to agree with these incentives than those from large and small companies. Respondents from both groups tended towards accepting the reasons (Appendix 5.8). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices across different company sizes.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible incentives for CSDR practices across different company sizes.***

### Company Age

The Kruskal-Wallis test indicates that there are no statistically significant differences between employee perceptions regarding the main incentives for CSDR practices across different company age groups. The calculated Z values are greater than -1.96 and the p-values are higher than 0.05 (Appendix 5.9). Accordingly, the null hypothesis is accepted:

***H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices across different company ages.***

### Whether a Company is Public or Private

The results show that there is a general consensus amongst all employees towards the majority of listed incentives for CSDR practices, except as relates to their perceptions regarding the ‘meeting companies’ social and moral responsibilities’ and ‘responding to political pressure groups’ incentives. The results of the Mann-Whitney test show that there are significant differences between company size and how employees answered these questions: the Z score is significant at (Z- statistic = -2.08 and -2.68 and p-values = 0.038 and 0.007), the calculated Z values are below -1.96 and the p-values are less than 0.05 (Appendix 5.9). The analysis demonstrates that employees from public companies are more likely to agree with the first incentive than those from private companies, whereas they are more likely to disagree with the second incentive (Appendix 5.8). Respondents from the private group tended towards rejecting the first incentive, while both groups accepted the second incentive. Accordingly, the null hypothesis is rejected:

*H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices between public and private companies.*

Whereas the following alternative hypothesis is accepted:

*H<sub>1</sub>: There is at least one significantly different perception of the possible incentives for CSDR practices between public and private companies.*

### Company Ownership Structure

The results illustrate that the type of company ownership structure has no influence on employee perceptions regarding the main incentives for CSDR practices, except their perception about ‘responding to political pressure groups’. The results of the Kruskal-Wallis test indicate that there is a significant difference between company ownership structure and how employees scored this question. The level of significance is less than 0.05 (0.014) and the calculated  $\chi^2$  values are higher than 5.991 (8.49) (Appendix 5.9). The statistics reveal that employees from CEPSA are more likely to agree with this incentive than those from CJV and CFO. Respondents from the three groups tended towards accepting this incentive (Appendix 5.8). Accordingly, the null hypothesis is rejected:

*H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices across different company ownership structures.*

Whereas the following alternative hypothesis is accepted:

*H<sub>1</sub>: There is at least one significantly different perception of the possible incentives for CSDR practices across different company ownership structures.*

### **Company Activity**

The results illustrate that type of company activity has no influence on employee perceptions regarding the main incentives behind CSDR practices, except their perceptions about ‘assisting of society at large and enhancing the company’s image within society, to gain its trust’, ‘as a strategy to defeat competitors’ and ‘responding to political pressure groups’. The results of the Kruskal-Wallis test reveal that there is a statistically significant difference between company activity and how employees answered these questions. The levels of significance are less than 0.05 (0.041, 0.038 and 0.027 respectively) and the calculated  $\chi^2$  values are higher than 7.815 (8.24, 9.14 and 8.44 respectively) (Appendix 5.9). The results indicate that respondents from companies involved in both production and exploration are more likely to agree with the first and second incentives than those from production, exploration and service, and refining companies, whereas respondents from exploration companies are more likely to agree with the third incentive than others (Appendix 5.8). Accordingly, the null hypothesis is rejected:

*H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices across different company activities.*

Whereas the following alternative hypothesis is accepted:

*H<sub>1</sub>: There is at least one significantly different perception of the possible incentives for CSDR practices across different company activities.*

### **Company Activity Location**

The results of the Mann-Whitney test indicate that type of activity location has no influence on employees’ perceptions regarding CSDR approaches, except their perceptions about ‘assisting society at large and enhancing the company’s image within

society, to gain its trust', 'as a strategy to defeat competitors' and 'to illustrate a reasonable responsibility in accordance with Islamic Sharia values'. There are significant differences between company activity location and how the employees answered these questions: the Z score is significant at (Z- statistic = -2.67, -3.12 and -2.25 and p-values = 0.008, 0.002 and 0.025 respectively), the calculated Z values are below -1.96 and the p-values are less than 0.05 (Appendix 5.9). The analysis illustrates that employees from on and offshore companies are more likely to agree with these incentives than those from onshore only companies. Respondents from both groups tended towards accepting the reasons (Appendix 5.8). Accordingly, the null hypothesis is rejected:

*H<sub>0</sub>: There are no significantly different perceptions of the possible incentives for CSDR practices across different company activity locations.*

Whereas the following alternative hypothesis is accepted:

*H<sub>1</sub>: There is at least one significantly different perception of the possible incentives for CSDR practices across different company activity locations.*

The above analysis demonstrates that the results from this thesis of companies operating in the Libyan extractive sector are consistent with those of previous studies in some respects but not in others. It is also the focus of this thesis to explore the disincentives for CSDR practices. The following section discusses those disincentives.

### **5.6.2 Disincentives for CSDR Practices in Libya**

Table 5.13 indicates that there was a general consensus amongst the employees on all suggested disincentives. The mean of answers from employees regarding the disincentives ranges between 3.10 and 3.80. This leads us to accept these elements as obstacles for CSDR practices. Respondents thought that the most important disincentives for CSDR practices are: (1) lack of awareness of the significance and potential advantages of CSDR practices by society and (2) the absence of the role played by regulators such as the AB to require companies to provide such information. Both disincentives counted the highest ranking amongst the listed disincentives (mean score of 3.80 and 3.77 respectively). 23% of respondents ranked the first disincentive at

point 5 (very important), and an extra 50% at point 4 (important), while 24% ranked the second disincentive at point 5 and an additional 46% at point 4.

**Table 5.13: Disincentives for CSDR Practices in Libya**

N.	Companies do not disclose their social and environmental activities:	Total response	1	2	3	4	5	M	SD
1	As their goals are focused toward economic performance rather than social and environmental performance (6).	213 100%	11 5%	39 18%	36 17%	105 50%	22 10%	<b>3.41</b>	1.06
2	Due to lack of awareness of the significance and potential advantages of CSDR practices by society (1).	213 100%	6 3%	25 12%	26 12%	106 50%	50 23%	<b>3.80</b>	1
3	To avoid any possibility of claims from political groups (3).	213 100%	8 4%	25 12%	47 22%	111 52%	22 10%	<b>3.53</b>	0.96
4	To avoid any possibility of claims from social groups (9).	213 100%	15 7%	35 16%	56 26%	87 41%	20 10%	<b>3.29</b>	1.07
5	As they think that costs of providing this type of information may far exceed the desired outcomes (12).	213 100%	11 5%	57 27%	55 26%	80 37%	10 5%	<b>3.10</b>	1.02
6	As a result of the lack of legal requirements to do so (4).	213 100%	6 3%	41 19%	45 21	93 44%	28 13%	<b>3.45</b>	1.03
7	Owing to lack of the stakeholder demands for CSDR practices (4).	213 100%	3 1%	44 21%	47 22%	92 43%	27 13%	<b>3.45</b>	1
8	As a result of the lack of the political requirements to do so (7).	213 100%	3 1%	45 21%	48 23%	97 46%	20 9%	<b>3.40</b>	0.97
9	To avoid any possibility of claims from the NOC (8).	213 100%	8 4%	49 23%	50 23%	76 36%	30 14%	<b>3.34</b>	1.09
10	To avoid any possibility of claims from economic and financial groups (11).	213 100%	11 5%	45 21%	48 23%	96 45%	13 6%	<b>3.26</b>	1.03
11	As a result of the lack of the social requirements to do so (10).	213 100%	12 6%	39 18%	57 27%	87 41%	18 8%	<b>3.28</b>	1.04
12	As a result of the absence of financial incentives from the state for companies to disclose their social and environmental performance (5).	213 100%	9 4%	39 18%	54 26%	76 36%	35 16%	<b>3.42</b>	1.09
13	As a result of the absence of the role played by regulators such as the AB to require companies to provide such information (2).	213 100%	5 2%	24 11%	36 17%	98 46%	50 24%	<b>3.77</b>	1

**Notes:**

M = Mean; SD = Standard Deviation; 1 = Not at All Important; 2 = Not Important; 3 = Neither Unimportant nor Important; 4 = Important; and 5 = Very Important.

Less important disincentives are: (3) avoiding any possibility of claims from political groups; (4) the lack of legal requirements and stakeholder demands for CSDR practices; (5) the absence of financial incentives from the state for companies to disclose their social and environmental performance; (6) the economic orientation of company goals; (7) the lack of political requirements; (8) avoiding any possibility of claims from the NOC; (9) avoiding any possibility of claims from social groups; (10) the lack of social requirements; (11) avoiding any possibility of claims from economic and financial groups; and (12) costs of providing this type of information may far exceed the desired outcomes. They received low mean scores of 3.53, 3.45, 3.45, 3.42, 3.41, 3.40, 3.34, 3.29, 3.28, 3.26 and 3.10, respectively.

The results of the Kruskal-Wallis test show that there are no statistically significant differences between perceptions of respondents regarding the above disincentives for CSDR practices amongst the four groups involved in this survey. The calculated  $\chi^2$  values are below 7.815 and the p-values are higher than 0.05 (Appendix 5.10). Accordingly, the null hypothesis is accepted:

*H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSDR practices between all groups involved in the survey.*

#### **5.6.2.1 The Influence of Employee Demographics on Their Perceptions of CSDR Disincentives**

To identify the influence of employee demographics on their perceptions regarding the disincentives for CSDR practices in Libya, these disincentives were also examined based on employees' experience, place of highest education qualification, educational qualification, level of education professional qualifications, training programmes and having an academic post.

The results of the Kruskal-Wallis test indicate that there are no statistically significant differences between the various periods of experience and place of highest education of employees and their perceptions toward the disincentives for CSDR practices in Libya. The calculated  $\chi^2$  values are less than 7.815 and the p-values are higher than 0.05 (Appendix 5.10). Accordingly, the following null hypotheses are accepted:

*H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSDR practices between employees with different lengths of experience.*

*H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSDR practices between employees who obtained their highest educational qualifications at different places.*

With regard to educational qualification type, the results of the Mann-Whitney test reveal that there are no statistically significant differences in the employees' perceptions in terms of their educational qualification type towards the disincentives for CSDR practices. The calculated Z values are over -1.96 and the p-values are greater than 0.05 (Appendix 5.10). Accordingly, the null hypothesis is accepted:

*H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSDR practices in terms of employees with different educational qualification types.*

In the context of the education level of employees, the results of the Kruskal-Wallis test illustrate that the employees share the same perceptions towards the majority of the listed disincentives for CSDR practices. The only two exemptions were perceptions regarding 'focused goals of companies toward their economic performance rather than social and environmental performance' and 'possibility of claims from political groups'. The test shows that there is a significant difference between the employees in how they answered those questions. The levels of significance are less than 0.05 (0.011 and 0.004 respectively) and the calculated  $\chi^2$  values are higher than 7.815 (11 and 13 respectively) (Appendix 5.10). The results indicate that employees who hold a Master's degree are more likely to agree with these disincentives than those holding a Bachelor's degree, Higher Diploma or Intermediate Diploma. Respondents from the different groups tended towards accepting these disincentives (Appendix 5.11). Accordingly, the null hypothesis is rejected:

*H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSDR practices between employees with different levels of education.*

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible disincentives for CSDR practices between employees with different levels of education.***

In terms of their professional qualifications, the Mann-Whitney test reveals that there are no statistically significant differences amongst employee perceptions towards the majority of the listed disincentives for CSDR in Libya, except their perception about ‘focused goals of companies toward their economic performance rather than social and environmental performance’. The test shows that there is in fact a significant difference between the employees in how they answered this question: the Z score is significant at (Z- statistic = -2.651, p-value = 0.008), the calculated Z value is below -1.96 and the p-value is less than 0.05 (Appendix 5.10). The results demonstrate that employees who have professional qualifications in accounting are more likely to agree with this disincentive than those who do not. Respondents from both groups tended towards accepting the disincentive (Appendix 5.11). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSDR practices in terms of employees' professional qualifications.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible disincentives for CSDR practices in terms of employees' professional qualifications.***

In the context of employee training programmes on CSDR, the results of the Mann-Whitney test also show that there are no differences between employee perceptions towards the majority of the listed disincentives for CSDR practices in Libya. The only exemption was the perception of ‘exceeding of costs of providing this type of information on the desired outcomes’. The test shows that there is in fact a statistically significant difference between the employees in how they score this question: the Z score is significant at (Z- statistic = -2.288, p-value = 0.02), the calculated Z value is below -1.96 and the p-value is less than 0.05 (Appendix 5.10). The analysis shows that employees who had undertaken training programmes in CSDR are less likely to agree with this disincentive than those who had not. Respondents from both groups inclined

towards accepting the disincentive (Appendix 5.11). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSRD practices in terms of employee training programmes.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible disincentives for CSRD practices in terms of employee training programmes.***

In terms of their academic posts, the Mann-Whitney test also reveals that there are no statistically significant differences in the mean amongst employee perceptions towards the disincentives for CSRD in Libya, except their perceptions regarding ‘focused goals of companies toward their economic performance rather than social and environmental performance’, ‘possibility of claims from social groups’ and ‘exceeding of costs of providing this type of information on the desired outcomes’. The test shows that there is a significant difference between the employees in how they answered these questions: the Z score is significant at (Z- statistic = -2.754, -1.973 and -2.114 and p-values = 0.006, 0.048 and 0.034), the calculated Z values are below -1.96 and the p-values are less than 0.05 (Appendix 5.10). The results show that employees who have an academic post in any of educational institutions within Libya are more likely to agree with these disincentives than those who do not have. Respondents from both groups inclined towards accepting these disincentives (Appendix 5.11). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSRD practices in terms of employees' academic posts.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible disincentives for CSRD practices in terms of employees' academic posts.***

### **5.6.2.2 The Influence of Company Characteristics on Employee Perceptions of CSRD Disincentives**

To identify the influence of company characteristics on the perceptions of employees regarding the disincentives for CSRD practices in Libya, these disincentives were also examined based on company size, age, whether it is public or private, ownership structure, activity type and activity location.

#### **Company Size**

The Kruskal-Wallis test also indicates that there are no statistically significant differences between employee perceptions regarding the disincentives for CSRD in Libya across different company size groups. The calculated  $\chi^2$  values are below 5.991 and the p-values are higher than 0.05 (Appendix 5.12). Accordingly, the null hypothesis is accepted:

*H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSRD practices across different company sizes.*

#### **Company Age**

The Mann-Whitney test shows that there are no statistically significant differences between employee perceptions regarding the disincentives for CSRD in Libya across different company age groups. The calculated Z values are higher than -1.96 and the p-values are greater than 0.05 (Appendix 5.12). Accordingly, the null hypothesis is accepted:

*H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSRD practices across different age companies.*

#### **Whether a Company is Public or Private**

The Mann-Whitney test indicates that whether or not a company is privatised has no statistically significant influence on employee perceptions regarding the disincentives for CSRD practices, except their perceptions regarding ‘avoidance of any possibility of claims from political groups’ and ‘lack of the political requirements to do so’. The analysis show that there are statistically significant differences between whether a company is public or private and how the employees answered these questions: the Z

score is significant at (Z- statistic = -2.36 and -2.421 and p-values = 0.018 and 0.015 respectively), the calculated Z values are below -1.96 and the p-values are less than 0.05 (Appendix 5.12). The analysis illustrates that employees from public companies are more likely to agree with these disincentives than those from private companies. Respondents from both groups tended towards accepting the disincentives (Appendix 5.11). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSRD practices between employees from private and public companies.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible disincentives for CSRD practices between employees from private and public companies.***

### **Company Ownership Structure**

Results of the Kruskal-Wallis test indicate that there is general agreement amongst employees towards the majority of listed disincentives for CSRD in Libya, except their perceptions regarding ‘possibility of claims from political groups’, ‘lack of the political requirements to do so’ and ‘avoidance of any possibility of claims from economic and financial groups’. The results reveal that there are significant differences between the type of company ownership structure and how employees scored on these questions: the levels of significance are less than 0.05 (0.017, 0.048 and 0.040 respectively) and the calculated  $\chi^2$  values are higher than 5.991 (8.21, 6.08 and 6.46 respectively) (Appendix 5.12). The results show that employees from JV are more likely to agree with the first and third disincentives than those from CEPSA and CFO companies, whereas employees from CFO are more likely to agree with the second disincentive. In general, respondents from the different groups tended towards agreeing with the three disincentives (Appendix 5.11). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSRD practices across different company ownership structures.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible disincentives for CSRD practices across different company ownership structures.***

### **Company Activity**

The results indicate that there is general agreement amongst employees in regards to the majority of listed disincentives for CSRD practices in Libya, except their perceptions regarding ‘avoidance of any possibility of claims from political groups’. The Kruskal-Wallis test reveals that there is significant difference between the type of company activity and how employees answered this question; the level of significance is below 0.05 (0.042) and the calculated  $\chi^2$  value is higher than 7.815 (8.21) (Appendix 5.12). The results indicate that employees from companies that engage in both activities (exploration and production) are more likely to agree with this disincentive than those from production, exploration, and service and refining companies. Respondents from the different groups inclined towards agreeing with this disincentive (Appendix 5.11). Accordingly, the null hypothesis is rejected:

***H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSRD practices across different company activities.***

Whereas the following alternative hypothesis is accepted:

***H<sub>1</sub>: There is at least one significantly different perception of the possible disincentives for CSRD practices across different company activities.***

### **Company Activity Location**

The analysis reports no differences in employee perceptions regarding the majority of disincentives for CSRD practices in Libya across different company activity locations, except their perceptions about ‘focused goals of companies towards economic performance rather than social and environmental performance’, ‘lack of the political requirements to do so’ and ‘avoidance of any possibility of claims from economic and financial groups’. According to the Kruskal-Wallis test, there is a significant difference between the type of company activity location and how employees answered these questions: the levels of significance are less than 0.05 (0.047, 0.008 and 0.017, respectively) and the calculated  $\chi^2$  values are higher than 7.815 (-1.98, -2.66 and -2.39, respectively) (Appendix 5.12). The analysis reveals that employees from both locations

(on and offshore) companies are more likely to agree with these disincentives than those from onshore only companies. In general, respondents from the two groups tended towards accepting these disincentives (Appendix 5.11). Accordingly, the null hypothesis is rejected:

*H<sub>0</sub>: There are no significantly different perceptions of the possible disincentives for CSRD practices across different company activity locations.*

Whereas the following alternative hypothesis is accepted:

*H<sub>1</sub>: There is at least one significantly different perception of the possible disincentives for CSRD practices across different company activity locations.*

### **5.7 Education and Establishing a Sustainable Corporate CSDR-Based Approach**

Respondents were asked, after introducing views relating to possible motivations for and hindrances to the disclosure of social and environmental responsibility, to elicit the extent of their agreement with whether or not their own accounting education included appropriate CSDR content. Table 5.14 reveals that nearly two quarter of respondents (61%) had not received any education on CSDR practice or studied it only briefly. Based on these results, it may be said that accountants in Libya are not very well educated in handling CSDR.

**Table 5.14: Education on CSDR**

Level of study received	Freq.	%
Never studied	51	23.9
Studied briefly	77	36.2
Studied	66	31
Studies extensively	19	8.9
<b>Total</b>	<b>213</b>	<b>100</b>

In the final section of the questionnaire, respondents were asked to scale the relative agreement of them and their colleagues on whether or not they are keen to establish a sustainable CSDR-based approach to their work within the company. Results in Table

5.15 indicate that the majority of respondents (76%) showed willingness to accept the possibility of establishing a sustainable, CSDR-based approach within their companies.

**Table 5.15: Establishing a Sustainable Corporate CSDR-Based Approach**

Level of agreement	Freq.	%
Strongly disagree	2	0.9
Disagree	14	6.6
Neither disagree nor agree	35	16.4
Agree	121	56.8
Strongly agree	41	19.2
<b>Total</b>	<b>213</b>	<b>100</b>

Table 5.16 presents a summary of the hypotheses tested in this chapter and their related results.

**Table 5.16: Summary of Hypotheses Tested and Related Results**

	No.	Expression	Results
<b>Perceptions of Management and Employees towards CSDR Approaches</b>			
<b>Hypotheses</b>	1	<i>There are correlations between respondents' perceptions of the pure economic and the societal expectations approaches</i>	Rejected
	2	<i>There are correlations between respondents' perceptions of the pure economic and the stakeholder approach</i>	Rejected
	3	<i>There are correlations between respondents' perceptions of the pure economic and the political economy approach</i>	Rejected
	4	<i>There are correlations between respondents' perceptions of the three social and political approaches (stakeholder, societal expectations and political economy approach)</i>	Accepted
<b>The Influence of Employee Demographics on Their Perceptions of Social Responsibility and CSDR Approaches</b>			
<b>Hypotheses</b>	1	<i>There are significant different perceptions of CSDR approaches between all groups involved in the survey</i>	Rejected
	2	<i>There are significant different perceptions of CSDR approaches between employees with different lengths of experience</i>	Rejected

	No.	Expression	Results
	3	<i>There is at least one significantly different perception of CSDR approaches between employees with different levels of education</i>	Accepted
	4	<i>There are significant different perceptions of CSDR approaches between employees who obtained their highest educational qualifications in different places</i>	Rejected
	5	<i>There is at least one significant different perceptions of CSDR approaches between employees with different types of educational qualification</i>	Accepted
	6	<i>There are significant different perceptions of CSDR approaches between employees in terms of their professional qualification</i>	Rejected
	7	<i>There are significant different perceptions of CSDR approaches between employees in terms of their training programmes</i>	Rejected
	8	<i>There are significant different perceptions of CSDR approaches between employees in terms of their academic posts</i>	Rejected

**The Influence of Company Characteristics on Employee Perceptions of CSDR Approaches**

<b>Hypotheses</b>	1	<i>There is at least one significant difference in employee perceptions of CSDR approaches across different company sizes</i>	Accepted
	2	<i>There is at least one significant difference in employee perceptions of CSDR approaches across different company ages</i>	Accepted
	3	<i>There is at least one significant difference in employee perceptions of CSDR approaches according to whether a company is public or private</i>	Accepted
	4	<i>There is at least one significant difference in employee perceptions of CSDR approaches across different company ownership structures</i>	Accepted
	5	<i>There are significant differences in employee perceptions of CSDR approaches across different company activity types</i>	Rejected
	6	<i>There is at least one significant difference in employee perceptions of CSDR approaches across different company activity locations</i>	Accepted

**Incentives for CSDR Practices in Libya**

<b>Hypothesis</b>	1	<i>There are significant different perceptions of the possible incentives for CSDR practices between all groups involved in the survey</i>	Rejected
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**The Influence of Employee Demographics on Their Perceptions of CSDR Incentives**

<b>Hypotheses</b>	1	<i>There are significantly different perceptions of the possible incentives for CSDR practices between employees with different lengths of experience</i>	Rejected
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	No.	Expression	Results
	2	<i>There are significantly different perceptions of the possible incentives for CSDR practices between employees with different levels of education</i>	Rejected
	3	<i>There are significantly different perceptions of the possible incentives for CSDR practices between employees who obtained their highest educational qualifications in different places</i>	Rejected
	4	<i>There is at least one significantly different perception of the possible incentives for CSDR practices in terms of employees' educational qualification type</i>	Accepted
	5	<i>There is at least one significantly different perception of the possible incentives for CSDR practices in terms of employees' professional qualifications</i>	Accepted
	6	<i>There are significantly different perceptions of the possible incentives for CSDR practices in terms of employee training programmes</i>	Rejected
	7	<i>There is at least one significantly different perception of the possible incentives for CSDR practices in terms of employees' academic posts</i>	

**The Influence of Company Characteristics on Employee Perceptions of CSDR Incentives**

<b>Hypotheses</b>	1	<i>There is at least one significantly different perception of the possible incentives for CSDR practices across different company sizes</i>	Accepted
	2	<i>There are significantly different perceptions of the possible incentives for CSDR practices across different company ages</i>	Rejected
	3	<i>There is at least one significantly different perception of the possible incentives for CSDR practices between public and private companies</i>	Accepted
	4	<i>There is at least one significantly different perception of the possible incentives for CSDR practices across different company ownership structures</i>	Accepted
	5	<i>There is at least one significantly different perception of the possible incentives for CSDR practices across different company activities</i>	Accepted
	6	<i>There is at least one significantly different perception of the possible incentives for CSDR practices across different company activity locations</i>	Accepted

**Disincentives for CSDR Practices in Libya**

Hypothesis	1	<i>There are significantly different perceptions of the possible disincentives for CSDR practices between all groups involved in the survey</i>	Rejected
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**The Influence of Employee Demographics on Their Perceptions of CSDR Disincentives**

<b>Hypotheses</b>	1	<i>There are significantly different perceptions of the possible disincentives for CSDR practices between employees with different lengths of experience</i>	Rejected

	No.	Expression	Results
	2	<i>There are significantly different perceptions of the possible disincentives for CSDR practices between employees who obtained their highest educational qualifications at different places</i>	Rejected
	3	<i>There are significantly different perceptions of the possible disincentives for CSDR practices in terms of employees with different educational qualification types</i>	Rejected
	4	<i>There is at least one significantly different perception of the possible disincentives for CSDR practices between employees with different levels of education.</i>	Accepted
	5	<i>There is at least one significantly different perception of the possible disincentives for CSDR practices in terms of employees' professional qualifications</i>	Accepted
	6	<i>There is at least one significantly different perception of the possible disincentives for CSDR practices in terms of employee training programmes</i>	Accepted
	7	<i>There is at least one significantly different perception of the possible disincentives for CSDR practices in terms of employees' academic posts</i>	Accepted

**The Influence of Company Characteristics on Employee Perceptions of CSDR Disincentives**

<b>Hypotheses</b>	1	<i>There are significantly different perceptions of the possible disincentives for CSDR practices across different company sizes</i>	Rejected
	2	<i>There are significantly different perceptions of the possible disincentives for CSDR practices across different company ages</i>	Rejected
	3	<i>There is at least one significantly different perception of the possible disincentives for CSDR practices between employees from private and public companies</i>	Accepted
	4	<i>There is at least one significantly different perception of the possible disincentives for CSDR practices across different company ownership structures</i>	Accepted
	5	<i>There is at least one significantly different perception of the possible disincentives for CSDR practices across different company activities</i>	Accepted
	6	<i>There is at least one significantly different perception of the possible disincentives for CSDR practices across different company activity locations</i>	Accepted

### **5.8 Discussion and Evaluation**

This chapter has examined perceptions of accountants in the Libyan extractive sector on the extent of the effect of certain factors (economic performance, societal expectations, stakeholder demands, and economic, political and social context) on CSDR practices. It has sought to determine the most appropriate theoretical explanation of CSDR practice for an emerging economy such as Libya. The chapter clarified the main incentives and disincentives for CSDR practices in Libya. It provided a review of the present popular theoretical explanations behind such practices. In particular, the chapter sought answers to the following questions. This section is structured based on the answers to these questions as follows:

#### **1. To what extent does the economic performance of corporations influence CSDR practice in Libya?**

Unlike the socio-political approach, where the relationship between society and other organisations is considered, the pure economic approach has not been successful in explaining CSDR in Libya. This approach suffers from several limitations. It focuses only on the causes of conflict between managers and shareholders, neglecting the other interested parties in society. This approach has also been criticized in that it is an economic purpose-oriented approach. The economic context, however, cannot be examined separately from the political and social and institutional framework in which the economic activity takes place. In addition, a pure economic approach concentrates on profit maximization as the primary goal of the organisation, ignoring the other organisational goals (AbuRaya, 2012). Profit maximisation is no longer the only purpose of companies' activities in Libya. Rather their focus seems to be evolving into providing services to society in conjunction with profit making. The pure economic approach is based on the assumption of efficient capital markets, which practically might not always be the case. It is based on utilitarian behaviour that is not acceptable from a pro-social perspective. Utilitarian ethical behaviour (self-interest) is also not acceptable from the perspective of Islam, under which Muslims are expected to conduct their business activities in accordance with the requirements of Sharia. The results of the content analysis show that companies operating in the Libyan extractive sector disclose some social and environmental information without legal or professional requirement to

do so. One possibility is that these companies may believe that making CSDR will enable them to introduce themselves as a social company.

**2. To what extent do societal expectations influence CSDR practice in Libya?**

**3. To what extent do stakeholder power and demands influence CSDR practice in Libya?**

**4. To what extent do political, economic and social contexts influence CSDR practice in Libya?**

The extent of CSDR in Libya seems to be dependent on exposure to public pressure in the social, political and economic environment in the form of social or regulatory changes. CSDR practices in Libya are shaped not only by a single factor approach but also by various external and internal factors.

It is very difficult to provide complete evidence in favour of or against the social and political explanations of CSDR in this thesis. These approaches present overlapping interpretations of CSDR, all of them are logical and acceptable, and none can be voted as the best approach to interpret and justify CSDR practice. Gray et al. (1995b) argue against treating the social and political approaches as being in competition with each other. They claim that they are often complementary rather than competing as such.

This chapter has questioned the explanatory power of using a single theory. It posits that there is a need for an integrated approach to provide a complementary understanding of the reasons for and content of CSDR. This perspective is also supported by previous literature (see, for example, Wilmshurst and Frost, 2000; Adams, 2002; O'Dwyer, 2002; Bebbington et al., 2008), which asserts that there are links between social accounting theoretical explanations such as stakeholder, legitimacy and political economy theory, and that advantage can accrue from integrating more than one theoretical explanation. If such a combination of these theoretical approaches is valuable in a developed country, it may be even more useful in explaining CSDR practice in a developing country such as Libya. There is still very little knowledge about CSDR within the Libyan context, and

hence adopting a single theoretical approach could risk neglecting other possible approaches which could have an equally important role in explaining this phenomenon (O'Dwyer, 1999). The empirical analysis in this chapter found a significant correlation between respondents' views in regards to the social and political economy approaches (i.e. stakeholder, societal expectations and political economy approaches). However, no statistical correlation was found between respondents' views in regards to the pure economic approach and any of the social and political economy approaches.

The results of this chapter suggest that to gain a comprehensive explanation of a country's accounting disclosure it is necessary to understand the underlying theoretical explanation of the country's environmental characteristics. This chapter takes the view that no single theoretical approach can interpret the whole pattern of CSRD observed at a particular time (Gray et al., 1995b; Adler and Milne, 1997). The thesis also takes the view that the application of theories that were developed in one social, political and economic setting to explain disclosure practices in a different social, political and economic setting is questionable and requires caution. The existing CSRD theories, which are dominated by Western views, cannot address certain Islamic issues that have not been endemic to the West because of different philosophy and notions (Tilt and Rahin, 2015).

## **5. What are the main incentives and disincentives to disclosing CSRD practices in Libya?**

Respondents believe that meeting their social and moral responsibility and enhancing the company's image within society, to gain its trust are the main incentives of companies to undertake CSRD. Despite the low level of CSRD, respondents tended to believe that social and environmental issues are the main responsibilities of companies to be considered in relation to it. This gap between their views and the actual practices within the country has been attributed to their lack of competence in such issues. They also claim that the lack of awareness of the significance and potential advantages of CSRD practices in society and the absence of the role played by regulators such as the AB to require companies to provide such information are the main disincentives for CSRD. The lack of legal and professional requirements and guidelines established by

both the NOC and accountancy professional bodies, especially in the case of their lack of training, qualification and expertise in the CSRD domain, also limited their engagement with the practice.

Accounting educational background can be an important factor affecting company behaviour (Merchant et al., 1995). An increase in the level of education in a given country may increase political as well as social awareness and lead to demands for corporate accountability. The academic background of financial employees is just as important as other directors, since the responsibility for preparing annual reports rests mainly with the principal accounting officer of the company (Ahmed and Nicholls, 1994). The employment of qualified accountants may have an impact on the quality and quantity of a company's reporting process. However, the results of this thesis suggest that education level and qualification alone are not solutions to the low level of CSRD with respect to inadequate accounting systems.

Companies' actual social and environmental performance should be followed up by a strong monitoring system, perhaps through a social and environmental audit by the LAAA. The professional preparedness of accountants is an important determinant of disclosure practices (Ahmed and Nicholls, 1994). Professional training in accounting will help financial employees to be more aware of disclosure issues and to extend their conventional roles to cover a non-traditional duty such as CSRD. Financial employees, trained in accounting and/or CSRD practice, are likely to prefer greater disclosure to illustrate accountability and enhance the image of the company within society (Haniffa and Cook, 2002). The analysis of the qualifications of financial employees in the Libyan extractive sector indicates that not all employees have accounting qualifications. Other popular qualifications held by financial employees include banks and insurance, finance and banks, economics, administrative information systems, and business administration.

Professional body leadership should have some effect on member behaviour (Bebbington et al., 1994). There is a general agreement between public accountants that the LAAA has not undertaken any initiative on social and environmental matters, including CSRD (Ahmad, 2004). Buzied (1998) claims that professional accountants in Libya have no role in developing accounting standards nor a code of ethics. They have a

very limited role in undertaking effective research to help develop accounting systems to encompass issues such as CSRD.

**6. What differences exist in the perceptions of employees on CSRD practice within Libya regarding their demographics?**

**7. What differences exist in the perceptions of employees on CSRD practice within Libya regarding company characteristics, namely size, age, whether a company is public or private, ownership structure, activity type and activity location?**

There is empirical evidence to show that respondent profiles such as current occupation, level of education, type of educational qualification, professional qualifications, training programmes and academic posts can significantly influence their perceptions of CSRD practice. These results are consistent with the suggestions of previous studies (Bebbington et al., 1994; Haniffa and Cooke, 2002; Lodhia, 2003; Kuasirikun, 2005). The results also show that company characteristics such as size, age, whether a company is public or private, ownership structure, and activity type and activity location are significant determinants of employee perceptions. These results are consistent with the content analysis of this thesis, which shows that whether a company is public or private, ownership structure and activity location are the major significant determinants influencing and correlating with CSRD levels in Libya.

**8. What is the current educational level of CSRD and to what extent can sustainable CSRD within companies in Libya be established?**

The analysis shows that the vast majority of respondents are willing to accept the possibility of establishing a sustainable, CSRD-based approach within companies. However, they had little knowledge in terms of academic education on CSRD practice.

### **5.9 Chapter Summary**

This chapter has explored the perceptions and attitudes of those representing the accounting community toward different aspects of CSRD practices in the Libyan extractive sector.

Using the survey questionnaire method, the analysis shows that corporations' economic performance and environmental influences such as societal expectations, stakeholder power, and economic, political and social context, including culture and religion, are significant drivers of CSDR practices in Libya.

In respect to the main motivations for companies in Libya regarding the disclosure or non-disclosure of social and environmental information, the analysis indicates that respondents thought that the main reasons for undertaking CSDR are basically as follows: (1) to meet their social and moral responsibility; (2) to assist society at large and enhance the company's image within society, to gain its trust; (3) as a strategy to defeat competitors; (4) in response to legal obligations; and (5) to illustrate a reasonable responsibility in accordance with Islamic Sharia values. On the other hand, respondents thought that the most important disincentives for CSDR in Libya are: (1) lack of awareness of the significance and potential advantages of CSDR practices by society; and (2) the absence of the role played by regulators such as the AB to require companies to provide such information.

The results reveal that accountants in Libya are well-educated on CSDR. However, the practical non-preparedness of accountants in handling CSDR issues was noted by this survey, despite the extensive experience they have in the field of business. The majority of them had not undertaken any training programmes to improve their knowledge about social and environmental accounting. The absence of continuing professional development in CSDR is an important determinant of the low level of CSDR in Libya. The failure of accountants to recognise their responsibility toward social and environmental issues is a result of their lack of knowledge about such practices.

There is empirical evidence to show that respondent profiles such as current occupation, level of education, type of educational qualification, professional qualifications, training programmes and academic posts can significantly influence their perceptions of CSDR practice. Company characteristics such as size, age, whether it is public or private, ownership structure, activity type, and activity location are significant determinants of employees' perceptions. Employees from companies with different characteristics have significantly different perceptions. A list of pure economic (agency theory) and social and political economy (stakeholder, legitimacy and political economy theories)

theoretical approaches was investigated. This chapter looked at the use of these approaches in a single thesis and has discussed how it derived its motivation to study CSRD in Libya through social and political economy lenses.

At the national level, the immediate imperative in Libya is reform of the social, political and economic structure by developing institutions, educational and professional establishments, and training programmes, from which CSRD may become a spinoff. More research into CSRD, especially in developing countries, is needed. Such research should involve both academics and professionals in intellectual debate on the social and environmental accountability of companies.

Results derived from the survey questionnaire do not provide a comprehensive understanding, based on a clear theoretical background, which could provide a relevant explanation of CSRD practices in Libya. Given the interpretative nature of these results, more conclusions and clarifications can be suggested behind the CSRD practices found in this chapter. In seeking to get more understanding of evidence for CSRD practices, the next chapter, Chapter Six: ***Professional versus Academic CSRD Insights***, investigates the perspectives of academic and professional accountants in Libya regarding the nature of CSRD practice, suggesting means to improve the national accounting education systems to deliver meaningful CSRD in practice.

## **CHAPTER SIX**

### **PROFESSIONAL VERSUS ACADEMIC CSRD INSIGHTS**

#### **6.1 Chapter Introduction**

The two preceding chapters covered the interpretation of the results of the content analysis and survey questionnaire, which provided some explanations of CSRD practice in the Libyan extractive sector, answering the first two research questions of this thesis (Section 1.4). The principal purpose of this chapter is to evaluate the perspectives of academic and professional accountants in Libya regarding the nature of CSRD practice using the interview method. As it was difficult to identify members of the desired population and those who met the participation criteria, the snowball sampling method was employed in this thesis.

As the conduct of this thesis was guided by the University of Brighton's code of ethics and affected by the current Libyan political circumstances, the researcher was not be able to carry out the interviews face-to-face; data collection in this way in Libya can be difficult and very challenging. Online interviews using internet technologies (mainly Skype) were the alternative method. Clarifications regarding the research topic and the elements of the thesis were provided before commencing the conversation and interviewees were given the chance to seek this clarification.

This chapter contributes to that limited research on academic and professional accountants' perceptions and requirements of CSRD. It seeks to answer the following questions:

1. To what extent do academic and professional accountants in Libya understand CSRD practice?
2. What are the rationales behind accepting CSRD practice in Libya?
3. What are the main obstructions to CSRD practice in Libya?

To answer these questions, the chapter is organised as follows:

**Section 6.2** outlines interviewee demographics.

**Section 6.3** highlights the perceptions of professional and academic accountants regarding CSRD practice in Libya, including rationales for and obstructions to CSRD practices.

**Section 6.4** is a discussion and evaluation of the chapter.

**Section 6.5** is the chapter summary.

In this chapter, the findings are presented from the interviews using quotations from the interviews to illustrate and explain the key points. The distribution of these quotations is based on the richness of the data, due to respondents' experience or lack of it. The Arabic versions of exemplary English quotations as well as a translation of one interview are provided in Appendices 6.1 and 6.2.

## **6.2 Interviewee Demographics**

A series of semi-structured Skype and Viber discussions were conducted with those who were thought to possess familiarity with accounting education and the accounting profession, as well as the social, political and economic development of the Libyan context. This includes those who: have a professional and academic post in the accounting arena, are expected to be engaged in some way in the practices of corporate disclosure in Libya, and are able to suggest means to improve the national accounting education systems to deliver meaningful CSRD into practice. That is, those who are representing the accounting community in the country. The interviews were conducted with fifteen academics and professional accountants from different educational and professional institutions in Libya, using the snowball sampling method. All interviewees were male and 12 were working in both professional and academic domains. Two interviewees' work is limited to the professional domain and only one interviewee was working as an academic with no professional orientation. The majority of the academics (12) hold a PhD. One academic as well as the two professionals holds a Master's degree only. Two academics were full professors, four of them were

associate professors, four of them were assistant professors and three were lecturers. Table 6.1 demonstrates the interviewees' roles and domains.

**Table 6.1: Interviewees' Roles and Domains**

Interviewees	Role / Domain of Interviewees				
	CA	LA	APA1	APA2	FPA
R1	✓		✓		
R2	✓				
R3	✓		✓		
R4	✓				
R5	✓	✓			
R6	✓	✓			
R7	✓			✓	
R8	✓			✓	
R9	✓				✓
R10	✓		✓		
R11	✓			✓	
R12	✓	✓			
R13	✓			✓	
R14			✓		
R15	✓				✓

**Key:**

CA = Chartered Accountant;

LA = Lecturer in Accounting;

APA1 = Assistant Professor in Accounting;

APA2 = Associate Professor in Accounting;

FPA = Full Professor in Accounting.

### 6.3 Professional and Academic Accountants' Understanding of CSRD

The main focus of this section is to report on the analysis of professional and academic accountants' perceptions of CSRD in Libya. In order to identify the extent of professionals' and academics' awareness and understanding of CSRD, they were asked to provide their views on the concept. Although they presented a range of answers, their definitions showed a clear understanding of the concept. Despite most interviewees concentrating on the ecological environment, employee affairs and community

involvement, some provided examples of CSR activities fulfilled in ways beyond these with more clarifications. Typical responses were:

*CSR is a result of an invisible contractual relationship between society and institutions, considering that the resources available to these institutions are not free, therefore companies in order to benefit from these resources have to pay for the community, which is reflected in the form of social and environmental contributions and developments. (R15)*

*CSR is related to the extent of the contribution of institutions, whether public or private, to the surrounding society and environment. It is committing to reduce the bad results of corporate activities and contributing to solving social and environmental issues. CSR is also about corporate behaviour towards society that seeks to achieve social welfare in various social aspects. For example, the corporation can play a vital role through allocating some of its proceeds to protecting the environment from pollution, promoting health, education and training programmes either for their employees or for society in general. This can also be shown in developing the overall appearance of the community. (R13)*

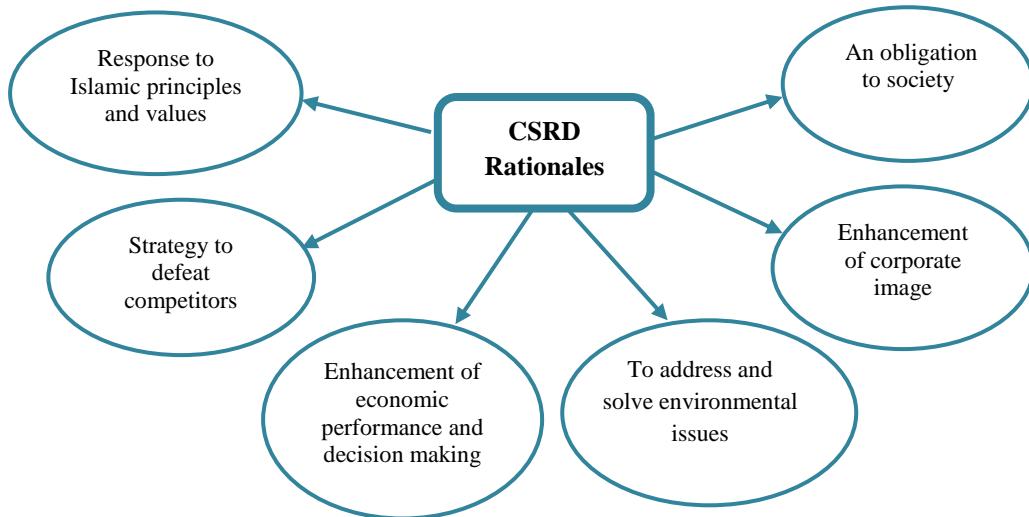
*CSR is a commitment by companies to meeting the requirements of society, reducing the negative effects of the company's activities on the environment, and contributing to solving social problems and achieving social welfare. Before the resources of the corporation are devoted to meeting economic demands, acceptable levels of social and environmental performance are necessary. So corporations should consider CSR in equal importance to their economic interests. (R10)*

### **6.3.1 Recognised Rationales for Undertaking CSRD**

Interviewees were asked about the rationales for undertaking CSRD practice. All of them stressed that CSRD is very important. They recognise that CSRD may be reported for more positive rationales. Various core rationales for undertaking CSRD practices, which are emphasised in bold font, were provided by the interviewees. These are

grouped into six main rationales of CSRD that emanated from the interviews (Figure 6.1). The following sections discuss how these rationales or explanations were met in this thesis.

**Figure 6.1: General Perceptions of CSRD Rationales**



**Source:** Compiled by the researcher from the interview materials (Appendix 6.5).

### 6.3.1.1 An Obligation to Society

There was general agreement among interviewees on the importance of the community as a critically important stakeholder, with a parallel emphasis on the discretionary. Interviewees perceived that to **justify its continued existence**, a company should appear to operate within the bounds of those activities which are deemed appropriate by society, create communication channels with society, and **legitimise its behaviour and attitudes to the society** in which it operates. They argued that corporations operate within a bounded space and that giving back to the community is paramount. They added that all companies must express concern for maintaining legitimacy and credibility in a shared community, and providing their share of reciprocal benefits. It was clear that for interviewees, society was an issue that was to the fore. Interviewees articulated that the company must disclose social and environmental information **to legitimise its existence and gain the trust of society** (Appendix 6.5). The following comment demonstrates this:

*There is no doubt that disclosure of social and environmental information is important. Companies must disclose their social and environmental*

*information to give indications about the performance of the company and whether it is an eco-friendly company or not. I think it is important that people know what you are doing, who you are, are you a green citizen ... This is in order for the company to legitimise itself in society. (R15)*

Although the traditional view of the role of corporations (profit-making) appeared to be the general understanding amongst interviewees, it was thought that this conventional view might no longer be appropriate. Interviewees believed that profit maximisation should have a lower priority for Libyan organisations, which should instead prioritise meeting social responsibilities. The typical views are as follows:

*For as long as the company is given a chance to operate within a society, it has to give back to it ... the company should not be overwhelmingly concentrated on profit-making. Rather, it should be concerned with the well-being of the society in which it operates. (R8)*

*Companies should not focus merely on profit maximization ... I believe that the company has a role in contributing to community service; this has led to social interaction and pushed its customers to deal with the company through the purchase of their products as a kind of thanks. (R5)*

### **6.3.1.2 Enhancement of a Company's Image**

Interviewees suggested that **CSRD practices can enhance a company's image and reputation within society.** They ranked enhancing corporate image as one of the main factors that may influence companies' decision to make social and environmental disclosure (Appendix 6.5). Interviewees revealed that companies are engaged in CSRD to keep stakeholders in general and employees in particular satisfied about the performance of the company, which is thought to be important in doing business. The following comments demonstrate this:

*From my perspective, companies can make CSRD to advocate and enhance the entity's image, and to promote employee, customer and community*

*relations with the incentive of indirectly assisting the promotion of products. CSRD can be used as a means of advertising. (R5)*

*Disclosure of social and environmental responsibility by the company can also make employees proud as they work in a company that pays more attention to social and environmental issues. (R14)*

### **6.3.1.3 To Address and Solve Environmental Issues**

Another motivation emanating from the interviews suggests that CSRD is used to address and solve environmental issues. Almost all interviewees explicitly referred to ecological/environmental responsibilities and issues. Eight interviewees revealed that corporations must undertake CSRD **to attract the attention of other corporations' management that is concerned with the environmental protection, and to address and solve environmental issues** (Appendix 6.5). The following comments illustrate the respondents' opinions concerning this issue:

*Corporations have an obligation on social and environmental issues. Thus, a company must disclose environmental information to solve environmental issues such as climate change and global warming, through coordination between the company and government agencies. (R10)*

*I think one of the social responsibilities of either private or public companies is participating in protecting the environment or at least reducing environmental damage. (R13)*

### **6.3.1.4 Enhancement of Economic Performance and Decision Making**

Interviewees believed that **CSRD can serve the economic interest of a company**. They claimed that businesses are being challenged to develop their CSRD strategy alongside economic and financial performance, in order to continue to survive and to ensure their position in the marketplace (Appendix 6.5). Influence was shown to exist of CSRD on **the enhancement of investment and funding decisions taken by investors**. Interviewees argued that companies must make social and environmental information

available in order to demonstrate to other parties how much costs are incurred by the company to produce such information. Interviewees also connected the importance and need for CSRD with the activities of the corporation. This means if the activities of the company affect society and the environment clearly, then CSRD becomes more important. The following comments capture these perspectives on CSRD:

*Organisations that pursue a policy in the field of environment protection may have future revenues or an increase in profits or increased sales as a result. This happens when the informed citizen feels the importance of the environment, he will purchase from those companies interested in environmental aspects and who produce environmentally friendly products, and therefore this will result in a financial return. (R10)*

*Companies must undertake CSRD to assist the investor in making rational decisions. Nowadays investors have become attracted to investing their money in companies that are interested in social and environmental aspects, as this has a positive effect on the company's stock price. (R12)*

*CSRD is very important ... but the extent of importance is in direct proportion to the activity of the company. Companies that have a clear impact on society and the environment must pay more attention to social responsibility and vice versa... providing social and environmental information can lead to increased costs of CSRD and it has become important to report these costs, as they may substantially affect the decisions made by stakeholders. (R13)*

### 6.3.1.5 Strategy to Defeat Competitors

The fifth motivation uncovered in the interviews suggests that **CSRD is a strategy to defeat competitors**. Interviewees asserted that companies that respond most effectively to their environmental effects and activities might be in the strongest competitive position. They stated that providing CSRD information could **give a good impression** about the company to society (local and global). According to those interviewees, **the company's value will increase** if society becomes satisfied and happy. They also

suggest that this may **encourage other corporations** to take the same initiative (Appendix 6.5). The following comments indicate the interviewees' opinions concerning this:

*Company must disclose environmental information to determine the extent of its role in the community, which is very important for any company to strengthen its competitive position. (R2)*

*Providing social and environmental information would motivate other firms that have not yet undertaken CSRD practice to adopt the same approach ... The company value will increase if society becomes satisfied and happy. (R5)*

### **6.3.1.6 Response to Islamic Principles and Values**

Interviewees perceived that CSRD is largely **in line with Islamic principles and values**. They believed that **religion, particularly Islam, can play a very significant role in Muslim society** in enforcing ethical behaviour, by invoking an omniscient being with the power to reward and punish behaviour (Appendix 6.5). Typical statements include the following:

*Development of society and protection of the environment is an Islamic duty in the Islamic religion; people are expected to be cooperative with others in the community. The Messenger of Allah (peace be upon him) declared that: "None of you truly believes until he loves for his [Muslim] brother what he loves for himself. (R15)*

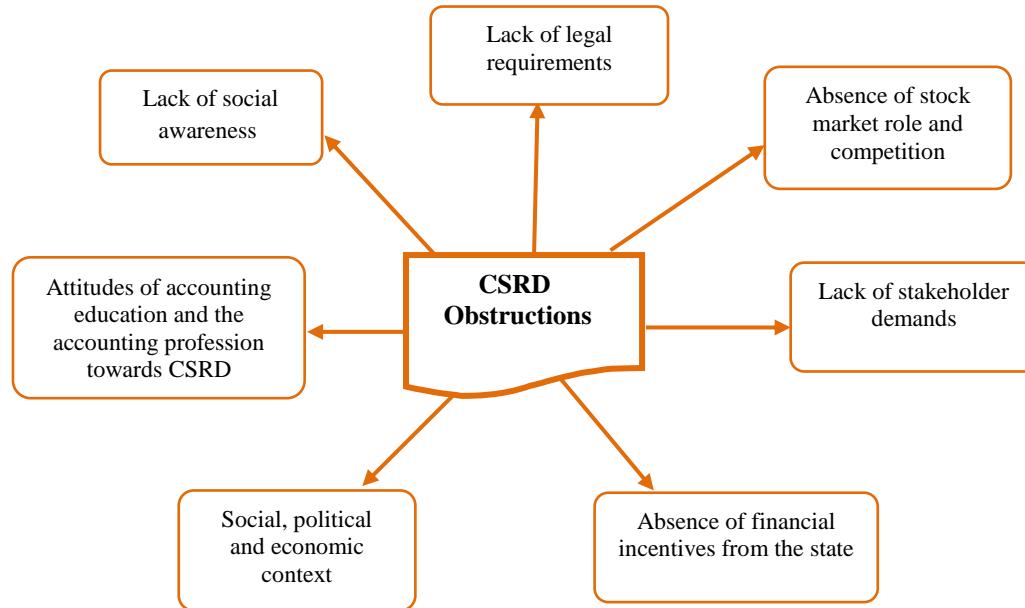
*Companies must disclose environmental information even when there is no law enforced on the company to disclose this information. This is in order for the company to comply with Islamic principles and values. (R8)*

### **6.3.2 Obstructions of CSRD Practice in Libya**

From the interviews, it is evident that there are also obstacles that hinder a company from making CSRD. This section discusses the potential obstructions of CSRD.

Interviewees offered various perspectives which outline some obstructions of CSRD within the socio-political, economic and cultural context of Libya (see Figure 6.2). There was a general consensus amongst the interviewees on all suggested obstructions. Interviewees thought that the most important obstructions of CSRD in Libya are: (1) lack of social awareness; (2) lack of legal requirements and/or stakeholder demands; (3) socio-political and economic context; (4) attitudes of accounting education and the accounting profession towards CSRD; (5) absence of stock market role and/or competition; and (6) the absence of financial incentives from the state. To optimize the structure of this section, all the suggested obstructions are emphasised in bold throughout the sections. The following sections will discuss each of these obstructions.

**Figure 6.2: General Perceptions of CSRD Obstructions**



**Source:** Compiled by the researcher from the interview materials (Appendix 6.5).

### 6.3.2.1 Lack of Social Awareness

Given the fact that the phenomenon of CSRD is relatively new to companies in Libya, many of them may not be familiar with its techniques and requirements. This view was prevalent among the interviewees (Appendix 6.5). Interviewees ascribed the low level of CSRD in Libya to **the lack of awareness and knowledge amongst corporate managements, employees and the public regarding the potential advantages of**

**CSRD practice.** They explicitly mentioned that **the absence of public social and environmental awareness and knowledge** in Libya has led to the absence of demand for such information. Interviewees also felt that CSRD would not only increase the demand for such information, it would also increase the awareness and expectations of society. The following comments demonstrate this:

*I think that the awareness of the significance and potential advantages of CSRD practices by society in general and company management in particular are a very important driver towards improving the level of CSRD in Libya ... CSRD is a message that needs to be delivered, so the awareness of the importance of this message is a vital factor ... an increase in social awareness regarding social and environmental issues will lead to an increase in the level of CSRD. I think one of the main obstructions of CSRD in Libya is the lack of the managerial awareness regarding the importance of CSRD practice. (R8)*

*The culture and the awareness of a company's management have a great role in the importance of social and environmental information. In practice, it refers to the lack of interest of management in the information about these company activities. (R14)*

*I believe that the motives that encourage a company to undertake CSRD are, in the case of decision makers of companies, when they reach a high level of social and environmental awareness and understand the importance of CSRD practice. (R5)*

### 6.3.2.2 Lack of Legal Requirements

Most interviewees explained that **the social and environmental legislation in the country is still at a low level** when compared to developed nations and this **lack of regulation** has influenced accounting and disclosure practices. There was a consensus among interviewees that **the legal obligation is a key driver** for companies to undertake and disclose their social and environmental activities (Appendix 6.5). Interviewees claimed that **the absence of a legal requirement** is an obstruction of

CSRD in Libya. They believed that mandatory regulation may support the idea of increasing disclosure about corporate social and environmental activities, as they believe that **voluntary initiatives are considerably less effective**. The following comments indicate the interviewees' perspectives concerning his:

*Legal requirements are an influential driver of CSDR. I believe that it is important for Libya to move toward mandatory CSDR in order to enforce companies being responsible for activities that have negative influence on our society. Companies tend to perform better in this regard when legal proceedings are issued against them. (R3)*

*I believe legal obligations to be more important than other factors influencing the decision to undertake and disclose social and environmental activities, by using the legislation and identification of social and environmental items to be reported according to accounting standards. Without mandatory requirement such as laws and regulations companies may not produce CSDR information. (R5)*

On the other hand, one interviewee argued against this and stated that initially there is adequate legislation in this regard, but the problem is the absence of the application of this legislation.

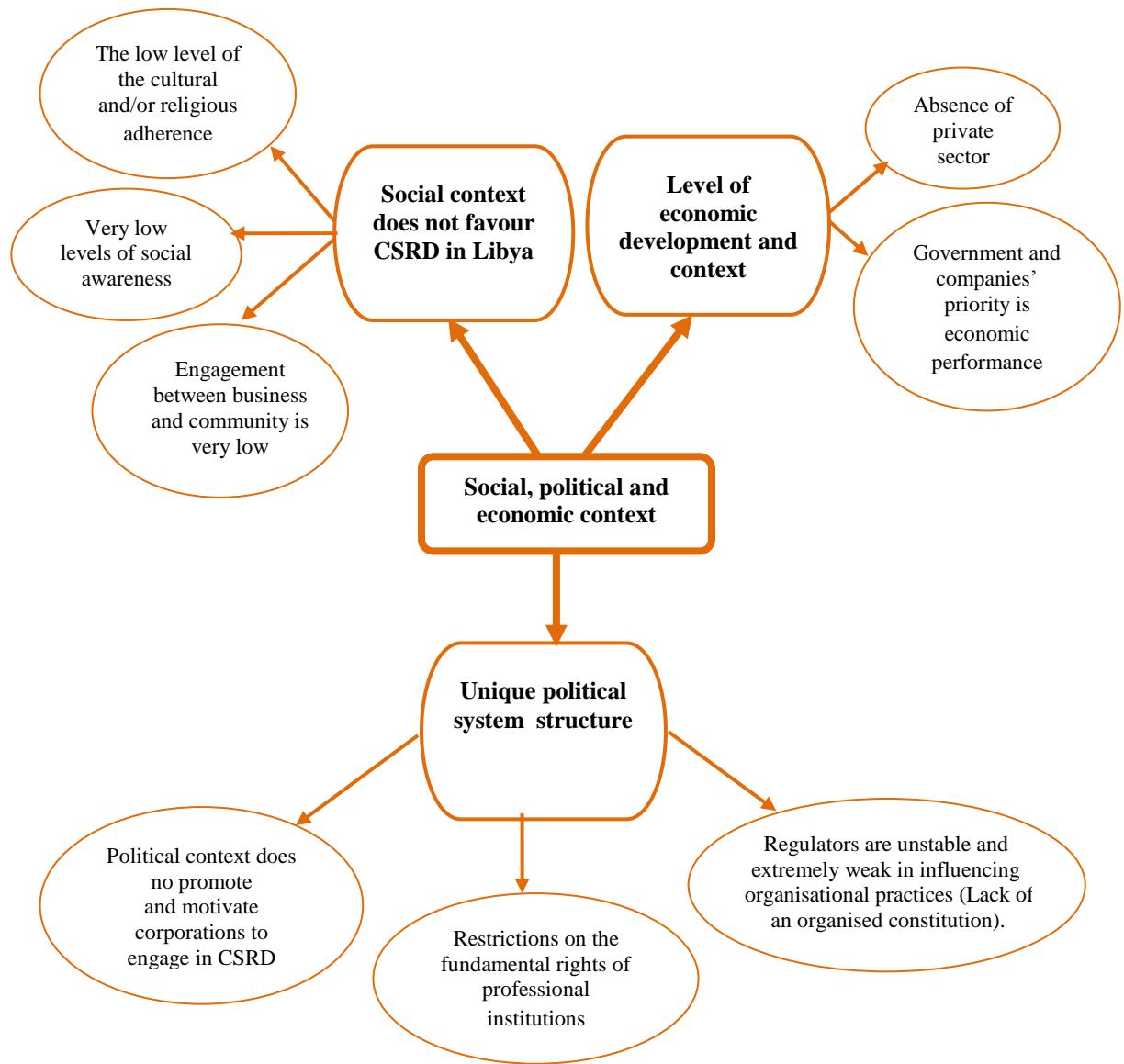
*In Libya, we have adequate laws and regulations with regard to social and environmental responsibility... but the problem is that there is an obvious gap between these laws and regulations and their application in reality. (R15)*

### 6.3.2.3 Social, Political and Economic Context

As shown in Figure 6.3 (see also Table 6.2), this section investigates the interviewees' perceptions and perspectives regarding the absence or low level of CSDR practice, with particular reference to the social, political and economic context of Libya. Interviewees pointed out that **social, political and economic contexts are very important factors influencing the practice of CSDR in Libya** (Appendix 6.5). They indicate that CSDR

practices in Libya are shaped not only by internal factors but also by external factors such as the **social, political and economic contexts** of the country along with the perceptions and cognition of those involved in the CSRD decision and process. Interviewees claimed that these contexts can also influence the way in which accounting rules are promulgated, which in turn will influence the nature of the rules themselves.

**Figure 6.3: CSRD within Social, Political and Economic Context**



**Source:** Compiled by the researcher from the interview materials (Appendix 6.5).

**Table 6.2: Perspectives on CSRD within Social, Political and Economic Context**

<b>Perspectives on CSRD within social, political and economic context</b>	<b>Number of interviewees providing such views</b>	<b>Example of views provided by the interviewees</b>
<b>1. Social context does not favour CSRD in Libya</b>  - The low level of cultural and/or religious adherence  - Very low levels of social awareness  - Engagement between business and community objectives is very low	6  10  2	<i>The social context, including culture and religion, seems not to have an influence upon social and environmental practice in Libya... This is because of the low level of cultural and religious adherence in Libyan society. There is still very little concern among most Libyans about social and environmental issues and disclosing, and many members of the community do not recognise and understand even what CSRD practice means.(R8)</i>  <i>Very low level of interaction or involvement between business and different interest groups in Libya.(R2)</i>
<b>2. Unique political system and structure</b>  - Political system does not encourage corporations to engage in CSRD  - Restrictions on the fundamental rights of professional institutions  - Regulators are unstable and extremely weak in influencing organisational practices (lack of an organised constitution)	9  6  11	<i>The unique Libyan political system and structure is a major issue hindering the effectiveness of CSRD practices. It does not encourage companies to undertake CSRD practice.(R2)</i>  <i>Since its establishment, the LAAA has played a very limited role in developing the accounting profession. This is because of government policy which has even restricted its fundamental rights. (R2)</i>  <i>The role of the state in designing and implementing effective regulation and legislation for organisations is very weak and limited.(R1)</i>  <i>Current political instability and conflict is a major issue impeding the practice of CSRD in Libya these days.(R5)</i>
<b>3. level of economic development and context</b>  - The priority of government and company policy is economic development  - Absence of private sector	6  8	<i>Economic crises in Libya have led to an emphasis on economic performance as its first priority, leaving social and environmental accountability and performance of companies to be of secondary importance.(R15)</i>  <i>I think the dominance of state-owned business, which has led to an absence of the private sector and competition between business enterprises in the country, is one of the main obstructions behind the low level of CSRD practice.(R14)</i>

**Source:** Compiled by the researcher from the interview materials (Appendix 6.5).

According to interviewees, **the relationship between political, economic and social contexts** should be considered in CSRD practice. They maintained that the economic context cannot be examined separately from the social and political institutional framework in which the economic activity takes place. The following comments indicate the interviewees' views concerning this:

*CSRD practices in Libya are shaped not only by one single factor but by both external and internal factors. External factors reflect the impact of social, political and economic context on the disclosure of social and environmental practices. Internal factors reflect the impact of the educational and cultural level of those involved in the CSRD process, namely managers. (R15)*

*CSRD is predicated on the recognition that the economic aspect is merely one component of the institutional lifetime and this needs to be interwoven with the recognition of the significance of political and social aspects. (R7)*

Interviewees highlighted three types of country-specific traits, namely social traits, **the level of economic development and the political context**, to explain this view further. They admit that **the social context, including culture and religion, of Libya does not favour CSRD** as a communication means to enhance a company's image and discharge wider accountability of business. Interviewees also revealed that CSRD is considered counterproductive to the economic development of the country given the very low economic development of Libya. It is a holistic economic system ruled by the government. Table 6.2 illustrates the views that may explain the low level of CSRD in Libya within its social, political and economic context. The following discussion outlines these views.

#### **6.3.2.3.1 Social Context does not Favour CSRD in Libya**

Interviewees felt that CSRD practice in Libya is not appreciated because of its particular social context. Certain cultural and religious traits of Islam in Libya are particular factors influencing CSRD practice. This view is equally prevalent among most interviewees. They argued that **the low level of the cultural and/or religious adherence** in Libyan society produces a society where business and different interest groups do not interact with or engage in social and environmental reporting. This was articulated by the perspective of one interviewee as follows:

*I think there is a very low level of interaction between different groups of people and corporations' social and environmental activities in Libya which*

*makes CSRD ineffective ...The social context including culture and religion seems not to have an influence upon social and environmental practice in Libya... This is because of the low level of cultural and religious adherence in Libyan society. Referring to social and environmental responsibility and disclosure, people have become less faithful in adhering to such instructions. (R8)*

Interviewees argued that due to **very low levels of social awareness**, Libyan society does not have a culture where there is pressure to legitimise companies' continual operations. They felt that even the concept of CSRD is not widely recognised and understood by most people in Libya. Interviewees believed that **engagement between businesses and community objectives** is very low in Libya. Interviewees suggested that the state can play a major role in enhancing the level of CSRD of companies operating in Libya through its communication methods. Interviewees mentioned this as follows, for example:

*I think that the level of education is less evident at present in Libyan society at large and therefore society does not have a culture where there is pressure to legitimise companies' operations and existence. There is still very little concern among most Libyans about social and environmental issues and disclosing, and many in the community do not recognise and understand even what CSRD practice means... in this respect, the government through its media can play a vital role in developing community awareness regarding CSRD issues in this country. (R8)*

*There is a very low level of interaction or involvement between business and different interest groups in Libya. (R2)*

### **6.3.2.3.2 Unique Political System and Structure**

Interviewees asserted that the unique political system in Libya is also a very important factor behind the low level or absence of CSRD practices. They claim that the political system has a significant impact upon the characteristics of business enterprise in Libya.

Interviewees assumed that there is a positive relationship between political freedom and accounting freedom to report and disclose, suggesting that the more political freedom a country has, the more freedom there is in accounting practice. Interviewees also stated that Libya is a country with a unique political and economic structure, where there is a dominance of state-owned businesses. The objective of business in Libya is to serve society, rather than to maximise profits.

Interviewees highlighted that **the political system in Libya does not encourage corporations to engage in CSRD**. They asserted that corporations in Libya may not exhibit broader social and environmental responsibility unless it is taken seriously by the government. Six interviewees pointed out that government policy has even **restricted the fundamental rights of professional institutions**, which may have an important role in developing CSRD practice, by not giving them any power to issue regulation or legislation in this regard. Eleven interviewees also asserted that the weak performance of government regulatory institutions in this respect is also an important reason behind the low level of CSRD practices. They insist that **regulators are unstable and extremely weak in influencing organisational practices (lack of an organised constitution)**. They added that political unrest and instability is another important obstruction of CSRD practice in Libya. The volatility and turbulence in the political environment in Libya serves to divert companies' attention from their social and environmental responsibility activities to issues of basic life. Typical comments are as follows:

*The unique Libyan political system and structure is a major issue hindering the effectiveness of CSRD practices. It does not encourage companies to undertake CSRD practice. Since its establishment, the LAAA has played a very limited role in developing the accounting profession. This is because of government policy which has even restricted its fundamental rights ... no financial support as well as regulatory power have been given to this institution to publish any regulations and legislation regarding the accounting profession. This suggests that the LAAA has failed to regulate itself and to understand its obligation towards the public interest. (R2)*

*The role of the state in designing and implementing effective regulation and legislation for organisations is very weak, limited and unstable. This is owing to the heavy dependence of government on national business, and it is thus unable to regulate the CSRD practice of such business. Consequently, the final decision for undertaking CSRD practice is completely left in the hands of companies themselves. (R1)*

*Political context is an important factor that can affect the social and environmental performance and responsibility of companies ... It is difficult to keep the spark for CSRD when political developments and turbulence in the country often force you to turn attention to issues of basic life. (R15)*

*Current political instability and conflict is a major issue impeding the practice of CSRD in Libya these days. (R5)*

### **6.3.2.3.3 Level of Economic Development and Context**

Interviewees suggested that the level of economic development and context were one of the main obstructions behind the current level of CSRD in Libya. Interviewees suggested that because **the priority of government and company policy is economic development**, practices relating to corporate social and environmental responsibilities are neglected. Interviewees also stated that the economic crisis and the level of poverty that has been witnessed in the country recently is another important obstruction, in that economic activities take priority over concerns for CSRD practice. CSRD in this regard is counter-productive to the economic goals of the government, and the government does not want such a hindrance to economic activities. One interviewee argued that:

*Low priority is given by the government to the impact of the social and environmental performance of business... economic crisis in Libya has led to an emphasis on economic performance as its first priority, leaving the social and environmental accountability and performance of companies to be of secondary importance. (R15)*

Interviewees claimed that as companies in Libya seem not to be using CSRD to justify their continued existence, or to enhance their image or reputation status, they are avoiding social pressure rather than achieving the objectives of society. Interviewees pointed out that Libya has a **monopolistic economic system**. It is accompanied by peculiar characteristics of its political regime and the state is continually intervening in the economy and has the dominant role in the majority of economic activities. They believe that the dominance of state-owned business in Libya has led to **an absence of the private sector**, which led to **the absence of competition in the Libyan market**. Interviewees consider that the private sector could play an important role in enhancing the practice of CSRD by creating a competitive market. They reveal that private businesses are obviously expected to be more involved in such activities as they are self-funded entities and thus more conscious about company image and reputation status and anticipating or avoiding social pressure. The following comment proves this:

*I think the dominance of state-owned business, which has led to an absence of the private sector and competition between business enterprises in the country, is one of the main factors behind the low level of CSRD practice...privatisation will help companies to improve their social and environmental performance and disclosure. Private business needs to be more involved in social and environmental issues as they are self-funded entities and therefore more concerned about company image and reputation. (R14)*

#### **6.3.2.4 The Attitudes of Accounting Education and the Accounting Profession towards CSRD**

This section investigates the attitudes of accounting education and the accounting profession in Libya towards CSRD. All interviewees elaborated that education in general and accounting education in particular can be important determinants of disclosure practice (Appendix 6.5). There is a positive relationship between the level of CSRD and the educational background of companies' employees and society at large, suggesting that a better educated society is more likely to adopt innovative activities and disclose more information, including CSRD practice. Interviewees posited that an

increase in education levels may lead to increased awareness of corporate accountability, including CSRD practice.

Management having a higher accounting educational background may be more likely to produce more social and environmental information to show accountability. The capability of accountants to deal with complicated issues and publish adequate accounting reports relies on the level of competence they have, which in turn relies on the level of accounting education and training they received. Typical views are that:

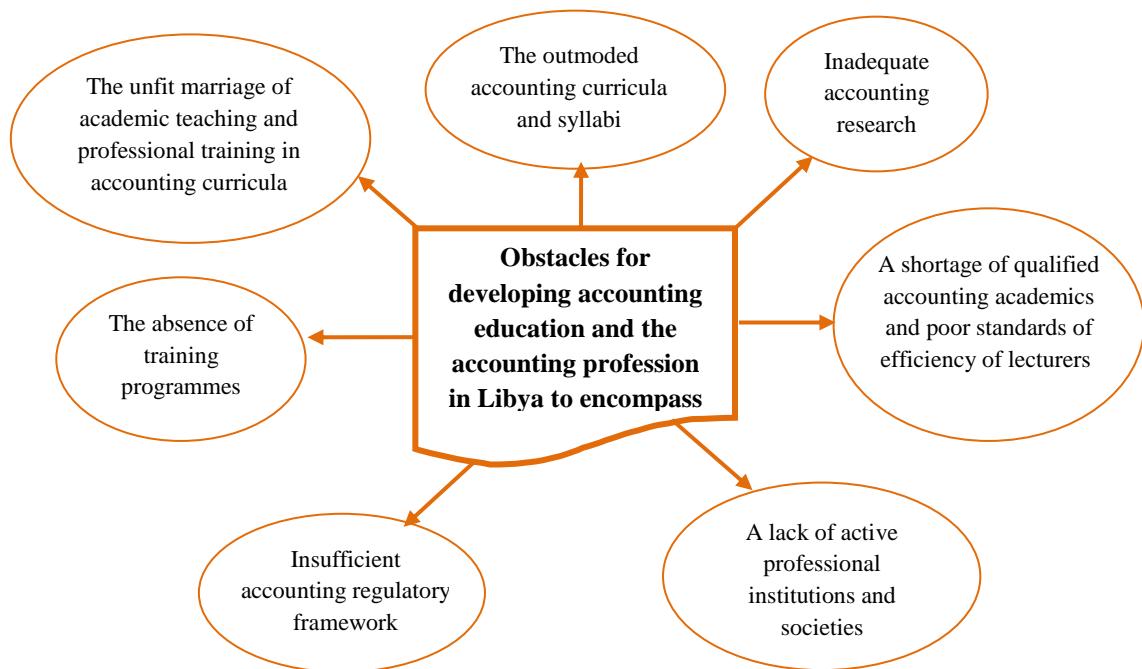
*Level of education, place of highest education qualification and length of professional experience of accountants are important factors that influence accounting practice in general and CSRD in particular. (R9)*

*Educational background in general and accounting education in particular are very important determinants of disclosure practice ... As the level of education increases, the number of a company's reports users may be expected to increase... and with better educated and qualified management being more likely to adopt CSRD practices ... educational institutions produce graduates with an essential training in accounting practice that will be a member of staff of professional bodies, or may work as an accountant in any of those companies operating in the Libyan market ...the existence of a well-developed accounting education system is important in enhancing the CSRD practice adopted in the country. (R15)*

Interviewees felt that **the low level of accounting education is a matter** that reduces the usefulness of CSRD. All interviewees indicated that there is no broad involvement of the accounting profession and/or accounting education in the CSRD activities of corporations. The need for a more effective accounting system and the influence of regulation on accounting practices were found to be important to improving CSRD practices in the country. Most interviewees agreed that the accounting profession and accounting education are extremely weak in influencing the CSRD activities of corporations in Libya. There is an urgent need for a more effective accounting system and an influential regulator mechanism.

Figure 6.4 (see also Table 6.3) outlines different accounts that provide some perspectives on this concern. Accounts offered by interviewees within such perspectives are: (1) the outmoded accounting curricula and syllabi; (2) the unfit marriage of academic teaching and professional training in accounting curricula;<sup>11</sup> (3) a shortage of qualified accounting academics and/or poor standards of efficiency of lecturers; (4) a lack of active professional institutions and societies; (5) an insufficient accounting regulatory framework; (6) inadequate accounting research; and (7) the absence of training programmes.

**Figure 6.4: Attitudes of Accounting Education and the Accounting Profession to CSRD**



**Source:** Compiled by the researcher from the interview materials (Appendix 6.5).

<sup>11</sup>The term ‘unfit marriage’, as used by interviewees, may have a cultural connotation. In Libya marriages are made through an arrangement, but if that arrangement was not so good or was not as required then the marriage will not prosper and is deemed to be unfit. The term is applied here as follows. Accounting education needs to meet the dynamically expanding demands of the profession, including training in basic competence and learning skills. Therefore, the curricula would be expected to meet both academic standards and the needs of professional qualification. The present Libyan accounting curricula take a very narrow view of accounting. They heavily concentrate on bookkeeping and reporting. These curricula are not tailored and compatible with the practical environment, so that students could be better prepared technically to adapt to real-world accounting practices when they start working at other economic units.

**Table 6.3: Perspectives on CSRD within an Educational and Professional Context**

Perspectives on CSRD within educational and professional context	Number of interviewees who provided such views	Example of views provided by the interviewees
1. The outmoded accounting curricula and syllabi	13	<i>I believe that the most important problems associated with accounting education in the Libyan context are the outmoded accounting curricula and syllabi.(R11)</i>
6. Inadequate accounting research.	4	<i>Very little attention has been given to CSRD research, as far as I know there is only a very small number, not exceeding the fingers of one hand, of authors who are interested and who have investigated in the field of corporate social and environmental issues.(R15)</i>
3. A shortage of qualified accounting academics and/or poor standards of efficiency of lecturers	8	<i>I believe that one of the most important problems associated with accounting education in the Libyan context is the absence of eligible academics and efficient standards of employing.(R11)</i>
4. A lack of active and effective accounting professional institutions and societies	13	<i>Low levels of CSRD practice could be due to the deficiency of the accounting profession in the country...the absence of the role played by the LAAA in establishing organised and binding local accounting standards or complying with international accounting standards, which already include social and environmental practice, are the main obstructions behind the low level of the profession in Libya.(R5)</i>
5. Insufficient accounting regulatory framework	14	<i>The current regulatory framework does not require business enterprises to disseminate their CSRD information to the public.(R5)</i>
7. The absence of training programmes	12	<i>Libyan professional accounting bodies such as the LAAA have not played a significant role in the raising of awareness among accounting professionals of the importance of social and environmental issues. From 8 years ago until the present, to the best of my knowledge, there has been no single training course, conference or symposium regarding CSRD established by any of these bodies.(R7)</i>
2. The ‘unfit marriage’ of academic teaching and professional training in the accounting curricula	8	<i>There is an “unfit marriage” of academic teaching and professional training in the accounting curricula... Continuing professional development is very important before and after an accounting student has graduated. (R15)</i>

**Source:** Compiled by the researcher from the interview materials (Appendix 6.5).

Interviewees argued that **the outmoded accounting curricula and syllabi** are the main obstructions of CSRD within the educational and professional context in Libya. They contended that educational requirements for the study of CSRD issues can also be

imposed by the educational institutions in Libya. They suggested that subjects such as social accounting and CSRD practice could be employed in the accounting curriculum by the higher educational institutions in Libya. However, interviewees asserted that these institutions have taken no serious initiatives towards such practice. They reported that there is not a single course in any university in Libya that deals with social and/or environmental responsibility issues at any level. The awareness of CSRD is not reflected in higher education, which is mainly concerned with teaching traditional financial accounting courses.

Interviewees admitted that **there is inadequate accounting research**. They also believe that academics in Libyan universities and colleges could play a prominent role in developing CSRD practices in the country by undertaking research, participating in international seminars and/or conferences, and following international developments in accounting practices.

Interviewees stated that **there is a shortage of qualified accounting academics and/or poor standards of efficiency of lecturers**. Another view deduced from the interview material is that Libyan culture is characterized by a prevailing attitude of favouritism towards appointments to jobs. This may explain the lack of qualified instructors and educators in Libyan educational institutions. Some typical perspectives include:

*I believe that the most important problems that are associated with accounting education in the Libyan context are the outmoded accounting curricula and syllabi; the absence of research in the field of social and environmental reporting and disclosure; and the absence of eligible academics and efficient standards of employment. (R11)*

*As you know Libyan culture is shaped by the prevailing attitude of favouritism towards job appointments and having a job in Libya was and is based on family connections or personal friendship rather than merit. (R5)*

*The accounting programmes of Libyan universities and colleges should be tailored in a way that casts a light on the social and environmental role of accounting, including CSR reporting and disclosure. Academics in the*

*accounting domain who work in educational institutions can also affect the practice of CSDR by carrying out research and following international developments in the accounting function in general and social and environmental reporting and disclosure in particular. (R10)*

*Very little attention has been given to CSDR research; as far as I know there is only a very small number, not exceeding the fingers of one hand, of authors who are interested and who have investigated in the field of corporate social and environmental issues. (R15)*

Interviewees indicated that **the lack of active and effective accounting professional institutions and societies** is the main obstruction of CSDR practice in Libya. They argue that this is due to many obstructions but the first and foremost is the absence of the role played by professional bodies such as the LAAA in developing the accounting function in general and CSDR in particular. Another reason, which is derived from the interviewees' perspectives, for the current levels of CSDR in Libya is **the insufficient accounting regulatory framework adopted in Libya**. One interviewee stated that:

*Low levels of CSDR practice could be due to the deficiency of the accounting profession in the country...the absence of the role played by the LAAA in establishing organised and binding local accounting standards or complying with the international accounting standards, which already include social and environmental practice, are the main obstructions behind the low level of the profession in Libya. (R5)*

Interviewees believed that there is an overarching need to augment the awareness of the importance of disclosure, including CSDR issues. They thought that an adequate level of education will help employees in companies to commit and achieve their work to the fullest. Interviewees also posited that cooperation should be made between Libyan accounting professional bodies, educational institutions and the state's agendas. One interviewee commented:

*Accounting education and the accounting profession can play an important role in improving the understanding of the importance of CSDR information*

*to the stakeholders within and outside the business organisation. Level of education is very important and this can be achieved through co-ordinating the relationship between the state's and organisations' objectives, and professional and educational accounting institutions. Employees that do not have sufficient knowledge and do not have high education about social and environmental issues cannot do anything about CSRD practice. (R8)*

Interviewees contended that **the absence of training programmes** is also one of the main problems stopping accounting development from including CSRD issues. They stressed the importance of the existence of training programmes regarding accounting practice. Interviewees also perceived that accountants in Libya should be targeted by the training courses that relate to social and environmental issues. They believe that the reason behind the low level of social and environmental reporting and disclosure is the poor standard of training and supervision adopted by companies in this respect. Interviewees perceived that untrained accountants will not be able to understand the importance of social and environmental issues nor have the awareness to design or establish a relevant and effective CSRD-based approach. They argue that in addition to the absence of an approach to developing accounting education, the country is taking on inappropriate training and development techniques. It concentrates mainly on the quantity rather than the quality of its accountants. As two interviewees explained:

*A review of accounting practice in Libya highlights the relative weakness of current accounting education and the accounting profession. Libyan professional accounting bodies such as the LAAA have not played a significant role in raising awareness among accounting professionals of the importance of social and environmental issues. From eight years ago until the present, to the best of my knowledge, there has been no single training course, conference or symposium regarding CSRD established by any of accounting professional bodies in Libya. (R7)*

*At present both the perceived status of the poor accounting profession and the availability of accounting training programmes are perceived to be obstructing factors of CSRD practice. Accounting systems that are applied in companies are irrelevant. This is as a result of the absence of training in*

*the accounting and auditing fields. Untrained accountants will not be able to recognise the significance of having a CSRD-based approach. Therefore, companies should encourage the allocation of resources into training accountants to be able to satisfy society's requirements. (R1)*

Interviewees admitted that there is very limited cooperation between Libyan accounting professional bodies and international bodies, which have taken many initiatives in the field of CSRD issues. Therefore, participating in conferences and seminars related to CSRD internally and externally are also recognised as the main drivers towards the development of such practice in Libya. Interviewees recommended that accountants should continue to give increasing attention to training programmes in order to improve the accounting system in relation to the needs of CSRD practice. They have to be trained to provide relevant, adequate and accurate information. Interviewees also argued that there are no training programmes or research activities made by Libyan professional institutes which may help to create an awareness of the importance of CSRD issues. Interviewees confirmed that **there is an ‘unfit marriage’ between the accounting curriculum in academic teaching and professional training.** This is obvious since there are no professional bodies where accounting students can gain pre-job training after graduation. Interviewees argued that the necessity of training programmes and research activities is to make direct contact with any new theories and administrative opinions which will assist them in undertaking their activities in a skilled and accurate way. They affirmed that the adoption of continuing professional development is very important after an accounting student has graduated. This is illustrated by the following views of three interviewees:

*Despite the LAAA being established more than three decades ago, it has not paid any attention to accounting development or furthering activities such as training programmes, research, conferences and seminars, and promoting accounting publications to improve the status of accounting practice including CSRD. (R7)*

*The role of the LAAA towards developing CSRD practice is absent. This association has adopted no deterrence and punishment mechanism of social*

*and environmental violations and/or damages. This will leave room for more negative behaviour by companies. (R6)*

*There is an “unfit marriage” of academic teaching and professional training in the accounting curricula... professional bodies in Libya do not offer any training programmes to accounting students after their graduation and/or before they start their jobs. Continuing professional development is very important before and after an accounting student has graduated...training programmes and research activities regarding accounting development including CSRD issues are needed to make direct contact with any new subject in this field which will assist them in undertaking their activities in a skilled and accurate way. (R15)*

Interviewees were asked if they had attended any training programmes and/or research activities about CSRD practice after their graduation to improve their knowledge about social and environmental disclosure and/or accounting. As shown in Table 6.4, no interviewees had attended any training courses, with only six having been involved in research programmes. They pointed out that these research programmes were not required by any professional or educational institutions, rather they were personal initiatives. Thus, they were ill-prepared to handle a totally new phenomenon such as CSRD. The views of the accountants highlight the fact that at present they are not prepared to extend their conventional roles to cover social and environmental issues.

**Table: 6.4: Interviewees’ Participation in Training and/or Research Programmes**

<b>Type of programme</b>	<b>Yes</b>		<b>No</b>	
	<b>F</b>	<b>%</b>	<b>F</b>	<b>%</b>
Training programmes in the field of CSRD practice	0	0%	15	100%
Research programmes about CSRD practice	6	40%	9	60%

### 6.3.2.5 The Absence of Stock Market Role and Competition

Seven interviewees agreed about **the relationship between the level of CSRD and the effective role of the stock market**. They stated that only a small number of companies are privatised in Libya. This means that the majority of companies in Libya are

controlled by the state. Public companies are not listed on the stock market. A number of interviewees asserted that companies listed on the stock market may provide a best-practice level of CSRD information or better than others, since their share price will be affected by such information. Interviewees revealed that given the absence of the effective role of a stock market and since central authorities are the ultimate users of companies' information, a company's mission is known to these authorities and there is no need to provide it every time. Interviewees also believed that competition plays a key role in influencing companies to engage in CSRD. They claim that the absence of the competitive market could influence the level of CSRD and impede companies from undertaking social and environmental activities. Examples of this are the following comments by interviewees:

*The motive that encourages a company to disclose its social and environmental information is just that there is an effective and active stock market in the country ... So, the lack of an effective role of the stock market, which will lead to an absence in competition among companies, can be an important obstruction of CSRD practice in Libya. (R14)*

*We have already had an inactive stock market in Libya... stock markets can play a vital role in this field by issuing regulations and instructions that may encourage companies to disclose their social and environmental information. CSRD could be required for joining the stock market. (R7)*

### **6.3.2.6 The Lack of Stakeholder Demands**

Interviewees believed that an organisation has to respond to stakeholder demands as they control resources critical to an organisation. They also thought that stakeholders can play a positive role in the development of CSRD practices. However, another obstacle made clear by the interviews is that CSRD may not be viewed favourably by its targeted stakeholders. Four interviewees argued that, in Libya, **there are no so-called stakeholders in real terms**. Stakeholders are limited to governmental agencies and company management, and this is one of the main obstructions of CSRD in Libya. Typical comment includes the following:

*Companies in Libya are fully owned by the government and they do not have stockholders or shares in their stock being traded on the market. They are not concerned to enhance their image and reputation within society. There seems to be no demand by the users of company reports for social and environmental information, as they are not aware of the importance of such information and therefore no attention is paid to such information.*

(R14)

### **6.3.2.7 The Absence of Financial Incentives from the State**

When interviewees were asked about the factors impeding CSRD practice in Libya, they suggested the absence of financial incentives from government as one of them. Four interviewees felt that **the absence of financial incentives from the state** for companies that disclose environmental information is an obstruction of CSRD in Libya. Interviewees suggested that by adopting CSRD policy, corporations should receive additional financial support from the state such as low-cost funding or special tax treatment that could help in lowering costs of their production, increasing demand for their products and increasing investment, which ultimately may have a positive influence on the outcome of their activities and financial standing. Typical views of interviewees in this respect are as follows:

*I believe that one of the most important motives that encourage companies to undertake social environmental activities is that there is financial incentive from the state. For instance, the government should give tax exemptions to companies that make CSRD. (R5)*

*The absence of financial incentives for companies that undertake social and environmental practice, such as special tax treatment, is one of the main obstructions behind the low level of CSRD practice in Libya. For example, the tax system in Libya is arbitrary... any donations given by companies will not be reduced from the total amount of the company's income and have to be taxed. (R4)*

Table 6.5 presents a summary of the propositions evaluated in this chapter and their related results.

**Table 6.5: Summary of Propositions Evaluated and Related Results**

	No.	Expression	Findings
<b>Propositions</b>	1	<i>That the economic performance of corporations has an influence upon the extent and patterns of CSDR practice in Libya.</i>	Accepted
	2	<i>That stakeholder demands and power have an influence upon the levels and patterns of CSDR practice in Libya.</i>	Accepted
	3	<i>That societal pressure and expectations have an influence upon the levels and patterns of CSDR practice in Libya.</i>	Accepted
	4	<i>That the political, economic and social context has an influence upon the levels and patterns of CSDR practice in Libya.</i>	Accepted

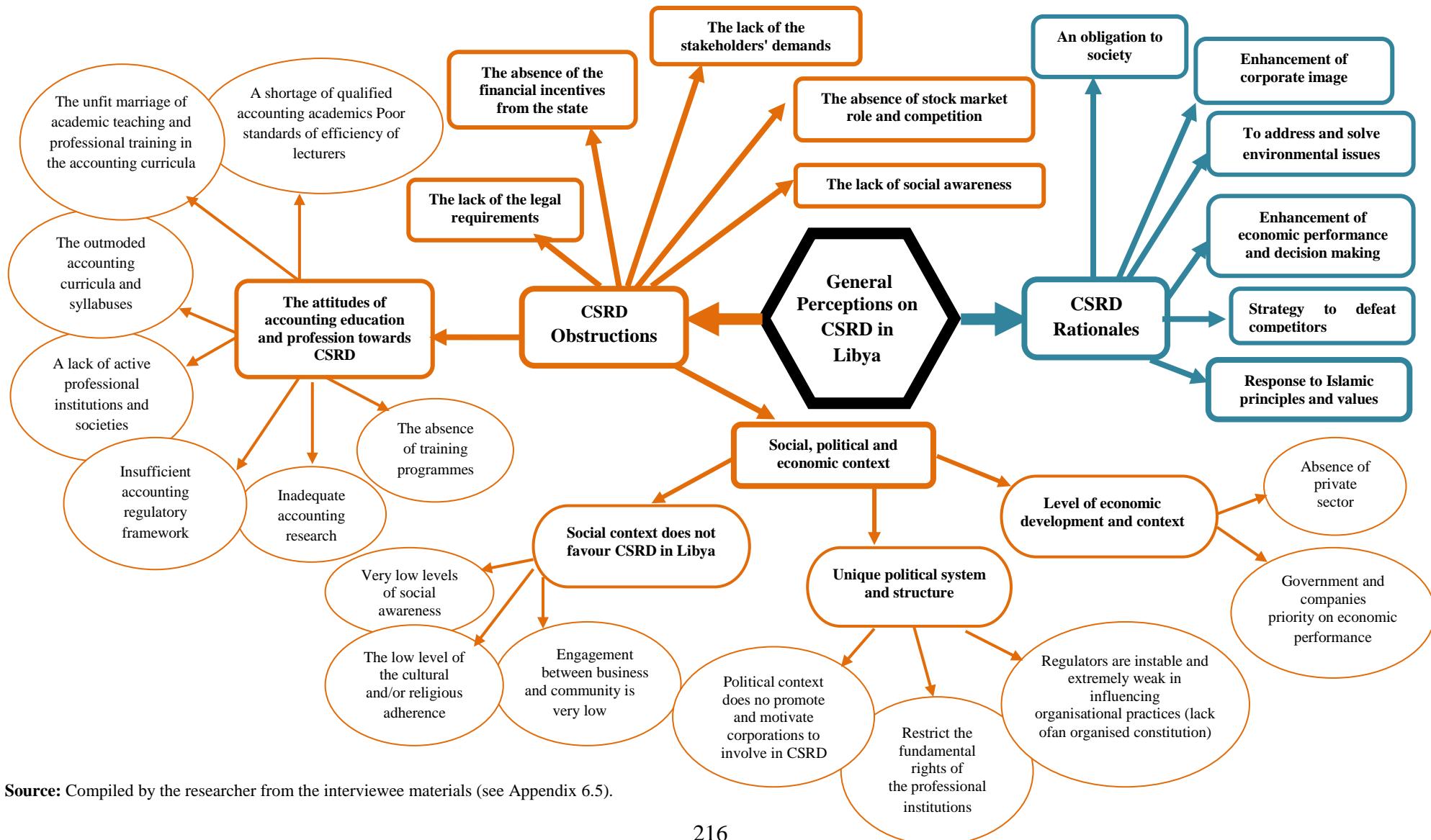
#### 6.4 Discussion and Evaluation

The aim of this chapter was to evaluate the perspectives of academic and professional accountants in Libya regarding the nature of CSDR practice.

Considering the third research objective and question, this section discusses and synthesises the analysis of interviewees' perceptions of CSDR practices in Libya. Figure 6.5 summarises key aspects of these perceptions. In particular, the chapter sought answers to the following questions. This section is structured based on the answers to these questions as follows:

##### 1. To what extent do academic and professional accountants in Libya understand CSDR practice?

Interviewees' general perceptions of CSDR were positive. When asked in the interviews what they took CSDR to mean, interviewees offered a range of answers. However, their definitions showed a clear understanding of the concept. The majority of them agreed that corporations must disclose social and environmental information to the public. They agreed that this has many advantages for a company in particular and for the public at large.

**Figure 6.5: A Summary of Interviewees' Perceptions of CSRD Practices in Libya**

Source: Compiled by the researcher from the interviewee materials (see Appendix 6.5).

This finding is supported by a study of statutory financial auditors' perceptions of environmental issues in Libya, where the overwhelming majority of respondents understand the most important requirements for planning, implementing and reporting environmental audit operations (Ahmad and Mohmes, 2012). This finding is also consistent with a study undertaken in Libya by Ishwerf (2012) using interview methods, which found that the vast majority of interviewees believed that companies must undertake CSRD. This finding is also supported by findings of a study of perceptions of directors in South Africa (De Villiers, 2003) and stakeholders in Bangladesh (Belal, 2006).

## 2. What are the rationales behind accepting CSRD practice in Libya?

### *An Obligation to Society*

CSRD can be seen as an obligation to society. Companies must construct good relationships with others to create and maintain the conditions for their continued existence, profitability and growth. They operate within a bounded space and giving back to the community is paramount. To legitimise its existence within community, a company should undertake CSRD practice. Providing information regarding social and environmental practices to society may be a function of the level of trust. With a low level of trust, those who have the right to want to know what is going on by giving a message to the companies: 'show me' (Greenwood, 2001; Deegan 2002). Trust cannot be increased without information (Tomkins, 2001). Companies need to produce information to society for creating trust between each other (Tomkins, 2001). CSRD is a new channel for creating, restoring or maintaining organisational legitimacy (Perks et al., 2013).

Societal expectations can be considered an influential factor on CSRD (Deegan et al., 2002; Newson and Deegan, 2002; Cormier et al., 2005; Laine, 2009; Farache and Perks, 2010; Perks et al., 2013; Lauritsen and Perks, 2015). A company undertakes CSRD to respond to social and institutional pressures and to maintain its legitimacy in society. Companies tend to take a strategic approach to CSRD to portray a positive image to show their legitimacy to society (Hu and Karbhari, 2015). The findings in this thesis

provide evidence that meeting the expectations of society is a key driver for extractive companies operating in Libya.

However, these findings are inconsistent with those of previous studies conducted in Libya. Ahmad (2004) and Mashat (2005) argue that Libyan companies' reports are limited to those parties to whom the business organisation is legally accountable (i.e. central authorities), rather than the general public. They suggest that this is due to the fact that Libyan companies are either fully or partially state-owned, and controlled and supervised by central authorities and not traded on a stock exchange. This contrast in results may be owing to a number of factors. As important as Ahmad and Mashat's results were, their studies were carried out in companies within the Libyan environment outside the extractive sector, more than ten years ago (1998-2001 and 1999-2002, respectively). At the time, Libya was still subject to UN-imposed sanctions and supported by the USA and the UK. The sanctions were not suspended until 1999 and not fully lifted until 2004. The opening up to global business and the various investments opportunities have made Libya one of the most prominent members of the global market. Many international companies have competed to enter this market, investing in oil extraction and refining. The country has undergone many changes over a short period of time in terms of economic, environmental and social changes.

### *Enhancement of Company Image*

Companies can obtain many advantages from engagement with CSDR practice. The crucial advantage indicated by interviewees was the enhancement of a company's image and reputation, which affects people's general perceptions and perspectives of the company. Providing CSDR is associated with business-related benefits including a motivated workforce and improved relations with society. Melo and Garrido-Morgado (2012) investigated the CSDR practices of a sample of 320 American companies during the period 2003 to 2007. Their results indicated that CSDR has an important impact on corporate reputation. Companies with a bad long-term social and environmental reputation will produce more CSDR information than other companies as a means of correcting the reputational damage (De Villiers and Van Staden, 2011). Deegan and Rankin (1996) undertook a review of the environmental reporting made by 20 Australian companies during the period 1990 to 1993. They observed that Australian

companies would only provide environmental information to improve their corporate reputation. Farache and Perks (2010) found that companies use their advertisements to respond to public pressure and thus create or maintain their legitimacy in the eyes of society. Lauritsen and Perks (2015) found that interactive CSRD functions as an effective method of improving consumers' emotional brand value, knowledge and memory of supermarket social responsibility. They believe that CSRD is an instrument to strengthen companies' brand image and reputation. This confirms suggestions made in the social responsibility literature, most particularly by Adams (2008), King and Whetten (2008), and Arevalo and Aravind (2011).

### ***Addressing and Solving Environmental Issues***

Companies must disclose information related to their social and environmental activities to attract the attention of company management and state institutions that are concerned with social development and environment protection, and to address and solve environmental issues, which may occur or be exacerbated. Interviewees suggested other regulatory benefits that companies can gain from undertaking CSRD practice including avoiding legal challenges, and social and environmental problems and damage. This rationale is supported by Ahmad's (2004) study, which suggests that companies in Libya provide their environmental information to provide useful information for sustainable development. CSRD practice may be helpful in terms of solving the same environmental problem in another company and also for research into how to solve environmental problems (Ishwerf, 2012). Similar views were espoused in previous literature, particularly by Momin (2006) in Bangladesh, Boesso and Kumar (2007) and Mio (2010) in Italy and the US, and Aras and Crowther (2008) and AbuRaya (2012) in the UK.

### ***Enhancement of Economic Performance and Decision Making***

Economic performance and decision making were identified to be major driving forces for disclosing social and environmental information in Libya. By using CSRD, companies can gain marketing benefits and may enhance their economic performance in the long run. CSRD also has a direct impact on the profitability of corporations. One of the reported effects of CSRD is on economic performance in terms of increased long-

term profitability. It is evident from interviewees' perspectives that this is a relevant factor of CSRD. The formal CSRD process may also enhance company transparency and produce relevant and reliable information for investors and decision makers, which in turn will affect the company in some way. Disclosing CSR information falls under the remit of decision makers, typically the management. Since social issues influence company profitability and value, disclosing CSR may be expected to be more cognizant and attach greater importance to decision makers.

Roberts (1992) claims that large companies tend to report environmental information if they have weak economic performance. The economic performance of corporations is often considered in correlation with their social and environmental performance, and companies should disclose social and environmental performance alongside economic performance (Gerbens-Leenes et al., 2003). Shauki (2011) found that CSRD and financial performance through investment decisions are directly and positively related. A study conducted by Mahmes (2016) in Libya found that a company's environmental disclosure has a significant influence on economic performance, suggesting that the better the economic performance of a company, the greater its social responsibility. This positive relationship could contribute to management's strategic decision making for implementing CSRD by providing evidence that CSRD is helpful in enhancing firm value through increasing social responsibility (Kang et al., 2010).

### ***Strategy to Defeat Competitors***

Companies would also use CSRD as a strategic management tool to serve corporate interests and to defeat competitors. By embracing CSRD, companies are consistent with greater responsibility to society and will enjoy the competitive advantage that can bring increased goodwill, which in the long term implies greater market value. Therefore, competition can be considered as a key driving force behind CSRD. The absence of the free market (the competitive market) in Libya could be another appropriate explanation for the low level of CSRD in the country. Companies need to see the tangible benefits from CSRD and this may only happen through a competitive market.

Aldrugi and Abdo (2014) argue that CSRD brings short- and long-term benefits such as increased volume of activity and expansion in investment, which can enhance

competitive advantage for corporations. Competitors can attempt to make CSRD to gain competitive advantage and this appeared to put pressure on some companies to be responsive (O'Dwyer, 1999). Mahmes (2016) undertook a more recent review of the influence of CED on economic performance. He concludes that CSRD helps companies in Libya to improve their competitive position. Ishwerf (2012) reveals that corporate managers in Libya consider CSRD as sensitive and confidential practice and that they do not expect any competitive advantages to be received from it. This was confirmed by Solomon and Lewis (2002) in the UK case. They also found that one obstruction of disclosure is the desire to avoid presenting information to competitors. Elsayed and Hoque (2010) found no relationship between voluntary disclosure levels and perceived intensity of global competition.

### ***Response to Islamic Principles and Values***

In order to get a better understanding of CSRD in Libya, it is important to take Islamic principles and values into account. The findings of this thesis confirm that companies in Libya provide their social and environmental information as a response to Islamic principles and values. The content analysis results of this thesis illustrate that CSRD in Libya is different from that to be found in the West. Social accounting research, and indeed disclosure, is a reflection of the trends and issues of concern in Western society (Van Der Laan, 2009). Aribi and Gao (2010) investigated the influence of Islam on CSRD in IFIs and CFIs in the Gulf region. They found significant differences in the level and the extent of the disclosure between IFIs and CFIs, largely due to the disclosure made by IFIs of religion-related themes and information, including Sharia supervisory board reports, the 'Zakah' and charity donation, and free interest loans. Accountability from the Islamic accounting perspective is more in alignment with the environment and Islam is not a religion with spiritual values only, it is also a way of life (Zerban, 2013). Afifuddin and Siti-Nabiha (2010) found that religious faith-based organisations are more focused on matters of social services than business organisations.

However, the low level of disclosure found in the practices may offer little evidence to support the version of the religious explanation which suggests that, being under pressure from different cultural and religious roles (particularly Islam), a company

undertakes CSDR in order to comply with social and religious instructions. The low level of cultural and/or religious adherence in the Libyan society produces a society where business and different interest groups do not interact or engage in social and environmental reporting.

### **3. What are the main obstructions of CSDR practice in Libya?**

#### ***Lack of Social Awareness***

Although the interviewees recognised the importance of CSDR, awareness of CSDR is in its infancy in Libya. Most interviewees supported the view that lack of social awareness seems to be a plausible explanation for the absence of CSDR and appropriate to the Libyan context. They explicitly mentioned that some of the obstructions of CSDR can be attributed to the lack of awareness amongst corporate employees, government and society at large regarding the importance of such issues. The interviewees suggested that CSDR is a response to increasing social awareness and global concern. The need to augment the awareness of the importance of disclosure in general and CSDR in particular is an overarching issue in Libya.

#### ***The Absence of Stakeholder Demands***

The absence of stakeholder demands, particularly shareholders in NGOs, could be another obstruction of CSDR in the Libyan context. Stakeholders can play a positive role in the development of CSDR practices by applying pressure on companies to disseminate their social and environmental information. Companies will respond to their demands, as they are able to control resources critical to such companies. A growing concern of stakeholders about social and environmental issues could force many managers to undertake CSDR practices aimed at providing information on the social and environmental consequence of their company's activities. Momin and Parker (2013) argue that a CSDR policy of head office that demanded social and environmental reporting from their subsidiaries was to some extent influenced by external stakeholders.

### ***Lack of Legal Requirements***

Overall, the interviewees preferred the disclosure of social and environmental information to be mandatory. The lack of legal requirements in Libya can be seen as an important obstruction of social and environmental disclosure. Interviewees indicated that companies will not be responsive to CSRD practice if society does not force them to be so, and government is one of the main drivers that can influence business. A strong monitoring attitude from government will enhance accountability, rather than leaving it as a voluntary practice. However, the very low level of implementation of law in this country is another factor that reduces the motivation for a company to present responsibilities. In Libya, where the level of CSRD practice is very low, it is unacceptable to rely on the voluntary initiative of those involved in the disclosure process, particularly managers, to undertake CSRD practice, as it essentially requires the development of an external environment. Such an environment is absent or relatively weak at present in Libya. Interviewees pointed out that mandatory regulation may support the idea of increasing disclosure about corporate social and environmental activities as they believe that voluntary initiatives are considerably less effective.

Regulated sectors should have the potential to require conformity to enhanced accounting disclosure standards (Chambers, 2014a). Companies that may want to produce social and environmental information are hampered by this lack of guidance. There is an absence of regulatory intervention, but it is clear that companies are nonetheless aware that society wants this information. Belal and Cooper (2011) echo this result, identifying the lack of legal requirements as one of the main obstructions of CSRD in Bangladesh. Haniffa and Cooke (2002) agree that without mandatory requirement such as the public pressure function or laws and regulations companies may not produce high quality CSRD information. Wang et al. (2004) confirm that the absence of adequate guidance on environmental disclosure is a major obstruction of CSRD practice in China. Garcia-Sanchez et al. (2016) suggest the characteristics of a country's system, such as its legal environment and strong law enforcement, are key elements in the disclosure of relevant and comparable information for stakeholder decision-making processes.

Many efforts have been taken in some countries, such as the UK, the USA, Denmark, Sweden, Norway and the Netherlands, to boost CSRD practices through imposing regulations on industry and making it a compulsory requirement. Effective and appropriate strategies and initiatives should be adopted to reinforce the process of managing CSRD issues (Contrafatto, 2014). In Libya neither formal nor informal regulations presently require companies to disclose their social and environmental information. This thesis supports the conclusion that CSRD practice in Libya is likely to become popular if central authorities ask for or require this kind of information, by issuing guidelines or standards.

### ***Social, Political and Economic Context***

It is evident that while CSRD is an accounting activity, accountants are influenced by the other socio-political and economic factors of a country. In Libya, CSRD is counter-productive to the socio-political and economic policy of the state. The association between economic, political and social contexts should be considered in CSRD studies (Gray et al., 1995b). The findings of this thesis confirm that a country's social, political and economic contexts are key CSRD determinants. By understanding the political, economic and social contexts of a country, along with the perception and awareness of those who are engaged in the CSRD practice, it is possible to explain the strategy of CSRD practice in that country. Recognising the Libyan social, political and economic context, CSRD practices in the country can only be developed by creating a strong civil society.

Culture and religion were also cited in the interviews as factors that have influenced accounting and disclosure practices in Libya. Interviewees mentioned that Libyan cultural traits, which are derived from the Islamic religion, should motivate companies as well as individuals to adopt CSRD practice. Religious and moral obligation was found to be a major reason for disseminating social and environmental information in Libya. Interviewees perceived that CSRD is largely in line with Islamic principles and values. Religion should be integrated in all aspects of disclosure, environment, law, and economy and tax systems. Religion, particularly Islam, can play a very significant role in Muslim societies in enforcing ethical behaviour, and Islamic principles should have an influence on encouraging companies to disclose their social and environmental

information. People are expected to be responsible for others in the community. Disclosure is an important aspect of Islam; it applies to businesses as much as to individuals. However, the low level of education, and of religious and cultural adherence in Libya, do not encourage the undertaking of such practices.

The economic crisis and political turbulence of Libya serve to divert companies' emphasis from their social and environmental accountability, keeping economic development as their first priority. It may be suggested that reform of the business culture and political and social structure is essential. This would require the development of government institutions, educational and professional foundations, and management training and rehabilitation, from which CSRD may become a spin-off. The Libyan economic system and structure should be diverted towards the privatisation of companies, encouraging private and foreign investments and establishing a strong stock market. CSRD is not motivated by governments or economic organisations in Libya and this does not mean that CSRD is less important in Libya, but rather hints at its necessity.

This, according to Elmogla (2009), helps researchers to explain the phenomenon in the rich social, political and economic context in which it exists. Buzied (1998) found a correlation between political, social and economic context and accounting practices in Libya. Williams (1999) found that the socio-political and economic contexts of countries interact to shape companies' attitudes to the voluntary release of CSRD. Hanafi (2006) found a link between the nature of CSRD and the social, political and economic context in Egypt. Momin (2006) expresses the view that reporting social and environmental information was politically motivated rather than from any intention to discharge responsibility. The differences in companies' perceptions toward CSRD can be ascribed to the differences in political, social and economic background, particularly between companies originating in developed and developing countries (Aldrugi, 2013). Saravanamuthuk (2004) argues that political and economic power frames accounting standards. Yapa (1999), while analysing the professional accounting environment in Brunei Darussalam, reveals that political, social and economic context, along with the legal system, are very important elements influencing the accounting profession in a given country. Kamla et al. (2012) offer insights into Syrian accountants' attitudes towards, and perceptions of, social accounting in Syria. They found that accountants' perceptions in Syria are shaped by developments in Syria's socio-political and

economic context, encompassing cultural specificities, including Islam. Yusoff et al. (2014) investigated the possible link between culture and the perceptions of accountants on corporate environmental reporting practices on a two-country basis, between Malaysia and Australia. They conclude that corporate environmental reporting practices in both countries are influenced by cultural values and traits.

### ***Attitudes of Accounting Education and the Accounting Profession towards CSRD***

Accounting education, training and the accounting profession can be important determinants of disclosure practice. A review of accounting practice in Libya highlights the relative weakness of current accounting education and the status of the accounting profession. Interviewees revealed that the lack of educated, trained and qualified accountants in corporations operating in the Libyan context is also one of the main problems stopping accounting development. The lack of expertise, qualification and training in the field of CSRD was the most important obstruction that restricted accountants' involvement in such disclosure. A very low level of education reduces the motivation of business to be responsive through CSRD. Most accountants in Libya may be ill-prepared to handle a totally new phenomenon such as CSRD. This is clear since the qualifications of most respondents in the selected companies of this thesis were found to be low, nor had they taken part in any training courses or programmes to improve their knowledge about CSRD practice (see background survey questionnaire, p. 132-140). Another possible obstruction might be that as a result of the instability of the political and civil situation, there are many difficulties that prevent academics and professionals from attending international CSRD activities, because of visa problems and air transport sanctions. There is also limited interaction between accounting professional institutions in Libya such as the LAAA and international organisations that have made many attempts in the field of CSRD issues.

Training programmes and research activities made by Libyan professional institutes will help to create awareness of the importance of CSRD practice and disseminate the required skills to be able to engage in such practice. This will also make direct contact with any new subject in this field, which helps them to undertake their activities in a skilled and accurate way. The capability of accountants to deal with complicated issues such as CSRD and to publish adequate social and environmental reports relies on the

level of competence they have, which in turn relies on the level of accounting education, research activities and training they have received. Government, through professional and educational institutions, should provide training programmes to change companies' management mindset to view CSRD as a channel to discharge their accountability and promote transparency within society. Most interviewees agreed that the scarcity of professional standards and guidelines, along with their lack of expertise, qualification and training programmes in the social and environmental arena, have prevented them from engaging in CSRD practices.

According to Buzied (1998), many of the most important accounting problems are believed to result from causes deeply rooted in accounting education. A low level of education is an issue that reduces the usefulness of CSRD information (Momin, 2006). The researcher has experience as a Libyan accountant graduating from the Libyan Academy, as a full-time lecturer at the Faculty of Economics and Political Science at Azzaytuna University, and as a part-time lecturer at AL Zawia University and some other educational institutes in Libya. This experience supports the claim that accountancy education has similar characteristics amongst these institutions, which adopt similar curricula and the same textbooks. The majority of these universities and other higher educational institutes, especially at the undergraduate level, have not made any significant changes to the original education system in relation to social and environmental issues. A very small number of training programmes regarding CSRD practice have been offered by these bodies as well as by companies in Libya. It was not surprising to the researcher to find that most respondents involved in the survey questionnaire had limited engagement in such practice, which has led to a low level of CSRD in the Libyan context. Graduates are an important audience for organisations and hired in the presence of competition from arguably more prestigious employers such as banks and financial firms who are often able to offer more lucrative opportunities (Duff, 2016).

Bebbington et al. (1994) examined the attitudes of accountants towards environmentally sensitive accounting in the top 1000 UK companies. They concluded that accountants have low levels of involvement in their company's environmental activities and appear to experience a conflict between their awareness of environmental issues and an inability to translate this into action within their corporate life. Islam and Dellaportas

(2011) found the same result in Bangladesh. They observed that accountants have positive attitudes towards CSRD. However, progress is limited without direct intervention from professional and legislative authorities. Lodhia (2003) found that accountants are conspicuously unininvolved in the social and environmental accounting practices and reporting of corporations in Fiji. The study ascribes this to their lack of competence in environmental matters and the voluntary nature of the present environmental disclosure practices. Kuasirikun (2005) confirms that there is no broad involvement of accountants in social and environmental activities of corporations in Thailand. Lauwo et al. (2016) found that by empowering local NGOs through education, capacity building and other support, NGOs' advocacy, campaigning and networking with other civil society groups can play a pivotal role in encouraging corporations to adopt more CSRD practices and to adhere to international and local standards. Regulated sectors should have the potential to require conformance to enhanced accounting disclosure standards (Chambers, 2014a).

Adopting international accounting standards or establishing an accepted set of accounting standards, including in regards to social and environmental issues, is the foundation for and is urgently needed for developing accounting systems in Libya. The initial concern of the present accounting profession in Libya should be devoted to this regard. A uniform accounting system is also suggested, in order to help the country overcome problems such as the shortage of accountants, facilitating training and research activities. Good co-operation and coordination with higher education institutions and professional organisations is needed. Interviewees mentioned that on some occasions both government and business organisations along with educational and professional institutions can work for their mutual interests. It is recognised that professional and academic accountants in Libya have much to learn from the current situation in the country.

### ***The Absence of a Stock Market and Competition***

An effective role for the Libyan stock market will help Libya rapidly move towards economic growth. Development of the Libyan economic structure could provide some social and accounting advantages in terms of increasing liberalisation and corporate disclosures, including CSRD issues. Companies listed in the stock market may provide

a best-practice level of CSRD information or better than others, since share price and company reputation will be affected by such information. The stock market could provide an opportunity for pressure from stakeholders, which has been considered to be a very effective driving force to make CSRD accepted and common practice. Libya has a very young stock market with very poor performance. The lack of an effective role for the stock market has led to an absence of competitive advantages. The absence of the competitive market can prevent companies from engaging in social and environmental activities, and can therefore negatively affect the level of CSRD. Pressure from various sources could be an influential enforcement on companies to accept responsibility for impacts on society from business activities (Hackston and Milne, 1996). The challenge in the Arab world will be to find national paths, both in government and society, to accelerate private sector progress (Davis, 2018).

### ***The Lack of Stakeholder Demands***

In the case of the absence of a stock market (non-competitive market), the number of stakeholders is limited (mainly central authorities rather than, for example, investors, shareholders or creditors, which almost do not exist). There are no demands by targeted stakeholders of companies for CSRD in Libya as they are not aware of the importance of such information and therefore no attention is paid to it. Chiu and Wang (2014) and Burritt et al. (2016) found that stakeholders in developed nations generally have higher levels of awareness of social and environmental issues than their counterparts in less developed nations. If any relevant interest group is dissatisfied with the performance of an organisation, they can apply pressure to the firm to meet expectations, or can use the legal system to require improved performance (Barakat, 2016).

### ***The Absence of Financial Incentives from the State***

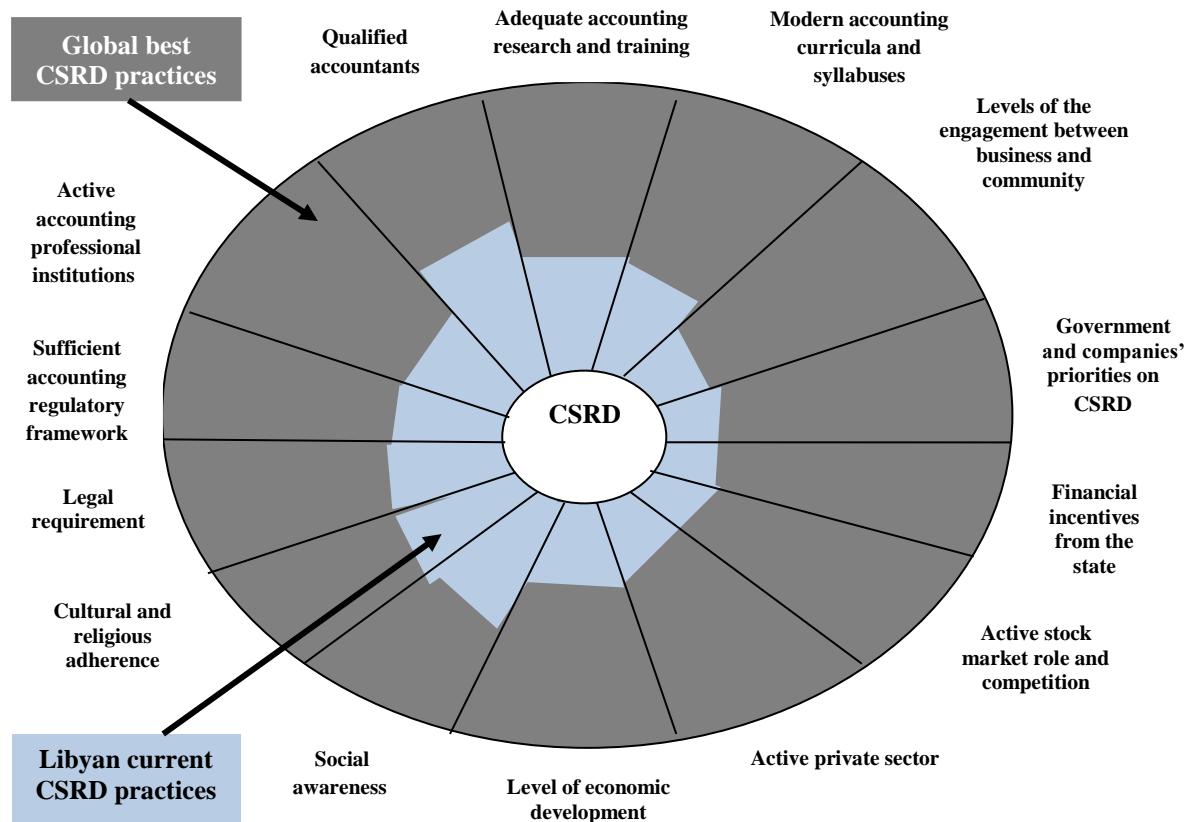
The conspicuous absence of financial incentives for companies seems to be another reasonable explanation for and relevant to the low level of CSRD practice in the Libyan context. Most interviewees argued that there is need for a serious public attitude seeking to reconstruct and strengthen the drivers of CSRD practice in the Libyan context through the provision of financial incentives such as low cost funding or special tax treatment to companies that take the lead in moving CSRD forward. This could help in

lowering costs of production, increasing demand for their products and inspiring greater investment, which ultimately may have a positive influence on the outcome of their activities and financial standing (Ince, 1998; Aldrugi, 2013). This is shown in the special treatment of UK and US organisations reward regarding tax relief as well as other financial and moral support (Gamble et al., 1996).

From the above discussion, it can be stated that the findings of this thesis are consistent with the findings of previous studies in the field of CSDR. However, this thesis is different from these studies by taking the initiative to approach CSDR practices from different perspectives, the accounting education perspective and the professional perspective, which have not received any attention from previous research.

To sum up, Figure 6.6 summarises various aspects of the level of the development of the influence of CSDR practices provided by interviewees in Libya and in the perspective of the global best practice of CSDR. It should be noted that this figure was formed by the researcher based on interviewees' experience in the field of CSDR practices. It is not an actual piece of data; rather it is a visual image of a comparison between the two contexts of the level of development of the various CSDR aspects. The figure shows that meeting the expectations of society is a key driver for companies operating in Libya. The stock market and competition are still in their infancy in Libya.

The figure illustrates that the level of legal requirement for CSDR in Libya is very low. CSDR practices are still voluntary activities in Libya. The level of engagement between government, businesses and community is very low in Libya. The state is playing a very limited role in developing CSDR practices in Libya. Although accountants in Libya are reasonably qualified, adequate accounting research and training programmes, and modern accounting curricula and syllabi, are absent. This figure could serve as a model or tool for other developing countries and/or companies to assess their CSDR activity.

**Figure 6.6: A Visual Image of Libyan and Global Best Practices of CSRD**

**Source:** Author

## 6.5 Chapter Summary

This chapter has explored the perspectives of academic and professional accountants in Libya regarding the nature of CSRD practice, suggesting means to improve the national accounting education systems to deliver meaningful CSRD into practice.

The chapter has provided a review of the rationales recognised behind reporting CSRD issues, namely: (1) an obligation to society; (2) enhancement of corporate image; (3) addressing and solving environmental issues; (4) enhancement of economic performance and decision making; (5) as a strategy to defeat competitors; and (6) in response to Islamic principles and values. The discussion then moved to identify several factors as the main impediments to the development of CSRD practice in the Libyan context. These, *inter alia*, include: (1) lack of social awareness; (2) lack of legal requirements and stakeholder demands; (3) socio-political and economic context; (4) attitudes of accounting education and the accounting profession towards CSRD; (5)

absence of a stock market role and competition; and (6) the absence of financial incentives from the state.

The chapter has also looked further and presented a list of different perspectives regarding the absence of CSDR within the social, political and economic context. It was suggested that social context does not favour CSDR in Libya. This because of the low level of cultural and/or religious adherence, the very low levels of social awareness, and very low engagement between business and community. The chapter has also highlighted the level of economic development and context in Libya as a main driver for CSDR practices. Government and companies prioritising economic performance and the absence of a private sector were found to be the main reasons for the current levels of CSDR in the country. This chapter also investigated the unique political system and structure of Libya. It argued that the political system in Libya does not promote and motivate corporations to engage in CSDR and restricts the fundamental rights of professional institutions. Regulators are unstable and extremely weak in influencing organisational practices.

Interviewees indicated that accountants in Libya are not extensively involved in the CSDR practices of businesses. Ultimately, they suggested several impediments to the development of accounting education and the accounting profession in the Libyan context, including: (1) the outmoded accounting curricula and syllabi; (2) the ‘unfit marriage’ of academic teaching and professional training in accounting curricula; (3) a shortage of qualified accounting academics and poor standards of efficiency of lecturers; (4) a lack of active professional institutions and societies; (5) an insufficient accounting regulatory framework; (6) inadequate accounting research; and (7) the absence of training programmes.

Overall, the interview findings are consistent with the results yielded by the content analysis and survey questionnaire. The interview method can be said to have increased the trustworthiness of the content analysis and survey questionnaire results and confirmed their validity. The interviews provide a richer understanding of the rationales for and obstructions of CSDR, especially those related to the practices of accounting education and the accounting profession. Based on the research data collected, analysed and discussed in this chapter and the two preceding chapters, the following chapter,

Chapter Seven: ***Thesis Synthesis and Contributions***, will bring the key points from the results and findings of the thesis to a close, conclude the thesis, and highlight the limitations of the thesis. It will also make some policy recommendations and suggestions for further research.

## CHAPTER SEVEN

### THESIS SYNTHESIS AND CONTRIBUTIONS

#### **7.1 Chapter Introduction**

The focus of this thesis is on CSRD practices in the Libyan extractive sector. This chapter collates and summarises the main results and findings and concludes the thesis. The chapter aims to bring together and emphasize the primary conclusions related to the research objectives and questions. This chapter draws together the quantitative and qualitative studies and is organised as follows:

**Section 7.2** presents conclusions relating to the research objectives and questions in light of present CSRD theories.

**Section 7.3** suggests a conceptual framework for CSRD.

**Section 7.4** includes the research contributions to knowledge.

Drawing upon the findings and reviewing the CSRD literature, **Section 7.5** makes a number of policy considerations.

**Section 7.6** discusses the limitations of the thesis.

**Section 7.7** offers suggestions for further research in the field of CSRD.

**Section 7.8** is the thesis summary.

#### **7.2 Conclusions Relating to the Research Questions**

Three primary research questions were explored.

##### **7.2.1 First Question**

In Chapter One, the first research question to be addressed was formulated as follows:

## **Do extractive companies in Libya practice CSRD?**

To answer this question, the following sub-questions were asked:

- **What are the trends in and levels of CSDR practices in the extractive companies operating in Libya?**

The results indicate that the total mean of reporting on CSDR issues decreased slightly between 2009 and 2014. Almost all sampled companies in Libya make some CSDR practices, although they are at a very early stage in their consideration of CSDR.

- **What social information categories have been disclosed in the annual reports and which are most prevalent?**
- **What types of disclosures i.e. bad, neutral and/or good are produced by these companies?**
- **What evidence of disclosure (monetary quantitative, non-monetary quantitative or declarative) are mainly disclosed by the disclosing companies?**

The most popular area of CSDR relates to HR&E, followed by environmental disclosure. Most of the CSDR provided is in the form of good or neutral disclosure, and has a declarative nature. Little attention has been given to bad disclosure.

- **Is there a positive relationship between levels of CSDR and company characteristics, namely size, age, whether a company is public or private, ownership structure, activity type, and activity location?**

The results indicate that whether the company is public or private, ownership structure and activity location are the major significant determinants influencing and correlating with CSDR levels in Libya. Conversely, company size, age and activity type are not positively correlated with CSDR levels in Libya.

- **What are the differences in the levels and patterns of CSDR practices between Libya and the UK (with BP as an example)?**

Patterns of CSRD practices in Libya, by contrast with their counterparts in the UK, are significantly different (for more details see Section 4.4). Results derived from the content analysis do not provide an integrated framework, based on a clear theoretical background, which could provide a comprehensive explanation of CSRD practices in Libya. Given the interpretative nature of these results, no definitive conclusions can be suggested regarding current CSRD practices in Libya. In seeking to explain and understand this evidence of CSRD practice (or non-practice), this thesis utilised the perceptions of a sample of those representing the accounting community in the Libyan extractive sector regarding the nature of CSRD. The thesis then attempted to answer the following question:

### **7.2.2 Second Question**

The second research question to be addressed was as follows:

**To what extent do accounting practitioners' perceptions in the Libyan extractive sector provide sufficient explanation for CSRD practices (or their absence) in Libya?**

To answer this question, the following sub-questions were asked:

- **To what extent does the economic performance of corporations influence CSRD practice in Libya?**
- **To what extent do societal expectations influence CSRD practice in Libya?**
- **To what extent do stakeholder power and demands influence CSRD practice in Libya?**
- **To what extent do political, economic and social contexts influence CSRD practice in Libya?**

The analysis showed corporations' economic performance and environmental influences such as societal expectations, stakeholder power, and economic, political and social context, including culture and religion, to be significant drivers for CSRD practices in Libya.

- **What are the main incentives and disincentives to disclosing CSRD practices in Libya?**

Respondents thought that the main incentives for undertaking CSRD are basically related to: (1) meeting their social and moral responsibility; (2) enhancing the company's image within society; (3) as a strategy to defeat competitors; (4) in response to legal obligations; and (5) to illustrate a reasonable responsibility in accordance with Islamic Sharia values. On the other hand, the most important disincentives for CSRD in Libya are: (1) the lack of awareness of the significance and potential advantages of CSRD practices by society and (2) the absence of the role played by regulators such as the AB to require companies to provide such information.

- **What differences exist in the perceptions of employees on CSRD practice within Libya regarding their demographics?**
- **What differences exist in the perceptions of employees on CSRD practice within Libya regarding company characteristics, namely size, age, whether a company is public or private, ownership structure, activity type and activity location?**

There is empirical evidence to show that respondents' profiles such as current occupation, level of education, type of educational qualification, professional qualifications, training programmes and academic post significantly influenced their perceptions of CSRD practice. Company characteristics such as age, size, whether it is public or private, ownership structure, activity type and activity location were also significant determinants of respondents' perceptions. Respondents from companies with different characteristics have significantly different perceptions.

- **What is the current educational level of CSRD and to what extent can sustainable CSRD within companies in Libya be established?**

The results reveal that nearly most of respondents had not received any education on CSRD practice or studied it only briefly. The analysis shows that the vast majority of respondents are willing to accept the possibility of establishing a sustainable, CSRD-based approach within companies.

In seeking to explain and understand this evidence of CSRD practice (or non-practice), this thesis takes the view that CSRD can be deduced from insiders, that is, accountants, as they are the most influential party in decision-making processes regarding CSRD

(Haniffa, 1999). This is by looking at their perspectives, competence and attitudes, and not just from studying corporate reports. Previous studies suffer from limitations which this thesis attempts to avoid by involving accounting education and the professional accounting sector within the analysis of CSRD practices. The thesis then attempted to answer the following question:

### **7.2.3 Third Question**

The third research question to be addressed was as follows:

#### **How do academic and professional accountants perceive CSRD practices (or the absence of such practices) in Libya?**

To answer this question, the following sub-questions were asked:

- **To what extent do academic and professional accountants in Libya understand CSRD practice?**

Interviewees' general perceptions of CSRD were positive. When asked in the interviews what they took CSRD to mean, interviewees offered a range of answers. However, their definitions showed a clear understanding of the concept. The majority of them agreed that corporations must undertake CSRD practices.

- **What are the rationales behind accepting CSRD practice in Libya?**

The interviewees recognised several rationales behind reporting CSRD issues, such as an obligation to society, enhancement of corporate image, addressing and solving environmental issues, enhancement of economic performance and decision making, as a strategy to defeat competitors; and in response to Islamic principles and values.

- **What are the main obstructions to CSRD practice in Libya?**

The interviewees broadly agreed that Libyan culture, Islamic values and principles, and the level of development in the country were important factors that can influence CSRD practices. They suggested that the social context does not favour CSRD in Libya. This

is because of the low level of cultural and/or religious adherence, very low levels of social awareness, and because engagement between business and community is very low. Interviewees also highlighted the level of economic development and context in Libya as a main driver for CSRD practices. Government and companies' priority on economic performance and the absence of a private sector were found to be the main reasons for the current levels of CSRD in the country. Interviewees argued that the political system in Libya does not promote and motivate corporations to engage in CSRD and restricts the fundamental rights of professional institutions. Regulators are unstable and extremely weak in influencing organisational practices.

According to the interviewees, accounting education, training and the accounting profession are important determinants of disclosure practice in general and CSRD in particular. The lack of expertise, qualification and training in the field of CSRD was the most important reason that restricted accountants' involvement in such issues. Interviewees indicated that accountants in Libya are not extensively involved in the CSRD practices of businesses. They provided several impediments to the development of accounting education and the accounting profession in the Libyan context, including: (1) the outmoded accounting curricula and syllabi; (2) the 'unfit marriage' of academic teaching and professional training in accounting curricula; (3) a shortage of qualified accounting academics and poor standards of efficiency of lecturers; (4) a lack of active professional institutions and societies; (5) insufficient accounting regulatory framework; (6) inadequate accounting research; and (7) the absence of training programmes.

#### **7.2.4 Explanation of CSRD Practice by Present Theories**

An examination of the issues relating to the practice of CSRD, from a comprehensive theoretical perspective, would suggest that the undertaking of CSRD within individual companies is dependent upon, or at least associated with, particular factors or variables of the firm. Thus, from the perspective that there is no one universally appropriate theoretical approach, but that the appropriateness of any approach is dependent on the factors facing the firm, it can be argued that CSRD is more likely to be explained by an examination of the relationship between the phenomenon and these factors.

Based on multi-theoretical perspective, the thesis has sought to determine the most appropriate theoretical explanation of CSRD practices and to highlight any interesting theoretical developments. The thesis concludes that explaining CSRD practices in Libya through present popular theories requires caution. No single theoretical perspective can interpret the whole pattern and extent of CSRD observed in Libya. The thesis also takes the view that the application of theories that were developed in one political, economic and culture setting to explain disclosure practices in a different social, political and economic setting such as Libya is questionable and requires caution. Tilt and Rahin (2015) argue that the existing CSRD theories, which are dominated by Western views, cannot address certain Islamic issues that have not been endemic to the West because of different philosophy and notions.

#### **7.2.4.1 Agency Theory Explanations**

It is difficult to fully explain CSRD practices in Libya using agency theory. The analysis shows that it is not advisable to limit the responsibilities of companies to the making of profit regardless of their social and environmental responsibilities. If the concept of ‘social value’ is absent in accounting theory, it has nothing to offer (Tinker and Okcabol, 1991; Ince, 1998). The agency theory arguments suggesting that CSRD may act as an effective means to avoid potential social pressure or regulatory restrictions do not appear. In the Libyan context, CSRD is viewed as more likely to increase rather than reduce pressure on companies. The absence of CSRD practice may reflect the desire of corporate management to avoid any possibility of potential claims, pressure or intervention on company activities

It would be unrealistic to ignore the presence of self-interest and expectation of wealth-maximisation behaviour. However, relying upon such behaviour as the main or sole driver for CSRD can be criticized, especially in a public-owned market such as in Libya. Agency theory is based on utilitarian ethical behaviour (self-interest) which is not acceptable to the Islamic religion, where companies are expected to be responsible for others in the community. Profit maximisation is no longer the only purpose of companies’ activities. Rather, their focus seems to be evolving into providing services to society in conjunction with profit making (Buzied, 1998). Profit maximisation has a lower priority for Libyan companies. The major objective of Libyan corporations is to

achieve social welfare and the means to do so are obtained through collective effort. This approach focuses only on the causes of conflict between managers (agents) and shareholders, neglecting the other interested parties in the society. It is a financial-purpose-oriented perspective. Managers would issue such items to influence the stock price movements in the marketplace and to obtain financial rewards.

#### **7.2.4.2 Stakeholder Theory Explanations**

It is very difficult to offer complete evidence in favour of the stakeholder theory of CSDR practice in this thesis. CSDR in Libya is not recognised as a reciprocal relationship between the company and its stakeholders. In Libya, the private sector is relatively small and the majority of companies in Libya are controlled by the state. Publicly-owned companies are not listed on the stock market. In the case of the absence of a stock market (non-competitive market), the central authorities such as the NOC, the GEA and the AB are the main users of accounting reports in Libya. There are no other interest groups with conflicting objectives. The welfare of society is the main goal of companies. CSDR information seems not to be used as a strategy to manage and improve the relationship between companies and stakeholders. The reality of the Libyan socio-political and economic context does not encourage organisations to feel a strong need to manage society's perspective of their company other than with their employees and the government. Any CSDR practice, therefore, is oriented mainly to these few interest groups.

Stakeholder theory also sees the world only from the perspective of management rather than looking at the environmental contexts of a country. It focuses on the way the corporation manages its stakeholders. Even when companies actively recognise broader stakeholders, such recognition is found to be of secondary importance. The analysis above illustrates that companies' management perceived reporting to these wider groups on social and environmental issues as counterproductive to the economic interests of the company in general, and far from the function of the corporate reports in particular. This in turn means that while companies understood the need for actions of responsibility to wider groups of society, they were not actively inclined to account for these actions through CSDR in Libya. CSDR does not appear to be recognised as a successful

stakeholder management strategy in companies in Libya despite the incentive to manage stakeholders appearing prevalent among the accountants' perspectives.

#### **7.2.4.3 Legitimacy Theory Explanations**

It appears that CSRD is not a successful means of legitimisation in Libya. Legitimacy theory, which has come to stress how organisations' management will operate to meet societal expectations and demands, does not seem to provide strong support for the overall results and findings either.

From the questionnaire analysis, respondents recognised public pressure in relation to CSRD and the need to respond to this. This suggests there may have been some desire to respond to perceived public pressure by engaging in CSRD practice. Companies in Libya seem to be using CSRD to justify their continued existence, enhancing their image within society, in order to avoid any social pressure. This was supported by the results of the content analysis, where more attention was paid to good disclosure by the surveyed companies (see Chapter Four, p. 102). They do compete for reputation status in institutional fields and seek to influence society's assessments by signalling firms' salient advantages.

From the professional and academic accountants' perspective, companies in Libya have less incentive to use CSRD because the particular local context means that there is less pressure to undertake CSRD practice, despite the pressure for such practice. The absence of CSRD paradoxically reflects the desire of management to avoid future pressure in terms of increased expectations from society, rather than using CSRD as a successful means to mitigate pressure and increase legitimacy. This was also supported by the results of the content analysis, where companies in the Libyan extractive sector decreased their level of CSRD from 2009 to 2014. CSRD practice in Libya was not recognised as a method by which corporations can enhance the skill and effectiveness with which they deal with social and environmental issues.

As companies in Libya are publicly-owned, a company does not need to disclose enough CSR information for society to gauge whether it is a good citizen or not. Legitimacy theory emphasises management purpose and its power over information.

Disclosure decisions driven by legitimising are not the same as disclosure policies driven by a management view that the community has a right to know about certain aspects of a corporation's operations. This assumes that although a notion of legitimacy appears, the disclosure practice as a legitimacy strategy depends on how managers themselves understand societal expectations in a given context and at a given time.

Legitimacy theory arguments have tended to look only at a partial picture, examining disclosures without reference to wider social and political activities. The theory fails to offer a basis for the interpretation of overall disclosure, simply because it is derived from a neo-classical political economy perspective (Gray et al., 1995b; Ahmad, 2004). This approach might not explain CSRD activities in a different social, political and economic setting such as in Libya. While interpretations using legitimacy theory do not seem to provide a comprehensive explanation of CSRD practice, such interpretations may provide a tentative background with which to interpret particular elements of this practice.

#### **7.2.4.4 Political Economy Explanation**

With political economy theory, conflict and dissension is introduced to explanations of CSRD practice (Gray et al., 1995b). It is also difficult to offer complete evidence in favour of the political economy theory of CSRD practice in this thesis. The socio-political and economic systems of countries interact to shape companies' attitudes towards CSRD practice. CSRD does not exist in a vacuum but acts together with the environment in which it exists. Each region has its own environment, which plays an important role in formulating its accounting and reporting systems and practice. A proper investigation of a country's environment, in which CSRD practice exists, will provide the necessary background for understanding the characteristics of such an environment. This also can assist in determining what might be thought of as an appropriate theoretical explanation of corporate reporting and disclosure practices in a given environment.

The version of political economy theory which suggests that, being under pressure from different groups in society, a company produces CSRD information to achieve social goals and capture the social agenda, is also far from recognised in CSRD practices. This

approach fails to consider the corporation-specific social internal determinants such as company characteristics and management attitudes and perceptions. These determinants can have an equal if not more significant role in CSRD practices in a given country (Haniffa and Cooke, 2002; O'Dwyer, 2002; Ahmad, 2004).

The political economy explanation of CSRD in Libya seems to be supported by the absence rather than the presence of disclosure. A company discretionally refrains from disclosure if it is not consistent with or is detrimental to its business interests and social image, therefore it hides many issues of social and environmental concern and provides little information. The lack of disclosure found in the practices of companies' annual reports appears to support this. There is also evidence that CSRD consists mostly of good disclosure with a relatively small amount of bad disclosure that could hamper the economic interests and social image of corporations. This perspective also emanates from the interviewees (see Chapter Six) and appears to support this political economy interpretation of the relatively low levels of CSRD practice in Libya.

For instance, despite the growing social concern over compliance with environmental laws and international standards in certain sectors (particularly in the extractive sector as the most polluting sector), and which is also voiced in the interviews, very few of these issues are reported by companies in Libya. This is because of their belief that such information will damage a company's image and economic interests, drawing the attention of the international media, their stakeholders and society at large. This will also lead to a criticism of any improvements in companies' economic performance and demands for further action in addressing and solving these issues. Although in fact a notion of political economy theory exists, this theory fails to explain certain aspects of a company's strategic attitude and the structure of management-stakeholder contracts.

#### **7.2.4.5 Overall Theoretical Evaluation**

Legitimacy theory and political economy theory may provide a better explanation of the nature and patterns of CSRD when compared with agency theory and stakeholder theory. Based on the empirical results and findings of this thesis, it appears that a single theory explanation (i.e. agency, stakeholder, legitimacy or political economy) on its own does not completely explain the CSRD practice/non-practice found in this thesis.

Each theory has its own notions and provides a slightly different and useful insight into CSRD practice/non-practice. These theories explain CSDR practices from different standpoints and assumptions (Deegan, 2002). If there is no single motivation to disclose, then multiple theories could be considered adequate as explanations for disclosure (Van Der Laan, 2009).

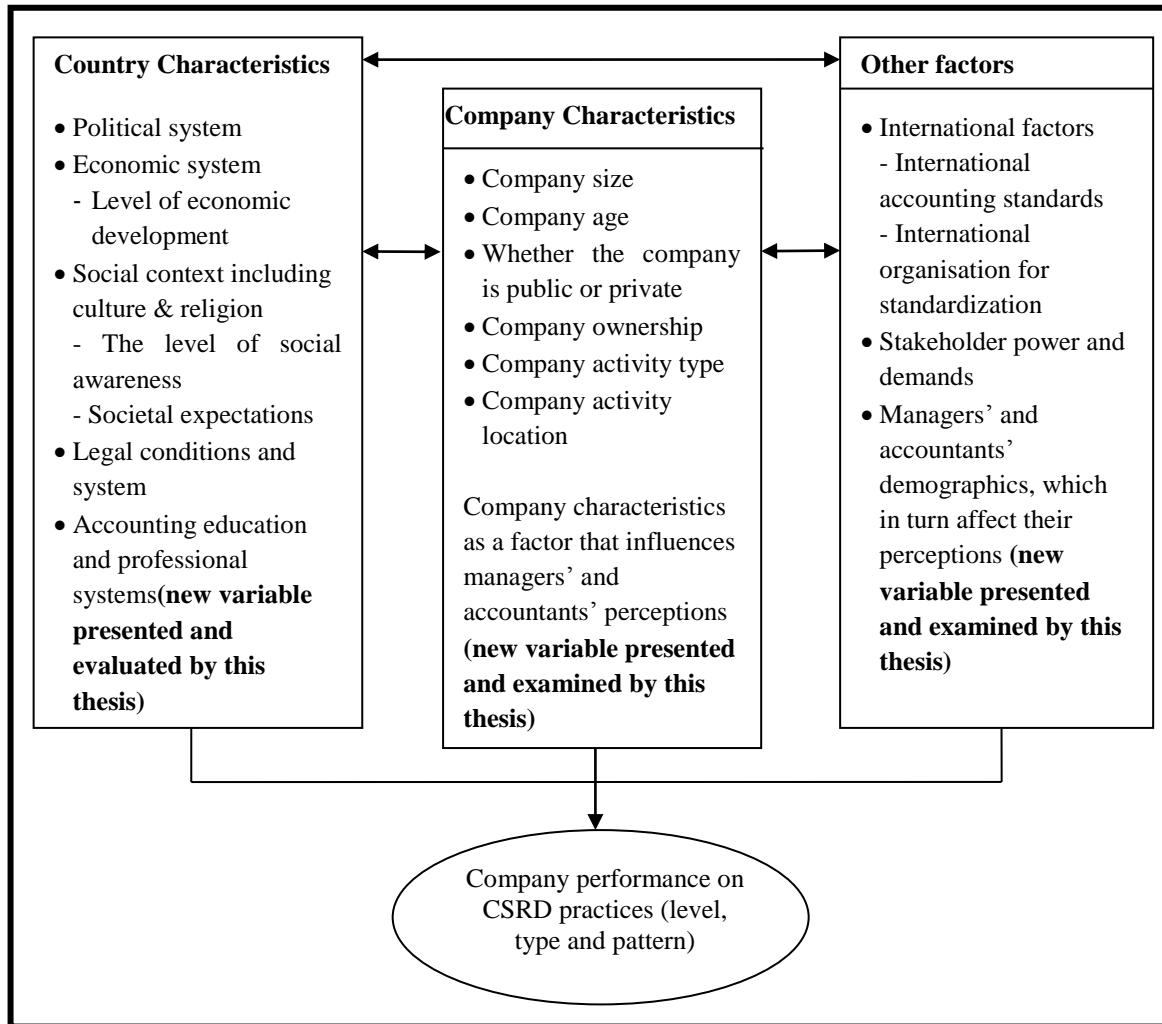
This thesis takes a view that includes the interaction between internal and external factors. These factors can be divided into three types, namely country characteristics, company characteristics and other factors. Country characteristics include socio-political and economic systems, culture, religion, societal expectations, legal conditions and systems, and education and professional systems. Company characteristics include size, age, whether it is a public or private company, ownership structure, activity type and activity location. Company characteristics were also found to be an important factor influencing managers' and accountants' perceptions. Other factors include international factors such as international accounting standards and international organisations for standardization, stakeholder power and demands, and manager and accountant demographics.

Figure 7.1 summarises the various influences on the nature, patterns and practice of CSDR which have been examined in this study and the prior literature. The figure illustrates how the various factors which have been found to influence CSDR have been grouped in the thesis. It shows the two-way influence between the groups of factors and the interrelationship between these variables and CSDR practice.

The figure is intended to represent a full picture of CSDR in Libya and highlights the influential factors and the relationships between them. The figure posits that there is a need for an integrated approach to provide a complementary understanding of the reasons and contents of CSDR. It confirms that there are links between social accounting theoretical explanations such as stakeholder, legitimacy and political economy theory, and that advantage can accrue from integrating more than one theoretical explanation (Wilmshurst and Frost, 2000; Adams, 2002; O'Dwyer, 2002; Bebbington et al., 2008). Such a theoretical approach will be a more appropriate basis for explanation and exploration of the absence or presence of CSDR practices in a given

country. This will also help to bring about a more complete understanding and interpretation of why companies undertake (or fail to undertake) CSRD practices.

**Figure 7.1: Diagrammatic Portrayal of the Influences on CSRD**



**Source:** Author.

Further research will no doubt evaluate the current results with those from the prior literature reviewed in Chapter Two. However, Appendix 7.1, 7.2 and 7.3 present a columnar analysis which enable some evaluation of the present results with those of the prior literature previously reviewed.

### 7.3 Suggested Conceptual Framework for CSRD

The aim of this study was to examine not only the relationship between the adoption of CSRD practices and certain environmental factors, but also to suggest a new conceptual

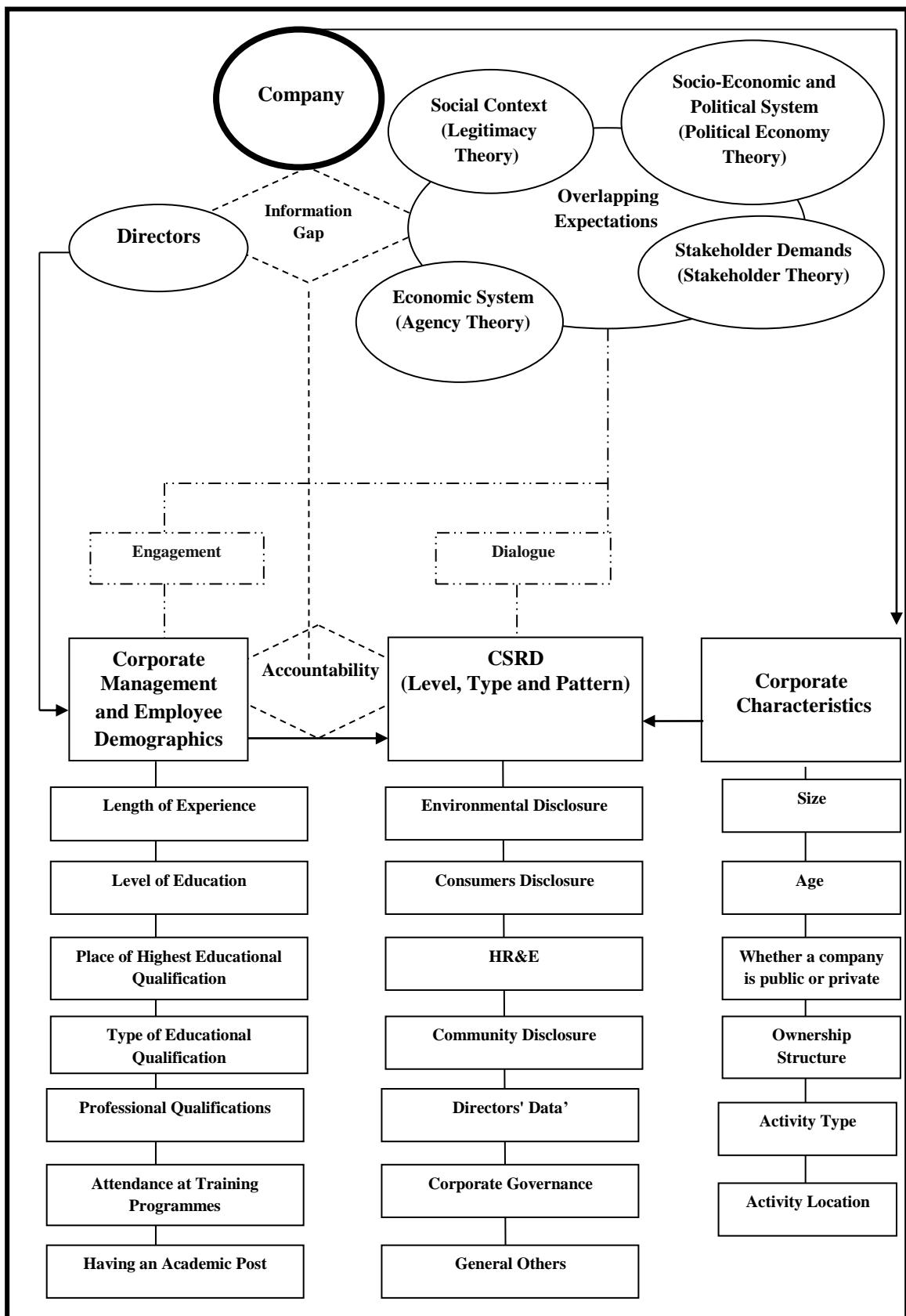
framework for CSRD practices which incorporate multi-theoretical explanations relating to a set of variables that have been identified from this study and the previous literature as likely to be influential on CSRD practices. This suggested conceptual framework provides a more comprehensive view and explanation of CSRD practices in a given country. This thesis has explored the influence of environmental factors such as company characteristics, stakeholder demands, economic system, political system and social context on CSRD practices. The thesis claim that CSRD extends the accountability of company management beyond the traditional role of providing financial disclosure, assuming that companies have wider social and environmental responsibilities.

Stakeholder demands, economic system, political system, social context have an influence on CSRD practices and link to the company through either engagement or dialogue. The engagement with the company takes place through participating in corporate management and accounting practices. Better accountability of top management turns into an increasing level of stakeholder, economic, political and social CSRD satisfaction. Employee demographics, such as education, experience and qualification towards CSRD are very important determinants. The analysis of this thesis confirms the positive relationship between the level of CSRD and the educational background of company employees and management. The thesis suggests that better educated, trained and qualified management are more likely to adopt innovative activities and prefer to disclose more information to demonstrate accountability and enhance company image.

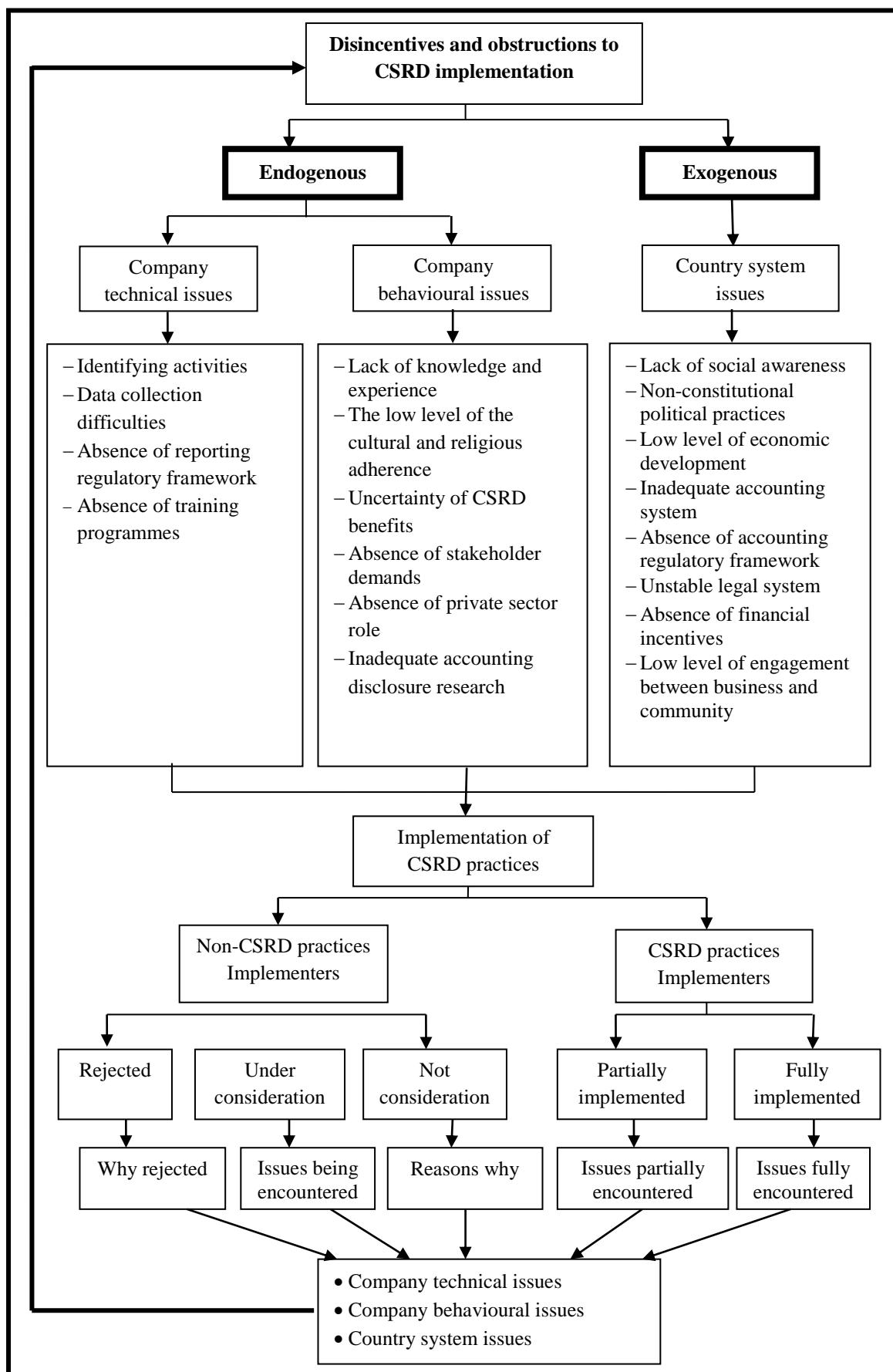
Based on a multi-theoretical perspective, it is argued that CSRD directed to various parties is enhanced when directors' opportunistic manipulation is monitored. Dialogue with the company takes place partially through CSRD, where companies report on their social and environmental activities. These links allow a correspondence between different parties' expectations and company behaviour, mitigating the information gap between management and other information users, thereby enhancing CSRD practices. The information gap exists between directors and other information users due to an absence of information or manipulation of the disclosed information. This may lead to a failure to satisfy the expectations of these users towards the company's disclosure. Disclosures, including CSRD, diminish informational asymmetries between a company

and its stakeholders (Brammer and Pavelin, 2008). CSRD mechanisms adopted by a company give an indication about how stakeholder, socio-economic and political interests are considered at the management level, as reflected in CSRD practices. Such ‘reporting can also be viewed as a significant strategic tool that is used by management to improve communication with a company’s stakeholders, providing a foundation for trust and openness’ (Boesso and Kumar, 2007: 278-279). Enhancing CSRD practices is considered to be an effective means of mitigating the information gap. Consequently, this thesis is based on multi-theoretical approach as a basic motive for the efforts made to reduce the information gap by reaching stakeholder, economic, political and social expectations about disclosure through sound CSRD, as controlled by corporate characteristics. This argument can be presented diagrammatically, as in Figure 7.2.

However, the framework does not encompass the findings related to the disincentives and obstructions to undertaking CSRD practices. These disincentives and obstructions were considered in Chapters 5 and 6. Based upon the analysis in the previous chapters, the disincentives and obstructions to undertaking CSRD practices may be classified into three distinct strands, as illustrated in Figure 7.3. The figure suggests that in the adoption of CSRD practices, two sets of variables are likely to be at work. Obstructions are related to those behaviours, attitudes or actions that prevent something from happening or working correctly. Disincentives are related to those perceptions or actions that make an individual or a company not want to do something. The figure would also suggest that two companies which have similar profiles with regard to the disincentives and obstructions may yet reach different decisions with regards to CSRD practices, due to their differing abilities or willingness to address and overcome the issues relating to adoption. The non-adoption of CSRD practices may result either from a failure to overcome implementation issues, or alternatively the company may have a profile with regard to the disincentives and obstructions such that the practices are not particular useful or appropriate to it. The non-adopters may be divided into three distinct groups: companies which have rejected CSRD practices, companies which currently have CSRD practices under consideration and companies which have not considered CSRD practices. It can be stated that CSRD practices in Libya, as shown by the content analysis results, have been partially adopted, and disincentives and obstructions to such practices have been partially encountered, since the level of CSRD practice in Libya is very low.

**Figure 7.2: Suggested Conceptual Framework for CSRD Practices**

**Figure 7.3: Classification of Disincentives and Obstructions to CSRD Implementation**



#### **7.4 Contributions to Knowledge**

This thesis contributes to the international literature on CSRD in general and Arabic and Libyan literature in particular. It is the first thesis on CSRD practice in Libya in that it provides the first detailed longitudinal description of the practice among companies operating in the Libyan extractive sector. It provides the first detailed description of motivations behind such practices or behind their absence among extractive companies in Libya. This description provides the basis for comparison with other studies of developing Arabic countries.

This thesis is the first in Libya to investigate the relationship between levels of CSRD practices and company characteristics. It adds a significant contribution to the growing body of literature in the area of developing countries in the CSRD field. The thesis also adds to the international literature engaged in attempts to explain CSRD practice. It provides a comparison of CSRD practices between the developed and developing worlds in international comparative CSRD literature. It does this in two ways. Firstly, it makes use of semi-structured interviews with academic and professional accountants regarding their perspectives on CSRD, affording richer insights of CSRD in practice. There is no known example in the CSRD literature that uses these perspectives in order to attempt an understanding of actual CSRD practice. The thesis clearly addresses an apparent gap in this literature. Secondly, it makes use of quantitative data, gathered through content analysis of annual reports, on CSRD of the BP Corporation and the extractive companies operating in Libya.

Contributions of academics and professionals in the accounting field are of paramount importance. They have enormous influence on accounting practice. This thesis contributes to the understanding of CSRD in the context of accounting education and the accounting profession. This thesis is the first step towards bridging the gaps existing between accounting education and professional practice and CSRD practice in Libya. It suggests means to improve the national accounting education systems to deliver meaningful CSRD into practice. In light of this, the thesis focuses on the social significance of accounting and, in particular, the potential contributions of accountants towards increasing social and environmental sensitivity in corporations through the phenomenon called CSRD. The findings of this thesis will be useful to the Libyan government and regulators by helping them to develop any future potential guidance for

companies in the area of CSRD practices. These arenas of exploration and discussion will set the thesis apart as a valuable original contribution examining issues that the professions are keen to understand better.

The thesis has developed a comprehensive theoretical framework that explains CSRD in terms of its determinants. Despite this framework being based on prior studies, it presents a more comprehensive approach to CSRD practices than previous research, by presenting new dimensions on how companies perform in terms of CSRD practices. Within this framework, the thesis casts light on the relationship between CSRD and variables that have not received adequate attention in previous studies, such as socio-political and economic systems, cultural and religious principles, stakeholder and societal expectations, corporate governance practices, directors' data, and company characteristics. The thesis also presents new theoretical dimensions to CSRD literature: accounting education and professional practices; managers and accountants' demographics; and the influence of corporate characteristics on managers and accountants' perceptions.

Investigating the phenomenon of CSRD in Libya has provided additional insights into corporate reporting. It has improved understanding of accounting practices and might help to gradually modify the accounting system in the country. The thesis has produced new knowledge that will be useful to the LAAA, the NOC and the AB by helping them to develop any future potential guidance for companies in the area of CSRD. This knowledge contributes towards developing CSRD practice not only in the Libyan extractive sector but also in other sectors such as manufacturing, banking and services.

Briefly, the thesis adds to accounting disclosure and CSRD literature in the following ways:

- Producing the first detailed longitudinal assessment of CSRD practice among Libyan extractive companies. Two other CSRD categories, namely directors' disclosure and corporate governance, were added as parts of CSRD in this thesis. This is original data that has not been adequately obtained before. Therefore, the findings of this thesis will be an improvement on prior research in that this thesis incorporates directors' disclosures and corporate governance, which capture the full picture of CSRD practices. These details were discussed in Chapter Four.

- Casting light on the influence of company characteristics and managers' and accountants' demographics on managers' and accountants' perceptions regarding CSRD practices. These details were discussed in Chapter Five.
- Shedding light on the relationship between level of accounting education and professional development and levels of CSRD practices. These details were discussed in Chapter Six.
- Providing a more comprehensive theoretical explanation for the determinants and consequences of CSRD. These details were discussed in Chapter Five and Six.
- Suggesting a new comprehensive conceptual framework for CSRD practices. These details were discussed in Chapter Seven (see Page 253).
- Providing the basis for a comparison with other Arabic and developing economies, as well as with developed economies.

## **7.5 Limitations of the Thesis**

As with all research, this thesis has limitations.

### **7.5.1 Limited Data Sources**

A small proportion of a company's total CSRD practice may be captured when exclusively employing corporate annual reports as the data source (Unerman, 2000). Annual reports were exclusively used in this thesis since 100 per cent of the disclosing companies located their disclosure inside annual reports. Other communication media for CSRD such as websites, advertising, promotional leaflets, and specific social and environmental reports are still very much in their infancy in Libya. Therefore, the thesis does not make any claims to have analysed all the CSRD made by the companies sampled, and some CSRD practices, which may be located in other mediums, were not captured by this thesis. This may be misleading for an evaluation and understanding of CSRD issues in Libya.

### **5.5.2 Limited Period of Study**

The thesis is also limited to content analysis over a period of six years, and any explanation or conclusions drawn regarding long term trends must be viewed with caution, although this longitudinal data is much richer than other studies, which tend to be a cross-sectional, covering only a single period.

### **5.5.3 Limited Sample Selected**

The sample of companies selected for the content analysis represents 77 per cent of companies operating in the Libyan extractive sector quoted by the NOC. It can be argued that this sample is representative of all quoted extractive companies. However, the potential limitation here is that the results and findings of this thesis may not be generalisable to all companies in Libya, as the population comprised only extractive companies. These companies are generally large in size and under the control of the government, which implies that the pressure and costs faced by these companies may not be the same as for others.

In seeking to understand the attitudes of those in accounting education and the accounting profession towards CSRD, academic and professional accountants from different educational and professional institutions were interviewed. Access, time and cost constraints prevented the researcher from expanding the thesis to others who could have a role in the issues of CSRD. The perspectives of accountants in the extractive sector were investigated using a survey questionnaire. Any explanations or findings for using these particular perspectives may be limited to this particular sample and no claims can be made for their generalisability to other sectors and/or contexts. In the following section, this thesis explains how these limitations may be addressed by future research studies.

## **7.6 Suggestions for Further Research**

Owing to the absence of research into CSRD in developing countries in general and Libya in particular, there are many potential possibilities for future research. This is the first thesis to investigate CSRD practice in Libyan extractive companies. Further research that builds on and extends the ideas presented in this thesis may be fruitful.

The comprehensive framework developed in this thesis raises a number of research avenues related to CSDR. Future studies could do the following:

1. Explore the CSDR practice in media other than annual reports. Covering a wide range of corporate documents and communication channels released to the public about their social and environmental behaviour is important for gaining a better understanding of CSDR practice
2. Study different stakeholders within Libya to examine social views regarding CSDR. This thesis looked to CSDR practices from the accounting perspective only. To further understand the issue, a future study could identify the practitioners of CSDR in other disciplines, such as health and safety and HR departments, investigating their perceptions. The users (government and management) of CSDR information and their perceptions about CSDR in Libya are also important.
3. Identify and examine the relationship between corporate governance and both the quantity and the quality of CSDR. This would enhance the current understanding of CSDR practices within the Libyan context.
4. Use case studies of single companies where accessibility to further data is available to provide more insights and understanding of CSDR practice in Libya.
5. Study the auditing or assurance process of CSDR, including the mechanism of the process and the characteristics of the audit committee. This would be of considerable importance in enhancing the understanding and the interpretation of the phenomenon in a given country.
6. Conduct a comprehensive study, involving comparing data from different developed and developing countries, to allow the results to be generalized to wider locations. Such studies may provide a better understanding of CSDR practices in these countries, and identify both similarities and differences when compared with this thesis.

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