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Commercial Banks' Attributes and Annual Voluntary Disclosure: the case of Libya

Abdallah Al-mahdy Hawashe (corresponding author)

Lecturer in Accounting and Finance

Faculty of Economics and Accounting, Sabha University, Libya

E-mail:waddan64@yahoo.com

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Abstract

This study aims to investigate empirically whether there is any significant association between seven commercial bank-specific attributes (i.e. age of bank, size of bank, bank liquidity position, profitability, government ownership, foreign ownership, and listing status) and the extent of voluntary disclosure in the annual reports. Ordinary Least Squares (OLS) regression model is used to test the association between bank attributes and voluntary disclosure. The results of regression analysis indicate that banks size and listing status are significantly associated with the level of voluntary information disclosures. The findings also revealed the extent of voluntary disclosure in annual reports is not significantly influenced by other bank's attributes. The current empirical study contributes to that investigation in the context of banking companies and provides new insight into determinants of voluntary disclosure in the annual reports of listed and unlisted commercial banks.

Keywords: Commercial Bank Attributes; Voluntary Disclosure; Annual reports; Libya

1. Introduction

In today's globalised world, financial and non-financial information disclosure is increasing in importance for many businesses, since their international and national stakeholders use such information as a basis on which to make economic decisions. Financial accounting theory has identified that the main objective of corporate financial reports is to provide material and useful information to a wide range of users for use in decision-making processes (Harahap, 2003).The corporate annual report has been found to be the most important source of financial and non-financial information for many interested parties such as shareholders, creditors, suppliers, financial analysts, management, employees and government agencies (e.g. see Abu-Nasser and Rutherford, 1996; Al-Razeen and Karbhari, 2004).

The annual report published by a commercial bank is considered an important means of communicating financial and non-financial information between the bank and external parties. Therefore, the provision of accurate qualitative and quantitative information in the commercial banks' annual reports about their financial position and performance to financial market participants and other interested users will help such recipients to make wise economic decisions.

More precisely, Tadesse (2006) emphasises that commercial banking systems become less vulnerable to crisis if they are supported by financial reporting regimes characterised by (i) more comprehensive disclosure (ii) more timely financial reporting (iii) more informative reporting, and (iv) more credible financial information disclosure. In addition to the above, the amount of information disclosed by banks has become a more serious issue in recent times for international financial institutions, such as the World Bank (WB) and the International Monetary Fund (IMF). These international organisations have recommended the banking sector operations in developed and developing countries to expand the extent of their information disclosures further than required by statute. The main reason for requiring banks to provide sufficient information in their published annual reports is to enable market participants to evaluate the banks' activities and risk management practices."Disclosure is particularly important in the banking industry, since banks are generally viewed as being opaque to outsiders" (Hirtle, 2007, p. 24).

The disclosure practices in the corporate annual reports, both mandatory and voluntary, may appear similar from country to country, but there are in fact differences among countries, caused by a variety of political and legal circumstances such as culture, accounting systems, economic systems, tax regulations, accounting professionals, and the nature of the individual countries' capital markets (Cairns, 1988; Kettunen, 1993; IASB, 2004; Alexander et al., 2005; Nobes and Parker, 2006). Furthermore, different countries have in mind the information needs of external users when setting national disclosure requirements (IASB, 2004).

The issue of corporate reporting disclosure behaviour is influenced not only by environmental factors but also by corporate attributes (e.g. firm age, firm size, profitability, liquidity, listing status, auditor-types, government ownership, and foreign ownership), and accounting researchers in several countries have been interested in investigating the influence of corporate attributes on the disclosure levels. However, to date, the number of academic studies exploring financial reporting and disclosure practices by banking sector, in both advanced and developing countries, remains low compared with other industry sectors.

The primary importance of this study lies in its ability to help fill a gap in the financial reporting and disclosure literature. This is one of the few empirical studies that attempt to test the significance of the relationship between commercial bank-specific attributes and the extent of voluntary information disclosure. It adds to the international accounting literature by providing further insight into the relationship between certain corporate characteristics and the extent of voluntary disclosure in annual reports.

The reminder of this paper is organised as follows. Section 2, provides a brief review of the environment of corporate reporting in Libya. Then, the relevant literature and hypotheses development is presented in Section 3.Section 4dealing with research design and methodology adopted for this study. The empirical results of regression analysis are discussed in Section 5. Finally, Section 6 presents a summary, conclusions and limitations of the study.

2. The environment of corporate reporting in Libya

Libya is the fourth country in size among the countries of Africa and the fifteenth among the countries of the world (Metz, 1987, p.46). Libya is of great geo-strategic importance, it is placed within easy reach of most European countries and links the Arab nations of North Africa with the Middle Eastern Arab countries. Libya also links the Mediterranean countries and those Sub-Saharan African countries, which facilitates the movement of goods, services, and traveller traffic. Libya has been classified by the World Bank (WB) as an 'Upper Middle Income Economy', alongside only seven other African countries. Around 2.0% of the world's crude oil was produced by Libya and it was ranked the fourth African country in terms of the capacity of crude oil produced, after Nigeria, Algeria, and Angola (Taib, 2011).

In recent years, the Central Bank of Libya (CBL) has taken significant measures to attract greater foreign direct investment into the banking sector and to open up the sector to international banks. The CBL has enacted legislation permitting foreign banks to establish branches in Libya and allowing them to hold up to 50% of the shares of some domestic banks. Furthermore, the CBL has also authorised the establishment of private domestic commercial banks. As a result of the implementation of the privatisation policy in the banking sector, banks have tended to provide additional or voluntary disclosure. The banking sector's reforms in Libya was closely associated with a general reform programme intended both to privatise inefficient state-owned enterprises, and as a sensible effort by the Libyan authorities to attract forging direct investment into the national economic sectors(Otman and Karlberg,2007).

Commercial banks are the most important components of the financial sector in Libya in terms of size and role, geographical spread, and various types of services offered to customers.The Libyan banking sector was long dominated by five state-owned commercial banks; these banks are owned in full or in the majority by the Libyan government or its agencies, namely the National Commercial Bank, Al-Umma Bank (which merged with Jamahiriya Bank in 2008), Jamahiriya Bank, Wahda Bank, and Sahara Bank. These public banks dominate over 90% of all deposits, assets and credit in the commercial banking sector in the country.

As emphasised by IMF (2006), the Libyan banking sector remains predominantly in the hands of the public sector, which represents 90% of Libya's banking business. Privatisation of Libyan's state-owned banks must be viewed as an opportunity to attract a qualified group of strategic investors with a proven track record into the financial industry, to improve banking sector efficiency (WB, 2006).

In 2006, the establishment of the Libyan Stock Market (LSM) was announced and operations on the LSM began in June of that year - an event that had happened for the first time in the history of Libya. Clearly, the efficiency of any stock market depends upon the availability of appropriate and accurate information to current investors at low transaction costs. In this respect,Aljifri (2008) notes that adequate disclosure by corporations helps to ensure the efficiency of capital markets. The establishment of the LSM and the continual growth in the private sector are generating much public interest in financial disclosure and in the need to increase market transparency. Furthermore, changes and developments in the Libyan economic system and business environment are affecting the types of information needed for economic decision-making.

In Libya, the Commercial Activity Law (CAL), Income Tax Law (ITL), and the Stock Market Law (SML), are three important regulations for financial accounting and reporting. The CAL included a range of Articles covering certain aspects of corporate financial reporting (Articles from 225 to 237 and Articles from 254 to 255), which in their entirety included mandatory books, records, financial statements, a balance sheet listing items and an estimate basis of its elements.

In the light of the provisions of the CAL (Article 226) a joint stock company's board of directors has to prepare financial statements (balance sheet and the profit and loss account) and the explanatory notes, as well as a report about the company's progress. However, the CAL is very brief in describing the mandatory disclosure requirements of the corporations, and no clear forms and contents of the balance sheet and profit and loss account are given.

The second Libyan governmental Law to have an influence on financial accounting and corporate reporting in the country: ITL, which was originally passed in 1968.Under this law each business entity was required to provide financial statements and other financial records at the end of each year to the tax authority. According to Article No. 71, all companies are required to submit an annual declaration about their income to the tax authority, approved by legal accountant or auditor registered in the list of Libyan accountants and auditors, on the special form prepared for this purpose, within one month from the date of approval of the balance sheet, and in a in period not exceeding four months of the year following the financial year. Hence, there is no doubting that the provisions of the ITL were basically designed to service the needs of the tax authority.

The SML No. 11 was enacted to regulate and govern the work in the LSM. This law consists of 101 Articles separated into eight chapters; the Articles cover the organisation and structure of LSM, control and supervision of the stock market, issuance of securities rules, listing requirements, exemption from taxes and duties, disclosure rules, exchange, investment management, establishment of investment funds, electronic signature, authentic electronic documents in proof, organisation of adjudication and conciliation board.

Specifically, the SML sets out the disclosure requirements with which listed economic entities must comply. For example, the disclosure rules in Article 23/1 require each economic entity listed on the market to provide, as part of its own responsibility to the management market during the specified time period determined by the Stock Market Authority (SMA)quarterly, semi-annual, and annual reports on its overall activities and the results of its work. These reports must be comprised of the data revealing its honest financial position, and the entities must publish a comprehensive summary of these reports in two daily newspapers, at least one in the Arabic language. The law also requires, in Article No. 23/1, that all listed economic entities must prepare their financial statements and other financial statements according to accounting standards and auditing rules to be determined or mentioned in the implementing regulations of this law. However, there is no such format in the law for the financial statements.

The banking sector in Libya, which includes CBL, specialised banks, Libyan foreign banks, and commercial banks as well as a number of representatives of foreign bank offices, was governed until 5th of July 2012 by the BL Law No. 1 of the year 2005. Besides, the banking sector also has to follow the directions and guidelines issued by the CBL. The BL was partially amended by the Law No 46 of the year 2012.Specifically, the BL No 46, 2012, provides a framework for regulation and supervision of the banking sector. The new BL No. 46 of 2012 was divided into three key chapters including 121 Articles. However, the BL No. 1, 2005 or its later amendments did not specify any additional requirements concerning the form and content of the balance sheet and profit and loss account.

A slight amendment was made relating to commercial banking financial statements disclosure; according to the old BL (Article 84), each bank must display, throughout the year and in a conspicuous place at its head office and at all of its branches, a copy of its most recent, audited financial statements. It must also publish these statements in the Official Gazette and in a domestic newspaper, but the commercial banks were not required to publish their financial statements on their own websites under the old law; however, the new BL has forced these banks to disclose their audited financial statements on their own websites and to make them available to general public.

Overall, in fact, the new BL No. 46, 2012, did not make any substantial changes, and maintains all of the provisions of the old BL No. 1 of the year 2005, with the exception of some slight changes to meet the demand of the new Libyan political and economic regime. Only new nine duplicated Articles (i.e.100/1-100/9) were added to the new law; these Articles were specific to Islamic banks products. However, the newly amended BL still shows considerable shortcomings; it has failed to specify the required financial statements and the form and content of these statements has not specified which accounting standards should be applied. Moreover, the new law did not provide for non fulfilment penalties or specify the mechanism to enforce the law. So no further mandatory legal requirements were required by the new BL, thereby there is no obligation for commercial banks to publish the notes to the financial statements, the board of directors' report or the auditor's report to general public.

3. Literature Review and Hypotheses Development

A recent review of the academic disclosure literature has revealed that accounting researchers in both developing and developed countries have conducted a large number of empirical studies on the subject of voluntary disclosure practices and its association with corporate characteristics, but the majority of these studies have focused on non-financial companies. However, a few of the studies have been focused on commercial banks' voluntary disclosure practices and their determinants (i.e. Kahl and Belkaoui, 1981; Hossain and Taylor, 2007; Hossain and Reaz, 2007; Hooi, 2007;Hossain (2008)).

In addition, the empirical evidence from those studies was conflicting and not conclusive, some of bank-specific attributes examined in the reviewed studies were found to be significantly associated with the extent of voluntary disclosure in one study while in other studies these were found not to have a significant impact on the disclosure level. For example, the study of Hossain (2008) found a significant statistical relationship between profitability and the level of information disclosure by Indian banks, whilst similarly a study by Hossain and Taylor (2007) found no significant association between profitability and voluntary disclosure practices in Bangladeshi banks.

Additionally, there are other additional bank attributes that are likely to influence the extent of voluntary disclosures which remain unexplored (e.g. bank liquidity position, listing status and government ownership structure).Further, the present empirical evidence on the determinants of overall of voluntary disclosure in the annual reports of banking sector companies is very limited as compared to evidence from non-financial companies. Therefore, there is a need for moreempirical evidence from different countries about the influence of commercial bank attributes on the extent of voluntary disclosure of information in the annual reports to enhance a better understanding of the relationship between these attributes and banking disclosure level. Also, much empirical study is still required in this area to confirm or disprove the findings from prior studies.

Drawing on prior empirical research on the determinants of voluntary disclosure, the commercial bank attributes examined in this study are: bank age, bank size, liquidity, profitability, foreign ownership, government ownership, and listing status, which were found by previous empirical studies as explanatory variables for differences in the general level of voluntary disclosure, will be reviewed in the following sections.

3.1 Age of the commercial bank (AGE)

The age of business entity is a critical factor in determining the level of information disclosure in its annual reports (Akhtaruddin 2005 and Owusu-Ansah 2005).An older company is likely to be more expert in collecting, processing and releasing information (Owusu-Ansah 2005). Accordingly, it may seem that long-standing commercial banks having more experience in ways of providing more extensive disclosure about their financial results and current position to satisfy users' needs than young commercial banks.

Moreover, older commercial banks are more likely to include more financial and non-financial information above legal requirements in their annual reports than younger banks. Abdul Hamid (2004) suggested that the age of a bank, like any other corporation or business entity, may influence the level of information disclosure.

In the case of banking companies, Hossain and Reaz (2007) empirically investigated the relationship between bank age and the extent of overall voluntary information disclosed by listed banking companies in India. They revealed that the age variable is not significant. However, the commercial bank age effect has not been supported by any empirical evidence to suggest such a theorised positive relationship. Therefore, the commercial bank age is chosen as one of the independent variables for testing. This leads to formulation of the first research hypothesis:

H1: *There is a significant positive association between the extent of voluntary information disclosure in annual reports and the age of a commercial bank.*

3.2 Size of commercial bank (SIZE)

Agency theory suggests that agency costs are associated with the separation of management from ownership, which is likely to be higher in larger companies (Jensen and Meckling, 1976). Hence, large companies have more incentive to voluntarily disclose additional information in their annual reports than smaller firms, to reduce agency cost. Additionally, managers of larger companies tend to be more motivated to disclose more information in order to create or maintain strong demand for their securities (Hossain et al. 1994).

Larger companies are expected to disclose more information than smaller companies in their published annual reports for a number of reasons (see Singhvi and Desai, 1971, p. 131). Firstly, collection, preparing and disclosure a great amount of financial and non-financial information is relatively less costly for large companies than smaller companies. Secondly, large companies disclose more financial and non-information in their published annual reports because they are more aware of the potential benefits of additional disclosure for increasing stakeholders' confidence and attracting new investors. Thirdly, managers of smaller companies are likely to feel, more than executives of large companies, that full disclosure of information might endanger their competitive position (Singhvi and Desai, 1971).Based on the above argument, the second research hypothesis is formulated as follows:

H2: *There is a significant positive association between the size of a commercial bank and the extent of its voluntary information disclosure in the annual reports.*

3.3 Commercial bank liquidity position (LQDP)

Commercial bank liquidity is an important factor in enhancing a bank's business activity and determines the bank's ability to deal efficiently with decreases in deposits and other liabilities. Moreover, the liquidity ratio will assist investors, depositors and regulators in their predictions and assessment of bankruptcy and a company's going-concern status (Owusu-Ansah, 2005).

As they argue, companies with lower liquidity ratios tend to view their results as bad news and probably consider the provision of more details as part of their accountability to shareholders and other users of their annual reports. Wallace et al. (1994) added that it is more likely that the managers of high liquidity companies: (i) feel that shareholders are satisfied with the results and do not require additional information; and (ii) do not want to disclose additional detail that will have to be continued in succeeding years. Based on the previous empirical results, it is possible to predict that commercial banks with strong liquidity disclose more detailed information in their annual reports than commercial banks with weaker liquidity. To determine whether or not the liquidity of a commercial bank has an impact on the extent of voluntary disclosure, the third research hypothesis is formulated as follows:

H3: *Commercial banks with a higher liquidity position disclose more information voluntarily than do commercial banks with a lower liquidity position.*

3.4 Profitability of the commercial bank (PRFT)

Higher profitability motivates companies' managers to disclose greater information since it increases investors' confidence, which in turn, increases managers' reparations (Rouf and Harun, 2011). A company in good financial condition is expected to provide more extensive information disclosure than a company in poor financial condition (Cormier and Magnan, 1999). Based on the argument of signalling theory, managers of superior performance companies use corporate disclosure to send signals to shareholders and the capital market.

Agency theory would suggest that the management of very profitable companies would disclose additional information in order to obtain personal advantages such as continuance of their positions and compensation arrangements (Inchausti, 1997).As Hossain and Taylor (2007) argue, a commercial bank with higher profits feels more comfortable in disclosing additional information than does a bank with lower profits. However, there is no critical evidence to support the idea that a profitable commercial bank is more willing to provide more information in its annual reports to the general public than a commercial bank with lower or negative profit. Thus, the fourth research hypothesis can be formulated as follows:

H4: *Commercial banks with higher profit are more likely to disclose greater voluntary information than are commercial banks with lower or negative profit.*

3.5 Government ownership (GOVR)

As separation of ownership and control increases, managers of companies are more likely to convene to provide additional information relevant to an assessment of their outcomes (Creswell and Taylor, 1992). In this regard, agency theory suggests that where there is a separation between company owners and control, the potential for agency costs arises because of incentive conflicts between managers and shareholders (Hossain et al., 1994;Raffournier, 1995).Hence, managers of companies with large shareholders would voluntarily disclose more information as a means to mitigate agency conflict with companies' shareholders.

Ghomi and Leung (2013) affirmed that a company with a lower ownership concentration has a larger number of shareholders than a company with a high ownership concentration. Thus, state-owned corporations are characterised as a high ownership concentration, so managers may have no incentive to disclose more information. It is because the determined ownership structure provides managers of state-owned companies with lower incentives to voluntarily disclose information to meet the needs of no dispersed shareholders groups (Rouf, 2011).

It was commonly believed that government-owned commercial banks tend to be less competitive compared to privately owned commercial banks because government ownership often reduces profitable orientation. Accordingly, private commercial banks are expected to disclose more detailed information in their annual reports than government-owned commercial banks. However, it was argued that a company in which the government is a considerable shareholder will disclose more voluntary information in their annual reports (Ghazali, 2007). In addition, Naser et al (2002) pointed out that government participation in the ownership of a company's shares can be viewed as a supervising mechanism that may affect the quality of information disclosure in the annual reports**.** Hence, the fifth research hypothesis is formulated as follows:

H5: *There is a significant association between the extent of information voluntarily disclosed in the annual report and government ownership.*

3.6 Foreign ownership (FOWN)

Agency theory argues that in a diffused ownership environment, companies have more incentives to provide additional financial and non-financial information in their annual reports to reduce agency costs and information asymmetry (Ho and Wong, 2001). It could be argued that companies with a greater number of shareholders might be expected to have more information in their annual reports, than those companies with a smaller number of shareholders.

Owusu-Ansah (1998) suggests that companies with foreign ownership are likely to have more sophisticated financial reporting systems that facilitate greater disclosure in their annual reports than companies with non-foreign ownership. However, he argued that the capability of a block of foreign owners to positively influence disclosure practices depends on the size of other block holder stakes (Makhija and Patton, 2004).As appears from the above discussion, in the current study it is expected that partially foreign ownership will be positively associated with the extent of voluntary information disclosure in annual reports of commercial banks. Hence, the sixth research hypothesis is formulated as follows:

H6: *there is a positive association between the extent of information voluntarily disclosed in the annual reports and foreign ownership.*

3.7 Listing status (LISTS)

Prior research has argued that listed companies are more likely to disclose more financial and non-financial information in their annual reports than unlisted companies(e.g. Singhvi and Desai, 1971; Cooke, 1989a;Cooke, 1991; Malone et al., 1993; Wallace et al.,1994; Hossain et al., 1995; Inchausti, 1997;Abdul Hamid, 2004).

Listed companies are likely to disclose more information than unlisted companies for two reasons (Raffournier, 1995); first, listed companies have to comply with minimum disclosure requirements of market regulatory authorities; in addition to this mandatory disclosure, listed companies may also voluntarily provide extra information in order to give more confidence to investors and thus obtain better financing conditions.

Agency theory suggests that the extent of information disclosure in annual reports may vary with listing status (Cook, 1991).As Firth (1979) indicated that minimum disclosure requirements of listed companies in the stock exchange are slightly higher than non-listed companies. Therefore, this study attempts to examine the relationship between listing status in the LSM and the level of voluntary information disclosure in the annual reports of a commercial bank. The fifth research hypothesis is established as follows:

H7: *There is a positive association between the commercial bank listing status in the Libyan stock market and the level of information voluntarily disclosed in the annual report.*

4. Research Design and Methodology

4.1 Selection of sample and collecting the annual reports

Selecting commercial banks in the sample was based on the availability of their audited annual reports for six years (2006-2011). The sample represents the entire population of the commercial banks listed in the LSM until the end of 2011. The total number of unlisted commercial banks was eight in 2011. Three unlisted banks were excluded from the sample as they were established after 2006, and they had not started their activities at that time; three other unlisted commercial banks were also excluded because their audited annual reports were not available from 2006 to 2011 (six years).

Finally, the total number of listed and unlisted commercial banks covered under the study is 9. A copy of the audited annual reports for the years 2006-2011 was collected from each bank. Annual reports for three listed banks were downloaded from the LSM's website, while the annual reports of six banks were collected in person. A final sample of 54audited annual reports for the fiscal year 2006-2011 was analysed. The list of commercial banks covered by the current study is shown with their year established and listing status in Table 1.

Table 1: List of the Libyan commercial banks covered by the current study

Commercial Bank's Name	**Year Established**	**Listing Status**
1. Sahara Bank	1964	Listed
2. Gumhouria Bank	1969	Listed
3. The National Commercial Bank	1970	Listed
4. Wahda Bank	1970	Listed
5. Commerce and Development Bank.	1996	Listed
6. Mediterranean Bank	1997	Listed
7. Alsaraya Trading and Investment Bank	1997	Listed
8. Alwafa Bank	2004	Unlisted
9. Alwaha Bank	2005	Unlisted

4.2 Empirical model and Variables Defined

4.2.1 Empirical model

The Ordinary Least Square (OLS) regression model is used to estimate the relationship between the extent of voluntary information disclosure (dependent variable) and commercial bank specific attributes (independent variables).The regression model is represented by the following equation:

TVDIS = β0 + β1AGE + β2SIZE + β3LQDP + β4PRFT + β5GOVR + β6 FOWN + β7LISTS +ϵ

Where:

TVDIS =Total Voluntary Disclosure Index Score (dependent variable)

AGE = Age of commercial bank

SIZE = Size of commercial bank

LQDP = Liquidity position of commercial bank

PRFT= Profitability of commercial bank

GOVR= Government ownership, dummy variable

FOWN = Foreign ownership, dummy variable

LISTS= Listing status, dummy variables

B= regression model coefficients (parameters).

β0 = the constant or intercept

ε=the error term.

4.2.2 Dependent Variable

The dependent variable in this study is the total voluntary disclosure index score(TVDIS). The TVDIS for each of the 54 annual reports from the commercial banks in the sample is calculated as the ratio of the actual voluntary disclosure score, which is awarded to a commercial bank, divided by the maximum voluntary disclosure score, which that particular commercial bank is expected to earn.

A total of 63 items of information were identified as relevant to Libyan commercial banking disclosure and are applicable to all sampled banks (see Appendix 1).Those items of information were not assigned in the BL N. 1, 2005 or the SML and its regulation. The voluntary disclosure index was constructed based on voluntarily disclosed items recommended for banking disclosure by the IASB and the Basel Committee, and items included in earlier relevant empirical voluntary disclosure studies.

It is demonstrated in the disclosure literature that a self-constructed disclosure index is a widely used method of collecting data to assess the extent of information disclosure in corporate annual reports(e.g. Singhvi and Desai, 1971; Buzby, 19975; Barrett, 1976; Kahl and Belkaoui, 1981; Chow and Wong-Boren, 1987; Cooke, 1989, 1991, 1998; Ahmed and Nicholls, 1994; Hossain et al., 1995; Raffournier, 1995; Inchausti, 1997; Tsamenyi et al., 2007; Hossain, 2008).The scoring approach used in this study is un-weighted; it assumes all information items are considered equally important to all user groups of commercial bank's annual reports. An item scores one if it is disclosed and zero if it is not disclosed. The main reason for adopting this approach in the current study is to avoid the subjectivity inherent in using any weighted scoring approach.

4.2.3 Independent Variables

In this study, seven independent variables were defined from the reviewed disclosure literature. Table 2 represents the seven independent variables, their proxies and notations used in the OLS longitudinal panel regression model.

Table 2: Summary of independent variables, their proxies and notations used in the OLS regression model

Independent Variables	**Proxies of Independent Variable**	**Notations**	**Source of Information**
Age of Commercial Bank	Number of years it has been in operation since its inception up until 2011	(AGE)	Commercial bank annual reports
Size Commercial Bank	Natural logarithm of commercial bank's total assets	(SIZE)	Commercial bank annual reports
Commercial Bank Liquidity Position	Current Ratio (current assets divided by current liabilities)	(LQDP)	Commercial bank annual reports
Profitability	Return on Assets (ROA) (net profit divided by total assets)	(PRFT)	Commercial bank annual reports
Government Ownership	Dummy variable with one value if Libyan government or its agencies owned 50% or more of the capital; and 0 if not	(GOVR)	Central Bank of Libya
Foreign Ownership	Dummy variable with one value if the commercial bank's shares are totally or partly foreign-owned, or zero if not	(FORN)	Central Bank of Libya
Listing Status	Dummy variable with one value if the commercial bank is listed or zero if unlisted	(LISTS)	Libyan Stock Market

5. Results and Discussion

5.1 Descriptive Statistics

Table 3 displays the descriptive statistics for dependent and independent variables used in this study. The descriptive statistics show that the mean value of the extent of voluntary disclosure is relatively low (38%), with S.D 18%, and a range from 8% to 70%. This implies that none of the Libyan listed and unlisted commercial banks disclosed all index voluntary information items. An analysis of this table also showed that the four continuous commercial bank attributes (i.e. age of the bank (AGE), commercial bank size (SIZE), profitability (PRFT), and bank liquidity position (LQDP)), had varied ranges.

From the descriptive statistic in Table 3, it can be observed that the average age of the commercial banks is about 23 years, with minimum 2 years and maximum 43 years from date of commencement to 2006. The mean value of commercial bank size is 20.908 (as represented by log of total assets), with ranges from 17.501 to 24.081, with S.D (2.061). s shown also in the table, commercial ban s' profitability (PRFT) ranges from -0.0179 to 0.048, with average of 0.0075, and commercial bank liquidity position (LQDP) has a mean value 1.15 and a range from 0.96 to 1.58.

Remarkably, the standard deviations (S.D.) do not show a large range in most of the continuous independent variables, with the exception of one independent variable (i.e. AGE); the standard deviation of this variable is 15.78. The mean value of government ownership (GOVR) is approximately 55 %, with a S.D of 0.501, while foreign ownership (FOWN) value has a mean of 33%, with a S.D of 0.475. Listing status (LISTS) has a mean value of 77 %, with a S.D of 0.503. This shows a huge variability between the commercial banks in the sample concerning their listing status.

Table 3: Descriptive statistics for dependent and independent variables

Variable	Mean	S.D.	Min.	Max.	Skewness	Kurtosis
TVDIS	0.38	0.185	0.08	0.70	0.2476	1.7253
GOVR*	0.55	0.501	0.00	1.00	-0.2236	1.05
FOWN*	0.33	0.475	0.00	1.00	0.7071	1.5
AGE	23.27	15.780	2	43	0.1512	1.2609
LISTS*	0.77	0.503	0.00	1.00	-0.1485	1.0221
SIZE *	20.908	2.061	17.501	24.081	-0.1329	1.5255
PRFT	0.0075	0.0095	-0.0179	0.048	1.4043	8.3795
LQDP	1.1596	0.1427	0.96	1.581	1.3328	4.1388

Note:***LISTS**(% of total banks listed on LSM), **GOVR** (% of total banks owned by government), **FOWN**(% of total banks owned by government), and **SIZE** (Log of total assets).

5.2 Correlation Analysis

The results for the Spearman's ran correlation matrix for the dependent variable (TVIDS) and independent variable are exhibited in Table 4.

Table 4: Spearman's Rank Correlation Matrix

Spearman's rank correlations between variables

	TVDIS	AGE	GOVR	FOWN	LIST	SIZE	PRFT	LQDP
TVDIS	1.0000							
AGE	0.5455**	1.0000						
	(<0.0001)							
GOVR	0.5121**	0.0000	1.0000					
	(0.0001)	(1.0000)						
FOWN	0.4061**	0.0000	0.1581	1.0000				
	(0.0023)	(1.0000)	(0.2535)					
LIST	0.6034**	0.5545**	0.0664	0.2626	1.0000			
	(<0.0001)	(<0.0001)	(0.6331)	(0.0551)				
SIZE	0.8726**	0.2571	0.7747**	0.3756**	0.4015**	1.0000		
	(<0.0001)	(0.0606)	(<0.0001)	(0.0051)	(0.0026)			
PRFT	-0.1805	-0.2901*	-0.4711**	0.0769	0.0036	-0.3241*	1.0000	
	(0.1914)	(0.0333)	(0.0003)	(0.5806)	(0.9795)	(0.0168)		
LQDP	-0.3611**	0.0017	-0.1232	-0.1979	-0.0775	-0.3264*	-0.0811	1.0000
	(0.0073)	(0.9900)	(0.3750)	(0.1515)	(0.5777)	(0.0160)	(0.5599)	

* Correlation is significant at the 0.05 level.

** Correlation is significant at the 0.01 level.

P-values are given in parentheses: ( ).

Table 4 indicates a number of significant correlations between the commercial bank characteristics (independent variables) and the extent of voluntary disclosure in annual reports (TVDIS). The univariate analysis shows that the TVDIS variable is positively correlated with AGE (r = 0.545), GOVR (r =0.512), LISTS (r = 0.603), and FORN (r =0.406) and these correlations are statistically significant at (P<0.01) level. The extent of voluntary disclosure also shows a significant positive association with commercial bank size (SIZE) (r = 0.873) at (P<0.01) level. In contrast, the extent of voluntary disclosure is negatively associated with the profitability variable (PRFT) (r = -0.180, p = 0.191) and bank liquidity position (LQDP) (r = -0.361, p = 0.073). Overall, almost of these findings are in agreement with research hypotheses concerning the association between the extent of voluntary disclosure in annual reports and commercial banks' attributes.

5.3 Results of OLS Regression Analysis

Table 5 reports the results of the OLS longitudinal panel regression with clustered robust standard error.

Table 5: Results of the OLS longitudinal panel regression with clustered robust standard error

Independent Variables	**Coefficient**	**Robust SE**	**t-statistic**	***p*-value**	**[95% Confidence Interval]**	
AGE	-0.002	0.001807	-1.1	0.302	-0.00616	0.002173
GOVR	-0.03972	0.055928	-0.71	0.498	-0.16869	0.089253
FOWN	-0.01184	0.037775	-0.31	0.762	-0.09895	0.07527
LISTS	0.125019*	0.042574	2.94	0.019	0.026844	0.223195
SIZE	0.087948**	0.019015	4.63	0.002	0.044099	0.131797
PRFT	1.098793	1.140526	0.96	0.364	-1.53126	3.72885
LQDP	-0.04419	0.102415	-0.43	0.677	-0.28036	0.191976
Adjusted R^2 = 0.8404 p<0.0001						
R-squared = 0.8615						
Prob>F = 0.0000						

Number of obs = 54

SE= Standard Error

- means negative effect, + means positive effect. * means significant at 0.05 ($p \leq 0.05$)

** means significant at 0.01($p \leq 0.01$)

The Table shows that the regression model with robust standard error is highly significant (p<0.0001). The adjusted *R* square correlation is 0.84, which means that the OLS regression model is capable of explaining 84% of variation in the TVDIS of the selected commercial banks throughout this study period. This value of adjustedR^2 compares with that obtained in the prior relevant disclosure studies. It is higher than Hossain and Taylor (2007) at 24%, Hossain and Reaz (2007) at 25%,Agyei-Mensah (2012) at 8%, but the explanatory power of this model is lower than Hassan et al. (2009) in respect of non-financial companies (87.3%). A detailed discussion of the further regression result on the basis of research hypotheses is presented in the following paragraphs.

Hypothesis (H1): Age of the commercial bank (AGE)

Although the Spearman correlation matrix results show that commercial bank age has a positive correlation with the extent of voluntary disclosure (TVDIS), the results of OLS regression model as presented in Table 5 show no significant relationship between the age of a commercial bank and TVDIS. The regression coefficient for the predictor variable (AGE) is -0.002. As a result, *H1: "There is a significant positive association between the extent of voluntary information disclosure in annual reports and the age of a commercial bank"* is rejected.

In brief, according to the OLS regression results, it can be inferred that there is no significant positive relationship between a commercial bank's age and the level of voluntary disclosure in annual reports. The result of this study is consistent with Hossain and Reaz (2007), who found that bank age is not statistically significant in explaining the level of voluntary disclosure in India. Hossain (2008) also found no relationship exists between Indian banking companies' age and the extent of disclosure. A more recent study by Galani et al. (2011), found the age of the company to be insignificant in explaining the variation of disclosures in the annual reports of non-financial Greek companies. In contrast, a significant positive relationship between the company's age and the extent of disclosure has been found by Owusu-Ansah (1998; 2005).

Hypothesis (2): Size of commercial bank (SIZE)

The regression results as shown in the Table 5 revealed that the most important commercial bank attributes that helps explain variations in the extent of voluntary disclosure in the annual reports of Libya's commercial banks is size. The regression coefficient for the variable is 0.087948, which is positive and very significant at the 0.002 level ($p \leq 0.01$). As a result, *H2: "There is a significant positive association between the size of a commercial bank and the extent of its voluntary information disclosure in the annual reports"* is strongly accepted.

Overall, it can be concluded, based on the statistical results displayed in Table 5, that there is a significant positive relationship between a commercial bank's size as represented by total assets (log of assets) and voluntary disclosure level in annual reports. This result is line with the outcomes from prior relevant disclosure studies. For instance, in Bangladesh, Hossain and Taylor (2007) found a significant positive relation between the bank size (as measured by log of assets) and the extent of voluntary disclosure. In India, Hossain and Reaz (2007)also found a positive association between the size of the bank and annual reports voluntary disclosures. By contrast, Agyei-Mensah (2012), found no significant relationship between the voluntary disclosure level and bank size as represented by value of net assets.

Hypothesis H3: *Commercial bank liquidity position (LQDP)*

The regression result indicated that the effect of bank liquidity position on TVDIS, as represented by current ratio is generally negative, with the coefficient of -0.04419. Therefore, ***H3***: *"Commercial banks with higher liquidity position disclose more information voluntarily than do commercial banks with lower liquidity position"* is not accepted.

In short, the OLS statistical analyses show that a commercial bank's liquidity position has no statistically positive relationship with voluntary disclosure levels. This result coincide with Agyei-Mensah (2012), who found no relationship between liquidity and the extent of voluntary disclosure in annual reports of rural banks in the Ashanti region of Ghana. Galani et al. (2011) also found the firm liquidity to be insignificant in explaining the variation of the disclosure levels. Nevertheless, the finding of the current study disagrees with the findings of Owusu-Ansah (2005) and Alsaeed (2006).

Hypothesis H4: Profitability of the commercial bank (PRFT)

According to the OLS regression results, the influence of profitability on the extent of voluntary disclosure is not statistically significant (p = 0.364).This is inconsistent with the a priori expectation of signalling theory and agency theory. As a result, ***H4:*** *"Commercial banks with higher profit are more likely to disclose higher voluntary information than are commercial banks with lower or negative profit"* cannot be accepted.

The current result is consistent with the findings in Hossain and Taylor (2007). They found the profitability variable, as measured by return on assets (ROA), is not significant in determining the extent of voluntary disclosure in annual reports of Bangladeshi commercial banks. Another researcher, Rouf (2010), found that the extent of voluntary disclosure by listed non-financial companies of Bangladesh is not positively associated with the profitability variable.

By contrast, the finding of this study contradicts the finding of Agyei-Mensah (2012). He found that the association between profitability variable as presented by return on capital employed (ROCE) and voluntary disclosure level in Ghana is statistical positive. Hossain (2008) also found a significant positive relationship between profitability and the disclosure levels in the annual reports of listed banking companies in India.

Hypothesis H5: Government ownership (GOVR)

The results of the OLS model as shown in Table 5 indicate that the variable of government ownership is negatively associated with voluntary disclosure level. The regression coefficient for the government ownership variable is -0.03972 and negative. Thus, H5**:** ***"****There is a significant association between the extent of information voluntarily disclosed in the annual* *report and government ownership"* is not statistically supported.

In sum, the regression results confirmed a negative association between government ownership and the extent of voluntary disclosure in annual reports of Libya's commercial banks. This result is similar to Ghazali and Weetman (2006), who found a negative relationship between government ownership and the extent of voluntary disclosure. In contrast with the current study result, a number of studies have found a positive relationship between government ownership and the level of disclosure in annual reports. Scholars such as, Makhija and Patton (2004) found that government ownership is a significant determinant of the overall extent of disclosure. Ghazali (2007) also found a significant positive relationship between the level of disclosure and government ownership. These findings were found typically by using a number of alternative definitions for government ownership.

Hypothesis H6: Foreign ownership (FOWN)

The statistical results show that foreign ownership is negatively associated with the extent of voluntary disclosure in the commercial banks' annual reports, with the coefficient of -0.01184. This empirical result does not coincide with agency theory explanations. Accordingly, *H6: "there is a positive association between the extent of information voluntarily disclosed in the annual reports and foreign ownership"* is not supported in this study.

In summary, the statistical tests performed reveal that there is an insignificant association between foreign ownership and the extent of voluntary disclosure provided in the annual reports. The current result of this study is consistent with empirical research by Naser et al. (2002), who found that there was no association between foreign ownership and the extent of disclosure in corporate annual reports. Furthermore, Said et al. (2009) report no association between foreign ownership and the voluntary disclosure level. In contrast, researchers such as Haniffa and Cooke (2002), (2005); Barako et al. (2006); Wang et al. (2008) find a positive relationship between foreign ownership and companies' voluntary disclosures.

Hypothesis H7:Listing status (LISTS)

The OLS statistical results show that listing status has a positive association with commercial banks' voluntary disclosure levels. The correlation coefficient for the variable is 0.125019, which is positive and at the level of significance 0.019 ($p \leq 0.05$). Thus, *H7:"There is a positive association between the commercial bank listing status in the Libyan stock market and the level of information voluntarily disclosed in the annual report"* is strongly accepted. In short, the results of the tests support the hypothesis that there is a positive significant association between a commercial bank's listing status and voluntary disclosure level.

This result is similar to prior empirical studies which have shown that there is a positive relationship between listing status and disclosure levels (e.g. Singhvi and Desai, 1971; Cooke, 1989; Cooke, 1991; Malone et al., 1993; Wallace et al., 1994; Hossain et al., 1995; Inchausti, 1997; Abdul Hamid, 2004). The current study result contrasts with the finding by Buzby (1975), who reported no significant positive association between listing status and the extent of information disclosure in the corporate annual reports.

6. Summary, Conclusions and Limitations

The purpose of this paper has been to empirically investigate whether an association exists between seven commercial banks' attributes (bank size, bank age, bank liquidity position, profitability, government ownership, foreign ownership, and listing status); and the extent of voluntary disclosure in the annual reports of listed and unlisted Libyan commercial banks.

The empirical findings of this study indicate that the variation in the extent of voluntary disclosures in the annual reports of listed and unlisted of Libyan commercial banks can be explained by some corporate attributes. Specifically, commercial bank size and listing status show significant positive association with the amount of voluntary information disclosed in the annual reports of listed and unlisted Libyan's commercial banks. This confirms the results obtained in Kahl and Belkaoui (1981), Hossain and Taylor (2007) and Hossain and Reaz (2007) and adds to the evidence that commercial bank size is an important explanatory variable for establishing an association with the overall level of information voluntarily disclosed by commercial banks in their annual reports. For practical implications of this finding, the regulatory bodies may pay specific attention to small commercial banks to enhance the extent of disclosure in their annual reports. However, other explanatory variables were found to be insignificant in explaining the variation in the levels of voluntary information disclosure.

Like to most prior disclosure studies, there are several limitations of the current study that should be taken into account when interpreting the study findings. The first limitation of this study is that the disclosure index developed to measure the level of voluntary information disclosed in annual reports was onlylimitedto63items.The empirical results obtained from the study may be determined by the type or the number of information items included in the disclosure index.

Second, the current study has focused on the voluntary information published in annual reports of Libyan commercial banks. other types of information sources were omitted from the investigation i.e., commercial bank circulars, financial press releases and the bank websites that might be used by the managers of Libyan commercial banks to communicate their information to the general public.

Lastly, this study was limited only to one particular country. Thus, further research could be undertaken to compare the extent of voluntary disclosure practices in Libyan commercial banks with the voluntary disclosure practices of commercial banks in other countries in general, and in developing countries in particular. Overall, the empirical findings of this study contribute towards a better understanding of voluntary disclosure practices by listed and unlisted of Libyan commercial banks and give a starting point for future academic research.

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Appendix No. 1: Disclosure Index of Voluntary Information Items

A. Background about the Commercial Bank/ General Information (11)	
A1.1	Brief narrative history of the bank
A1.2	Description of bank Structure
A1.3	Description of major services produced
A1.4	The legal form of the bank
A1.5	Address of Bank/telephone/fax
A1.6	Bank Website address
A1.7	Email address
A1.8	Date and details of establishment
A1.9	General outlook of business activities
A1.10	List of branches location
A1.11	Information on branches/telephone/fax/ adders for correspondence
B. Social Responsibility Information (4)	
B1.1	Sponsoring public health, sporting of recreational projects
B1.2	Information on donations to charitable organisations
B1.3	Supporting national pride/government.-sponsored campaigns
B1.4	Information on social banking activities/banking for the society
C. Financial Ratios and Other Statistics Information (21)	
C1.1	Brief discussion of the bank's operating results
C1.2	Analysis of bank's liquidity position
C1.3	Return on assets
C1.4	Return on equity
C1.5	Liquidity ratios
C1.6	Earning per share

C1.7	Capital adequacy ratios
C1.8	Loan to deposit ratio
C1.9	Total dividends
C1.10	Dividends per share for the period
C1.11	Breakdown of employees by geographic area
C1.12	Categorise of employees by gender
C1.13	Number of branches extension during the current fiscal year
C1.14	List of top five shareholders of the bank
C1.15	Financial statistics for more than two years
C1.16	Comparative Income statement for 2 years
C1.17	Comparative balance sheet for 2 years
C1.18	Comparative current year and previous year figures
C1.19	Disclosure half-yearly Balance Sheet statement
C1.20	Disclosure half-yearly profit and loss account statement
C1.21	Cash flow statement
D.Accounting Policies (8)	
D1.1	Accounting Valuation of fixed assets (e.g., fair value or historical cost)
D1.2	The depreciation methods used
D1.3	Foreign currency transactions, translation and differences treatment
D1.4	Events after the balance sheet date
D1.5	Disclosure of accounting standards uses for its accounts
D1.6	Statements of compliance with approved IFRS/IASs
D1.7	Treatment of Tax
D1.8	Treatment of contingent liabilities
E. Corporate Governance Information (19)	
E1.1	Chairman of the board identified
E1.2	List of board members
E1.3	Disclosure information on board members' qualifications and experience
E1.4	Duties of board of members
E1.5	List of senior managers (not on the board of members)/ senior management

	structure
E1.6	Disclosure information on senior managers' qualifications and experience
E1.7	Managers' engagement/directorship of other companies
E1.8	Picture of all senior managers/ board of members
E1.9	Picture of chairperson
E1.10	Information about changes in board members
E1.11	Classification of managers as executive or outsider
E1.12	Details of senior managers and board of members remuneration
E1.13	Statement of percentage of total shareholder of 20 largest shareholders
E1.14	A review of shareholders by type
E1.15	Number of shares held by managers
E1.16	Bank policy on employee training
E1.17	Number of board of members meetings held and date
E1.18	List of audit committee
E1.19	Chairman's statement
63	**Total**