Differences between public and private sector finance essay

The stakeholders in Libyan public sector are limited compared to private firms. In recent years the Libyan government allowed to the private companies to participate with public firms. Some of public firms are not listed in the Libyan stock market. Government-owned companies are a particular feature of Libyan companies. Therefore, ownership in this research classified into several categories, namely government ownership, foreign, family and management ownership (Nurul Afzan Najid & Rahman, 2011). The ownership firms impact the disclosure of CSER. For example, government and foreign ownership have a relationship with increased CSER disclosure In Malaysian companies (Eng & Mak, 2003; Haniffa & Cooke, 2005). To that reason, there are some theories that have been used to explain why firms voluntarily disclose CSER information in their annual reports.

Theory development related to CSER in general is fragmented and undeveloped (Maali, Casson, & Napier, 2006; Sadeghzadeh, 1995). In this perspective, the political and social contexts have been discovered to be major determinants disclose CSER information (Roberts, 1992; M. Williams, 1999). Whereas, there are some similarities between the agency, legitimacy, and stakeholder theories basically differ on primary assumptions. The agency theory makes the wealth-maximizing individuals operating within the environment of efficient capital markets (N. Bayoud, M. Kavanagh, & G. Slaughter, 2012).

While, the stakeholder and legitimacy theories expects boards takes the needs of interest groups linked to social and environmental considerations (Donaldson & Preston, 1995; E. Freeman, 1984; R. E. Freeman, 1984; Freeman, Wicks, & Parmar, 2004; Ranasinghe, 2011). Woodward et al.

(1996) have revealed that a firm is a significant part of the social system according to both stakeholder theory and legitimacy theory. In addition, stakeholder theory suggests that some groups within the society are more powerful than shareholders and employees, while legitimacy theory looks at society as a whole (N. Bayoud, et al., 2012).

The researcher draws on legitimacy theory to explain CSER. Thus, the theoretical framework development here will integrate both influences. The three theories of government-ownership are agency, political, and social views. The social theory is related to the economic theory of institutions, which is government-owned companies are established to address market defects whenever the social benefits exceed the costs (Atkinson & Stiglitz, 1980). On the other hand, the politics views of government-ownership is a tool for achieving the goals of politicians, the government-owned companies are unsuccessful because of the political interference (Shleifer, 1998).

The agency theory says that government-owned companies may be established to increase the social benefits, but may cause corruption, poor distribution and weak managerial incentives (Banerjee, 1997; Hart, Andrei Shleifer, & Vishny, 1997; Sapienza, 2002). On the other hand, according to these theories, it is not clear whether government-owned companies are less profitable for the reason that they maximize the social objectives, or for the reason that they inefficiently due politicians (Sapienza, 2002).

The significant gap in both CG and CSER literature is the rareness of such studies in the context of emerging economies (Arifur Khan, Mohammad Badrul Muttakin, & Siddiqui, 2012; Judge, T. J. Douglas, & Kutan, 2008).

Consequently, the effect of CG mechanisms on CSER disclosures may be different in emerging economies (Arifur Khan, et al., 2012). However, the relationship between GOVO and CSER is largely absent in the literature (Geoffrey, 2008). Therefore, it is important to study the influence of government ownership on disclosure of CSER to see how it can affect in Libya context. However, there is no evidence of research which examines the effect of GOVO on CSRER in the Libyan context may it is due to Delay in the establishment of CG system and stock market.

Significance of the Study

The researcher chose Libya in this research for some reasons. Libya has a different political and economic system (Wallace & Wilkinson, 2004). In addition, Libya is a particularly interesting country, as socialist and Islamic system have influenced on the nature of GOVO and CSER disclosure. Additionally, Libya established a public organization for the environment in 2000 to reduce negative effects on the environment (Bayoud, Kavanagh, & Slaughter, 2011). Libya has experienced changes over a short period of time. It has started establish a stock market in 2006 which requires a high level of accounting disclosure and CSER to achieve an efficient market.

The study determined the items which should be enclosed by Libyan companies as well as the items that are enclosed by these companies in the annual reports. According to Ellabbar and Havard (2005), the level of accounting disclosure of Libyan construction companies is low as compared to Egypt. The low level will be a hindrance towards establishing a capital market in Libya. One of the ways, Libyan companies can raise this level by complying with the international accounting standards, or the Libyan accounting profession should develop accounting standards that are appropriate for the country’s environment.

This study attempts to statistically prove whether there is any significant association between the GOVO and CSER in Libyan companies during the period 2006 to 2011. The importance of this study lies for three important reasons; first, the study would contribute to the literature to help the researchers through the provision of the modern CSER practices in Libya. With a lot of effort by the government and the various relevant organizations, and perhaps the researcher can note the difference in disclosure practices in Libyan comparison with previous studies. Additionally, since the study incorporates the issue of GOVO and the researcher think that this study will be among the first attempts in Libya to the effect of government ownership on corporate social responsibility and the environmental reporting.

Second, the results will convey the integrating environmental considerations to the investors′ community in their decision making process. As for practitioners, will perhaps become a challenge to them to be more environmentally responsible in the future. Finally, for policy makers, this research will provide indispensable evidence on the necessity of revisiting the existing standards and regulations. For instance, the Libyan Business Organizations LBOs and Libyan Association of Accountants and Auditors (LAAA) may need to reinstate the importance of environmental performance in companies owned by government, and perhaps, it is very timely to introduce specific standards on environmental accounting.

It is expected that this study will bring the issue of GOVO and CSER to the attention of the Libyan researchers for further research in this field. To fulfill the aim, the research will identify different aspects of influence in the nature and extent of corporate information disclosed in companies′ annual reports, from a CG and CSER perspective and by investigating the voluntary corporate governance disclosure made by Libyan government-owned companies. The purpose of this research is to examine the influence of CG characteristics, namely the government ownership, foreign ownership, board size, board independence, and CEO duality on CSER in government-owned companies in Libya.