

Effect of Political and Social Context in Libya on Accounting Information System to Meet Development Needs

Bubaker F. Shareia, Almuetaz R. Boubakr

Abstract—The aim of this paper is to show how Libya's legal, economic, political, social, and cultural systems have shaped Libyan development. This will provide a background to develop an understanding of the current role of the accounting information system in Libya and the challenges facing the design of the aeronautical information system to meet the development needs of Libya. Our knowledge of the unified economic operating systems of the world paves the way for the economic development of every developing country. In order to achieve this understanding, every developing country should be provided with a high-efficiency communications system in order to be able to interact globally. From the point of view of the theory of globalization, Libya's understanding of its socio-economic and political systems is vital in order to be able to adopt and apply accounting techniques that will assist in the economic development of Libya.

Keywords—Accounting, economic development, globalisation theory, information system.

I. INTRODUCTION

THE part of the paper deals with the historical background of Libya to explore the historical, political, economic, legal, religious, and cultural background of Libya. This is necessary to understand and investigate the role of AIS in Libya. Understanding Libya's legal, economic, political, social, and cultural systems will help in understanding the role of accounting systems and their effect on the development needs of such a country. The paper begins with a brief historical and geographic background of the country, followed by a description of Arab Socialism, Libya's political system, and explanation of its social and cultural attributes. This is followed by historical account of Libyan economic development. The main sources of economic regulation of the Libyan business environment and activities are then described.

II. RECENT HISTORY OF LIBYA

This part of the study deals with the historical background of Libya, which is located in North Africa. Libya occupies nearly 1,760,000 square kilometres, one-half the size of Europe or one-quarter the size of the United States and has a population of almost five and a half million [33], [40]. The Islamic religion and Arabic language are two elements that

characterise Libyan culture [28].

The presence of the Mediterranean coast as a link between Europe and the Arab countries of North Africa is worth considering. For example, a limited number of people will visit the desert. Agricultural business can be undertaken only when there are reliable sources of water. There are mountains in the southwest and the southern islands of Libya bordering Chad, and the highest is the Sarir Tibasti [47], [48]. The peak of these mountains is Bette, which rises 7, 500 feet (2, 286 meters) above sea level [14]. The lower slopes are in the south of Tripoli and east of Benghazi, with 3,000 feet (914 meters) [14]. Libya was originally settled by the Berbers, but Arabs settled the territory in AD 642, bringing Islam to the region. Arabs ruled the territory now called Libya until the 1500s when it was invaded and controlled by Europeans for about 40 years [40]. However, the country was subsequently subjected to many foreign occupations, the last of which was the Ottoman Empire's long occupation (1551-1911) and European tutelage (1911-1951). Early in its history, Libya was under the control of many invaders such as the Phoenicians, the Greeks, the Romans and, most significantly, the Arabs who finally developed and deeply affected the lives of the Berbers [43], [47]. The Arab settlement of North Africa left a lasting mark on the Berber tribes that inhabited the area. Under Ottoman Turkish rule in the 19th century, the Islamic religious order became a powerful force with political implications. In the 20th century, when Italy sought to conquer Libya, Bedouin-nomadic Arabs of Arabian, Syrian or North African-constituted the major source of opposition to colonial rule [49]. However, Italy dominated the region after World War I, and established a new administrative system accession to gather the country's three main regions; Cyrenaica, Tripolitania and Fezzan [42], [47], [49]. The Italians improved the infrastructure of the Libya, creating roads, railroads, port facilities, and irrigation projects but did little to educate and train the inhabitants in administrative, technical or agricultural skills. During World War II, the best route for gaining independence was seen by many locals (Libyans) to be to support the Allied side. Accordingly, many locals fought with the British army. Reference [43] reported that Libyans joined to the Allied side to fight their Italian rulers and gain independence during World War II. This influenced the defeat of Italy but led to the United Kingdom and French hegemony over Libya for a period of time (1943-1951). In the end, King Idris, a member of the Sanusi family, with the support of the United Nations, announced the independence of Libya when

Bubaker Shareia is a Professor in Accounting in the Department of Accounting at the Faculty of Economics, University of Benghazi, Libya (e-mail: bubaker2001@yahoo.com).

Almuetaz R. Boubakr is a lecturer in Accounting in the Department of Accounting at the Faculty of Economics, University of Benghazi, Libya.

the United Kingdom of Libya, which existed from 1951 until the 1969 revolution, was declared [47]. The severe economic conditions of the country at the time of independence meant that help from international organisations and foreign countries was needed. The country was seen at independence to represent little more than "a geographical expression" [42], [45], [46]. Three United Nations technical assistance teams made study-tours of Libya in 1950-1951 [44]. One of the teams was headed by Higgins, who stated that

"When Libya became an independent nation under United Nations auspices at the end of 1951, the prospects for Libyan economic and social development were discouraging to Libyans and foreigners alike." [23].

Higgins [23] prepared a six-year social and economic development plan adopted by the government soon after independence. The plan laid great emphasis on education and training. As part of a broad assistance package, the UN agreed to sponsor a technical aid programme that emphasised the development of the country's agriculture and education systems. As a result, The United Kingdom and the United States settled military bases in Libya for about 20 years and started a military settlement in 1953. The UK agreed to grant Libya an annual sum of £2.75 million to meet budgetary deficiency and £1 million annually for economic development whereas the US agreed to grant \$42 million over 20 years [28], [43], [44]. This situation changed after 1959 when research prospectors from Esso (later renamed Exxon) confirmed the location of major petroleum deposits in Libya [28], [42]-[44]. This was followed by more discoveries and concessionaires began to rapidly develop their business. Before the discovery of oil in 1959 [47], prospects for economic development were extremely bleak.

On September 1, 1969, the political system of the country changed as military and civilian officers seized power. The movement was headed by a twelve-member directorate that designated itself the Revolutionary Command Council (RCC) [34], which formed a new government. In its initial proclamation On September 1, the RCC announced that the country had become a free and sovereign country under the name of the Libyan Arab Republic [47]. Among the RCC members was Muammar Al Gadhafi, who served both as Prime Minister and Defence Minister. Gadhafi was strongly influenced by the revolutionary ideas of the Egyptian leader Gamal Abdul Nasser [34]. The new government proclaimed as its watchwords "Freedom, Socialism, and Unity" copying the Egyptian model. After the socialist ideology of the government, the Libyan official name was changed to "Socialist People's Libyan Arab Jamahiriya".

A single political party known as the Arab Socialist Union (ASU) was created in 1971 and modelled after Egypt's ASU [28], [44]. In February 2011, Gaddafi's regime collapsed completely within the so-called Arab Spring and the country has been in a state of chaos.

The second part of this paper focuses on the background of socialism in Arab countries and how Libya adopted this for its own use. Understanding the country's socialist ideology provides one of the significant explanations of the role of

accounting systems in development within the context of this study.

III. ARAB SOCIALISM

Since the 1950s, the economic situation of most Arab states has developed. Until the 1940s, public ownership rarely extended beyond irrigation works and public utilities. It was during the mid-1960s that the public sector grew in Egypt, Iraq and Syria. After the 1969 revolution and nationalisation process, public ownership increased in Libya in the 1970s and covered the majority of economic activities. With the help of the 1970s oil boom and concomitant increase of trade, Arab countries that were exporting oil became spending governments through industrial programmes and systems of welfare. According to [5], regardless of the socialist viewpoint which was the main reason for the arrangement of organisations in most socialist Arab states, the desire and search for independence and the construction of the State made the Arab states a symbol of socialism. In other words, the political movement was not the cause of socialism; it was the emergence of the military power which led to the instalment of socialism in Libya. Gradually, socialist countries gathered together with Egypt, Syria and Iraq among the early socialist Arab nations.

IV. A HISTORY OF ARAB SOCIALISM

Since the 1950s, economic conditions have developed in most Arab countries. Until the 1890s, public ownership rarely extended beyond irrigation and public utilities. In the mid-1960s, the public sector grew in Egypt, Iraq and Syria. After the 1969 revolution and the process of nationalization, public ownership in Libya increased in the 1970s and included most economic activities. Thanks to the oil boom of the 1970s and the accompanying increase in trade, Arab oil-exporting countries are spending governments through industrial programs and welfare systems. According to [5], regardless of the socialist view, which was the main reason for the organization of organizations in most Arab socialist countries, the desire and the search for independence and state-building made Arab countries a symbol of socialism. In other words, the political movement was not a cause of socialism; it was the emergence of military power that led to the strengthening of socialism in Libya. Gradually, the socialist states met with Egypt, Syria and Iraq among the Arab socialist countries at an early date.

Egypt and Iraq became aware of socialism after military domination and cooperation with the Soviet Union in some industrial plans. Following the introduction, the same models were drawn up from institutions that existed in the Soviet Union and Eastern European States in those countries. As a result of the union with Egypt from 1958 to 1961, the first socialist aspects emerged in Syria. In order to establish a stronger union with Egypt, Syria and Iraq tried to adopt the socialist system, which in turn was the source of nationalism. This progressive socialism also took place in Libya after the

revolution in 1969 [47], [48]. It began when the Libyan government developed the public sector and cut back the private sector. Control of domestic trade, foreign trade, industry, banks, and insurance companies was transferred to the state as the direct by-product of nationalisation, industrialization, and social service programs. These changes were the result of ideological changes made by the political establishment. These political changes have led to a new economic situation and the emergence of a special method of accountability [20], [47], [48].

V. LIBYAN ECONOMY

Libya depends on oil as a major source of income [4], [38]. Apart from hydrocarbons, Libya is relatively poor in other resources [4], [23]. Prior to the discovery of oil in 1959, Libya was one of the poorest countries in the world [4], [23], [44]. During the Italian and then the British ruling (1911-1951), the country's economy had improved compared with the primitive conditions the Italians found the country in when they first came to Libya in 1911. Libya overcame the poor economic situation of the 1950s with the help of US and British financial support, as well as the support of the United Nations through programs [4], [47]. which helped the country to survive and overcome the economically severe years of the fifties. The population was engaged in agriculture and animal husbandry [23]. The relatively few large companies in the country were controlled by Italian expatriates [7]. In contrast to neighboring Algeria, Tunisia or Egypt, the colonial economy in Libya did not create clear financial, commercial, capitalist or agricultural companies with close economic ties with the colonial powers. [28], [42], [51] Focusing mainly on the processing of local agricultural products which include flour, textiles, tobacco, footwear and clothing. The country's economy suffers from a budget deficit and is based on the limited productivity of a primitive agricultural sector and a few small industries [1], [2] [51]. Benjamine Higgins, an economist specialising in economic development who worked as an economic adviser to Libya in early 1950s, described the country's economic conditions in the following: [44].

[We] need not to construct abstract models of an economy where the bulk of people live on a subsistence level, where per capita income is well below \$50 per year, where there are no sources of power and no mineral resources, where agricultural expansion is severely limited by climatic conditions, where capital formation is zero or less, where there is no skilled labour supply and no indigenous entrepreneurship. When Libya became an independent nation ... it fulfils all these conditions [23].

Several authors [4] reported that the economic situation of Libya developed confidently after the discovery of oil and led to growing investment of foreign capital in the country [4]. After 1959, with increased investment by international oil companies in Libya, their need for foreign direct support declined [47]. Oil revenues represented 24.4 per cent of the country's GDP in 1962, 61.7 per cent in 1969, 28.3 per cent in 1992 [47]. By 1968, Libya was the second largest oil producer in the Arab world. Per capita income climbed from below \$40

in 1951, \$1,250 in 1967 [7], to \$10,985 (LD3,252) in 1980, and then decreased to approximately \$6,064 (LD2,426) in 1997. The contribution of the oil sector in the GDP reached its highest in 1980 (LD6,525.7 million) while non-oil sector's highest contribution in the GDP was in 1997 as it reached LD9,998 million.

During the period 1951-1969 (from the independence to the revolution), the Libyan economic system was mainly capitalist. Private ownership existed with minimum governmental interference. Public ownership was in sectors that required large scale investment. Within the framework of regulation to encourage competition, the Government has set some standards and rules for private companies, such as import and export rules, which require the issuance of a license to import foreign goods. The establishment of the Industrial and Real Estate Bank in Libya (currently the Development Bank), which provided loans to Libyan businesses for the establishment of local industries. Finally, the Industrial Research Center, which helped to implement the country's development plans through the provision of technical and economic services in the public and private sectors, [7] has been developed. [47] Since the discovery of oil, the country has changed from deficit to surplus [47], [51]. Since the revolution in 1969, the capitalist inclination has shifted to socialism. There appears to be an increase in state intervention and government expansion in the public sector as well as the refusal of the private sector. The structure of state ownership of business began in the 1970s and soon increased and peaked in the 1980s when most of the enterprises were state-controlled [4], [47]. All the industrial operations, foreign and domestic trade, banking and insurance services were under the dominance of the State as well [4].

Reference [40] shows however, While the Libyan economy was characterized by its central policies of control and power, some private companies began to operate in Libya in the 1990s - 2000. The reason for this shift was the sharp decline in world oil prices and the critical economic situation Libya created in the late 1980s and 1990s [40]] - [42], [47]. In response to these crises, the State has introduced a series of liberalization measures that for the first time since 1969 included a significant role for the private sector. The overall goals of these measurements were to cut public spending, to gradually withdraw subsidies that contribute to such spending, and to promote private sector initiatives in different sectors [42]. The first set of reform measures, adopted in 1987 and 1988, allowed the creation of self-management or collective ownership businesses. Other developments included the issuance of regulations governing the privatisation of selected public enterprises and the lifting of restrictions on private wholesale trade. In 1992, to enhance economic development, the government passed Act number 9 to enhance and regulate the private sector activities in the national economy and to open the door for the privatisation for a number of public-sector companies. The Act's main objective is to regulate and enhance the role of the private sector activities in the economy. The Act specifies the economic sectors that the private sector and individuals can operate, which include

production, distribution, and services. These activities are in areas such as agriculture, industry, commerce, tourism, transport, finance, and the private practice of professionals. The Act permits the establishment of privately funded companies and family and individual activities. Based on a recommendation of the General People's Committee, the Act allows the selling of publicly held companies to private ownership. In 1997, the State issued Act number 5 regarding Foreign Capitals Investment Encouragement. The Act aims at encouraging foreign capital investments within the overall policy of the State and the targets of economic and social developments. In particular, the Act encourages foreign investments in areas that would result in transferring modern technology, variation of income resources, and contributing to the development of the national products so as to help in its entry into the international markets.

VI. SOCIAL AND ECONOMIC DEVELOPMENT PLANS

The policy of economic development in the early seventies adopted in Libya decades were based on the ideology of socialism as well as the involvement of the State in the organisation and management of the economy using the philosophy of central planning. Economically, development plans in Libya were prepared, controlled, and evaluated centrally by inter alia, the Secretary of Economy and Planning. The industrialisation of the Libyan economy and the expansion of the agriculture sector were high priority items in Libya's economic development. As the development of petroleum resources progressed in the early 1960s, Libya launched its first five-year plan: the 1963-1968 plan. The general aim of the 1963-1968 plan was to build up the Libyan economy and to remedy the deficit. The emphasis was put on agriculture, forestry, education, health, and communication development [48]. The plan called for an expenditure of LD169.1 million. The increase in oil revenues during that period led to an increase in the final amount spent on development to reach LD551 million, or 325.8 per cent of planned expenditures. By 1968, the contribution of oil products to GDP had risen to about 60 per cent. Other sectors' contribution to the GDP, except construction, decreased in relative terms between 1962 and 1968; agriculture declined from 9.6 per cent to 3 per cent of the total and manufacturing from 5.8 per cent to about 2 per cent. Despite strong emphasis on agriculture, the plan indicated that the State's most important social priority, taking precedence over health and housing, was education. The higher education process in the country started in the mid-1950s. The university of Libya (currently University of Benghazi), the first university in the country, was established in 1955.

The second five-year plan 1969-1974 was designed to allocate 2.4 times the actual expenditures of the first five-year plan. This plan was never implemented due to the 1969 government change [45]. The contrast between the oil sector and the rest of the economy had become even greater in the 1970s. In 1970, oil, construction, agriculture, and manufacturing sectors accounted for 63 per cent, 6.8 per cent, 2.6 per cent and 1.7 per cent of the GDP respectively. What

these percentages reflect is not an absolute decline in the non-oil sector as a whole but rather the extraordinary relative growth of the oil sector. The increase in oil production that followed the 1969 revolution was accompanied by Libyan demands for higher oil prices, a greater share of revenues, and more control over the development of the country's oil industry. In 1971, the Libyan government nationalised the holdings of British Petroleum in Libya. In 1973, it nationalised other oil companies operating in the country. This step gave Libya control over its domestic oil production.

A three-year, 1973-1975, development plan was launched in 1973, which focused on the oil industry [46], [47]. The plan's projected goals included a growth rate in GDP at an annual rate of 11 per cent and a diversification of the economy that would decrease the country's dependence on the oil sector. The non-oil sector was expected to expand through channelling substantial long-term investments into agriculture and manufacturing [42]. Until the late 1970s, the Libyan economy was mixed and had a major role in private enterprises except in oil production and distribution, banking and insurance [49]. However, during the 1970s, the government started tightening its grip on the private sector through nationalisation or establishing new State-owned enterprises. During this period, more than one hundred factories were established and run entirely by the public sector. The 1973-1975 plan called for a spending of LD1,965 million over the three-year period, 18.4 per cent of which was on the housing sector. Of the plan's total investment, 16.6 per cent was allocated to agriculture. The portion of the manufacturing, mining, and quarrying sector was 12 per cent.

In 1975, the 1976-1980 Socio-Economic Development Plan was launched. The plan was programmed to develop a broad range of economic activities that would continue to provide income after Libya's oil reserves had been exhausted. It envisaged an annual average increase of over 10 per cent in the GDP, 25 per cent in industrial output, and near self-sufficiency in food output by 1980 [44], [47]. Agriculture was slated to receive 17.1 per cent whereas industry, of which there was little before 1969, received a significant amount of funding – 15.2 per cent – as shown in Table I. The plan's main emphasis was on promoting the non-oil sector that would be paid for by oil revenues. The aim was to make Libya self-sufficient in food and to encourage agriculture by keeping the rural population on the land through the provision of funds, loans and facilities. Of the plan's total investment, 8.8 per cent was directed towards the transportation and communication sector. The 1976-1980 plan was later revised with more investment going to industry rather than agriculture [44], [47].

In 1981, the 1981-1985 Economic and Social Transformation Plan was launched. The 1981-1985 plan allocated more funds to different sectors – 23.1 per cent to industry, with agriculture coming second receiving 18.2 per cent (See Table I). Encouraging the development of heavy industry became a high priority for the government in the 1980s [6], [12]. There was clear emphasis on the development of heavy industry to which LD2,730 million - 16.1 per cent of the total investment—were allocated, whereas LD1,200 million

- 7 per cent of the total investment - were allocated to light industry [17]. Further expansions of the current manufacturing and constructing sites as well as the creation of new ones was a principal objective of the 1981-1985 plan.

One of the most important results of the implementation of economic and social development plans during the period from 1973 to 1985 was the achievement of higher growth rates in total production. Although these good results have been achieved in the industrial sector, the main objective has not been achieved: the creation of alternative resources for the oil sector to generate foreign exchange [47].

Despite the establishment of a standard industrial establishment, which institution has become fully dedicated to the local market. The results of this situation seem doubtful that the development strategy should have shifted to export industries and activities after the establishment of an appropriate production basis. [47] However, the adoption of this strategy is hampered by the continued dominance of administrative measures in relation to economic decisions, which has had a negative impact on the efficiency and competitiveness of industry. If anything justifies the replacement policy in the first place, there was a lack of continuity between 1970 and 1985. As well, the goal of Otwariki's achievement in agriculture, regardless of natural and objective considerations, led to the lack of competition and repeated inflation [47].

Oil prices have sharply risen from \$2.23 per barrel in 1969 to \$30.4 in 1986, after which they progressively weakened. The increase in oil price in the 1970s and 1980s was due, among other things, to firstly the Arab oil embargo and secondly to the Iran and Iraq war. However, because expenditures under the development budget were highly dependent on oil revenues, actual expenditures often failed to reach planned levels when oil prices decreased. Even though very big investment in agriculture and non-petroleum-related industry, the percentage of Libya's gross domestic product derived from oil has remained fairly constant since the early 1970s, fluctuating between 50 and 60 per cent until 1982, when declining oil revenues caused it to drop below 50 per cent – 24 per cent in 1996. The falling of oil prices has dramatically reduced the government revenues and caused a decline in economic activities and the abandonment of central planning [40]. Shortages of foreign exchange to the Libyan government began to emerge as a problem in 1981 when oil sales first dropped in conditions of a market oversupply [45], [46]. By 1985, Libya's oil revenues had fallen to their lowest level since the first price shock of the Organization of the Petroleum Exporting Countries (OPEC) in 1973. This decline in oil revenues, which accounted for more than 61 per cent of GDP in 1980, Years, the government derived more than 80 per cent of its revenue, causing a sharp contraction in the Libyan economy [7], [48] [49]. Real GDP fell by almost 10 per cent between 1980 and 1981. The fall in oil prices accompanied by the UN sanctions (1992-1999), for the Pan Am flight accident over Lockerbie in Scotland in 1988, contributed to the difficulties the economy encountered. According to the country's estimates, the UN sanctions cost the country \$18bn

until 1996; \$6bn in agriculture, \$4bn in mining and industry, \$3bn in the energy sector, and \$5bn in other sectors [40].

Although there was no long-term plan after the 1981-1985 plan, the State launched a 'three-year-programme' covering the period 1994-1996 at the beginning of 1994, which was abandoned with a few of its goals fulfilled. The total amount allocated to the 1994-1996 period was LD2,400 million of which only LD1,450.556 million, or 60 per cent of the total allocation, were actually invested. The effect of, inter alia, the decline in oil prices and the UN sanctions on the actual amount invested in comparison with the original allocations is obvious. Only 31 per cent of the allocated amount to the agriculture sector was actually spent. In contrast, the amount spent on industry exceeded the original allocation - 140 per cent. The emphasis on the industrial sector led to an increase in the sector's contribution to GDP from 1.7 per cent in 1970 to 9.7 per cent in 1997 [45].

TABLE I
THE PERCENTAGE OF INDUSTRY & AGRICULTURE SECTORS' INVESTMENT OF
THE TOTAL INVESTMENT

	1976-1980	1981-1985
Industry:	15.2%	23.1%
Heavy		16.1%
Light		7%
Agriculture	17.1%	18.2%
Total investment (LDM)	7,170	17,000*

Source: [35]-[37]. * This number does not include 1,500 million allocated to projects reserves.

However, the 1963-1968, 1973-1975, 1976-1980, 1981-1985 and 1994-1996 plans ran into difficulties for various reasons. The severe shortage of manpower, in terms of skilled and semi-skilled labour, had been the main constraint facing the Libyan public sector. The main problem of the first three plans and particularly the 1963-1968 plan was the availability of far more money to spend than had been foreseen due to unexpected oil revenue - *the crisis of wealth*. During the period 1963-1975, the government was only able to spend 42 per cent of the total oil revenue for development purposes, which resulted in a rapid increase in Libya's foreign exchange holdings [48]. The 1981-1985 and 1994-1996 plans suffered from fund shortages mainly from the oil sector due to oil prices decline. Light industry was generally overshadowed by the attention given to several large heavy industry schemes as the government focused on building industries that could make use of the country's cheap energy and gas feedstock. Generally, the economy was dominated by the hydrocarbons sector, which contributed 90 to 99.9 per cent of Libya's export earnings and represented 24 per cent (in 1996) to 63 per cent (in 1970) of the country's GDP in the period 1970-1996 [3], [35] - [37]. The manufacturing sector (Manufacturing, Mining, and Quarrying Sectors) accounted for 1.8 per cent and 11.2 per cent of the GDP in 1970 and 1996 respectively [22], [21]. The agricultural sector contribution to the GDP has increased from 2.6 per cent in 1970 to 6.6 per cent in 1996 [45].

VII. SOCIAL OBSTACLES IN LIBYA

Libya is one of a number of Arabic countries included in Hofstede's [24] as well as Egypt, Iraq, Kuwait, Lebanon, Saudi Arabia and the United Arab Emirates. Although many characteristics common to Arab countries, they differ from each other in many respects [47], [48]. Reference [24] showed that, for instance, the Saudis are more collectivist than some other Arabs such as the Lebanese or Egyptians. It showed that the value the Lebanese place on power distance is probably much closer to the French value. Reference [24] shows a comparison of culture value scores between Arab countries and other nations. Arab countries scored high levels of power distance with a score of 80 compared with low levels of power distance in Great Britain and the US, 35 and 40 respectively (see Table II). Presidents and subordinates in large power-distance communities consider each other unequal. There are hierarchical systems and the subordinates are expected to be informed of the time and how to carry out their tasks. Communities are expected to distinguish high distance from central distance [47], [48].

Arab countries scored 68 for uncertainty avoidance. This result is relatively high compared to 35 and 46 in Great Britain and the United States, respectively [46], [48]. Reference [24] The societies that avoid strong uncertainty, which include Arab countries, tend to be collective. Arab countries recorded 38 per capita, which is low compared to Great Britain and the United States by 89 and 91, respectively. This shows that Arab countries are more collective than other countries. Islam may be one of the reasons for the collective nature of these societies [47], [48].

TABLE II
VALUES OF INDICES FOR ARAB COUNTRIES, GREAT BRITAIN, AND THE US
(WITH RANK NUMBERS)

Country	Power Distance		Uncertainty Avoidance		Individualism	
	Score*	Rank	Score*	Rank	Score*	Rank
Arab countries	80	7	68	27	38	26/27
Great Britain	35	42/44	35	47/48	89	3
USA	40	38	46	43	91	1

* Scores range from zero for small power distance, weak uncertainty avoidance, collectivist, or feminist to 100 for large power distance, strong uncertainty avoidance, individualist, or masculinity [24]

Prophet Mohammed says that "believers [Muslims] in their mutual love, sympathy and co-operation, are like the [interacting] parts of the human body: when one part complains, the other parts call each other to hasten to its rescue, each sharing its pain and sleeplessness." Although, collectivism predominates in many Arab countries, Hofstede argued that Lebanon is a predominantly individualistic country.

The diversity and impact of cultural dimensions and economic, political, and historical variables have led to the development of accounting systems to different accounting practices in different countries. A country's ratings may help predict the problems of accounting development that may be considered by accounting systems of other countries in a similar group that may encounter the same problems and solve

them [47], [48].

The environment, in terms of prevailing concepts in society, affects accounting like any other social sciences. In the first place, social aspects affect public administration by controlling the values, customs and traditions that may hinder progress and the success of management in achieving its objectives. Among the social issues that significantly affect the accounting in Libya is the tribalism and the consequent favoritism [47], [48].

In accordance with customs and traditions, participation in public sector professions is influenced by favoritism, through the influence of close relationships and friends because of tribal affiliation and not through professional performance and merit. This situation has arisen steadily with the advent of the idea of open candidacy for public occupations [47], [48].

This method has been used in the public professions, and then the large tribes have taken over leadership without considering the availability of qualified persons to operate the facilities [48]. This has inflicted terrible damage to the public interest. It is worth mentioning here in this context that tribalism is cultivated even in the minds of qualified and educated among the tribe. Instead of deviating from this tradition and practice, they find themselves willing or unintended by the tribe. They return to their instructions regarding administration and authority, because if they leave their tribes, they will be deprived of membership in professions despite their qualifications and performance.

The result of this practice is that those who run public authorities support their own interests and the interests of the party in the public and national interest. This is reflected in the obvious selfishness and demoralization of staff in developing countries to the point where workers view their profession as simply a source of livelihood and seek to uphold it until completion of legal tenure and retirement pension. During this period, staff seek to overcome each other and avoid colleagues' burdens and deny responsibility. In fact, one's career is not seen as a means of providing service to the country or people or a place to show talent and ability to increase the level of performance and production in society. Administrative aspects are also influenced by the social aspect of patronage, courtesy and tribal affiliation. There are no appropriate rules for evaluating performance and evaluating staff efficiency. The current system does not make a comparison between hardworking employee and lazy and removes the creative spirit of working staff, who under these systems tolerate the abuse and hatred of their lazy colleagues and leaders alike. If they take serious advantage of their work, they are accused of being eager to dominate higher administrative occupations and to achieve their personal interests. On the other hand, they may be questioned and held responsible for mistakes made by lazy employees and finding acceptance by these lazy and negligent staff in performing their tasks at work [47], [48].

These negative effects associated with being employed are exacerbated by other negative effects, for which the person to whom the service is being served is responsible. It represents a reflection of social concepts on the personality of employees

in accepting services, because it comes to the department completely convinced that it will not leave them unless it accomplishes all things that wish to do on the basis of family relationship and friendship, whether it is according to rules and regulations or not. Truth cannot accept fallacy. Today, we cannot refer to any administration unless we have a close relative or friend. This is what happened to the researcher when he chose the TCP as a case study for the subject of this research because one of his relationships in this company facilitated the task of obtaining data and information. This subject, and social relations, although indisputable even in Western societies, is the existence of human relations within the administration [47], [48].

In Western countries, if an employee can help get a service quickly to one of his friends, it is difficult to provide this service or assist in obtaining it before others, unless a person entrusts a prominent job authorizing him to obtain such services. In the West, employees can not break the law or give priority as happens in similar situations in developing countries. This has led to the need to ask how any employee can do any work or work and completion without external influence. The influence of tribalism and nepotism must be corrected by raising the awareness of every citizen and employee. Educational institutions can contribute to raising awareness by educating their students and making them realize that the only criterion that should govern their relationship with others is citizens in their own country and not in the membership of their tribes. This has significant implications for professional qualifications and the ability of staff to perform accounting functions [47], [48].

VIII. THE IMPACT OF LEGAL FACTORS

A. Libyan Commercial Law

Libyan commercial law and income tax law are considered to be the most significant legal factors that persuade the rule of accounting practices in Libya. Libyan Commercial law was enacted in 1953 [19] and included rules regarding business activities performed by any person, whatever his or her legal status. It enclosed the rules executed on traders (first Article 1/P) [30], which bound every trader to abide by regular daily bookkeeping, inventory and budget at a minimum level (Article 58) [30], and to keep special files for correspondence and dialogues relevant to trade affairs (Article 59) [30]. The most important formal measures and objective conditions to ensure the consistency of these books are the following [47], [48].

Every page of the obligatory books must be numbered and stamped by the court of first instance's stamp. In addition, it is necessary to recorder to write a certificate on the first page of each book, indicating the number of pages and confirm the official address with the signature and date on this certificate. Books and files should not contain spaces or writing in their margins or any erasure or writing between lines (Article 60) [30], [48]. The law binds every trader to keep these books and files for a period of not less than five years (Article 64) [30]. It also binds the board of directors to set up the fiscal year

Balance Sheet for joint-stock companies, to calculate profit and loss, and to attach a report to the Balance Sheet indicating the progress of the company's activity (Article 272) [30]. The balance sheet balance of assets and liabilities should be stated in the Balance Sheet at a total amount (Article 273) [30], [47], [48], and must be confirmed by the General Assembly (Article 516) [30]. The board of directors must submit a copy of the Balance Sheet and the calculation of profit and costs as an attachment with their report, the control committee's report and the General Assembly confirmation minute to the trade register bureau within 30 days of confirmation (Article 583) [30].

The Libyan Commercial Law has clarified several rules relating to the valuation of assets, the establishment of legal reserve, the increase of the invested capital, its distribution and the distribution of profits. Important rules relating to asset valuation include:

- Fixed assets are valued on an original cost basis.
- Inventory should be valued at "lower cost or market".
- Trademarks may not be valued higher than their cost or purchase price, and the values of these assets are amortized each financial year according to their useful lives.
- Debt should be valued at its recoverable amount.
- Regulatory and development costs can be capitalized with the approval of the Board of Directors, in which case the capitalized amount should be amortized over a period not exceeding five years. And
- Goodwill can be recorded only if acquired and, after registration, should be amortized in subsequent years at an appropriate amount estimated by the members of the Governing Council and the Board of Auditors (articles 574, 575 and 576) [30], [47], [48].

The legal reserve is established by deducting no less than 5% of the net annual profits until the value of this reserve reaches 20% of the company's capital, and regarded as part of seized profits, which are classified as standing capital (Article 557) [19]. The increase in the company's capital is achieved by issuing new shares at a price that exceeds its nominal value. This is done before the legal reserve is established or the reserve surplus is transferred to the Company's capital by issuing free shares or increasing the nominal value of the changing shares (Articles 578 and 590) [30]. Of one third of the capital by exempting participants from paying the remaining installments or returning the capital payment to the State in accordance with the existing legislation (arts. 578 and 590) [30], [47], [48].

Commercial law also provided for the appointment of auditors (Article 550) [30], so as the commercial law as well set the requirement to appoint auditors (Article 550) [30], so as to observe the company's administration and guarantee sound development of Company activities according to the law. Article 553 of the Commercial Code details the duties of the Audit Board (Article 553) [30] [47], [48]. The law binds the auditor to submit a report to the general assembly on the outcomes of the fiscal year activities representative his view about the progress of the company's work in addition to the

legitimacy and the evidence of its budget and accounts (Article 580) [30]. The Act does not specify what this report should contain, nor does it address the formality to be included in this report [52].

B. Income Tax Law

The 1923 Italian Income Tax Law had been used in Libya until 1968 when the first Libyan Tax Law, which was based on the Italian tax law, was enacted [19]. The 1968 Tax Law was abolished in 1973 when the Libyan Income Tax Law no 64 was issued [15], [16]. According to this law, companies are required to provide the tax authority with their balance sheet, trading account, profit and loss account, depreciation statement, and detailed statement(s) of the company's expenses that are included in the profit and loss account. These accounts are to be provided within seven months of the fiscal year end (Article 104 of the Tax Law and Article 16 of the Implementing Regulations of that law). The application of the tax law has had an influence on Libyan companies accounting practices. Many companies have often adopted tax guidelines and requirements for external financial reporting [50]. One of the most important accounting practices in Income Tax Law No. 64/73 [31] are the following [47], [48]:

- Consumption of all assets used in income production at a fixed annual rate determined for each group (Article 55).
- Donations to charity organizations should not exceed 2% of net income (Article 55) and;
- If the calculation of the year ended with loss, such loss shall be included in the expenditure for the following year or years, up to the fifth year maximum (Article 59).

Libyan income tax law does not differentiate between income tax from ordinary activities and income tax from unusual activities [39], whether this income is a product of an activity sale or any of the activity's material or non-material assets (Article 65).

Income Tax Law No. 64/1973 [31] was amended as well as the Stamp Tax Law in accordance with the decision of the Main People's Congress held during the period from 26/12/2002 to 2/1/2003. In March 2004, Income Tax Law No. 64 was replaced by Income Tax Law No. 11, and there was a significant change in the new law. It now provides tax provisions, especially for high-income earners, and the general income tax category has been omitted and the value of each category has been increased in progressive taxes on activities [32], [47], [48] (as shown in Table III). This encourages the private sector to make more profit and thus contribute to Libyan development plans. In 2010, income tax law No 11 was replaced by Income Tax Law No 7, and the main difference is that this law does not contain categories unlike the previous income tax laws.

Despite the previous tax laws and its various types of taxes, whether direct taxes, such as income tax, which is divided into income tax on persons and income tax companies, in addition to capital tax, and public income. while indirect taxes such as consumption tax and stamp, regarding the tax system and despite the clear reduction in tax rates, it is not distinguished by some taxes such as corporate income tax, as it did not

distinguish between those companies that operate in remote areas and those that reside in urban areas, which will affect the environment development. In addition to the absence of transparency in the texts of laws to technological developments and their impact on the tax revenues and what is meant here is the transactions of electronic commerce on it must amend the legislation in a way to develop the tax administration humanely and materially to enable them to deal with technological developments to ensure the effectiveness and efficiency Work and increase competitiveness within the Libyan economy in a way that increases investment opportunities.

TABLE III
COMPARISON BETWEEN OLD AND NEW LIBYAN INCOME TAX LAWS

Companies Income tax law	Categories	Tax rate (%)
income tax law no 64/1973	The first LD 10,000	20
	The following LD 20,000	25
	The following LD 30,000	30
	The following LD 40,000	40
	The following LD 50,000	45
income tax law no 11/2004	More than LD 150,000	60
	The first LD 200,000	15
	The following LD 300,000	20
	The following LD 500,000	25
	The following LD 500,000	30
income tax law no 7/2010	The following LD 500,000	35
	More than LD 2,000,000	40
	No categories	20

Source: The Libyan Income Tax law no 64/73 and no 11/2004 [31], [32]

Legal factors have indicated that law regulates the accounting profession in Libya, and there are organizations and professional authorities, which regulate this profession.

C. The Financial System Law

The Financial System Law (FSL) was first enacted in 1967 [29]. The FSL gives the Secretary of Treasury the statutory power to supervise and manage the State's revenues and expenditures and to put forward the country's proposed budget (Article 1 of the FSL). To this end, the Secretary of Treasury appoints a Finance Controller in each Secretary, Organisation and Institution. Finance Controllers send reports about the institution's fiscal policies and practices to the Secretary of Treasury to whom they are accountable. A copy of their reports may be sent to the related Secretary, Organisation and Institution. Since 1975, the Secretary of Treasury through its Finance Controllers, and according to the principle that "*the Treasury should be wherever the public money is*", has been represented in all publicly held organisations [27]. The FSL describes the State's budget preparation procedures. In general, the rules and procedures that govern the preparation of the administration budget and the development budget are similar. Each budget is divided into two sections: revenues and expenditures (Article 6 of the FSL). The expenditure section is divided into subsections that represent wages, general expenses and new projects. Furthermore, Article 23 of the FSL requires the Secretary of Treasury to prepare annually and to provide the Public Control Office with

- A detailed statement of the country's assets and liabilities and the State's actual revenues and expenses; and

- A detailed statement of the State's general, provision, development, debt, trust and emergency accounts.

D. The Impact of Environmental Factors on the Plans and Objectives

This period also witnessed the government's increasing involvement in the economy, which was largely financed by booming oil revenues in the 1970s [49]. The influences of the discovery of oil and the flotation of oil prices on the economy were discussed. The need for a more effective accounting profession and the influence of regulation on accounting practices were explored [7]-[13], [18], [25]-[27].

IX. CONCLUSION

The above sections provided a framework within which the study's observations are to be interpreted and understood. This paper provided an overview of the Libyan historical, political, cultural and economic backgrounds. The influence of early colonisation on the development of the country's economic and social aspects was described. The paper highlighted the role of foreign countries, foreign businesses, international aid and the United Nations in the country's economy. The country's pre- and post- oil discovery economic progress was described. The discussion then moved to describe the changes that the 1969 revolution implemented as it marked the beginning of a period that changed Libya from a Western-oriented capitalist country to a strongly nationalist and socialist country. This period also saw the government's increasing involvement in the economy, largely financed by booming oil revenues in the 1970s [52]. The influences of the discovery of oil and the flotation of oil prices on the economy were discussed. The need for a more effective accounting profession and the influence of regulation on accounting practices were explored.

Accounting has not played an important role in implementing these plans, with education accounting education and the impact of the accounting profession is negligible [47], [52].

Under the influence of the World Bank and the United Nations, Libya is now entering the world economy, seeking to expand its economic base beyond oil and responding to pressure to privatize its industry [47]. This new policy contradicts the above, but it must be incorporated into the current bureaucratic infrastructure, the result of previous cultural factors that are likely to challenge this process. With increased reliance on accounting, professional and legal networks will face a challenge in providing the type of accounting required to run businesses for profit [47].

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