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The Role of Accounting Systems in Decision Making, Planning and Control in a Developing Country: The Case of Libya

A thesis submitted in fulfilment of the requirements for the award of the degree

Doctor of Philosophy

from

University of Wollongong

by

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School of Accounting and Finance

November 2006

CERTIFICATION

I, Bubaker F. Shareia, declare that this thesis, submitted in partial fulfilment of the requirements for the award of Doctor of Philosophy, in the School of Accounting and Finance, University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. The document has not been submitted for qualifications at any other academic institution.

Signature

Bubaker F. Shareia

3 November 2006

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ABSTRACT

This study examines the present and potential role of accounting information systems in meeting the development needs of developing countries, with a special focus on Libya and its unique legal, economic, religious, political and social context.

A contextualised study, it uses the economic development Theory of Globalisation in order to interpret the data, with particular emphasis on social and cultural factors determine economic condition, communication and its significance in global world and greater technological unification, including globalised accounting. Within the Libyan context, an ideographic methodology is used to develop two case studies. One organisation is examined as a provider of information (General Company for Pipelines), and another, the Industry Secretariat, as a user/ stakeholder organisation. A variety of data collection methods is used, including semi-structured interviews, observations, a small structured questionnaire and document analysis in order to make data triangulation possible.

Libya is a developing country with significant differences from developed countries, including the way it makes use of accounting information. At present the accounting profession does not play a vital role in the economic development of the country and current accounting practices are based mainly on government legislation rather than planning and decision-making. This study illustrates the possibility, and even the necessity, for accounting to play a significant role in the development of Libya and other developing countries.

Whilst this study demonstrates the importance of an awareness of cultural context in the role of accounting systems, it has focused only on one country, Libya, and two organisations within that country. Consequently, even though developing countries have many similarities, the generalisibility of this study is limited. Wider research of other contexts within Libya and beyond is needed to illuminate further the influence of social and cultural factors, communication and greater technological unification on the practice of accounting. It would be useful to replicate the study in other organisations within Libya and in other developing countries. The use of an economic development theory, while revelatory at one level, limits the interpretation of data. A different theoretical approach, or different research methods, for example, a larger style of survey or a different kind of qualitative study, could provide different or additional insights.

This study helps to increase awareness of the role of accounting and its potential contribution to economic development at the macro and micro levels and is a starting point for making a difference in developing countries. It

provides a contribution to practical knowledge of the role of accounting in developing countries with special reference to Libya, by identifying issues in the Libyan environment, acknowledging the present of powerful global influences, and pointing the way forward to use accounting in a more significant way.

Most previous research in this area has focussed on the suitability of accounting systems in meeting development needs, with little attention being paid to addressing how these systems can be made more useful in decision-making, planning and control. This study acknowledges that the challenge for developing countries, such as Libya, in adopting globalised accounting systems, is to adapt them successfully to their own regulatory, legal, political, cultural and religious setting. This has to be accomplished while still achieving the production and effective use of timely, relevant and accurate accounting information in order to serve the country's development needs. An assessment of the factors influencing the development and use of accounting systems in developing countries such as Libya is a necessary starting point for achieving these goals. This study provides such an assessment.

Key words: accounting systems, Developing Countries, Qualitative case study, Libya, Globalisation Theory.

TABLE OF CONTENTS

CERTIFICATION ii
ACKNOWLEDGEMENT iii
ABSTRACT iv
TABLE OF CONTENTS vi
LIST OF FIGURES xi
LIST OF TABLES xii
Part I- Methodological and Accounting Foundations 1
Chapter 1 The Rationale And Purpose Of The Study 2
1.1 Introduction 2
1.2 The Study's Aims and Objectives 3
1.3 Accounting in Libya, a Developing Country 6
1.4 The Structure of the Study 12
Chapter 2 Research Methodology 18
2.1 Introduction 18
2.2 Qualitative Research Methods 18
2.2.1 A Case for Qualitative Research Method 19
2.2.2 Case Studies 25
2.2.3 Use of Theory in Qualitative Research 27
2.3 The Conduct of the Studies 32
2.3.1 Data collection from IS 36
2.3.2 Data Collection from GCP 37
2.3.3 Data Analysis 42
2.4 Producing Generalisations 43
2.5 Drawing Conclusions 44
Chapter 3 Theories Of Development 47
3.1 Introduction 47
3.2 Three Theories of Economic Development 48
3.2.1 Modernisation Theory 49
3.2.2 Dependency Theory 56
3.2.3 World Systems Theory 59
3.3 Globalisation Theory 62

3.3.1 Globalisation Theory Defined....62
3.3.2 Background....64
3.3.3 Features of Globalisation....66
3.3.4 Globalisation and Culture....69
3.3.5 Globalisation and Communication....70
3.3.6 Globalisation and Unity (technology and accounting)....71
3.3.7 Effects of Globalisation....73
3.3.8 A critique of Globalisation....75
3.4 Globalisation and Other Theories of Development....78
3.5 Integrating Accounting into a Global Economic Development Framework....82
3.6 Summary....84
Chapter 4 The Role Of Accounting Systems In Developing Countries....87
4.1 Introduction....87
4.2 The Characteristics of Developing Countries....88
4.3 Accounting and Environmental Factors....89
4.3.1 Economic Factors....91
4.3.2 Legal and Political Factors....93
4.4 Adoption of Accounting Systems from Developed Countries....94
4.5 Problems in the Development of Accounting Systems in Developing Countries 96
4.6 The Role of Accounting Systems in Meeting Development Needs....98
4.7 A Survey of Studies on the Role of Accounting in Developing Countries....101
4.7.1 Theoretical Studies....108
4.7.2 Empirical Studies....110
4.8 Accounting Development Patterns....113
4.8.1 The Macroeconomic Pattern....114
4.8.2 The Microeconomic Pattern....115
4.8.3 Accounting as an Independent Discipline....116
4.8.4 The Uniform Accounting Pattern....116
4.9 Regulations....117
4.10 Summary....118
Part II- The Libyan Context....120
Chapter 5 The Political And Social Context Of Libya....121
5.1 Introduction....121
5.2 Recent History of Libya....122
5.3 Arab Socialism....127

5.4 Libya's Political System 129
5.5 The Structure of the Libyan Government 132
5.6 Libyan Economy 136
5.7 Social and Economic Development Plans 140
5.7.1 The Period of Setting Plans (1973- 1985) 141
5.7.2 The Action Period with No Plans (1986-2003) 144
5.8 Role of the Government in Libya's Economic Development 147
5.9 Lockerbie Crisis and its Impact on the Economy of Libya 152
5.10 Social Obstacles in Libya 154
5.11 The Impact of Legal Factors 159
5.11.1 Libyan Commercial Law 159
5.11.2 The Financial System Law 163
5.11.3 Income Tax Law 164
5.12 The Impact of Environmental Factors on the Plans and Objectives of the IS ... 166
5.13 Summary 168
Chapter 6 The Current Role Of Accounting Information Systems In Libya 171
6.1 Introduction 171
6.2 The Nature and Role of Information 172
6.3 The Significance of Accounting Information, and How It Can Be Developed to Serve Economic Development 173
6.4 The Importance of Accounting Information in the Development Process 177
6.5 Accounting and National Economic Planning 182
6.6 Relevance of Western Accounting Information Systems to Economic Development 185
6.7 Accountants, Economists and Economic Development 187
6.8 The Accounting Profession in Libya 189
6.8.1 Libyan Certified and Public Accountants Union 192
6.8.2 Accounting Education 195
6.9 Accounting Education and Academic Research 195
6.10 Summary 202
Part III- Case Study- Accounting in Practice 204
Chapter 7 The Use Of Accounting Information: The Case Of The Industry Secretariat 205
7.1 Introduction 205
7.2 Background to the Industry Sector in Libya 206
7.3 The IS Management 207

7.4 The IS's Companies and Institutions 213
7.5 IS Objectives and Plans 218
7.5.1 The Policies and Strategies of Industry in Libya 218
7.5.2 Evaluation of Industry Sector Plans and Objectives 220
7.5.3 Investment Growth within the Industry Sector 224
7.6 Data Analysis: The Structural Change of IS 229
7.7 Summary 240
Chapter 8 The Production Of Accounting Information: The Case Of The General Company For Pipelines 242
8.1 Introduction 242
8.2 GCP Background 243
8.3 Management of the GCP 246
8.4 The GCP Financial System 251
8.5 The Role of Accounting Systems in GCP: Qualitative Analysis 253
8.6 The Role of GCP's Accounting Systems in fulfilling development needs: Quantitative Analysis 258
8.7 Summary 260
Chapter 9 Discussion And Conclusions 262
9.1 Introduction 262
9.2 Economic Development Theory 265
9.3 The Present Role of Accounting in Libya 268
9.3.1 State Authorities 268
9.3.2 Development Plans at Secretariat Level 269
9.3.3 Standards of Planning at Organisational Level 270
9.3.4 Views of Providers of Information 272
9.3.5 Views of Users of Information 273
9.3.6 Suitability of Accounting Information 274
9.4 The Potential Role of Accounting Systems 275
9.4.1 Training 275
9.4.2 Communication Technology 276
9.4.3 Cultural Issues 278
9.5 The Contributions of this Study 280
9.6 Limitations of the Study 282
9.7 Further Research 284
References 287

Appendix I. The GCP questionnaire 303
Appendix II. The GCP Interview Schedule 307
Appendix III. The IS Interview Schedule 308
Appendix IV. Fieldwork Plan. 309
Appendix V. List Of Interviewees, Identifying Position In The IS And GCP ... 310
Appendix VI. Final Approval 311

LIST OF FIGURES

Figure 1-1 The Present and Potential Role of Accounting Systems in the Libyan Context 5
Figure 2-1 Four Paradigms for The Analysis of Social Theory 30
Figure 2-2 The Process of Data Collection, Organisation and Analysis 45
Figure 5-1 The Authority of the People in Libya 131
Figure 6-1 The Role of Accounting Information in Economic Development 177
Figure 6-2 The Importance of Accounting Information in Specific Development Decisions 178
Figure 7-1 The IS's Organisation Chart 212
Figure 8-1 GCP'S Performance from 1993 to 2003 246
Figure 8-2 Financial Affairs of GCP 249
Figure 8-3 The GCP's Organisation Chart 250
Figure 8-4 GCP Information flows 251
Figure 9-1 The Interaction between the Role of Accounting Systems and Libyan Environmental Factors 263

LIST OF TABLES

Table 1-1 Summary of the Structure of the Study 13
Table 2-1 Some Differences Between Quantitative and Qualitative Research..... 20
Table 3-1 Comparison between four main Theories of Development..... 54
Table 3-2 Major Aspects of Globalisation..... 84
Table 4-1 Summary of Studies of the Role of Accounting in Developing Countries .. 102
Table 5-1 Values of indices for Arab countries, Great Britain and the US (with rank numbers)..... 155
Table 5-2 Comparison between Old and New Libyan Income Tax Law 165
Table 7-1 The IS Companies and their Ownership Structure 215
Table 7-2 Actual Expenditure and Investment Allocations for IS 1969- 2003..... 225
Table 7-3 The Share of the Industrial Sector in Gross Domestic Product in Libya 1970-2003..... 227
Table 7-4 The Structural Change of the Industry Sector Secretariats..... 230
Table 8-1 GCP Performance from 1993 to 2003 245