The Present Role of Accounting Information Systems in Meeting the Development Needs: the Case of Libya

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Abstract

This paper examines the present role of AIS in assisting Libya's development needs. A unified accounting system which is responsive to global influences can have a positive effect on economic development. The provision of accurate and timely Information is considered one of the main factors that assists economic development in general and industrial development in particular. With its direct relationship with technology, industry is believed to be the biggest producer and consumer of information, as well as the essential stimulator for comprehensive development. The information sector in Libya, as well as in other developing countries, faces significant problems. Decision makers complain that they are not obtaining required and needed information. They argue, as shown later in this paper, that neither the quality nor the quantity of information that is provided to them is satisfactory. Producers of information are complaining too. They argue that numerous agencies and governmental bodies ask repeatedly for information, some of which they have already been given. In addition to the problem of asking for the same information again and again, managers of industrial companies are complaining that neither the type of information nor the users of such information are well defined. The main objective of this paper is to examine the present and potential role of accounting in meeting the development needs of Libya and to examine the influence of culture on accounting needs. Specifically, the users of information about Libyan industrial companies are to be determined. The aim of this paper is to discuss the meaning of information and to identify the objectives of accounting systems in Liberal Market Economies (LMEs).

Keywords: Accounting information system, economic development needs, Libya.

Introduction

Information plays a vital role in economic activities which are dependent upon many decisions. This explains the great effort businesses expend to provide information to those given the responsibility for making company decisions. As used in the context of business decisions, there is an important distinction between "information" and "data", or "fact". Information is described as "data relevant to a decision. Data, in order to be considered decision information, must bear on some aspect of criteria or alternatives related to that decision" (McNeill 1974, p. 6). The presence of alternatives may stimulate decision action or help in choosing the best among alternative actions, or it may do both of these. Information (relevant data) for one decision may not be relevant to another decision. One of the major problems in business is determining which information will be needed for decisions and providing that information when it is needed. The main function of accounting information is to provide management with information useful for decision-making. This information is provided in the form of reports that fall into two main categories: financial statements and managerial reports (Romney and Steinbart 2003, p. 33). Accounting provides information about financial aspects of the business. It is true that accounting often provides nonfinancial information, and probably should provide more, but the primary service of the accounting function has been the supplying of financial information. This information is provided for the use of all those who make decisions concerning the business: investors, management, employees, and government.

The Significance of Accounting Information, and How it can be Developed to Serve Economic Development

A study of the accounting profession is social science, the study of human communities and their development within context of socio-economic relations. In every social system, there are objectives, functions, content and meanings. As a result, accounting develops along with the development of the community in which it operates.

Accounting can be described as an art involving recording, classifying and summarizing the processes and financial reports which are accomplished in an enterprise in a way that makes sense based on the monetary assumption (Hoggett, Edwards et al. 2006, P. 8). It involves the explanation and analysis of results. It can also be described as a service activity that provides quantitative information, with financial characteristics, on the economic units necessary for decision-making purposes. This information assists in identifying preferences between alternatives and available choices between proposed methods of accomplishment and implementation. It is the language of commerce and one means of conveying information on specific economic units and economic activity in general, and a means to date the financial activity and the information system within the economic unit, specifically (Belkaoui 1985).

Consequently, accounting has a recognised role in supplying all groups with the necessary information for planning, implementation, control and decision-making, which are the phases of all development processes in any country.

A number of explanations have emerged of why business in Libya is falling behind. One of these explanations is that the roots of this phenomenon may be attributed to non-economic factors, physical, social and political. Others refer to economic factors such as the sheer decline in the rate of capital accumulation, the lack of sophistication of production techniques, vicious circles which set barriers before economic progress, and results of the unmatched trade connection between developing and developed countries. From these explanations, the main causes of the retardation phenomenon may be deduced to include (Bait El-Mal 1990):

- the hot climate and the scarcity of natural resources;
- the traditional social environment and its failure to progress;
- Colonialism and its aftermath;
- vicious cycles and obstacles to economic progress; and
- foreign trade as one cause of the retardation gap.

The economic development process is considered to be a process of shifting the national economy from a state of retardation to a state of progress. This shift requires a radical change in production techniques employed (production forces and production relations which suit the phase of production forces progress), and the shift to a cultural milieu that suits these production techniques. Economic development is considered to be a process of a continuous increase and development in the social production forces (material and human) and this means there is a need for change in the production relations to suit the development of these production forces. There is a need for economic development to become a natural technique for the community, so it can possibly be said that the national economy has entered the development phase, that is, the establishment of forces within the community capable of overcoming all obstacles, and setting the national economy on the path of development and progress.

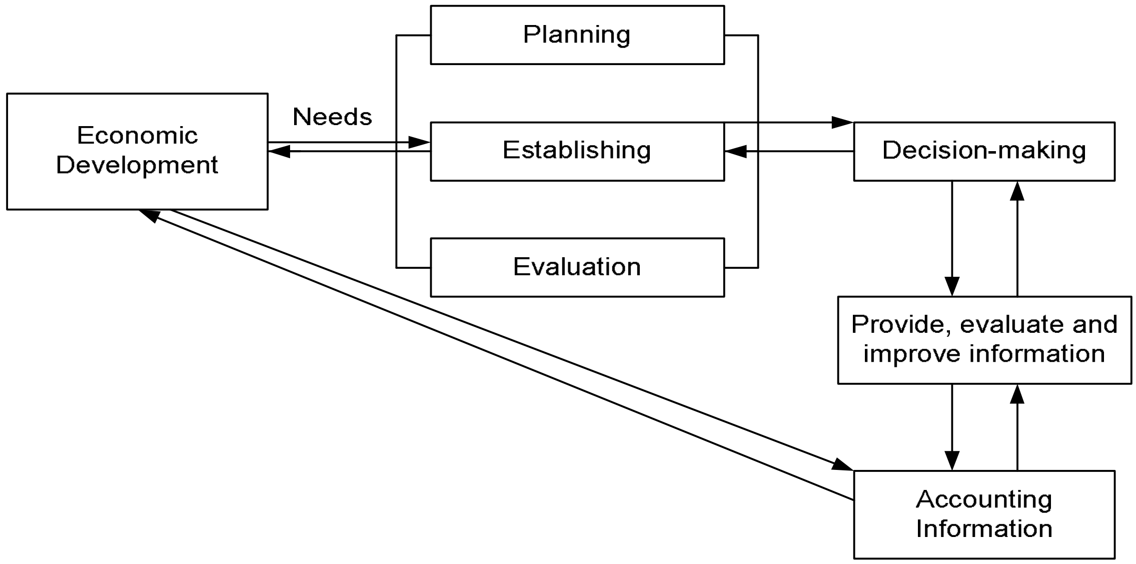
A differentiation can be made between western economics and the concept of western civilization. That is, whether the acquisition of some western civilization characteristics, in this case western economics, could be accomplished without becoming a western civilization. This differentiation between the two concepts may lead the community to become a developed community as a consumer of goods and services, from the developed world without becoming a developed community as far as production is concerned. For economic development to accomplish the desired objectives, the answers to the following questions have to be clearly defined:

- What is the size of the available resources, what are their sources and their anticipated role in development?
- What are the available means of application and the most appropriate one for these resources?
- What is the nature of accounting information necessary for achieving the optimum use of these resources?

The following diagram (Figure 6-1) provides a general framework for understanding the inter-relationship between accounting information, development and planning. A developing country, in order to develop its economy, needs to plan for economic development, establish and implement those plans, and evaluate their effectiveness in an ongoing manner.

Accounting information needs both to respond to economic development needs, and to provide, evaluate and improve information to be used in decision-making in order to achieve economic development plans.

Figure -1: The Role of Accounting Information in Economic Development

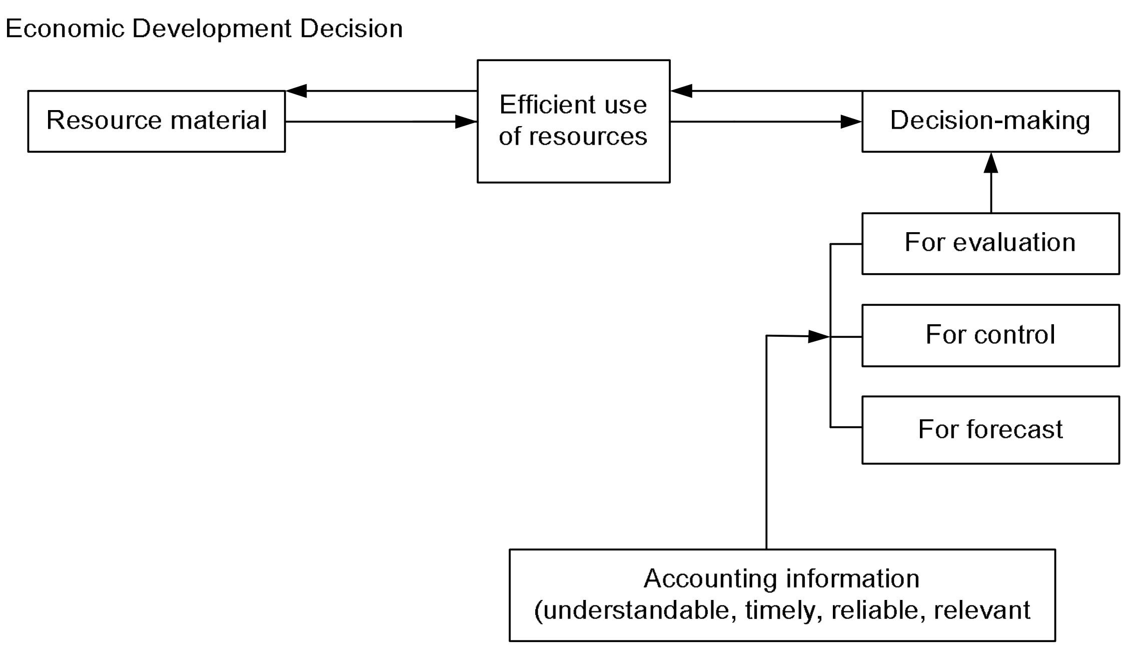


The Importance of Accounting Information in the Development Process

One of the criticisms of information systems in Libya is the lack of data, information and accurate statistics. What is available does not normally get presented on time, which subsequently imposes a large responsibility on the accountant to provide accounting information, which is useful for the decision-making process necessary for the economy in Libya. In order to contribute to Libya's economic development, the accounting information necessary to proceed with specific decisions may be reviewed as portrayed in Figure 6-2.

Accounting information in the economic development field is considered to be a product of a systematic process, which includes monitoring the effects and the results of cash flow. Conveying this accounting information is now recognized as being necessary for the economic development of every country (Bait El-Mal 1990). Accounting information that should be made available in Libya to proceed with economic development decisions, needs improvement that will ensure certain characteristics.

Figure -2 The Importance of Accounting Information in Specific Development Decisions



It must have the ability to be comprehended on the part of employees other than accountants. The information must be timely and reliably, and must be suitable for the needs of decision makers at the economic unit level and on a national level. Comparability between the units at all times must be able to be discerned and there must be the ability to investigate and document this information.

Libya requires an increase in the proportional benefit of accounting information for economic development in a way that will ensure the previous characteristics. The development of accounting in Libya must therefore include the use of unified accounting policies on the level of the main sectors in a manner that will allow the results obtained to be comparable on one hand, and connected with the needs of national accounting on the other hand. This may be started by setting up one accounting manual and forms for the financial statements for companies with similar activities, with the flexibility that allows an understanding of the issues related to every sector and company, as well as meeting any new developments on the other. Standards need to be developed to evaluate investment enterprises in both the public and private sectors to assist in making fair judgments regarding efficiency and effectiveness in using available resources.

Accounting standards need to be issued for measuring social performance and income statements need to be developed because of deficiencies in financial measurement in expressing the effectiveness of activities. Financial measurement does not currently cover all activities. This deficiency may be due to several factors, among which are the difference between predominant prices in the state and actual prices for valuing assets. In this domain, some people have indicated that while the discipline of accounting is about 500 years old (since the invention of double entry bookkeeping), and it is still developing, social responsibility accounting is relatively modern. It has developed quite fast, but still has a long way to go (Ralph 1973, p. 491.). Therefore, there will be a clear impact on accounting practice where it includes accounting measurement in comparison with the economic and social impact of activities. Instead of being confined to financial impacts, the economic unit has to be capable of representing the state as a whole, or a municipality, an administrative unit, a decision, a program or a certain activity.

The state's financial system must be reconsidered in order to handle modern tendencies in the state's financial administration and for the service of economic development in Libya, including reports associated with state activity. It has been demonstrated financial reporting systems in many developing countries are inadequate for the purposes of financial administration, because they fail to provide policy makers with the relevant information on a regular basis and in due time. In spite of the fact that an information system does not itself guarantee better decisions in the field of economic and financial policy, it does decrease the possibility of ineffective decision making by providing financial policy makers with appropriate information.

There must be an association between sector accounting and national accounting within the framework of the central needs of planning and performance evaluation. Accounting in developing countries like Libya has traditionally been better developed in the public sector than the business sector, since the business sector has been smaller and less significant in economic terms. In order to achieve economic development, integration of both branches of accounting will be beneficial, "Accounting for Economic Development" would address several areas including planning for development on sector and total economy levels, which would lead to generating capital and funding development. Regarding this branch of accounting, accounting for economic development has been recognized as one specialized field of accounting that may be related to economic growth (Enthoven 1973, p. 137).

The establishment of an accounting information center will include a set of branches associated with the state's main sectors, classified through this center into a number of forms which fulfil the needs of information users. Naturally this center will come into existence after establishing and updating an accounting database, taking into consideration cost and the possibility of negotiation and flexibility. In this field, it will be necessary to define the following: the nature of information needs, the relative significance of the information, the study of costs and benefits, the undertaking of analysis, the design and testing of the system, and then upgrading it (Davis 1983, p. 8.).

Despite recognition of the role of accounting systems in planning and decision-making, they have not played that role in Libya in the past and may not even play it in the future, due to the presence of limitations and obstacles that prevent it from performing such a role. Among these limitations and obstacles are:

- difficulty of prediction and domination of uncertain circumstances, owing to the issue of many rules and regulations without feasibility studies being conducted;
- transfer of the greater part of the practice of auditing to the public authority (the popular body for supervision);
- increase in the responsibility of the auditor without a matching increase in his professional authority;
- decline in the standard of care devoted to the profession; and
- lack of efficiency and development of accounting education and scientific research in this field.

Accounting and National Economic Planning

Many governments of developing countries have determined to plan the development of their economies rather than leave everything to chance or to market forces. This is achieved through national development plans that are meant to achieve quick and sustainable economic growth and development. Even in this area of government activity, accounting has an important role to play. Economic planners need accounting information in order to identify past economic development trends, to carry out feasibility studies of projects for the plan and to monitor ongoing economic projects in order to facilitate control and revision of plans. Seidler (1967, p. 272) asserted that they have not always realized this potential contribution of accounting:

This neglect [of the importance of accounting to the economic development process] seems to stem partly from a Feeling by economists working in economic development that general accounting concerns only private enterprises. Not only is it assumed that the private sector is capable of satisfying its own needs in this respect, but the extensive role of enterprise accounting in affecting the operations of government and development planning is also ignored (Seidler 1967, p. 272).

Seidler (1967, p. 7) argued in addition that:

The resources available to the developing country are, by definition, limited. Not only is the power of the developer usually symbolized by a government, limited politically, but it is also constrained by a lack of information and resources. Enterprise accounting is a supplier of information, a device for increasing the efficiency of resource allocations and a mechanism for controlling productive operations. It seems logical that these skills, normally considered to be tools of private enterprise management, should be equally useful to the management of the development process (Seidler 1967, p. 7).

National economic planning and control are activities that rank high in the agenda of most developing countries. Even governments of developed countries with free-market economies will normally exercise some degree of control over their economies through monetary and fiscal policies. Mirghani (1982, p. 60) argued for an accounting system that supplies information which reflects the economic realities of the particular developing country and is useful in aiding national economic development planning: One of the major roadblocks for effective development planning in developing countries is the unavailability of reliable information or the unreliability of available information.

The term “lack of information” will be used from this point to denote both unavailability of reliable information and unreliability of available information. Lack of information for development planning could have a number of adverse effects upon exerted development efforts. First, selection of development model would be made on no realistic basis, and the selected development model could very well be one, which is completely incompatible with economic realities of the particular developing country. Second, lack of information could lead to the selection of a development model that covers certain parts of the economy, not because of their importance for future development but because information about them was available. Third, lack of information concerning the interdependencies of the major economic sectors could lead to an internally inconsistent development plan and therefore, is rather impossible to make operational. Fourth, lack of information regarding the relative scarcity of resources available for development would misguide the resource allocation process in the economy. Fifth, lack of information about the progress being made toward the achievement of developmental objectives would make it impossible to revise the plan in view of changing conditions. The net effect of such adverse effects is that by the end of a development plan period, no material tangible benefits would accrue to the particular developing country, or if any were to materialise, they would be at an exorbitant cost. The situation outlined above is in fact representative of the dilemma of most developing countries. Even though reliable accounting information is not the only factor that is required to achieve effective economic planning, its usefulness is indisputable.

With reliable accounting information, at least governments of developing countries could tell with some degree of assurance where and why their plans were not working so that corrective action could be taken where possible.

Relevance of Western Accounting Information Systems to Economic Development

Many developing countries have adopted accounting systems found in western developed countries without any concern being given to the ability of these systems to create information that is necessary for effective national economic planning. Most frequently it has been U.S./U.K. accounting systems which have been adopted, and the factors that have encouraged this are outlined by Briston (1990, pp. 200-201) as the British Empire, English language, the availability of professional qualifications offered by some of the British professional accounting bodies in overseas countries, and educational exchange and direct aid from the U.S. and U.K. Nevertheless, there are powerful arguments to suggest that that system is unlikely to meet the information needs of the economic development process in developing countries. These arguments are set out by Briston (1990, pp. 200-201).

There is no doubt that the adoption of the U.S/U.K. system, in a situation where very little accounting existed before, would represent an improvement. However, it must be borne in mind that that particular system evolved in a particular social, political and economic environment and that it may well need considerable adaptation to meet the needs of a particular country. In the first place the system presupposes that companies financed by private shareholders and whose shares are listed in a local stock exchange carry out the bulk of economic activity. Where the bulk of investment is in public sector companies, then very different criteria of measurement need to be developed. There is also the likelihood that the political and economic system would be very different from that of the U.S. or U.K., so that the objectives of economic management might well be different.

Also, particularly in the Arab world, religion may have a significant influence upon financial and economic reporting. Finally, whatever the nature of the economy, there is a strong argument that the approach to accounting should be broadened, partly to take into account different political, economic and religious objectives, but even more importantly, to have regard to the fact that scarce accountancy skills may well make a stronger contribution if they are directed towards information for decision-making, internal audit, and performance measurement, rather than being aimed at the external audit of activities, which are already completed. For accounting to play a vital role in economic development it has to provide information that is relevant to the needs of that particular country. As Seidler (1967, p. 271) pointed out, government planning without adequate and reliable accounting information is bad planning.

Accountants, Economists and Economic Development

Most developing countries have very few accountants and economists who are capable of fully exploiting the potential that accounting information offers for economic development. The policymakers who could influence the development of accounting are themselves often not aware of the potential that accounting offers for economic development and are thus reluctant to commit much of their scarce resources to the development of relevant accounting systems. The failure to recognize the importance of accounting in economic development in developing countries is compounded by fact that accountants and economists do not understand that their disciplines cover much common ground, and thus do not collaborate as closely as they should. Accountants are associated mainly with enterprise activities, while economists are regarded as planners in the government and public sector. In developing countries, where resources are much more scarce than in developed countries, there is an urgent need for accountants and economists to cooperate in identifying the information needs of economic planners, in order to construct a system of accounting which is appropriate for the country.

Government economic planners, who are usually economists or statisticians, appear not to be aware of the significant contribution that accounting could make to economic planning, both as a source of information for plans and as a feedback mechanism on the effectiveness of ongoing economic plans. However, economic planners do, at least in part, depend on micro accounting in the formulation, evaluation and monitoring of national economic plans. Indeed, they regularly collect micro accounting data from both private and public sector enterprises, oblivious of the possibility that enterprise accounting information could perhaps be presented in such a way that it could serve their needs directly.

One such possibility would be the adoption of uniform accounting plans, based perhaps upon the French "plan comptable". Such a plan would require all enterprises which fell within the criteria laid down by the government both to maintain their financial accounting records and to prepare their published financial statements in accordance with the uniform rules set out in the plan.

One of the plan's objectives would be to facilitate the construction of macro accounts through the aggregation of the standardized accounts of individual enterprises. Unfortunately, however, relatively few developing countries have adopted the French system due to the predominance, for the reasons set out above, of the U.S. /U.K. system (Bait El-Mal 1990).

However, the achievement of compatibility between micro and macro accounting is far from easy, even where there is significant uniformity within the enterprise accounting system. The Libyan Inter-Secretariat Working Group recognized this on National Accounts, which prepared a "System of National Accounts" (Abusneina 1993). In discussing the link between business accounting and economic theory, they stressed that priority has to be given to economic theory where it conflicts with accounting practice due to the inadequacy of financial reporting practice in such matters as the measurement of depreciation, the adjustment of data to deal with changing prices and the identification of opportunity costs (as opposed to the largely irrelevant historic cost). This leads to a consideration of the role of the accounting profession in Libya, which will be discussed in the next section.

The Accounting Profession in Libya

Libya, being within Hofstede's Arab country classification, has high levels of power distance and uncertainty avoidance and is those have affected its accounting profession. Although the Libyan accounting profession is not well developed (El-Sharif 1980; Bengharbia 1989; Selway 2000), there is a belief that it has been influenced most by the UK and the US accounting systems (Kilani, 1988). The UK and the US are individualistic societies with low levels of uncertainty avoidance whereas Libya is a collectivist society where levels of uncertainty avoidance are expected to be high. Therefore, it is expected that Libyan companies' accounting systems may not provide the information needed by its socialist government for macro purposes.

No records are available to show precisely how and when the accounting profession was first established in Libya. Since the early 1950s, the development of the Libyan accounting profession has been significantly influenced by several factors, such as the education system, the teaching of accounting academics, the preferences of international companies, the expertise of international accounting firms and to some extent, the rapid changes in the Libyan social, economic, political and legal environment. Western influences have caused the Libyan accounting profession to follow the same path as its counterparts in the U.K. and U.S. (Kilani 1988, P. 241). Therefore, compared with the western accounting profession, which has existed for more than a century, the Libyan Accountants and Auditors Association (LAAA) is quite young. It is only 30 years since the CPA system was introduced officially in 1973 by Law No. 116 of 1973 (Libya State 1974). After this date the profession become more formal. Moreover, accounting became a popular course of study from 1957, when the Faculty of Economics and Commerce was established at Garuonis University in Libya. Professional bodies and universities in the U.K. and the U.S. were the main sources of influence, providing accountancy education and training for Libyan students (Bakar and Russell 2003). The preference for the U.S. was obvious because many Libyan students completed their studies in American universities during the 1970s (Kilani 1988, P. 175). The U.S. was also an economic power and a leader in accounting practice and education, and Libya had a good relationship with the U.S. at that time.

Despite the LAAA being established more than three decades ago, it has done nothing to build any theoretical base for accounting as a profession in Libya and has not established a Code of Ethics for members to abide by (Bakar and Russell 2003). This suggests that the LAAA has failed to regulate itself and to recognize its obligation towards the public interest. Furthermore, it has not achieved its objectives of furthering activities such as research, conferences, and seminars, a continuing education and training programme or of promoting accounting publications to improve the status of the profession and accordingly of its members (Shareia 1994). All these factors suggest that the status of the Libyan accounting profession is very weak.

The LAAA specifies no uniform audit report requirements and no professional examination requirements. They base their practices mainly on their members' accounting university education (Kilani 1988, P. 243). The definition and the objectives of the accounting profession in Libya are the same as those in the U.K. and the U.S. (Kilani 1988, P. 255), however, the environmental factors of Libya are significantly different from those of the U.K. or the U.S. Currently, the accounting profession in Libya confines itself to external financial reporting and external auditing (Bait El-Mal, Smith et al. 1973; El-Sharif 1978; Kilani 1988; Bakar 1998).

Libyan Certified and Public Accountants Union

The LAAA, which is also known as the Libyan Certified and Public Accountants Union (LCPAU), is not the only professional accounting body in Libya. There is also the Government organization, the General People's Committee for Auditing and Control. This organization is responsible for auditing the public sector whereas LCPAU is responsible for auditing the private sector. Also, sometimes the government organization employs private sector auditors to audit financial statements for the public sector. This happens, for example, when the Government organization does not have the capacity to do this work.

The LCPAU was established in 1973 and its objectives, rules and regulations were codified in the Accountants' Act 1973, which created the Board of Public Accountants to monitor the public accounting profession. The entry qualifications of its members are prescribed in the Act. The board is responsible for registering public accountants, maintaining a register of public accountants, determining the qualifications of persons for registration as public accountants, ensuring adherence to the ethical codes of conduct and disciplinary matters. To qualify as a public accountant, section (24) of the Accountants Act specifies that the applicant must:

- be a Libyan citizen;
- have at least a Bachelor of Accounting degree;
- be of good character;
- have a good reputation; and
- pass any requirements recognized by the Board of Public Accountants (Libya State 1974).

Qualifications, such as a PhD in accounting or auditing from any university of good standing in Libya or outside of Libya, are recognized by the Board of Public Accountants. Certification from The Institute of Chartered Accountants in England and Wales or The American Institute of Certified public Accountants is also recognized.
In order to gain admission to the General Union of Accountants and Auditors (GUAA), applicants should have between three and five years of relevant practical training, depending on whether the training is structured or unstructured. Structured practical training means experience gained under an approved principal in a public accountant's office or in any organization in the public sector or industry and commerce. With the enactment of the Accountants' Act 1973, all members of the profession are called "Certified Public Accountant".

Regulating financial practices is accomplished either through a legally constituted public body to which the responsibility for implementing, monitoring and enforcing accounting standards is given or through a voluntary approach which relies on self-regulation. Theoretically, the Libyan Accountants Union was responsible for establishing and monitoring accounting standards and practices in Libya (Accounting Profession Law no 116 of 1973), but practically it had failed to issue and implement Libyan accounting standards, according to its vice president. Of the two approaches to regulate accounting profession - professional self-regulation and statutory control - the Libyan accounting profession was governed by the Libyan Commercial and Financial Laws. The weakness of the Libyan Accountants Union has led the State to be the sole accounting regulating statutory. In fact, public bodies such as the Public Control Office have taken the absence of an effective accounting association to instruct and demand companies to follow certain accounting procedures.

The Libyan accounting profession was influenced for decades by international colonisation and international businesses prior to the move towards a centrally planned economy and the recent emergence and encouragement of establishing private businesses.

Accounting Education

The deep-seated influence of western accounting (mainly from the U.K. and the U.S.) has dominated accounting education and accounting practice in Libya. An accounting education system like any discipline, consists of students, academic staff, curriculum, and resources (library, computers, facilities, financial resources, innovations, and technology) that are ideally associated harmoniously and efficiently to meet the education needs of a given society (Bakar 1998). Additionally, the accounting education system itself is a factor of the wider education system of the country it serves. The education system is affected by and also affects the social, economical, political, and cultural environments of the country in which it operates. Consequently, an education system should be designed to meet overall national needs.

Accounting Education and Academic Research

Accounting in developing countries was, and still is, an expansion of accounting in the western world, which in its part was the product of the colonial period and the power of foreign investors, or of the effect of multi-national companies, foreign aid and, finally, through western education. Perhaps the clearest example of that is what has been said by one accounting academic:

the accounting principles of state (A) have not been shifted and applied in state (B) through study and persuasion on the significance of those principles, but have been shifted and applied in state (B) when these conditions have been satisfied:
There is no institution in state (B), which takes an interest in issuing the appropriate accounting principles for state (B), and subsequently investors were capable of imposing their requirements from the accounting principles. Therefore, these countries could not find a way to escape the acceptance of these imported principles and trying to get adapted to them. The existence of a large amount of funds flooding from state (A) and invested into state (B) (Bait El-Mal 1990, p. 31, citing Wilkinson, 1975).

Affirming what has been said, we find that a state like Indonesia, due to several factors such as the presence of multi-national companies, international aid and accounting companies and the language, has adopted imported educational techniques. Consequently, the accounting profession in Indonesia became Dutch in its requirements, but American in training and philosophy. Undoubtedly, this situation does not suit a country like Indonesia, which has a developing capital market and regulatory system, as well as a large public sector. In spite of these developments, its economic and cultural circumstances are utterly different from those found in the Netherlands and the U.S. (Bait El-Mal 1990; Sukoharsono and Gaffikin 1993; Marwata 2006; Silaen and Smark 2006).

Among those factors responsible for this situation in developing countries in general are accounting education systems. Economic development requires changes in the predominant accounting education system in order to create an attitude that recognizes there is a vital need for change in the curricula and the methods of accounting education capable of engendering scientific, critical enquiry and a willing attitude to understand its changing surroundings. Also, the accounting education system must be amended so as to serve development needs by the creation of skills and the development of technical and organizational capacities, which the development plans need. In order for economic development to achieve success, there should be adequate numbers of administrative and organizational skilled personnel. One of the main problems encountered in the development process in developing countries, accompanied by criticism of the misuse of resources, is the mismanagement in these countries (Mohidin 1972).

It is clear that accounting education policies and the need to have academic research in this field, are incompatible with the economic development requirements of developing countries in general, and in the Arab world and Libya, in particular. This incompatibility between economic development requirements and accounting education policy and academic research is due to the deficiencies in the role of accountants and educators. The role of these professions is crucial in accelerating economic development and subsequently the extent of response of the accounting education structure regarding anticipated change in the national economy. This is an issue which will hold university management responsible for the status of the university in regard to serving the community. Therefore, Arab thought must define the development of the contemporary Arab university structure, on one hand, and formulate the relation between that structure and Arab economic components, on the other hand.
Both accounting education and academic research are decisive factors in the process of economic development and what demonstrates that is the return to historical analysis associated with the role of education in economic development. Additionally, early manufacturing industries in the western world were influenced by and associated with education and the spread of scientific knowledge. Very often university curricula with their special fields and levels are associated with the nature of the development phase of a national economy. From this angle it is vital to look at accounting education and scientific research in the Arab world in relation to the national economy so as to be able to provide multi-dimensional requirements.

Education and research activity in any society is an economic activity with its own costs and resources, and every time the development phase progresses, the expansion in scientific research and transmission through universities and higher and intermediate institutes all require additional capital to meet that expected expansion. Development variables clearly rely on the contributions of continuous research, though the decline in the contribution of expenditure on Arab research in economic development, has led to the failure of this field fulfilling the role it was commissioned to do.

The typical retardation in some academic research areas is not due to the structure of the Arab scientific mind inasmuch as it is due to the variables and circumstances surrounding Arab academic research institutions. These circumstances, in combination, have led to the immigration of some highly skilled Arabs: 50% of immigrants were doctors, 23% engineers, and 15% researchers in applied sciences in the Arab world in 1976 (Badran 1985). It is well known that highly skilled people build up a typical structure for advanced economies but the Arab academic research system and associated paradoxes collectively do not provide a motivation for applied academic research. Among the first of these obstacles is the lack of attention paid to the relative capacity of skilled Arab people regarding their creative ability in scientific and other academic research and the frequency of their attendance at specialized academic conferences. Lastly, and most importantly, is the fact that research is a marginal issue in the field of Arab expenditure. A report from the United Nations Educational, Scientific and Cultural Organisation (UNESCO) has indicated that the former Soviet Union allocated approximately 4.76% of its national income for academic research, while the rate for the US was approximately 2.23%, and in Africa, with the exception of the Arab states, this expenditure was 0.36%. In the Arab world the rate in 1980 was as low as 0.27% (Altinner 1988).

Finally, the objective connection between the national economy and accounting education structure and scientific research is necessary so as to have no partition between development and updating on one hand, and implementation and production on the other hand. There should be no future deficiency on the part of one or both aspects in order to create the required economic development.

A study conducted in 1985 affirmed this (Bait El-Mal 1990, p. 34). It defined the main problems of scientific practice and accounting education in developed countries, and clarified that the most important of these problems were largely due to accounting education. The following were identified as the most significant of these problems:

- shortage of skilled accountants at all levels and in all accounting fields;
- accounting information can either be unavailable, not made available as it should be or be made available but late;
- accounting information has not been sufficiently used for internal administration purposes;
- lack of financial reports and appropriate auditing standards;
- lack and deficiency of national accounting systems;
- lack of appropriate accounting within the state’s authorities and public companies;
- lack of legislation associated with accounting and standard and auditing measures;
- the use of the accounting firm primarily to help companies to evade paying income tax and to fabricate financial lists;
- the attempt made by some accountants to apply imported concepts and principles from developed countries regardless of their suitability for local circumstances and urgent needs;
- incompatibility of educational standards in the teaching of accounting subjects in colleges and institutes;
- shortage of accounting books and other references in colleges and institutes; and
- shortage of qualified lecturers in colleges and institutes.

From what has been previously mentioned, the key role for accounting systems in general can be seen, and the accounting information produced by these systems in particular. This is important because progress in the field of production and the conveyance of this information become vital elements for economic development objectives in developed countries and developing countries alike. As Libya is a country which anticipates the accomplishment of economic development, it is necessary to devote attention to accounting systems which set up and provide accounting information. This information is regarded as one of the principal resources to activate the development movement in general and industrial development in particular, because of industry’s close and direct association with technology. It is both the greatest producer and consumer of information, and the main driving force for a comprehensive development process.

Most researchers stress that information is more significant than material and energy. They also stress that production rates increase in any sector with the increase of information.

Conclusion

Accounting is an information system that is vital in the proper management of any modern economy, for no significant level of economic activity is sustainable without a formal system of accounting.

Similarly, accounting clearly has a role to play in economic development, though, as with any other information system, its usefulness depends on its ability to generate reliable and relevant information for decision-making. Furthermore, for accounting to have any significant impact on economic development, those involved in the economic decision-making process must understand how to interpret the information generated by the accounting system.

As nations differ in terms of their cultural, economic, legal and political systems, so too do their financial and economic information needs. However, accounting systems in developing countries have been predominantly imported from developed countries, thus it is important to raise questions about their relevance to the information needs of developing countries, given the obvious differences between the socio-economic systems of developed and developing countries. The use of such accounting systems will inevitably limit the usefulness of the information generated by these systems in developing countries.

Accounting systems in most developing countries fail to reflect the environments within which they operate, do not begin to serve the needs of these countries supplying information for national economic planning and the subsequent review of such plans, and do not concern themselves in any meaningful way with the industries that are the economic back-bone of these countries. As a consequence, the potential role that accounting could play in the economic development of these countries remains unfulfilled.

In order to construct a system which will encourage accounting to achieve its potential contribution to economic development, it will be necessary for developing countries to search for a system which is relevant to their economic, social, political and legal environment and then to provide a suitable education, training and professional environment in order to ensure its successful implementation (Ndzinge and Briston 1999, pp 34-41).

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