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The effects of accounting violations through earnings management on the proliferation of financial corruption in companies listed on the Palestine Stock Exchange.

أثر المخالفات المحاسبية من خلال إدارة الأرباح على انتشار الفساد المالي في الشركات المدرجة في بورصة فلسطين

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الملخص

هدفت الدراسة إلى التعرف على أثر المخالفات المحاسبية من خلال ممارسات إدارة الأرباح على انتشار الفساد المالي في الشركات المدرجة في بورصة فلسطين.

توصلت الدراسة إلى عدة استنتاجات هامة منها وجود علاقة ارتباط موجبة ذات دلالة إحصائية بين آثار المخالفات المحاسبية من خلال ممارسات إدارة الأرباح وشيوع الفساد المالي في الشركات المدرجة في بورصة فلسطين.

الكلمات المفتاحية: المخالفات المحاسبية، إخفاء المستندات، التلاعب بالسجلات المحاسبية، إساءة استخدام التصنيفات المحاسبية، إدارة الأرباح، الفساد المالي.

تصنيف جال: M41، D73، G19.

Abstract

The study reached several significant conclusions, including the presence of a statistically significant positive correlation between the effects of accounting irregularities through earnings management practices and the prevalence of financial corruption in the companies listed on the Palestine Stock Exchange

Keywords : Accounting irregularities, document concealment, manipulation of accounting records, misuse of accounting classifications, earnings management, financial corruption.

Jel Classification: M41, D73, G19.

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1. INTRODUCTION

Accounting violations and illicit profit management are considered factors that may contribute to the spread of financial corruption in companies listed on the Palestine Stock Exchange. These factors often result in misleading and non-genuine accounting practices, such as preparing profit and loss accounts that reflect a low tax base for tax treatment purposes. Other accounts show high profitability rates and are disseminated in financial markets with the intention of promoting subscription to the financial instruments of these companies **(Mahsul and Lwaj, 2022).**

Accounting irregularities are at the heart of those types of fraud that occur on financial data and include distortion, misclassification, and also incorrect disclosure. They essentially involve manipulation of accounting data or description or disclosure in order to distort the true financial picture of the concerned institution **(Saidi and Ben Moqfi, 2021).**

Accounting irregularities committed based on earnings management practices lead to the distortion of financial data and hinder the ability to provide accurate and transparent financial reports. This makes it difficult for investors and shareholders to evaluate the company's performance and make financial decisions based on correct information, leading to a loss of trust between investors and shareholders **(Ibrahim, 2023).** This results in a decrease in the company's share value and a negative impact on its reputation in the market, leading to an increase in lawsuits and legal disputes due to the loss of credibility of accounting information and a lack of trust in the role of the auditor. Consequently, the accounting profession is in a difficult position and faces a challenge to confront the phenomenon of financial corruption, necessitating the search for modern causes and means, as well as the need to rely on specialized expertise and distinguished skills to express opinions on lawsuits and issues of a financial nature **(Lekhlifi and Mena, 2021).**

In this study, the effects of accounting irregularities through earnings management in the spread of financial corruption in companies listed on the Palestine Stock Exchange are addressed. This is in terms of monitoring accounting irregularities through earnings management practices related to behaviors that violate the provisions and accounting standards in proving accounting operations, resulting in significant manipulation causing financial corruption in companies.

- **Study Problem and Its Questions:**

The study problem emerges through identifying its phenomena, as many Palestinian companies suffer from some manifestations represented in accounting errors that result in some accounting violations through the practice of earnings management, which could lead to the spread of the phenomenon of financial corruption. Many manifestations of accounting violations that accountants in Palestinian companies may fall into are negligence or dereliction in accounting work according to instructions, laws, and accounting rules in force, which leads to the loss of private money or leads to its waste or damage to the Palestinian national economy, where the perpetrator of these violations is held accountable with various penalties according to the size of the damage caused by the effect of the accounting violation.

Also, the phenomenon of financial corruption in companies has serious effects and reflections on the future of the company and its continuity in work, as it brings about financial losses that cannot be estimated at a price in the presence of accumulated accounting violations. These violations provide many loopholes that allow financial corruption to infiltrate its elements, which requires the existence of an integrated accounting system that adapts to the changes taking place in the current business environment, works to combat financial corruption by addressing the most prominent loopholes and existing weaknesses, and providing control procedures to limit and confront them.

The study problem can be summarized by the following main question: What are the effects of accounting violations through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange?

This main question branches into several sub-questions, which are:

- What are the effects of hiding original accounting documents through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange?
- What are the effects of manipulating accounting records through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange?
- What are the effects of misusing accounting classifications through earnings management practices in financial statements on the spread of financial corruption in companies listed on the Palestine Stock Exchange?

Significance of the Study:

The significance of the study stems from both theoretical and practical aspects:

First: Theoretical Significance:

- The study aims to provide a concise theoretical framework about the effects of accounting violations through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange, as well as providing a theoretical framework for ways to detect accounting violations causing financial corruption.
- The importance of the study stems from the importance of the subject of accounting violations and financial corruption, as it is a relatively modern topic, which has gained increased attention recently, after many major companies in the world have hidden the real situation of the institutions by committing accounting violations, which led to their failure.
- To the best of the researcher's knowledge, this study is one of the few and first studies that address the effects of accounting violations through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange. It will serve as a reference for researchers, accountants, and auditors.

Second: Practical Significance:

- Understanding the reality of Palestine and thus diagnosing the reality of accounting violations in Palestinian companies, which will lead to exploring the extent of their impact on financial corruption through knowing the size of the methods used when following accounting violations.
- This study gains additional importance as it investigates a very important topic in the field of accounting, which is the effects of accounting violations through earnings management practices on the spread of financial corruption in Palestinian companies. It also clarifies the measures capable of limiting the expansion of accounting violations that cause the spread of financial corruption.
- Also, this study, with its theoretical and practical aspects, serves several categories related to financial data such as investors, owners, accountants, lenders, customers, suppliers, tax departments, and others, in addition to researchers. It will enhance the clarification of what practices may affect the fairness and truth of financial data.

Study Objectives:

The study aims to achieve the main objective, which is to identify the effects of accounting violations through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange, in addition to achieving the following sub-objectives:

- Identify the effects of hiding original accounting documents through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange.
- Understand the effects of manipulating accounting records through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange.
- Recognize the effects of misusing accounting classifications in financial statements through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange.
- Arrive at recommendations to enhance the confrontation of accounting violations through earnings management practices and their effects that contribute to the spread of financial corruption in companies listed on the Palestine Stock Exchange.

Study Hypotheses:

The study seeks to test the following null hypotheses:

First Main Hypothesis: There is no statistically significant relationship at a significance level ($0.05 \geq \alpha$) in the effects of accounting violations through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange.

Several sub-hypotheses stem from this main hypothesis:

a) There is no statistically significant correlation at a significance level ($0.05 \geq \alpha$) in the effects of hiding original accounting documents through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange.
b) There is no statistically significant correlation at a significance level ($0.05 \geq \alpha$) in the effects of manipulating accounting records through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange.
c) There is no statistically significant correlation at a significance level ($0.05 \geq \alpha$) in the effects of misusing accounting classifications in financial statements through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange."

Study Boundaries:

The study is defined by several boundaries, which are:

- Time Boundary: The years (2012-2022).
- Spatial Boundary: Companies listed on the Palestine Stock Exchange.

– Subject Boundary: The effects of accounting violations through earnings management practices on the spread of financial corruption in companies listed on the Palestine Stock Exchange.

Study Terms:

Accounting Violations: The accounting action that violates generally accepted accounting principles, differences, rules, and procedures that govern these operations, whether the error is in recording, posting, balancing, or during the preparation of the audit balance sheet **(Mahsoul and Al-Owaisi, 2022).**

Procedurally, accounting violations are defined as deliberate or unintentional distortion in the financial statements, including the deletion of a certain amount reflected on the financial statements as a wrong act, negligence, or dereliction with the presence of distortion or distortion in these lists.

Earnings Management: A process by which the accountant uses his knowledge of accounting rules to intervene in the numbers of the financial statements for business establishments' accounts **(Ibrahim, 2023).**

Procedurally, earnings management is defined as the multiple steps taken by the management of companies listed on the stock exchange with the aim of creating unethical practices to manipulate the company's profits to achieve pre-set goals.

Financial Corruption: An ethical, legal, and economic crime that arises within an environment characterized by legal weakness and field deterrence, driven by political, social, or economic motives in the absence of moral conscience and job integrity **(Lekhlifi and Mena, 2021).**

Procedurally, financial corruption is defined as financial deviations and violation of the rules and provisions of financial that regulate the course of financial work, in addition to financial deviations that arise as a result of the weakness of accounting information systems and the absence of their integration and their supervisory role in violating the instructions for financial control.

1. Theoretical Framework:

1.1. Definition of Accounting Violations:

Accounting violations are at the core of those types of fraud that occur on financial data and include distortion, misclassification, and also incorrect disclosure. They essentially involve manipulation of accounting data or description or disclosure in order to distort the true financial picture of the concerned institution **(Saidi and Ben Moqfi, 2021).**

A general concept of accounting and financial violations can be found in the literature of accounting and auditing, especially when the size and nature of the operations performed by economic units in all economic and service sectors expand. In general, all rules, provisions, systems, and circulars of financial, accounting, and storekeeping, any wrong act, negligence, or dereliction that results in the disbursement of amounts of money without a rightful face, or the loss of a right from the financial rights of the institution or one of the other public persons or bodies subject to financial control, or harm to one of its financial interests, or it would lead to that the institution and its management do not comply with tenders and projects of bonds and agreements and contracts subject to prior financial control **(Mohammed and Al-Obaidi, 2022).**

The researcher believes that accounting violations express the institution's non-compliance without justification with the accounts and documents supporting it for acts that constitute a breach of the legislative or regulatory provisions related to the implementation of revenue, expenditure, assets, and liabilities operations or the management of public funds, material means, and real estate and movable rights of the state, which constitutes harm to the public interest.

1.2.Manifestations of Accounting Violations:

The manifestations of accounting violations are as follows **(Mahsoul and Al-Waj, 2022):**

- Embezzlement: It is a type of fraud that involves employees or non-employees unlawfully taking money or properties entrusted to their care and supervision, often accompanied by fake accounting entries and other forms of lying and cover-up.
- Fraud: It is a deliberate act committed by the management that affects investors and creditors by presenting misleading financial data and sometimes management fraud is called fraudulent financial reporting, and it has been defined as a deliberate or reckless behavior, whether by action or omission, that leads to misleading financial data.
- Cheating: It is more dangerous than error because it results from deliberate intended distortions where the dividing factor between cheating and error is whether the behavior that led to distortions in the financial statements was deliberate or unintentional.
- Money Laundering Violation: The term money laundering is legally meant to accept deposits of money derived from an illegal or criminal act by hiding the source of that money or covering it up or assisting a partner in that act to escape from the legal results.
- Financial Violations: Financial violations are usually multiple, different, and varied, and to know them, one must first understand the concept of financial violations **(Saidi and Moqfi, 2021)**:

– Accounting violations take different forms in addition to frustrating the purposes of accounting, all of them violate the relevant legislations for the benefit of the concerned perpetrators, however, accounting violations usually come in three forms which are hiding or fabricating transactions or original documents, misusing basic concepts in preparing financial reports, and manipulating entries of double-entry books.

1.3.Earnings Management Definition:

Earnings management is defined as the management of appropriate decisions to present the current and expected financial reports and data of the institution. That is, it represents the practices carried out by the management in the field of intervention in the measurement and financial reporting process as allowed by generally accepted accounting principles, with the aim of reaching pre-set goals. This process includes all cases, whether they lead to an increase in the reported accounting income or lead to its reduction or reduce its fluctuations to maintain its growth levels **(Mohammed and Haizia, 2018).**

Earnings management is also defined as a choice of accounting policies by the economic unit to achieve certain goals for the management, and it occurs when managers use the flexibility available to them to choose between methods, accounting policies, as well as cases of estimation, and personal judgment of some items appearing in the financial reports to structure transactions, and to modify financial reports, whether to mislead some stakeholders about the economic performance of the economic unit, or to influence the contractual results that depend on the accounting numbers included in the reports **(Gabriel and Al-Znibat, 2016).**

Earnings management is defined as a deliberate intervention by the management in the process of preparing financial information in order to achieve self-interest, and it is defined as a purposeful intervention in the process of preparing financial reports in order to achieve some private gains, and it is defined as an attempt by company officials to influence the disclosed income in the short term to achieve the targeted profit through the use of liberal and even misleading accounting practices **(Fakir and Abdullah, 2020).**

The researcher sees earnings management as the behavior of the management, either to reduce income for the purpose of reducing taxes, or to increase it for the purpose of increasing the reward of board members, or to pave it by reducing it if it is high or increasing it if it is low, in order to reduce sharp fluctuations in the level of income, to achieve stability in stock prices in the market.

1.4.Definition of Financial Corruption:

Financial corruption is defined as the total of financial violations and violation of financial laws that regulate the administrative and financial work in the state and its institutions and violation of the instructions related to financial control bodies such as the Financial Control Bureau specialized in examining and monitoring the accounts and funds of governance, bodies, public institutions, and companies. It is also defined as financial deviations and violation of financial controls, systems, and instructions of financial control bodies. Manifestations of financial corruption can be observed in bribes, commissions, embezzlements, favoritism, and nepotism, and hardly any society, whether old or modern, is free from a manifestation of financial corruption **(Boudalia, 2022).**

It is also defined as that behavior that an employee engages in, which leads to causing harm to the economic structure of the state through the waste of economic resources or increasing the burdens on the public budget or reducing the efficiency of economic performance or poor distribution of resources with the intention of achieving personal benefits, material or immaterial, in-kind or cash at the expense of the economic stability of the state or organization **(Hassan, 2022).**

Financial corruption is represented in financial deviations and violation of the rules and provisions of financial that regulate the course of financial work and violation of instructions of financial control bodies, for example; bribes, waste of public money, illicit gain, tax evasion, embezzlement **(Abu Jabal, 2019).**

From the above, financial corruption occurs when an employee accepts a bribe or extortion to facilitate a contract or conduct a public tender, and it also occurs when agents or brokers of companies or private businesses offer bribes to benefit from public policies or procedures to overcome a competitor and achieve profits outside the framework of the laws in force, and corruption may also occur in other ways such as resorting to nepotism in appointing relatives and also stealing state money in multiple ways.

2. Effects of Accounting Violations through Earnings Management Practices on the Spread of Financial Corruption in Companies:

Those interested in combating financial corruption must continually strive to understand the developments related to accounting violations, in order to detect these practices and then try to limit them. One of the most important methods used in this regard can focus on instilling ethical behavior principles. Therefore, developing professional work ethics has become an important task in the accounting profession, where accountants as professionals maintain the highest levels of professional ethics. Accordingly, it is necessary to look at the rules of professional accounting work as a starting point in defining the ethics of the accounting profession, by establishing a professional conduct charter and forming a professional ethics committee that sets the binding professional conduct rules for accountants. Despite the breadth of the ethics system, all theoretical entrances to the science of accounting have an ethical side based on the following ethical principles **(Mahsoul and Al-Waj, 2022)**:

First: Justice: This concept has spread in accounting, we find fair value, fair opinion, fair offer, and it means impartiality and giving everyone his right, i.e., there must be fair standards and bases for dealing between all the parties involved.

Second: Honesty: It means matching the truth, i.e., there is a high degree of match between the applied measures and the phenomena to be reported, the consideration is the honesty of representing the content (essence) and not just the form, and honesty in expressing the economic reality requires disclosure of the error factor that may accompany the accounting numbers.

Third: Non-bias: It relates to the neutrality of information, it means avoiding that intended type of bias that may be practiced by the person preparing and presenting the accounting information, with the aim of reaching predetermined results or with the aim of influencing the behavior of the user of this information, in other words, the absence of information from bias achieves an automatic neutrality image of this information, and it means preparing financial reports in a way that serves all categories of users without favoring one category at the expense of other categories (Ibrahim, 2023).

3. Commenting on previous studies:

The current study is similar to many previous studies in its areas and its subject, which focused on the effects of accounting violations through earnings management in the spread of financial corruption, as stated in the study **(Mohammed, 2022)**, which dealt with the effect of the internal auditor's response to reporting the existence of accounting and financial violations in the company on his efficiency in detecting fraud in the financial statements, and the study **(Mahsul and Lwaj, 2022)** which dealt with reducing accounting violations as a mechanism to combat financial corruption, and the study **(Al-Tikriti, 2022)** which dealt with financial and accounting violations and the methods used in dealing with them, and the study **(Abtidon, 2023)** which dealt with the effect of financial accountability in reducing financial corruption and confronting accounting and financial violations resulting from forms of financial corruption.

The current study differed from some previous studies in dealing with some of its axes, where the current study focused on the effects of accounting violations in the spread of financial corruption in Palestinian industrial companies, while the study **(Kayrak, 2022)** dealt with the direct and indirect theoretical and practical contributions of supreme control bodies in combating financial corruption and monitoring many accounting violations, as the study **(Milutinovic, et al, 2022)** dealt with verifying the capabilities and limits of external auditing in detecting fraud operations in companies and confronting the financial corruption resulting from them, as the study **(Al-Tikriti, 2022)** dealt with the subject of the role of the external auditor in reducing creative accounting practices in the financial statements.

The current study was distinguished from previous studies in that the current study is, to the best of the researchers' knowledge, one of the few and first studies that deal with the effects of accounting violations in the spread of financial corruption in Palestinian industrial companies, due to the scarcity of studies that dealt with the subject directly, and this study will be with its results a reference that can benefit those interested and researchers in building their future study models.

4. Study Methodology:

To achieve the study's objectives, a descriptive correlational approach is employed, given the nature of the study and the data required. The study aims to examine the relationship between the extent of lean accounting implementation through the responsibility accounting system and its impact on the financial performance of Palestinian industrial companies. The EViews program was used for data analysis since the study variables represent quantitative data obtained from the financial statements of the Palestinian industrial companies under study. The researcher relied on quantitative methods in statistical analysis, utilizing regression analysis that included two methods:

- Simple regression analysis to find the relationship between each independent variable and the dependent variable individually.
- Multiple regression analysis to find a model that explains the relationship between the dependent variable and all independent variables combined.

4.1. Study Population and Sample:

The study population includes all Palestinian industrial companies, totaling 13 companies, meeting the following criteria:

1. Listed on the Palestine Exchange before April 1, 2011, which is the deadline for submitting the annual financial report for 2012.

2. Having financial reports published on the Palestine Exchange website during the study years from 2012 to 2022.

Given these criteria applied to all study population units, the researcher used a sampling method and selected 13 companies as a sample after a comprehensive survey of all companies under study.

4.2. Data Collection Sources:

Several sources were used for data collection, including:

Firstly, Primary sources: The financial reports of the companies under study, published on the Palestine Exchange's website for the years 2012-2022, were relied upon. These reports serve as the main tool for the researcher to collect data, which allows access to the previously mentioned study variables.

Secondly, Secondary sources: The researchers reviewed related previous studies to understand the theoretical framework in this area and enrich the current study with the findings of those studies. Secondary sources include books, master's theses, journals, articles, and more.

4.3. Study Location:

This study is confined to the industrial companies operating within the Palestinian territories - the West Bank - and listed on the Palestine Exchange for the years 2012-2022.

4.4. Variables Calculation Steps:

In calculating the study variables, the researcher followed these steps:

- Collecting the financial reports of the companies listed on the Palestine Exchange for the study sample for the year 2012-2022.
- Extracting the required financial data to calculate the variables from the financial reports of all sample companies using the Excel spreadsheet program. The following table number (1) illustrates the data used:

Table (1) Financial Data Used in Calculating Study Variables

N	Statement	Variable Type	Measurement Method
1	Concealment of Original Accounting Documents	Independent	If present, assign number 1; if not, assign number 0
2	Manipulation of Accounting Records	Independent	Value of total assets, liabilities, profits
3	Misuse of Accounting Classifications	Independent	If present, assign number 1; if not, assign number 0
4	Earnings Management	Mediator	Net profit after tax, return on assets
5	Financial Corruption	Dependent	Net profit, return on equity

Firstly, Independent Variables:
Accounting Violations = Concealment of Original Accounting Documents + Manipulation of Accounting Records + Misuse of Accounting Classifications

$$Y = X1 + X2 + X3$$

Secondly, Dependent Variable:
Financial Corruption = Forgery in Net Profit + Forgery in Return on Equity

$$T = K1 + K2$$

Mediator Variable:
Earnings Management = Net Profit After Tax + Return on Assets

$$Z = S1 + S2$$

Control Variable: Company Size, Asset Size.
Firstly, Statistical Description of Study Data:
Financial data for the companies under study were obtained, and using EViews software, the study results were as follows. Table number (2) presents the statistical description of the study data according to all study variables, illustrating the arithmetic means, standard deviations, and both the highest and lowest values of the financial data collected regarding the study variables:

Table (2): Descriptive Analysis Results for Study Variables

Variables	Mean	Standard Deviation	Maximum Value	Minimum Value
Concealment of O.A.D	2.321	0.1414	1	0
Manipulation of Accounting Records	3.152	0.1241	96589	12451
Misuse of Accounting Classifications	3.546	0.1321	1	0
Accounting Violations	3.274	0.1216	89760	1457
Net Profit	0.220	0.2325	0.120	0.119
Return on Equity	0.019	0.1054	0.058	0.012
Financial Corruption	0.117	0.1278	0.138	0.113
Net Profit After Tax	0.356	0.1326	0.221	0.780
Return on Equity	0.414	0.1874	0.362	0.680
Earnings Management	0.409	0.1547	0.273	0.556
Company Size	132052	11.369	152222	102541
Total Company Assets	132654	54.556	1936566	1400011

As observed from the above table, the mean for the level of accounting violations is (3.274) with a standard deviation of (0.1216), while the variable for Misuse of Accounting Classifications obtained the highest mean value of (3.546). Accounting violations in industrial companies were most frequently observed in the area of Misuse of Accounting Classifications with the maximum value of (1). Regarding the remaining study variables, the interpretation of the descriptive statistical results is conducted as stated above.

Table (3): Skewness and Kurtosis Indicators for Study Variables

Variables	Skewness	Kurtosis
Concealment of Original Accounting Documents	0.217	6.366
Manipulation of Accounting Records	0.188	4.258
Misuse of Accounting Classifications	0.241	3.696
Accounting Violations	0.223	4.278
Net Profit	0.296	1.365
Return on Equity	0.179	2.542
Financial Corruption	0.269	1.423
Net Profit After Tax	0.347	0.412
Return on Equity	0.385	0.263
Earnings Management	**0.345**	**0.348**
Company Size	0.268	0.335
Total Company Assets	0.287	0.241

ators for all

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Regarding the skewness and kurtosis indicators, they were all suitable for the study. The concept of skewness refers to the degree of asymmetry; if the right tail of the data distribution is longer than the left tail, then the distribution is right-skewed or has a positive skewness, and vice versa. Skewness diminishes when the data distribution is normal (Normal distribution).

Kurtosis, on the other hand, measures the degree to which the distribution curve is peaked or flat relative to a normal curve. A distribution with a high peak is termed "leptokurtic," and one with a flat peak is termed "platykurtic." Thus, a higher kurtosis value indicates a flatter peak for the data distribution. As observed from the results presented in Table (3), the data related to the post-audit have a higher kurtosis rate compared to other variables in the study model.

Secondly, Correlation Coefficient Results:

Table (4) presents the correlation coefficient results among all study variables, reflecting the strength and direction of the relationship between the model's variables. This degree ranges from +1 to -1. The correlation coefficient is also useful in identifying the phenomenon of multicollinearity among independent variables. The following table illustrates the correlation coefficient results:

Table (4): Results of the Correlation Coefficients Matrix for Study Variables

Variables	no	1	2	3	4	5	6	7	8	9	10
Concealment of Original Accounting Documents	1	1									
Manipulation of Accounting Records	2	0.21	1								
Misuse of Accounting Classifications	3	0.63	0.20	1							
Net Profit	4	0.35	0.11	0.36	1						
Return on Equity	5	0.47	0.35	0.37	0.32	1					
Net Profit After Tax	6	0.32	0.32	0.63	0.15	0.27	1				
Return on Equity	7	0.20	0.16	0.42	0.26	0.32	0.10	1			
Earnings Management	8	0.63	0.26	0.37	0.34	0.21	0.12	0.10	1		
Company Size	9	0.22	0.37	0.26	0.36	0.13	0.20	0.21	0.12	1	
Total Company Assets	10	0.24	0.32	0.18	0.52	0.30	0.23	0.13	0.35	0.17	1

***Statistically significant at the significance level (α = 0.05)**

The results in Table (3) suggest a relationship between the independent variables and the dependent variable, with the highest correlation observed between the concealment of original accounting documents and earnings management (0.636), indicating all positive relationships.

Thirdly, Data Suitability for Hypothesis Testing:

Using the Ordinary Least Squares (OLS) regression model for data analysis involves checking several assumptions, including:

a) **Multicollinearity**

This issue arises when there is a linear relationship between an independent variable and another variable or a set of independent variables. It's important to note that this problem is about the "degree" of linear correlation, not just its presence or absence. A certain threshold, if exceeded, indicates a problem when using the regression model. The independence condition of independent variables means the absence of a high correlation among them, and violating this condition leads to multicollinearity. This condition was checked using the Variance Inflation Factor (VIF) test. Gujarati (2009) mentioned that a VIF value greater than 10 significantly indicates the presence of multicollinearity in the study model. Based on this test's results, the average VIF was found to be 1.41, which is less than 5, and generally, the VIF values for independent variables did not exceed 10, indicating no multicollinearity issue in the model, thus supporting the quality of the proposed model. Furthermore, the independence of variables and the absence of correlation among them were confirmed by examining the Tolerance value, which is derived as (1/VIF). Accordingly, the Tolerance result was 0.77, suggesting, as per Menard (1995), that a tolerance < 0.20 reflects some concern about multicollinearity, while tolerance < 0.10 indicates a significant multicollinearity problem.

b) **Normal Distribution**:
To verify whether the study data follows a normal distribution, the Jarque-Bera test was conducted. This test is among the most significant statistical tests to validate the assumption of normal distribution for the data under analysis. In this context, the test result was 1.189 with a P-value of 0.513, which is greater than 0.05. This indicates the acceptance of the null hypothesis stating that the study variables are normally distributed.

c) **Autocorrelation or Serial correlation**:
Autocorrelation is one of the measurement issues that must be addressed to ensure that the estimates obtained by the method of least squares possess the desired properties. Autocorrelation is one of the critical assumptions that must be verified in a study model. To determine the independence of errors or the absence of autocorrelation in the model, the Durbin-Watson test was utilized. The null hypothesis associated with this test states that there is no autocorrelation issue in the study model. Therefore, if the p-value of this test is greater than the significance level, the null hypothesis, which asserts the absence of autocorrelation in the study model, is accepted.

In the context mentioned above, the value of the Durbin-Watson (DW) test ranges between 0 and 4. A value close to zero indicates positive autocorrelation, while a value close to four suggests negative autocorrelation. When the value approaches 2, it indicates the absence of autocorrelation. In this model, the computed test value was 1.54, which is close to 2, supporting the acceptance of the hypothesis that there is no autocorrelation issue. This is further corroborated by the fact that all autocorrelation coefficients are statistically non-significant, confirming the absence of autocorrelation among the variables included in the model.

Fourthly, Linear Regression Test Results:

The study hypotheses were tested using Multiple Regression Analysis to determine the impact of the independent variable on the dependent variable. For this purpose, the EViews software was used for estimation and analysis, relying also on Panel Data. This type of data is significant as it accounts for heterogeneity or differences among sample units, both cross-sectional and temporal, avoiding biased and inconsistent estimates such as those influenced by local economic conditions, language, culture, geographic location, and other unique characteristics. Additionally, factors that change over time like technological and institutional developments, economic and trade policy changes, are considered. These effects are assumed to be constant in the short term or at least during the study period and are treated as either fixed effects, using the Fixed Effects model, or random effects, using the Random Effects model.

The study encompassed data from 13 industrial companies listed on the Palestine Stock Exchange, utilizing cross-sectional observations over time, known as Balanced Panel Data. Three data models were tested:

- Ordinary Least Squares (OLS) model
- Fixed Effect model
- Random Effect model

To identify the most suitable model for the study data, providing accurate results, the Hausman test will be applied. The study model function was formulated as follows:

$$W=Y + T + T$$

$$M= X1+X2+X3+ S1+S2 + (K1+K2)$$

Based on the aforementioned model, Static Panel Data models were applied, including the Ordinary Least Squares (OLS) method, the Fixed Effects (Fixed-effects) method, and the Random Effects (Random-effects) method, as follows:

Results using the Ordinary Least Squares Regression Model:

Table (5): Ordinary Least Squares Regression Model Estimation Results

Variables	Coefficient	Std. Error	t- statistic	Prob.
X1	0.022	0.024	0.324	0.002
X2	0.036	0.028	0.241	0.002
X2	0.124	0.003	0.121	0.003
Y	0.136	0.002	0.163	0.002
S1	0.327	0.022	0.127	0.001

Variables	Coefficient	Std. Error	t- statistic	Prob.
S2	0.356	0.024	0.121	0.002
Z	0.368	0.016	0.136	0.001
K1	0.136	0.032	0.108	0.004
K2	0.174	0.018	0.264	0.001
T	0.152	0.037	0.349	0.003
Company Size	0.144	0.023	0.322	0.000
Company Assets	0.196	0.019	0.369	0.002
R-Square= 0.21, adjusted R-Square= 0.26, DW = 1.33, F-statistics= 9.6, Prob(F)= 0.00				

***Statistically significant at the significance level (α = 0.05)**

From the previous results, it is clear that there is a statistically significant relationship only between the independent variables (Y) and the dependent variable (T). The results also indicate a statistically significant relationship between the accounting violations variable and financial corruption, and a significant relationship between the independent variables (Y) and the mediator variable (Z), as well as between the accounting violations variable and earnings management. A significant relationship exists only between the independent mediator variable (Z) and the dependent variable (T), and between the earnings management variable and financial corruption.

Regarding the control variables representing company characteristics, the results indicate a statistically significant relationship for all control variables at the significance level, clearly highlighting the role of control variables in explaining the change in the dependent variable among the industrial companies listed on the Palestine Stock Exchange.

The results show that the Adjusted R Square value reached 0.26, indicating that the independent variables collectively explain 26% of the variance in the dependent variable, and the F-value reached 9.6 with a significant probability level, indicating that the independent variables collectively explain a substantial part of the variance in the dependent variable.

To choose the most suitable model for the study data, the coefficient of determination is usually relied upon as a primary indicator for comparing the fit of various econometric models to the study data. However, in quantitative analysis models, the coefficient of determination cannot be solely relied upon to choose the suitable data model due to different measures used in its calculation from one model to another. Therefore, the Hausman test was used to differentiate between the Fixed Effects and Random Effects models, and the results were as follows:

Table (6): Results of the Best Model Selection Test - Hausman Test

Test	Test Value	P- Value
Hausman Test	68.9	0.000

The result in the table above indicates that the test significance reached (0.000), which is less than (0.005), pointing to the test's significance. This suggests that the Fixed Effects model is preferable to the Random Effects model; thus, the Fixed Effects model will be adopted to study the relationship between the study variables.

Based on the above, the study hypotheses will be tested according to the Optimal model, which is the Fixed Effects model. This model will be relied upon to interpret the relationships under study and research as follows:

The main research question is: What are the effects of accounting violations through earnings management practices on the proliferation of financial corruption in companies listed on the Palestine Exchange? This leads to the primary hypothesis: There is no statistically significant correlation at the significance level (α≥0.05) in the effects of accounting violations through earnings management practices on the spread of financial corruption in companies listed on the Palestine Exchange.

Based on the results of Table (5), it is evident that the significance level value (0.002) is less than the significance level (0.05), thus we reject the null hypothesis and accept the alternative hypothesis which states that there is a statistically significant correlation at the significance level (α≥0.05) in the effects of accounting violations through earnings management practices on the spread of financial corruption in companies listed on the Palestine Exchange, with a direct relationship.

The first sub-research question is: What are the effects of concealing original accounting documents through earnings management practices on the proliferation of financial corruption in companies listed on the Palestine Exchange? This leads to the primary hypothesis: There is no statistically significant correlation at the significance level (α≥0.05) between the effects of concealing original accounting documents through earnings management practices and the spread of financial corruption in companies listed on the Palestine Exchange.

Based on the results of Table (5), it is clear that the significance level value (0.002) is smaller than the significance level (0.05), therefore we reject the null hypothesis and accept the alternative hypothesis which states that there is a statistically significant correlation at the significance level (α≥0.05) between the effects of concealing original accounting documents through earnings management practices and the spread of financial corruption in companies listed on the Palestine Exchange, with a direct relationship.

The second sub-research question is: What are the effects of manipulating accounting records through earnings management practices on the proliferation of financial corruption in companies listed on the Palestine Exchange? This leads to the primary hypothesis: There is no statistically significant correlation at the significance level (α≥0.05) between the effects of manipulating accounting records through earnings management practices and the spread of financial corruption in companies listed on the Palestine Exchange.

Based on the results of Table (5), it is evident that the significance level value (0.002) is smaller than the significance level (0.05), thus we reject the null hypothesis and accept the alternative hypothesis which states that there is a statistically significant correlation at the significance level (α≥0.05) between the effects of manipulating accounting records through earnings management practices and the spread of financial corruption in companies listed on the Palestine Exchange, with a direct relationship.

The third sub-research question is: What are the effects of misusing accounting classifications through earnings management practices on the proliferation of financial corruption in companies listed on the Palestine Exchange? This leads to the primary hypothesis: There is no statistically significant correlation at the significance level (α≥0.05) between the effects of misusing accounting classifications through earnings management practices and the spread of financial corruption in companies listed on the Palestine Exchange.

Based on the results of Table (5), it is clear that the significance level value (0.003) is smaller than the significance level (0.05), therefore we reject the null hypothesis and accept the alternative hypothesis which states that there is a statistically significant correlation at the significance level (α≥0.05) between the effects of misusing accounting classifications through earnings management practices and the spread of financial corruption in companies listed on the Palestine Exchange, with a direct relationship.

5. Results:

Following the presentation of the findings, the study has concluded the following:

- There are significant effects of concealing original accounting documents through earnings management practices on the proliferation of financial corruption in companies listed on the Palestine Exchange.

This can be explained by the fact that many Palestinian companies conceal all original invoices for purchasing transactions, present only part of their original documents for tax accounting purposes, and hide all details of the original sales invoices. This finding is consistent with the results of the studies by Mohammed (2022), and Saiedi & Ben Moqbel (2021), which confirmed the presence of numerous accounting violations, including the concealment of original documents.

- There are significant effects of manipulating accounting records through earnings management practices on the proliferation of financial corruption in companies listed on the Palestine Exchange. This is explained by many Palestinian companies providing alternative documents that understate their accounting transactions' actual value, generating expense invoices containing fictitious expenses, and recording the values of their commercial transactions at unreal values. This is in line with the findings of Al-Tikriti (2022) and Mashkoor et al. (2019), which confirmed the widespread occurrence of various accounting violations, including manipulation of accounting records.
- There are significant effects of misusing accounting classifications in financial statements through earnings management practices on the proliferation of financial corruption in companies listed on the Palestine Exchange. This is due to many Palestinian companies misclassifying some debtor accounts as creditor accounts, misallocating revenues into various categories instead of their correct accounts, and the difficulty in using accounting classifications that suit the companies' operations. This result aligns with the findings of Mohammed (2022), Abtidon (2020), and Saiedi & Ben Moqbel (2021), indicating several types of accounting violations, including the misuse of accounting classifications in financial statements.
- There are significant effects of accounting violations through earnings management practices on the proliferation of financial corruption in companies listed on the Palestine Exchange. This can be attributed to many Palestinian companies attempting to avoid disclosing all agreements related to sales transactions, undervaluing revenues in their documents for tax accounting purposes, and recording their sales at values without considering the value of returns. This agrees with the results of studies by Al-Tikriti (2022), Mashkoor et al. (2019), Mohammed (2022), Abtidon (2020), and Saiedi & Ben Moqbel (2021), which demonstrated that companies commit various violations in accounting practices, including recording purchases at unreal values and excluding received discounts.

6. Recommendations:

Following the presentation and interpretation of the study results, the following recommendations have been made:

– Encourage the management of Palestinian companies to activate the role of accounting and accountability mechanisms to exercise effective control to prevent the concealment of original accounting documents and to hold employees accountable for such violations with penalties commensurate with the nature and impact of these violations.

– Advise the management of Palestinian companies on the necessity of taking disciplinary actions included in the regulations and laws followed by these companies to address manipulation in accounting records and prevent their recurrence.

– Urge the management of Palestinian companies to organize training sessions for their employees on addressing the misuse of accounting classifications and to foster integrity and transparency in accounting procedures.

– Recommend that the management of Palestinian companies take necessary measures to penalize employees committing accounting violations through committees formed to monitor these violations and arrive at decisions to rectify them.

– Raise awareness among employees in Palestinian companies by holding meetings to adhere to ethical values, national and professional sense, and motivate them to join efforts to prevent the phenomenon of financial corruption and correct the accounts of those involved if found.

– Emphasize the application of generally accepted accounting principles in preparing financial statements in Palestinian companies and work to reduce accounting violations that lead to financial corruption, combating it through proper means by spreading adequate awareness about it and highlighting its harms.

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