

Creative Accounting Practices and the Credibility of Financial Reports: An Empirical Study on the Jordanian Commercial Banks

ABEER AL-KHOURY¹, HUSNI AL-SHATTARAT², RASHA ALGHAZZAWI³,
HOSSAM HADDAD²

¹Department of Accounting,
Al-Ahliyya Amman University,
Amman,
JORDAN

²Department of Accounting,
Zarqa University,
Zarqa,
JORDAN

³Department of Accounting,
Princess Sumaya University for Technology,
Amman,
JORDAN

Abstract: - This study examines the impact of creative accounting practices on the credibility of financial reports in Jordanian commercial banks. It highlights the use of innovative accounting techniques and manipulative strategies employed by firms to present accounting information misleadingly, thereby influencing the judgments of financial statement users. The research aims to investigate the influence of these practices on the reliability of financial reporting in Jordanian commercial banks. A questionnaire was developed and distributed to senior and middle management as well as workers in Jordanian commercial banks, with 51 usable responses out of 80 participants. The findings reveal a negative impact of creative accounting practices on the credibility of financial reports in Jordanian commercial banks. The study concludes by recommending that regulatory bodies in Jordan adopt policies to detect and address creative accounting methods in financial statements and develop deterrent laws with penalties and sanctions for those engaging in harmful techniques in creative accounting.

Key-Words: – Creative accounting, Credibility, Income statement, Cash Flow statement, Jordan, Commercial banks, Innovative Accounting, Financial Statement Users

Received: September 19, 2022. Revised: August 13, 2023. Accepted: September 12, 2023. Published: September 28, 2023.

1 Introduction

The primary role of an accountant is to prepare financial statements that aid stakeholders and users in making informed decisions by highlighting changes in cash flows, financial position, and financial performance, [1]. Financial statements are unique to each company and are used to communicate its operations to external interest groups. These groups rely heavily on financial statements to assess a company's financial position and business success, [2]. Therefore, it is crucial that the information presented in financial statements is accurate and dependable to ensure sound decision-making, [3].

In, [4], it suggests that users can effectively perform decision-making by using financial statements correctly. The financial statements must be transparent, free of bias, comparable, understandable, and reliable because the financial decisions depend primarily on them, [5]. Currently, to attract the most significant possible number of investors and provide a distinctive business image, companies have become more interested in financial statements, [6]. There are a set of challenges that companies face while trying to achieve their goals due to the continuous developments and changes in the business environment, especially after the financial scandals

that were due to the weakness of the internal control systems that happened to many large companies around the world, [7].

The financial numbers game includes many names. In this game, creative accounting is one of the main labels, [8], [9]. Fraudulent financial reporting, Income smoothing, Earnings management, and Aggressive accounting represent the other names, [1], [3], [9], [10]. The main feature is the amendment of the financial statements to give misleading information about the company's performance, [11]. Managers in various companies around the world resort to creative accounting to outplay the investors, although most of them will not admit their use of them [1], [8], [10].

There are explicit expressions of accounting practices that represent creative accounting, such as those that attempt to manipulate the rules of standard accounting practices, circumvent, if intelligently, or the spirit of those values, [12]. These practices are characterized by using "novel" methods to present liabilities, assets, or income and have questionable complications, [10].

There are a large number of corporate departments around the world trying to amend financial statements to raise the financial situation, whether in terms of the amount of profits or financial strength to reach their personal goals, due to the prevailing conditions in the business world, [4]. Corporate departments use creative accounting practices to access methods and arts to present accounting information unrealistically but attract investors because the economies of developing and developed countries are going through difficult economic conditions, [13]. This practice has led to the unreliability of the accounting information and affected the decisions taken by the users of these financial statements, [14].

Two main accounting foundations provide the groundwork for the preparation and development of accounting standards which are the financial accounting standard board [FASB] and the international accounting standard board [IASB], [12]. Therefore, in 1973, there was a primary goal of the IASB to standardize international financial reports, as the board developed and published international accounting standards and encouraged acknowledgment and recognition worldwide. However, there are still loopholes despite providing accounting standards, [15].

Therefore, the current paper examines creative accounting practices and their impact on the credibility of financial reports in Jordanian commercial banks.

This study is expected to benefit many stakeholders in commercial banks, such as regulatory authorities, researchers, management, auditors, financial analysts, and investors, and determine ways of minimizing or eliminating creative accounting in commercial banks.

Moreover, the present paper is an eye-opener to creative accounting practices in Jordanian commercial banks. It determines whether commercial and central banks use specific methods to monitor and ensure the credibility of financial reports.

This paper consists of six sections. The introduction informs the reader of the purpose of the study in section one and the theoretical background that follows in section two. Section three introduces most related previous literature and hypotheses development. Section four describes the chosen method of the research. In section five, the researcher will describe the analysis results, and finally, in chapter six, conclusions and recommendations are presented.

2 Theoretical Background

2.1 Accounting Ethics and Conceptual Framework

The researchers, [16], indicated that the deceptive practices at WorldCom and other corporations have devastatingly affected the capital markets and investors. The public also expects auditors and accountants to be eager and involved participants in the process if top management plays with numbers, [17]. Reporting accurate company data is the function of accountants, [18], [19], [20]. To ensure that the information provided is trustworthy and reliable, the auditors should re-evaluate the financial statements, [21]. Different codes of ethics decide on accountant management systems developed by the accounting profession, [22], [23]. Compliance with the law to the fullest extent is one of the code's requirements. All that is required morally from the accountant is within these rules, [24]. This is important for those who depend on the profession's credibility, [21].

2.1.1 Definition of Creative Accounting

The process of adjusting company accounts to provide the desired status of the company to the shareholders and in the absence of specific criteria called creative accounting, [2], also investors and other stakeholders, as an accountant. To provide rules of conduct and financial transactions, resolving conflicts between competitive approaches

and judging issues are issues that the accounting process deals with, [25], [26]. There is misrepresentation, deception, and manipulation due to this flexibility, [27]. The less conservative components, called creativity accounting, as an academic researcher conduct these practices and conclude that creative accounting is improving with the benefit of weakness in the existing legislation or without a particular norm, [28]. According to, [29], a method where accountants manipulate the statistics in their financial statements and commercial units' accounts using their own expertise and accounting practices is the definition of creative accounting. Also, the researchers, [26], indicated how managers manipulate the financial reporting statistics to obtain an accounting variance, which is nothing but approximations based on transactions and activities in this year. The original starting point of the year under examination represents creative accounting. According to, [30], have defined it as transforming financial accounting numbers from their actual values by using the existing rules and ignoring other accounting rules to the figures desired by the preparers. The researchers, [31], clarified it as the practices used by the management to present their own favorite financial results image as the successful manipulation of holes or ambiguities in accounting law. Practices that follow the norms of standard accounting practices but certainly deviate from the spirit of those rules is creative accounting, and it may be referred to as "earning management", [25]. Creative accounting practices are not illegal but immoral in terms of misguiding investors and are different from fraudulent accounting practices [2], [32], [33], [34].

2.1.2 Types of Creative Accounting Methods

The variation in the very creativity allows for a variation in the motives for creative accounting, so the accounting creativity function depends on recognizing creative accounting policies, and the reason for thinking and manipulating financial data is a form of misleading art, [33]. Or the entrants or the supervisory authorities as well, in the light of an accountant with experience and knowledge of all aspects of the manipulation process, [34]. Many forms of creative accounting vary in style, despite all agreeing to misleading financial statements to serve the parties themselves in many ways, [35].

1. Aggressive Accounting.

Research from, [2], defined creative accounting as the insistence on selecting and applying specific accounting methods to achieve desirable goals after

which high profits can be reached whether these established accounting practices are based on current accounting principles.

2. Earnings Management

It is a manipulation of income to reach a previously planned goal. That goal may have been determined by the management, predicted by a financial analyst, or be consistent with specific business contexts, [35].

3. Income Smoothing

It is a work on moving income between different periods, which includes reducing income in years with good income for years with lousy income by keeping it in the form of allocations for periods with inadequate income, [22].

4. Fraudulent Financial Reporting

It is a deliberate statement of erroneous data or works to delete specific values to mislead those who use financial data, which is considered an illegal and illegal act, [36].

In light of the preceding, creative accounting is formed and determined according to the nature of the goal to be achieved from the management side. The practice of creative accounting requires the existence of specific and specific specifications for its need for a qualified, expert, knowledgeable, and able to collect and analyze to be able to perform its tricky task for the parties to the economic process and to be against any accounting system Strong may be exposed, [37].

The way of using fraudulent financial reporting depending on the types of creative accounting practice will be presented as follows, [22], [35], [38]:

A. *Amortization of written-off development expenditure over the life of the asset of a project:*

Organizations can consume amortized written-off development expenditure of assets only to transfer the cost to the next few years to achieve the required results. Administrators and departments have recorded the life of assets, and hence long-term assets have a long history of depreciation in the accounting books, [39]. The desired results can be achieved through judgments or estimations in deciding on assets in creative accounting. Managers who escape taxation can depreciate the company's assets long-term, [40].

B. Sales and leaseback transactions:

The chances of creative accounting can increase when a third party is involved in transactions as a bank. As for, [41], suppose an arrangement is made to sell an asset to a bank, then lease it back for the rest of its useful life, then the price of such a "Sale and Leaseback" can be higher or lower than the market value, as the difference may be compensated by higher or lower rentals, [42].

C. Choice in the timing of transactions:

Organizations can use their way to report revenues or sales in ways that show investment returns that were too low at historical rates, [43].

D. Transfer pricing methods in multinational companies:

Organizations in different countries can shift their profits to low-tax regime countries through tax differentiation and advantages. Organizations are free to specify the price transfer method; thus, high price transfer in high tax regime units can be implemented, [44]. In creative accounting, these alternatives are significant.

It was critically recognized that choices of accounting approaches are the primary explanation for creative accounting. Companies use any of the methods set out in the system according to their convenience and under accounting standards, [40], [45]. Also, organizations present a desired picture of the company through choices in methods of accounting which give them the legal right, [46]. Despite the likelihood that the information is deceptive to stakeholders, the program permits businesses to use any approach, [44]. Accounting practices that seek to appear to cleverly bypass the reality or circumvent rules of the spirit of those principles or traditional accounting practices represent Earning Management and Creative Accounting, [39], [46]. The presentation of income assets or liabilities can be described as questionable complications and "novel" means, [4]. The financial reporting becomes ineffective due to the reports of some dubious stewards, such as account falsification, profit overstatement, and price manipulation, [47].

2.2 Conceptual Framework of Credibility of Financial Reports

International standards define the credibility feature as data free from material error and bias and through which users can rely on it to represent it honestly. The data must have several specifications to gain the quality of credibility, the most important of which is: that it is free from Physical error, to be

neutral and free from bias, to represent transactions and events that are supposed to be represented honestly, and to be complete so that they fall within the framework of materialism and cost, [19], [48]. There is a close relationship between the concepts of conservatism and credibility or reliability, [37], [49]. The authors of accounting data have a certain level of conservatism in the case of making estimates and during their exercise of the imposed judgments. It is necessary not to exaggerate the statement of assets and income and work to reduce the expense because the accounting data are characterized as non-neutral or biased, [50].

Regarding credibility, the accounting data should express essential data to increase the understanding of who uses the information for the events it expresses and the explanatory and descriptive information, [28]. The credibility feature in the accounting data adds service to those who use the accounting information to help them evaluate the available information. Due to the difficulty of providing sufficient time and experience for them to give judgment on the accounting data, hence the accounting data must be free from error and bias and be presented truthfully and it derives from The credibility property of the data has three primary sub-properties, [23], [32], [51]:

1. Verifiability

This means that the accounting data is complete, that is, it falls within a specific limit of materiality and cost, and the necessity of taking into account not to delete any part of the data that makes the accounting data misleading, wrong, and dishonest, [52]. In, [53], defined the verifiability feature as the ability of those who use accounting information and those who undertake the measurement process by using measurement methods to reach results similar to economic events and facts, [54].

2. Faithful Representation

Research from, [55], explained that the feature of honesty in presentation is the process of representing data for all operations and events that should be expressed honestly, and this allows accounting data to be described as credible and reliable. Whereas, [56], defined her as meaning that there is a congruence and agreement between the resources and events that the numbers and descriptions show and the same accounting numbers and descriptions on the other hand.

3. Neutrality

This property is free of information from neutrality and bias to be described as reliable and reliable accounting data, [57]. From the point of view of, [58], neutrality has been defined as accounting

information free of bias in a situation where there is no readiness for financial statements to work to provide the service to a specific party or entity at the expense of the parties and remaining parties who use the accounting information, or intending to reach a specific goal.

2.2.1 Disclosure Credibility

The quality of company disclosures and the actual reliability are difficult to evaluate due to the lack of information necessary for investors, [59]. Consequently, the information content of the disclosure, believability of company disclosures, or credibility should be evaluated by investors, [60]. The researcher, [61], indicated that investors' observations of credibility would play a role in evaluating investors' reactions to disclosures as important as the information itself. Due to the failures of companies that have affected investor trust in financial reporting, it is particularly relevant after SOX, [62].

To evaluate investor perceptions of disclosure credibility, the researchers, [63], provided a framework. The degree of external and internal assurance is considered one of the most influential factors in perceptions of disclosure credibility, [64]. According to, [52], the trust of investors in the "trustworthiness of the display of measurement results" and "competence and care of the application of stated measurement methods" is the reason for this impact. There are many studies, [35], [59], [65], highlighting assurance that the external auditor provides and a potential source of information that may lend disclosure credibility is the responsibility of the internal audit. Internal auditors' prominent role is detecting fraud and preventing errors. The capacity to discover and correct problems before they grow large is the function of internal audit, [66].

3 Literature Review and Hypotheses Development

Existing research highlights creative accounting practices and how to impact the credibility of financial reports. This chapter contains the most related previous studies to the current study and determines the gaps in the literature this study will try to fill.

Some previous papers were empirical studies, such as, [10], which aimed at finding how detecting creative accounting practices is affected by cognitive creativity in accounting among internal auditors. Cognitive creativity in accounting,

measured by [creativity supports, creativity type, and creativity resources] was utilized in this paper. To reach the objective of the current paper, the analytical descriptive analysis was adopted. The community of this study consists of 128 Internal Audit staff at each Jordanian public shareholding industrial company. It was found that detecting creative accounting practices is affected statistically and positively by cognitive creativity in accounting among Jordanian internal auditors related to creativity supports, creativity type, and creativity resources.

Another empirical study was, [67], which examined how the credibility of financial reports is affected by creative accounting practices. Creative accounting practices measured by creative accounting practices in the statement of cash flow, creative accounting practices in the statement of income, and creative accounting practices in the statement of financial position were utilized in this study. To reach the objective of the current paper, the analytical descriptive analysis was adopted. The community of this study consists of 147 internal auditors, audit managers, accountants, and financial managers in private commercial banks in Iraq. It was found that the credibility of financial statements is affected negatively and statistically by creative accounting practices measured by creative accounting practices in the statement of cash flow, creative accounting practices in the statement of income, and creative accounting practices in the statement of financial position.

In the same line of research, the study by, [2], explored how the credibility of accounting reports is affected by creative accounting practices in Nigeria. Creative accounting practices measured by income smoothing and tax avoidance were utilized in this study. To reach the objective of the current paper, the analytical descriptive analysis was adopted. The community of this study consists of, 80, accountants in banks and other enterprises with parents' companies in Nigeria. It was found that the credibility of accounting reports is affected negatively and statistically by creative accounting practices measured by income smoothing and tax avoidance.

Moreover, it was found that many rules, without appropriate checks, penalties, and incentives, complement creative accounting in providing the basis for inaccurate, superficial, and unequal reporting. Another study, also in the Nigerian context, found that the quality of financial statements is affected negatively and statistically by creative accounting practices measured by profit smoothing and objectivity, unjustified changes in

accounting policies and estimates and comparability, and aggressive earnings management and relevance, [1]. In a similar context, namely in Kenya, [25], found that financial performance measured by earnings after tax is affected negatively and statistically by creative accounting practices. Also, the majority of firms collapsed because of their misuse of it.

Other studies were conducted in the Middle East, such as, [68], which aimed at finding how the reliability of financial reporting is affected by creative accounting ethics techniques. Creative accounting ethics techniques measured by qualitative characteristics of accounting information, commitment to ethical standards, and roles of statutory auditors in creative accounting practices were utilized in this paper. The analytical descriptive analysis was adopted to reach the current paper's objective. The community of this study consists of, [65], practitioners of the accounting and auditing profession in the KSA environment. It was found that the reliability of financial reporting statements is affected negatively and statistically by qualitative characteristics of accounting information, commitment to ethical standards, and roles of statutory auditors in creative accounting practices.

Furthermore, a study by, [69], also aimed at finding how the credibility of financial statements is affected by creative accounting practices in Iraq. Creative accounting practices measured by creative accounting practices in the statement of cash flow, creative accounting practices in the statement of income, and creative accounting practices in the statement of financial position were utilized in this paper. The analytical descriptive analysis was adopted to reach the current paper's objective. The community of this study consists of, [43], Office of the Comptroller accounts of licensees to work in the profession under the bulletin issued by the Council of career control and Audit in Iraq. It was found that the credibility of financial statements is affected negatively and statistically by creative accounting practices measured by creative accounting practices in the statement of cash flow, creative accounting practices in the statement of income, and creative accounting practices in the statement of financial position.

The current study aimed at researching creative accounting practices and their impact on the credibility of financial reports in Jordanian commercial banks, and it is clear from previous studies that were presented that although previous studies dealt with the subject of the study, none of them dealt with the subject of the study in all its

dimensions, which is accounting practices creative in each of the financial statements represented by creative accounting practices in the statement of financial position, creative accounting practices in the statement of income, and creative accounting practices in the statement of cash flow and its impact on the credibility of the financial statements in the Jordanian environment, as the current study is distinguished from its predecessors by its modernity as it was conducted during the year 2020, and therefore the current study is a new study can be relied upon by the departments of commercial banks of Jordan in making their decisions, and can benefit researchers in the development of their research using the results.

Based on the findings of the previous studies discussed above, the current study formulates the following hypotheses:

Ho1: "There is no significant impact of creative accounting practices on the credibility of financial reports in Jordanian commercial banks."

Ho₁₋₁: "There is no significant impact of creative accounting practices in the statement of financial position on the credibility of financial reports in Jordanian commercial banks."

Ho₁₋₂: "There is no significant impact of creative accounting practices in the statement of income on the credibility of financial reports in Jordanian commercial banks."

Ho₁₋₃: "There is no significant impact of creative accounting practices in the statement of cash flow on the credibility of financial reports in Jordanian commercial banks".

4 Research Design

The present chapter provides a summary of the methods of the research which were utilized. It also gives data about the study sample, their identity, and the way they participated in the study sample. Depending on the studies on used creative accounting practices, the study used the quantitative method to study the impact of creative accounting practices on the credibility of financial reports in Jordanian commercial banks. This section contains five parts. The 1st part clarifies why the study used the quantitative approach and shows its outcomes. Part two presents the ways the questionnaire was examined and the places it was distributed. Part three presents a characterization and negotiation of the quantitative research method and why the academics used the survey method. Part four presents a discussion of information analyses. Moreover, part five presents the conclusion.

This study uses the quantitative approach to test the impact of creative accounting practices on the credibility of financial reports in Jordanian commercial banks. This is due to their exceptional benefits for the descriptive designs, which need no tests and aim to characterize reality and test the thesis. Research from, [70], clarifies that the quantitative approach is an investigation procedure of comprehension that depends on the method of inquiry tradition, which investigates problems, allows composite building, overall picture, word analyzing, announcing detailed informants' opinions, and managing the research in natural situations.

Among the parts of the quantitative approach is a survey, which is applied to start incidents or spreading of a specific situation. Also, the survey method is often used to gather behavior and attitude data. According to, [71], states that a classical experimental design questionnaire is the perfect choice for some issues whose participants are randomly distributed to a group of dominant or a group of intervention.

At first, the researchers should be sure that the information will be gathered in a standard form by making a questionnaire that carefully gives directed and planned questions, [72], that include short and obvious questions. This chapter is followed by a survey which was managed to be distributed as a survey. The pattern of the survey is as follows: the 1st part contained the form to be filled with the demographic data of participants (age, gender, experience, specialization, and degree). The other parts contained scale questions that aimed to seize the variables, dependent variable, and independent variables of every subdivision of the survey creative accounting practices in the statement of financial position, creative accounting practices in the statement of income, creative accounting practices in the statement of cash flow, and credibility of financial reports.

The survey designed the questions to make sure the participants understand the statements. In addition, the survey confirms the easy comprehension and obviousness of all parts of the survey. The survey was also previously tested by the academic's supervisor and was improved depending on the supervisor's recommendations.

The survey questions were improved depending on the available measurements and scales from the present literature. The 5-Likert scale was utilized to seize the items with a range of five points: 5= strongly agree, 4= agree, 3= neutral, 2= disagree & 1= strongly disagree. This scale assists the respondents in choosing particular

answers. The research structure presented contains four variables, where the first variable creative accounting practices in the statement of financial position is from 5 questions formulated by relying on the following studies, [1], [10], [67], [69], whereas the second variable [creative accounting practices in the statement of income] contained, [5], questions that were formulated based on the following studies, [1], [8], [10], [68], as for the third variable [creative accounting practices in the statement of cash flow], it contains, [5], questions that were formulated based on the following studies, [1], [3], [7], [44], finally, as the credibility of financial reports, it contains, [5] questions that were formulated by drawing on the following studies, [8], [10], [69].

According to, [73], the research quality is highly affected by the method of selecting the sampling method. The selected sample in this study is the random sample to fulfill the schedule that acknowledged the impact of creative accounting practices on the credibility of financial reports, and this subject was not studied before, mainly in Jordanian commercial banks. So, the study sample included senior and mid-managers and employees in commercial banks in Jordan, males and females with various academic and educational levels [doctorate, master, Bachelor, and diploma]. According to, [71], says that deciding the study sample size is a crucial step in characterizing any statistical study. Also, [73], say that the size of the sample selected should represent the targeted people. The significance of the size of the study sample and determining it was negotiated by, [71], by stating that the size of the sample is a critical element that affects the error margin.

The researchers got experimental information from the sample respondents by testing the tool of the study sample. Research from, [74], attempted to evaluate the rate of the population; the sample containing 100 participants gave an error margin of less than 10%. The sample, which includes 500 participants, gives an error margin of less than 4.5%. The sample, which includes 1000 participants, gives an error margin of less than 3%. The sample size should be more than three times the total number of questions; if the survey has 20 questions, it should be distributed to senior and mid-managers and employees in commercial banks in Jordan. The survey included 80 participants, retrieved 56 questionnaires by the participants in the survey, while, 5 were disregarded since they were answered carelessly, and, 51 questionnaires of them were correctly filled. The procedure of gathering information started on 13/04/2020 and

ended on 21/04/2020. The surveys were distributed through Google Forms by asking participants in the survey of all levels to fill out the surveys.

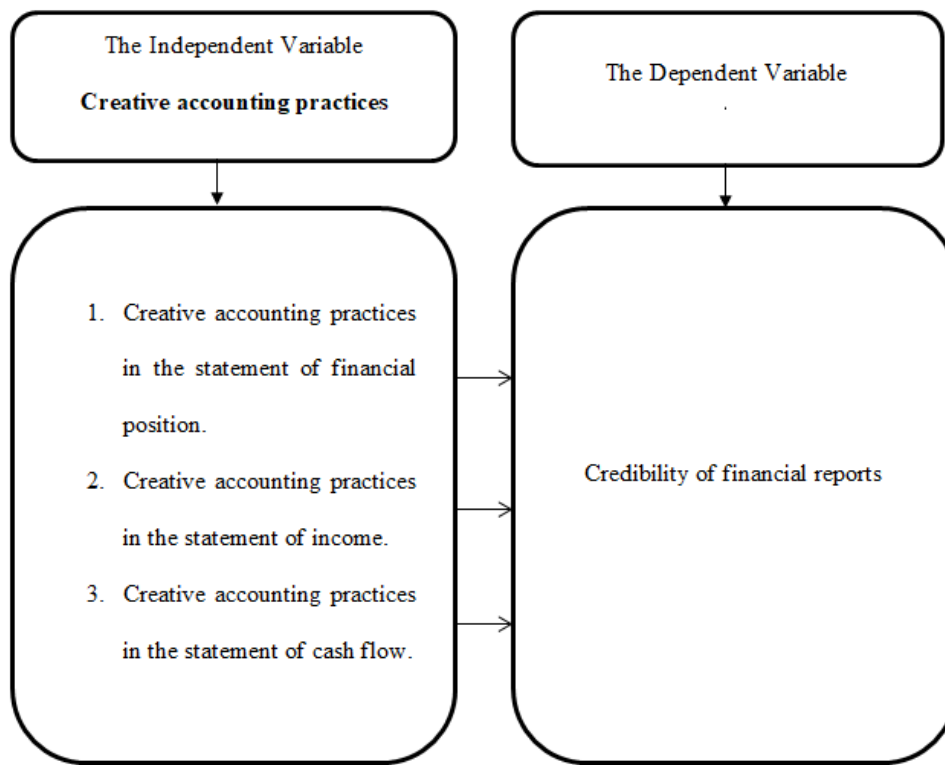


Fig. 1: Model of creative accounting practices resulting to financial reports credibility [38]

The researchers utilized statistical analysis, which affected and changed the essential information into numbers to give beneficial data. The academics are going to test and adjust information for perfectness and uniformity. They excluded incomplete questionnaires, which made a percentage of 6.2%. So that to have the information in the form of a numerical weighting scale, they will test the information by using a quantification procedure coding scales: 5= strongly agree & 1= strongly disagree. A statistical method, Social Science Software SPSS, was utilized to analyze the information and test the hypotheses improved for this study.

Figure 1 shows the conceptual framework of the research variables regarding the independent variables which is Creativity accounting practices while the dependent represents credibility of financial reports.

5 Results of the Study

This chapter consists of the findings gained back from the conducted online survey. The survey has been distributed to senior and mid-managers and employees in commercial banks in Jordan. This chapter will present and analyze the results obtained using multiple regression Analysis (SPSS, 22). This chapter is going to analyze reliability testing and analyze the descriptive. Finally, it will be used of multiple regression analysis, to verify the hypotheses of the study that researchers previously developed.

5.1 Sample Characteristics

Table 1. Demographics analysis of a sample

Gender	Frequency	Percentage%
Male	36	70.6
Female	15	29.4
Age	Frequency	Percentage%
From 22-24.	3	5.9
From 25-35.	25	49.0
From 36-45.	14	27.5
46 years & above.	9	17.6
Degree	Frequency	Percentage%
Diploma	0	0
Bachelor	26	51.0
Masters	25	49.0
Doctorate	0	0
Certificates	Frequency	Percentage%
CPA	3	5.9
CFA	4	7.8
CFE	5	9.8
Others:.....	39	76.5
Experience	Frequency	Percentage%
Less than two years.	3	5.9
2-5 years.	24	47.1
5-10 years.	16	31.4
More than 10 years.	8	15.7

Table 1 shows that based on data acquired via the responding sample in terms of the Sample: gender, age, academic level, professional certification, and employment experience. For the sample by gender, the data indicated that 70.6% whereas 36 out of 51 respondents in the sample research were male. In contrast, 29.4% of the second-rank had been 15 out of 51 responders female. This means the males took up more than half of the sample.

The following describes the distribution of the study sample by age which indicated that 3 out 51 respondents represents 5.9% of the research group was between the ages of 22 and 24 years old, while 25 out 51 respondents represents 49% between the ages of 25 and 35 years old that implies this group is highest majority of the sample size. On other hand 14 out 51 respondents represents 27.5% of respondents were between the ages of 36 and 45 years old. Further, 9 out 51 respondents represents 17.6% of the population were 46 years and above

In the highest qualification of education, the majority of the sample had a Bachelor's degree, with 51%. While 9 people obtained professional certificates from the people who filled out the survey in this study. As for the experience, it was found that the majority of the study samples were those who had 2-5 years of experience.

5.2 Reliability and Descriptive Analysis

Table 2 shows a descriptive analysis of the variables questions. It is noticed from Table 2 that the total average of answers for the variable creative accounting practices in the statement of financial position is 1.627; the result is closer to "strongly disagree." The total average of answers for creative accounting practices in the statement of income is 1.957; the result is closer to "disagree." The total average of answers for creative accounting practices in the statement of cash flow is 1.780; the result is closer to "disagree." Finally, the total average of answers for credibility of financial reports is 4.369; the result is closer to "strongly agree."

It is also noted that the value of the standard deviation of all variables decreases, which indicates an agreement in the study sample about these variables.

The Cronbach alpha test measures the validity of the variables. Table 2 shows the values exceed 70% of Cronbach alpha, which indicates the reliability of all of the variable, [74]. The Cronbach alpha for creative accounting practices in the statement of financial position is (0.715), The Cronbach alpha for creative accounting practices in the statement of income is (0.892), The Cronbach alpha for creative accounting practices in the statement of cash flow is (0.937) and The Cronbach alpha for The credibility of financial reports is (0.855) the results of each variable get a value of more than 70%.

Table 2. Construct reliability and Validity analysis, and Descriptive analysis

Variables	Mean Scores	α	Std. Deviation
Creative accounting practices in the statement of financial position	1.627	0.715	0.320
Creative accounting practices in the statement of income	1.957	0.892	0.599
Creative accounting practices in the statement of cash flow	1.780	0.937	0.662
The credibility of financial reports	4.369	0.855	0.499

5.3 Testing Hypotheses

To decide if the study hypotheses are acceptable or not, multiple linear regressions were used in the study. Also, to know whether the hypotheses are acceptable or not, the study used significance with a rate less than 0.05 so that to assure the substitution hypotheses and reject those which are invalid as the academics utilized R^2 [coefficient of determination value] to clarify the accuracy in illustrating how the credibility of financial reports responds to creative accounting practices. There's a rule which proclaims that when the value of significance is less than 0.05 ($\text{Sig} < 0.05$), then the hypothesis "Ho" is rejected, and "H" is acceptable. To prove the 1st main hypothesis, the study utilized multiple linear regressions (Table 3) as below.

1. Ho₁: "There is no significant impact of creative accounting practices on the credibility of financial reports in Jordanian commercial banks." The results of the analysis rejected the hypothesis and supported "H" because Sig. F is less than 5%, its equal (Sig. F-distribution = 0.000; F-distribution = 7.187). This means "there is an impact of creative accounting practices on the credibility of financial reports in Jordanian commercial banks."
2. Ho₁₋₁: "There is no significant impact of creative accounting practices in the statement of financial position on the credibility of financial reports in Jordanian commercial banks." The results of the analysis rejected the hypothesis and supported "H" because Sig.T is less than 5%, it's equal ($\text{Sig} < 0.05$, = 0.015; T-value= -2.533; Coefficient = -0.319). This means that if creative accounting practices are applied in the statement of financial position, then the credibility of financial reports will decrease.
3. Ho₁₋₂: "There is no significant impact of creative accounting practices in the statement of income on the credibility of financial reports in Jordanian commercial banks." The results of the analysis rejected the hypothesis and supported "H" because Sig.T is less than 5%, it's equal ($\text{Sig} < 0.05$, = 0.004; T-value= -3.023; Coefficient = -0.381). This means that if creative accounting practices in the statement of

income, then the credibility of financial reports will decrease.

4. Ho₁₋₃: "There is no significant impact of creative accounting practices in the statement of cash flow on the credibility of financial reports in Jordanian commercial banks." The results of the analysis rejected the hypothesis and supported "H" because Sig.T is less than 5%, it's equal ($\text{Sig} < 0.05$, = 0.003; T-value= -3.124; Coefficient = -0.377). This means that if creative accounting practices in the statement of cash flow, then the credibility of financial reports will decrease.
5. Besides that Table 3 shows the Adjusted R^2 rate is 0.271, which points to the credibility of financial reports that relies on creative accounting practices creative accounting practices in the statement of financial position, creative accounting practices in the statement of income, and creative accounting practices in the statement of cash flow, this value is moderate and reliable in the process of interpretation and prediction in the credibility of financial reports in Jordanian Commercial banks.

Table 3. The Results of Testing First Main Hypothesis and Sub Hypotheses

Hypotheses	Path Coefficients [β]	T-value	Std. Error	Sig. T < 0.05	Adjusted R ²
Ho ₁₋₁ : Rejected	-0.319	-2.533	0.196	0.015	0.271
Ho ₁₋₂ : Rejected	-0.381	-3.023	0.105	0.004	
Ho ₁₋₃ : Rejected	-0.377	-3.124	0.091	0.003	
Ho ₁ : Rejected	[F-value = 7.187; Sig. F < 0.05 = 0.000.; R = 0.561]				

6 Conclusion, Limitations, and Recommendations

The target of the study is to test the impact of creative accounting practices on the credibility of financial reports in Jordanian commercial banks. Senior and mid-managers and employees in commercial banks constituted the sample of the study. Depending on the literature in hand, the academics assure the existence of an impact of creative accounting practices on the credibility of financial reports in Jordanian commercial banks. The findings of this study support this, as illustrated in the previous section. This study points to the gap in research and so calls for more studies in the future in this scope to detect the variations and similarities between the sector of banking and other sectors. As a result, the reliability of financial statements is an essential requirement that must be taken into consideration by bank departments as an effective weapon to try to address creative accounting practices to increase transparency in the data presented in the financial statements that are directed to a broad segment of decision-makers. The results of this study were compatible with the preceding studies' outcomes such as, [2], [10], [67].

At last, there are several aspects of creative accounting practices, including a positive aspect that includes accounting methods and principles to identify changes in the economic, political, and administrative aspects, and there is a negative side to exploit flexibility and gaps in accounting standards to improve the image of the economic establishment by misleading the financial statements, which may Stumble occurs in these facilities.

There are a few limitations of the current research. The first limitation is that the low response to the survey can lead to a bias in non-response, and this bias was evident in the test for Jordanian commercial banks. All due to the circumstances that Jordan and other countries are going through from a curfew due to the Covid 19. The second limitation is that the researchers conducted a few types of research that investigated how the credibility of financial reports in Jordanian commercial banks is influenced by creative accounting practices.

In conclusion, the current study recommends that the regulatory bodies in Jordan adopt policies to discover creative accounting methods in the financial statements and the development of deterrent laws that are based on the issuance of penalties and sanctions for those who practice such methods. The study suggests conducting several future studies that focus on creative accounting

practices in Jordan to reduce them and achieve the highest possible level of decision support.

References:

- [1] Nangih E. (2017). Nexus between Creative Accounting Practices and Financial Statements Quality in Nigeria: A Reflection of Oil Servicing Companies in Port Harcourt Metropolis. *Journal of Accounting and Financial Management*, 3 (3), pp.64-71.
- [2] Akpanuko E. E., Umoren N. J. (2018). The influence of creative accounting on the credibility of accounting reports. *Journal of Financial Reporting and Accounting. the credibility of accounting reports"*, *Journal of Financial Reporting and Accounting*, Vol. 16 Issue: 2, pp.292-310.
- [3] Okoro E. G., Okoye, E. I. (2016). Taming creative accounting via international financial reporting standards: The Nigerian scenario. *Business Trends*, 6 (4), pp.11-17.
- [4] Bhasin M. L. (2013). Corporate Governance and Forensic Accountant: an Exploratory Study, *Journal of Accounting, Business and Management*, October, 20 (2), pp.55-75
- [5] Bhasin M. L., Shaikh J. M. (2013). Economic value added and shareholders' wealth creation: the portrait of a developing Asian country. *International Journal of Managerial and Financial Accounting*, 5 (2), pp.107-137.
- [6] Yadav B., Kumar A., Bhatia B. S. (2014). Concept of creative accounting and its different tools. *International Journal of Management and Social Sciences Research [IJMSSR]*, 3 (2), pp.66-74.
- [7] Hamad M. M. A. (2014). The role of auditing in reducing the creative accounting effects on the financial data of the Iraqi companies M. Mageed AbdZaid Hamad University of Al-Qadissiya College of Economic and Administration Department of Accounting. *Al Kut Journal of Economics Administrative Sciences*, 1 (16), pp.260-282.
- [8] Taherinia M., Tavakoli N., Tavakoli F. (2018). The Impact of Creative Accounting on the Probability of Fraud in the Companies Accepted in the Tehran Stock Exchange. *Industrial Engineering & Management Systems*, 17 (4), pp.709-718.
- [9] Saleh M. M. A., Jawabreh O. A., Alsarayreh M. N., Abu-Eker E. F. M., Jahmani A. (2019). The Motives for Applying Creative Accounting Methods and Their Impact on the Credibility of Financial Statements in

- Jordanian Hotels. *Journal of Southwest Jiaotong University*, 54 (4).
- [10] Al-Olimat N. H. (2019). "The Impact of Cognitive Creativity in Accounting among Jordanian Internal Auditors on Detecting Creative Accounting Practices, A Field Study. *International Journal of Business and Social Science*, 10 [2].
- [11] Salome E. N., Ogbonna M. I., Marcel E. C., Echezonachi O. E. (2012). The effect of creative accounting on the job performance of accountants [auditors] in reporting financial statements in Nigeria. *Kuwait chapter of Arabian Journal of Business and Management Review*, 33 (845), pp.1-30.
- [12] Brander M., Gillenwater M., Ascui F. (2018). Creative accounting: A critical perspective on the market-based method for reporting purchased electricity (scope 2) emissions. *Energy Policy*, 112, pp.29-33.
- [13] John H. R., Kamau J. G., Nzioki P. M. (2018). Influence of Creative Accounting Practices on Tax Evasion Amongst Small and Medium Enterprises in Nakuru, Kenya. *International journal of business and processes*, 4 (2), 9-9.
- [14] Ochotorena F. R. (2018). Creative Accounting: Ethical Challenges Confronting External Auditors Behind the Cooking of the Books. *The Dividends: Nacpae Journal of Accounting Research*, 1 (1).
- [15] Karim A. M., Fowzia R., & Rashid M. M. (2014). Perception gap analysis between external auditors and accountants in the application of creative accounting techniques in Bangladesh. *International Journal of Managerial and Financial Accounting*, 6 (4), pp.296-302.
- [16] Remenarić B., Kenfelja I., Mijoč I. (2018). Creative Accounting-Motives, Techniques and Possibilities Of Prevention. *Ekonomski Vjesnik*, 31 (1), pp.193-199.
- [17] Shahid M., Ali H. (2016), "Influence of Creative Accounting on Reliability and Objectivity of Financial Reporting (Factors Responsible for Adoption of Creative Accounting Practices in Pakistan)", *Journal of Accounting and Finance in Emerging Economies*, Vol. 2, No. 2, pp.75-82.
- [18] Mindak M. P., Sen P. K., Stephan J. (2016), "Beating threshold targets with earnings management", *Review of Accounting and Finance*, Vol. 15, No. 2, pp.198-221.
- [19] Karim A. M., Shaikh J. M., Hock O. Y., Islam M. R. (2016), "Solution of Adapting Creative Accounting Practices: An In-depth Perception Gap Analysis among Accountants and Auditors of Listed Companies," *Australian Academy of Accounting and Finance Review*, Vol. 2, No. 2, pp.166-188.
- [20] Ndebugri H., Twen Gherai S. D., Balaciu M. D. (2011), From Creative accounting practices and Enron phenomenon to the current financial crisis; *Annales Universitatis Apulensis Series Oeconomica Vol 1, Issue 13*, 3.
- [21] Amat O., Gowthorpe C. (2010). Creative accounting: Nature, incidence and ethical issues. *Journal of Economic Literature Classification*. M4, pp.11-15.
- [22] Ezeani E., Ogbonna I., Ezemoyih M. (2012). The effect of creative accounting on the job performance of accountants (Auditors) in reporting financial statements in Nigeria. *Kuwait Chapter of Arabian Journal of Business Management Review*. 1 (9).
- [23] Effioke O. S., Eton E. O. (2012), Creative Accounting and Managerial Decision on selected Financial Institutions in Nigeria. *International Journal of Business Research and Management*, Vol. 3 (1).
- [24] Fizza T., Qaisar A.M. (2015), "Creative accounting and financial reporting: model development and empirical testing," *International Journal of Economics and Financial Issues*, Vol. 5 No. 2, pp.544-551.
- [25] Nyabuti V.O, Memba F., Chege C. N. (2016). Influence of creative accounting practices on the financial performance of companies listed in the Nairobi Security Exchange in Kenya. *International Journal of Management and Commerce Innovations*. 3 (2), pp.45-59.
- [26] Van Caneghem T. (2002), "Creative accounting induced by cognitive reference points", *British Accounting Review*, Vol. 34 No. 2, pp.167-178.
- [27] Brijesh Y. (2014), "Creative accounting: an empirical study from professional perspective", *International Journal of Management and Social Sciences Research*, Vol. 3 No. 1, pp.23-56
- [28] Prerna J., Anurodh G. (2015), "Role of creative accounting in financial scandals: an exploratory study of some high profile companies", *Pezzottaite Journals*, Vol. 4 No. 3, pp.78-95.
- [29] Niskanen J., Keloharju M. (2000), "Earning cosmetics in a tax-driven accounting environment: evidence from Finnish public firms," *The European Accounting Review*, Vol. 9 No. 3, pp.443-452.

- [30] McNichols M., Wilson G.P. (1998), "Evidence of creative accounting from the provision for bad debts," *Journal of Accounting Research*, Vol. 26, pp.1-33.
- [31] Akenbor C. O., Ibanichuka E. A. L. (2012). Creative Accounting Practices in Nigerian Banks. *African Research Review-International Multidisciplinary Journal*, Ethiopia, Vol. 6 (3), Serial No. 26.
- [32] Jawad F.A., Xia X. (2015). International Financial Reporting Standards and Moral Hazard of Creative Accounting on Hedging. *International Journal of Finance and Accounting*, vol. 4, no. 1, pp.60-70.
- [33] Munene J. W. (2016). The Effect of Creative Accounting On Shareholders' Wealth in Listed Companies in Kenya (Doctoral dissertation, University Of Nairobi).
- [34] Kamau C. G., Namusonge G. S., Bichanga W. O. (2016). Creative accounting among corporations listed in NSE: Sector analysis. *The International Journal of Business & Management*, 4(1), 161.
- [35] Bhasin M. L. (2016), "Survey of Creative Accounting Practices: An Empirical Study", *Wulfenia Journal*, Vol. 23, No. 1, pp.143-162.
- [36] Elisabeta B. D., Beatrice V. A. (2010). Creative Accounting-Players and their Gains and Loses. *Annals of Faculty of Economics*, 1 (2), pp.813-819.
- [37] Fizza T., Malik Q. A. (2015). Creative Accounting and Financial Reporting: Model Development and Empirical Testing, *International Journal of Economics and Financial Issues*.
- [38] Matis A. B. V., Negrea, L. (2009), "Cash-Flow Reporting between Potential Creative Accounting Techniques and Hedging Opportunities Case Study Romania". *Annales Universitatis Apulensis Series Oeconomica*, Vol. 11, No. 1, pp.140-153.
- [39] Osisioma B. C., Enahoro J. A. (2006). Creative Accounting and Option of Total Quality Accounting in Nigeria; *Journal of Global Accounting*; 2 (1); 515.
- [40] Patnaik B. C. M. (2014). Creative accounting and Window Dressing: an empirical analysis, *International Journal of Management*, vol. 5, issue 2, Feb. pp.61-68.
- [41] Odia J. O., Ogiedu K.O (2013), "Corporate Governance, Regulatory Agency and Creative Accounting Practices in Nigeria", *Mediterranean Journal of Social Sciences*; Vol. 4, No.3.
- [42] Okoye E. J., Alao B. B. (2008). The Ethics of Creative Accounting in Financial Reporting: The Challenges of Regulatory Agencies in Nigeria. *Certified National Accountant*, 16 (1).
- [43] Assadaq F., Malik Q. A. (2015). Creative accounting and financial reporting: model development and empirical testing, *International Journal of Economics and Financial Issues*, Vol. 5, Issue 2, pp.544-551
- [44] Abed I. A., Hussin N., Ali M. A., Haddad H., Shehadeh M., Hasan E. F. (2022). Creative accounting determinants and financial reporting quality: Systematic literature review. *Risks*, 10(4), 76. DOI: <https://doi.org/10.3390/risks10040076>.
- [45] Zuca M., Ioanas C. (2012). Embellishment of financial statements through creative accounting policies and options. *Procedia - Social and Behavioral Sciences* 62, Bucharest, Romania
- [46] Adaramola A. A., Atanda O. A. (2014). "The Relationship between Financial Accounting, Auditing and Market Values of Quoted Firms in Nigeria." *Global Journal of Contemporary Research in Accounting, Auditing, and Business Ethics* ISSN: 2311-3162, Vol.1, Issues 1.
- [47] Bakre O.M. (2007). The Unethical Practices of Accountants and Auditors and the compromising stance of professional bodies in the corporate world: Evidence from Corporate Nigeria *Accounting Forum*, 31 (3).
- [48] Dabor E. L., Adeyemi S. B. (2009). Corporate governance and the credibility of financial statements in Nigeria. *Journal of Law and Governance*, 4 (1).
- [49] Benmelech E., Bergman N. K. (2008). Liquidation values and the credibility of financial contract renegotiation: Evidence from US airlines. *The Quarterly Journal of Economics*, 123 (4), pp.1635-1677.
- [50] Kamau. C. Mutiso, Ngui D. (2012). Tax avoidance and evasion as a factor influencing creative accounting practice among companies in Kenya. *Journal of Business Studies Quarterly* 2012. 4 (2) pp.77-84
- [51] Fong A. (2006). "Earnings Management in Corporate Accounting: An Overview," *Cross-Sections*, Vol. 2, pp.81-95.
- [52] Humpherys S. L., Moffitt K. C., Burns M. B., Burgoon J. K., Felix W. F. (2011). Identification of fraudulent financial statements using linguistic credibility

- analysis. *Decision Support Systems*, 50 (3), pp.585-594.
- [53] Cao Y., Wasley C. E., Wu J. S. (2007). Soft-talk management cash flow forecasts: Verifiability, credibility, and stock price effects.
- [54] Keung E. C. (2017). Do supplementary sales forecasts increase the credibility of financial analysts' earnings forecasts? *The Accounting Review*, 85 (6), pp.2047-2074.
- [55] Opanyi R. O. (2016). The effect of adoption of international public sector accounting standards on quality of financial reports in the public sector in Kenya. *European Scientific Journal*, 12 (28), pp.1857-7881.
- [56] McCallig J., Robb A., Rohde F. (2019). Establishing the representational faithfulness of financial accounting information using multiparty security, network analysis, and a blockchain. *International Journal of Accounting Information Systems*, 33, pp.47-58.
- [57] Olagunju A. (2011). An empirical analysis of the impact of auditors' independence on the credibility of financial statements in Nigeria. *Research journal of finance and accounting*, 2 (3), pp.82-99.
- [58] Herath S. K., Albarqi, N. (2017). Financial reporting quality: A literature review. *Int. J. Bus. Manag. Commer*, 2 (2), pp.1-14.
- [59] Rahman S. (2012). Impression management motivations, strategies and disclosure credibility of corporate narratives. *Journal of Management Research*, 4 (3), 1.
- [60] Abed I. A., Hussin N., Haddad H., Al-Ramahi N. M., Ali M. A. (2022). The moderating impact of the audit committee on creative accounting determination and financial reporting quality in Iraqi commercial banks. *Risks*, 10(4), 77. DOI: <https://doi.org/10.3390/risks10040077>.
- [61] Ball R., Jayaraman, S., Shivakumar, L. (2012). Audited financial reporting and voluntary disclosure as complements: A test of the confirmation hypothesis. *Journal of Accounting and Economics*, 53 (1-2), pp.136-166.
- [62] Wang L., Tuttle, B. (2014). Using corporate social responsibility performance to evaluate financial disclosure credibility. *Accounting and Business Research*, 44 (5), pp.523-544.
- [63] Ioannou I., Serafeim G. (2017). The consequences of mandatory corporate sustainability reporting. Harvard Business School research working paper, pp.11-100.
- [64] Abed I. A., Hussin N., Haddad H., Almubaydeen T. H., Ali M. A. (2022). Creative accounting determination and financial reporting quality: the integration of transparency and disclosure. *Journal of Open Innovation: Technology, Market, and Complexity*, 8(1), 38. DOI: <https://doi.org/10.3390/joitmc8010038>.
- [65] Athanasakou V., Hussainey K. (2014). The perceived credibility of forward-looking performance disclosures. *Accounting and business research*, 44 (3), pp.227-259.
- [66] Dobler M. (2008). Incentives for risk reporting - A discretionary disclosure and cheap talk approach. *The International Journal of Accounting*, 43 (2), pp.184-206.
- [67] Al-Takriti T., (2019). Creative Accounting Practices and its Impact on the Credibility of Financial Reports to Support Financial Decisions in Private Commercial Banks in Iraq. A thesis submitted for the Ph.D. degree in Accounting and Finance.
- [68] Ismael A. Y. A. (2017). The impact of creative accounting techniques on the reliability of financial reporting with particular reference to Saudi auditors and academics. *International Journal of Economics and Financial Issues*, 7 (2), pp.283-291.
- [69] Al-Zayadi M., (2016). The impact of creative accounting methods on the credibility of financial statements "An Empirical Study. *AL-Qadisiyah Journal for Administrative and Economic Sciences*. 7 (2).
- [70] Galland C. (2008). Effective teacher leadership: A quantitative study of the relationship between school structures and effective teacher leaders. University of Missouri-Columbia.
- [71] Punch K. F. (2013). Introduction to social research: Quantitative and qualitative approaches. Sage Publications.
- [72] Kelley K., Clark B., Brown V., Sitzia J. (2003). Good practice in the conduct and reporting of survey research. *International Journal for Quality in health care*, 15(3), pp.261-266.
- [73] Morse J. M. (Ed.). (1990). Qualitative nursing research: A contemporary dialogue. Sage Publications.
- [74] Pett M. A. (2015). Nonparametric statistics for health care research: Statistics for small samples and unusual distributions. Sage Publications.

Contribution of Individual Authors to the Creation of a Scientific Article [Ghostwriting Policy]

The authors equally contributed in the present research, at all stages from the formulation of the problem to the final findings and solution.

Sources of Funding for Research Presented in a Scientific Article or Scientific Article Itself

No funding was received for conducting this study.

Conflict of Interest

The authors have no conflict of interest to declare.

Creative Commons Attribution License 4.0 (Attribution 4.0 International, CC BY 4.0)

This article is published under the terms of the Creative Commons Attribution License 4.0

https://creativecommons.org/licenses/by/4.0/deed.en_US