An-Najah National University Faculty of Graduate Studies

# The Effect of Earnings Management on Dividend Payout and the Moderating Role of Financial Leverage: Evidence from Palestinian and Jordanian Banking Sector

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This Thesis is Submitted in Partial Fulfillment of the Requirements for the Degree of Master of Accounting, Faculty of Graduate Studies, An-Najah National University, Nablus, Palestine.

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الإهداء بِسْمِ مِ ٱللَّهِ ٱلرَّحْمَزِ ٱلرَّحِبِ مِ (وَقُلِ اعْمَلُوا فَسَيَرَى اللَّهُ عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُونَ)

صدق الله العظيم

إلهي لا يطيب الليل إلا بشكرك ولا يطيب النهار إلا بطاعتك ... ولا تطيب الآخرة إلا بعفوك ولا تطيب الجنة إلا برؤيتك ... الله جَل جلاله

إلى من بَلغ الرسالة وأدى الأمانة ... ونصح الأمة ... إلى نبي الرحمة ونور العالمين سيدنا مجد صلى الله عليه وسلم

إلى زوجي وشريك حياتي الاول والاخير .... مصدر قوتي و سندي..

إلى مصدر سعادتي ونور حياتي ..إلى ينبوع الحب والحنان ... إلى شمعة متقدة تنير ظلمة.....

# عائلتى... وأخوتى

إلى من استقيتُ منهم الحروف... وتعلمت كيف أنطق الكلمات ..إلى الذين مهدوا لنا طريق العلم

أساتذتي الكرام

أهدى إليكم رسالة الماجستير ...

داعية المولى- سبحانه وتعالى- أن تُكلل بالنجاح والقبول من جانب أعضاء لجنة المناقشة الموقرين.

iii

## الشكر والتقدير

# بِسْمِ مِٱللَّهِ ٱلرَّحْمَزِ ٱلرَّحِيمِ

رَبِّ أَوْزِعْنِي أَنْ أَشْكُرَ نِعْمَتَكَ الَّتِي أَنْعَمْتَ عَلَيَّ وَعَلَىٰ وَالِدَيَّ وَأَنْ أَعْمَلَ صَالِحًا تَرْضَاهُ وَأَدْخِلْنِي بِرَحْمَتِكَ فِي عِبَادِكَ الصَّالِحِينَ

سورة النمل الآية 19

الحمد والشكر لله الذي تم بتوفيقه تتم الاعمال والصلاة والسلام على الرسول المعلم الاول، الذي علمنا قيمة الشكر والتقدير لمن هم اهل الفضل.

أما بعد،،

وبعد ان اتم الله نعمته علي بإنجاز هذه الاطروحة، واعترافا بالفضل لذوي الفضل، فإنني أتقدم بجزيل شكري وخالص امتناني الى البروفيسور الفاضل "عبد الناصر نور" والاستاذ الفاضل "سامح العطوط" على تواضعهم وسماحتهم وصبرهم وسعة صدرهم، واللذان تفضلا بالإشراف على هذه الاطروحة التي ما كانت لتخرج بهذه الصورة لولا توجيهاتهم ونصائحهم القيمة ومتابعتهم المستمرة لهذا العمل منذ ان كان مجرد فكرة وحتى اكتماله في صورته الحالية فكانا خير موجه لي في رحلة البحث، فجزاكم الله عنا كل خير، فقد كنتم الموجه والمعلم.

كما أتقدم بالشكر الجزيل لجميع طاقم برنامج ماجستير المحاسبة، وأخص بالذكر أساتذتي الأفاضل الدكتور سائد الكوني، والدكتور إسلام عبد الجواد، الدكتور معز أبو عليا، الدكتور غسان دعاس، لما بذلوه من تعب وجهد في سبيل تعليمنا وإنارة عقولنا.

واسأل الله العلي القدير أن يجزي الجميع عني خير الجزاء، وأن أكون قد وفقت في إعداد هذه الاطروحة بإتقان وإحسان.

#### iv

أنا الموقعة أدناه مقدمة الرسالة التي تحت عنوان:

تأثير ادارة الأرباح على توزيعات الأرباح والدور المعدَّل للرافعة المالية: دليل من القطاع المصرفي الفلسطيني والاردني

## The Effect of Earnings Management on Dividend Payout and the Moderating role of Financial Leverage: Evidence from Palestinian and Jordanian Banking Sector

أقرّ بأنّ ما اشتملت عليه الرسالة إنّما هو نتاج جهدي الخاص باستثناء ما تمّت الإشارة إليه حيثما ورد وأنّ هذه الرسالة ككل أو أيّ جزء منها لم يقدّم من قبل لنيل أيّ درجة علمية أو بحث علمي لدى أيّ مؤسسة تعليمية أو بحثيَّة أخرى.

### Declaration

The work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification.

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Date:

20/02/2021

التاريخ:

# **Table of Contents**

No.	Subject	Page
	Defense Committee Members	ii
	الإهداء	iii
	الشكر والتقدير	iv
	Declaration	v
	Table of Contents	vi
	List of Tables	viii
	List of Appendixes	ix
	List of Abbreviations	X
	Abstract	xi
	Chapter One	1
	General Framework	1
1.1	Introduction	2
1.2	Research problem and questions	4
1.3	Research Importance	6
1.4	Research objectives	7
1.5	Research structure	8
	Chapter Two	10
Bac	ekground of Research and the development of hypotheses	10
2.1	Introduction	11
2.2	Earning Management	11
2.3	Dividend payout	15
2.3.1	Dividend cash and in stock	16
2.4	Financial Leverage	17
2.5	Theories related to Earning management	18
2.5.1	The Agency theory	19
2.5.2	The Free cash flow theory	20
2.5.3	The signal theory	21
2.5.4	The positive accounting theory	22
2.6	The Effect of Earning management on Dividend payout	23

	vii		
No.	Subject	Page	
2.7	The role of Leverage on the effect of earning management on Dividend payout	25	
2.8	Palestine exchange –An overview	26	
2.9	Amman stocks Exchange – An overview	27	
2.10	The Background of research	27	
2.11	Development of hypotheses		
2.12	Research Framework	34	
	Chapter Three	26	
	Research Methodology	50	
3.1	Introduction	36	
3.2	Population and sample of the research	36	
3.3	Data and source	36	
3.4	Research variables and measurement	37	
3.5	Statistical processing	45	
3.6	Empirical Model	46	
	Chapter Four	18	
	The Estimation results and discussion	40	
4.1	Introduction	49	
4.2	Descriptive statistics	49	
4.3	Correlation matrix	52	
4.4	Estimation results	55	
4.5	Testing hypotheses and Discussion results	58	
	Chapter Five	63	
	Conclusions and Recommendations	03	
5.1	Introduction	64	
5.2	Conclusions	64	
5.3	Recommendations	66	
5.4	Limitations	67	
	References	68	
	Appendixes	79	
	الملخص	ب	

# **List of Tables**

No.	Title	Page
Table (1)	Variable measurement	45
Table (2)	Descriptive indicators for the variables considered in the analysis.	50
Table (3)Correlation between all variables included in analysis		53
Table (4)	Estimation results for the DAC Yoon et al (2006) model with three type of dividend as a dependent variables with no moderator variable	54
Table (5)	Estimation results for the DAC Yoon et al (2006) model with three type of dividend as dependent variables with moderator variable	57
Table (6)Summary of relationships from the research findings		58

## viii

# List of Appendixes

No.	Title	Page
Appendix (1)	The websites that have been used to select the historical data of the study	80
Appendix (2)	Bank code	81
Appendix (3)	The Yoon et al (2006) model descriptive analysis with moderator variable	82
Appendix (4)	The Yoon et al (2006) model correlation matrix with moderator variable	83
Appendix (5)	Summary of statistical analysis	84
Appendix (6)	The Yoon et al (2006) model estimation result with moderator variable	89

# List of abbreviations

EM	Earning Management
DPO	Dividend payout
DAC	Discretionary accruals
LEV	Leverage
SIZE	Firm Size
ROA	Return of Assets
GLS	Generalized Least Squares

## The Effect of Earnings Management on Dividend payout and the moderating role of financial leverage: Evidence from Palestinian and Jordanian Banking Sector

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### Abstract

This research aims to verify the effect of earning management on dividend payout with a moderating role of financial leverage on this relationship in the banking sector in Palestine Exchange and Amman Stock Exchange during the period 2009 to 2018 with a total 210 firm year observations. Yoon et al. (2006) model is used to measure earning management through discretionary accruals. The model is estimated using panel general least square. The results of the relationship between earning management and dividend payout in the Palestinian and Jordanian banking sector showed that there is a positive effect of practicing earning management on cash dividend payout, but this effect is not significant with total dividends and stock dividends. Leverage is positively and significantly affects the relationship between earnings management and cash dividend payout. The relationship is insignificant with other types of dividends. The implication of this study is that the relationship between the earning management and dividend policy is significant. That presence of significance relationship is not suitable for investors. Strongly recommend that there should not be any relationship between earning management and

dividend policy. That significant relationship can be reduced by controlling on discretionary accruals. This research will help the management that by reducing the operational expenses companies will effectively manage their earnings. So the impact of earning management on dividend policy can be reduced.

Keywords: Earning Management, Dividend payout, Leverage.

# **Chapter one**

# **General Framework**

1.1	Introduction

- **1.2** Research Problem and Questions
- **1.3 Research Importance**
- 1.4 Research Objectives
- **1.5** Research Structure

### **Chapter one**

### **General Framework**

### **1.1 Introduction**

One of the most prevalent topics at the present time and in accounting with regard to earning management consequences and earning management practices in companies. There are many aspects that have been linked to earning management, including the dividend payout policy, which has been emphasized in modern business, (Haider & Sadiq, 2012). Corporate managers take many important administrative decisions, including the dividend payout policy which appear a symbol of good financial health for firm (Miller & Modigliani, 1961). When assuming that the market is fully efficient and effective, there can be no increase in the value of the company through the dividend policy. Many studies have been carried out to determine the effect of earning management and its practice in companies on the policy of dividend distribution, (Saleem & Alifiah, 2017). There is a possible difference in the impact of earning management between developed countries and developing countries. Consequently, there is an impact of the dividend payout policy on both stock prices and the future and current growth of companies. The simple way to define earning management is manipulating of the accounting or income of the company. Dividends are paid to shareholders, and there are many ways to distribute dividend such as dividends Fixed, payout ratio and availability of cash and in the last summarize, every company should have a strategy that governs it in the dividend policy to rely on for many years i.e. consistency.

There are many earning management practices carried out by companies, for example, choosing specific accounting treatment methods for financial transactions or through economic decisions or economic events taken by the company that affect investor decisions or the company's services (and here depending on the nature of the company's business) or it is possible to influence cash flows. The company, in both cases, is rejecting to improve the profits shown in the financial reports.

Opportunistic behavior may lead to earning management either to reduce its profits for tax evasion or to increase it to increase the remuneration of members of the board of directors, and this behavior is known as "managing profits or gains", and some of the accounting procedures, that corporate administrations sometimes resort to in pursuit of improvement are called "windows dressing", are either in its profitability or in its financial position by exploiting the existing gaps in the accounting or by taking advantage of the multiplicity of alternatives and methods available in the accounting policies that allow international accounting standards for the company to follow in the areas of measurement and disclosure, which negatively affects the quality of the numbers that these lists show and then on the reliability of financial ratios and thus the lack of transparency and credibility if profit management has a decisive effect, especially by adopting international accounting standards and the need to unify their application (the accounting information), and globally Accordingly, this research examines the effect of Earning management on

dividend payout and the moderating role of financial leverage at Palestinian and Jordanian Banking sector.

This research was conducted by applying on a sample of (21) banks listed on Palestine Exchange and Amman stock Exchange, and the method of extraction financial data that was used to extract the required data from the annual reports of the banks. One of measures for measuring earning management, is used namely the Yoon model (2006). It also used panel multiple regression General least square method to test the hypotheses of the research, and the research show that the earning management for the Yoon model (2006), have a positive insignificant effect on cash dividend payout and, and leverage has a positive significant effect on the relationship between cash dividend payout and leverage

### **1.2 Research problem and questions**

Many previous studies about the effect of earning management on dividend payout, the results of these studies varied especially on a lessdeveloped exchange like Pakistan stock exchange and India stock exchange market (Saleem & Alifiah, 2017).

For every company there is a specific strategy that is followed when distributing profits depends on its stability, despite that, there are many approaches to distributing earning such as the stability dividend therefore, extract the problem statement from the above issues. The following are factors of possible earnings management and dividend payout management problems encountered:

1- The management is in dilemma regarding the dividend payout policy:

Here is the problem of this research in that the management is hesitant or faces difficulty in its decision about the dividend payout policy; does it pay a large or small percentage of the profits? Or zero profit, from its profits, or withholding its profits (retained earnings) as an investment in the future, and therefore some investors prefer to obtain earning, whether high or low, to obtain interest accumulated on capital gains

2- A negative payout ratio means that companies pay dividends even though they report losses:

Many companies maintain their investors or attract new investors to pay dividends despite the presence of losses or manipulations of their earnings (RAHIM, 2010).

Based on the illustrated problem, this study considered the following questions to investigate the effect of earnings management on dividend payout with a focus on moderating the Role of leverage at Palestine and Amman stocks exchanges in the Banking sector. The question of this research:

- Is there any effect of earning management on dividend payout at Palestine exchange and Amman stock exchange in the banking sector?
- What the leverage contributes to the effect of earning management on dividend payout at Palestine exchange and Amman stocks exchange in the banking sector?

#### **1.3 Research Importance**

One of the ways of forming a good image of the company is determining the earning that will be distributed as profits to the investors of the company. Determining the profits is of great importance in the market from the economic side and from the investors' point of view. It is an indicator of the performance and value of the company. Therefore, the practice of earning management and dividend payout policy are important topics and an important part of the company. Managers may practice managing earnings for the benefit of the personal interest in order to increase their management incentives or increase their profits or salaries.

Dividends policies are a guideline and a combination of rules of how dividend payment is to be made to its shareholder (Ben-David, 2010). when dividend policy is clear and describes how the company should distribute their dividends to shareholders, they can make all prediction and allocate information that mean it is working. The results of the research will help investors who take into account the earnings of a corporation before investing and help owners of companies to make their dividend policy.

The importance of this research is from the importance of international accounting compatibility by adopting international accounting standards, which include accounting flexibility, multiple methods, and accounting alternatives, and by the generalization of their application internationally without taking into account the gaps in them that may lead to accounting manipulation by the way of managing earnings and linking them to dividend cash and shares, and how is it possible for these methods to affect dividends and focus on the role of leverage and the diversity of boards of directors to prevent or limit earning manipulation.

### **1.4 Research Objectives**

When companies decide to pay dividends to shareholders, this affects well on future or potential investors, so there is a possibility to attract them to invest in the company and as a result, the value of the company will increase and the number of shareholders will increase, and thus the economy in general will be affected positively. Usually what company managers do is earning management since they desire (according to their personal interests) or according to the company's policy to affect investors. The company's policy for dividend distributions may be a regular policy, meaning that it makes regular payments on an annual basis. The dividend payout policy is a policy that has rules and regulations that regulate the methods and forms of dividend distribution to shareholders, and therefore it must be clear and be described in a complete, written and accurate description by the company. It is the duty of the shareholders to fully acknowledge the dividend policy, and it is their right to obtain a written copy of this policy.

The objective of this research is to identify the effect of earning management on dividend payout in the banking sector listed in Palestine Exchange and Amman Stock Exchange and the role of leverage in this relationship by achieving the following:

- To find out if there is any effect of earning management on dividend payout at Palestine exchange and Amman stocks exchange in the banking sector.
- Verifying the role of leverage that contributes to the effect of earning management on dividend payout at Palestine exchange and Amman stocks exchange in the banking sector

#### **1.5 Research Structure**

This research consists of five chapters. The research problem, its questions, its importance, and its objectives were identified in the first chapter, while the second chapter deals with both the theoretical framework and previous studies related to the research topic in addition to developing the research hypotheses. The third chapter focuses on the research methodology where the population and the sample are described, in addition to research data sources, collection tools, research variables, methods of measurement, and the statistical methods used in the research. The fourth chapter deals with the results of the research and the test of its hypotheses. Chapter 5 includes the conclusions of the results that have been reached, and any further suggested areas of research.

# **Chapter Two**

## The Background of the Research and

# the Development of the Hypotheses

- 2.1 Introduction
- 2.2 Earning management
- 2.3 Dividend payout
- 2.4 Leverage
- 2.5 Theories related to Earning management
- 2.6 The Background of the research
- 2.7 The effect of earning management on dividend payout
- 2.8 The role of leverage on the effect of earning management on dividend payout.
- 2.9 Palestine exchange An overview
- 2.10 Amman Stock exchange An overview
- 2.11 Development of the hypotheses
- 2.12 Research framework

## **Chapter Two**

### The Background of the Research

## And the Development of the Hypotheses

### **2.1 Introduction**

In this chapter, we present the theoretical and conceptual framework of the research and a review of previous studies related to the research topic, in addition to the development of the research hypotheses.

This chapter begins with clarifying the main concepts related to the subject of this study, which includes the concept of earning management and the concept of dividend payout, whether in cash or shares, in addition to clarifying the concept of financial leverage. After that, we reviewed related explanatory theories. This chapter reviews the interpretation of the effect of earning management on dividend payout in light of these theories, and then discusses previous studies related to the research topic. This chapter ends with the development of the research hypotheses.

### 2.2 Earning management

Opportunistic behavior may lead management to either reduce profits for tax evasion or to increase the remuneration of members of the board of directors; however, there are varied instinct pushing the management to adopt the behavior of practicing earning management, and this behavior is considered profiteer behavior practiced by the management either to reduce profits for tax purposes (tax evasion) or to increase the remuneration of members of the board of directors and according to (Healey & Wahlen, 1999), profit management is practiced when managers renounce estimates and methods do not accurately reflect the real economy or the true financial condition of their companies. While the EM defined by many definitions and forms for examples (Leuz, & Wysocki, 2003) defined EM as a change in the declared financial performance of the company by the managers of the company in order to mislead the stakeholders or to affect the contractual results. Also, Sun and Rath (2008) defined EM, in general, as it is to conceal the actual financial performance by the company's manager in order to influence the performance of shares or benefit from contractual practices between the company and managers or to influence the organizational decisions of the company. Although EM has been defined in many ways, the basic concept of EM underlies the change of financial reporting information by the management. Deng et al. (2017) explain that one of the important determinants of earning management is the dividend policy. Therefore, he suggests that managers use a lot of inside information about the positions or results of the company's business to make decisions about it, such as dividends (Baker et al., 2003) showed the accrual accounting allows managers to easily access the internal financial data and transfer it through the company's financial statements and generally influence each of the share management and also greatly affect the percentage of dividends distribution. They also showed how the earning management was not an agency problem and also noted that the

managers that are appointing them to their operating and investment experiences have sufficient capacity to influence dividend payout policy through their practice of earning management. Kasanen et al. (1996) was the first to popularizing the idea of earning management paid with profits according to the implicit contractual parties of non-financial companies in Finland and the idea is that large shareholders demand high returns on their holdings from stocks and thus expect a smooth flow of profits, and this encourages companies to do some kind of earning management techniques to show income high enough to distribute dividends, and therefore in Finland during the period (1970-1989) the declared earnings were based on targeted profits, which are based on dividends. Historically, there is a positive relationship between the growths of expected future profits and the payout ratio but (Arnott & Asness, 2003). Supposed that today's low payout ratios are a strong positive signal for future growth against historical evidence. This study presented a challenge in that low dividends are an indication that there are strong future profits coming. This study also examined the relationship of profit distribution policy and the performance of companies in developed countries using free cash flow theory.

In addition to that, a study in Nigeria that clarifies the relationship between dividend payout policy and earning management shows that earning management was in a negative relationship with dividend payout policy (Ajide, & Aderemi, 2014).

He et al. (2017) study showed that the dividend payout policy could be a policy that could be used to solve a problem or conflict of agency according to the negative relationship between the earning management and the dividend policy, and this study showed that companies that pay dividends (dividend payers) are using or practicing management earning less than companies that do not pay dividends (non-divided payers) to their shareholders. Other researchers like (Bhabra et al., 2002) investigated the factors that affect the homogeneity of corporate profits and clarified the differences in the homogeneity of dividend smooth by estimating the sensitivity of the companies 'profit distribution ratios to changes in profits. According to this study, the firm size has a role in earning management and dividend payout. Small-sized companies are the most to smooth dividends. Caskey and Hanlon (2005) discussed the earnings-dividend link where they linked the earning to dividends and found that the companies that practice earning management are the companies that have not paid adequate dividends and have actually less increase in earnings compared to other companies. Balachandran et al. (2017) clarified how the dividend payout policy in Australia is used for tax purposes, as it found that companies can pay high dividends in the imputation environment compared to the traditional tax system. Alternatively, Commer et al. (2016) has classified earning management into two types, the first type, which is "real EM", which is earning management through strategic timing for investment, financing, and operating decisions. One of the practices of this type is revenue management, and the second type is "policies" and with reference to Schipper (1989) definition EM is important here to understand accounting accruals and their influence in the measurements of the firm's performance. According to (Mulford & Comiskey, 2002), timing the revenue-generating activities and reporting is a strong tool for practicing real EM, therefore, revenue is an important and factor in determining the financial performance of a firm. Revenues reported in the financial statements provide a firm's success indication; it directly affects the earnings reported and the firm's earning power. Despite the large number of studies that have been research about earning management and dividend payout, dividend remains an unclear issue. And there is no global agreement theory explains the relevance of dividend policy and firm value and how the earning management affects these two sides.

#### 2.3 Dividend payout

As we know that the shareholder gets profits that depend on his share in the company or his holdings of shares in a particular company (Deng et al., 2017) and (He et al., (2017) suggested that dividend-paying companies are less likely to use earning management practices or earning manipulation because there is a possibility of using dividends as a form of resolving the agency problem. La Porta et al., (2000) also suggested that there is a possibility to reduce the opportunistic behavior that managers use to pressure minority shareholders to pay cash dividends and to limit their personal interests through dividends, as well as to benefit from them in building a worthy reputation for improved access and growth in capital markets. Hanaeda and Serita (2007) clarified that companies do not amend the dividend policy in line with the financial need for investment, and also indicated that there is a positive indicator and a positive trend in companies obtaining a consistent dividend policy (regular annually) and (Baker & Powell, 2001) researchers emphasize the impact of corporate investment decisions on managers, and in some cases these decisions may stress managers and motivate them to use internal information for their benefit and their attempts to manipulate earnings for the sake of management incentives and achieve the goal of the investment decision, and this study investigated the possible effects of past dividends on future earnings and dividends. It was found that there is a possibility for companies to pay dividends on a regular and annual basis, and previous literature shows that 50% from market returns come from dividends, and this means that these policies has great importance in the market, whether from the economic point of view or from the investors' point of view. Tahira (2012) suggested that the potential investors are attracted toward those companies when firms pay a dividend to its investors, which increase the value of that company automatically.

#### 2.3.1 Dividend in cash and in stock

There are different types of dividends that a company can pay to its shareholders, which can be in the form of cash, shares, or both, and there is a mechanism for announcing these dividends and is done by announcing the dividend payout and corporate income. Dividends declaration decisions are taken by the Board of Directors in the annual general meetings to ensure the existence of the company for life, and this decision is written and accurately described, as the value of the distributed dividend is determined on the basis of each share and must be paid equally to all shareholders of the same class. The Board of Directors must approve the paying off. When dividends are announced, they will then be paid on a specific date, known as the payment date. Below are a list and a brief description of the most common types that shareholders receive:

- \* Cash :the most common type of payment is the actual cash payment made by the company to its shareholders, The payment is usually wire transfer, but may also be paid by check or cash.
- \* Stock stock dividends are paid out to shareholders by issuing new shares in the company. These are paid out pro-rata, based on the number of shares the investor already owns.

### 2.4 Financial Leverage

A Company's financial leverage is an important determinant of its equity risk since preferred stocks take precedence over common stocks in the financial residue. Financial leverage can be defined as the ratio of longterm debt to total long-term capital. Firms that use less debt, achieve maximum returns compared to operating companies with high debt, because the higher the financial leverage, the greater the company's dependence on long-term creditors for its long-term capital. According to Irina (2009), there is a possibility that companies face the risk of bankruptcy if they are not able to pay the financed payments from external debts, and also if a company with high leverage wants to obtain a new loan, then there will be stress from the lenders on the loan procedures and examining many procedures to ensure that the company remains within reasonable limits and that there is an ability to pay its debts. Some previous studies said that leverage increases the potential for managers to EM to avoid debt covenant violations.

Studies by Dichev & Skinner (2002) and Beatty & Weber (2003) found a positive relationship that managers manage earnings to avoid debt infringe treaty. Jelinek (2007) believed that companies with more influence had managers less interested in building a good reputation in the stock market, and therefore these companies had more interagency disputes that increased incentives to manipulate earning, but empirically, the negative sign is also empirically correct because debt contracts generally have covenants that can restrict earnings manipulation.

#### 2.5 Theories related to Earning management

Different theoretical frameworks have been employed by many researchers including (Chen & Tong, 2007; Jensen 1986, De Angelo 2013 H et al., 2004, and He et al., 2017).

There are several theories related to earning management among them are the following: the agency theory, the free cash flow theory, the signal theory, and the positive accounting theory. We will review these theories in terms of the general content of each of them, as well as explaining the relationship between research variables in light of them.

#### **2.5.1 The Agency theory**

This theory was established by Ross (1973) and developed by (Jensen & Mackling 1976) which states that there is a difference of interests and an inconsistency in information between the officer and the director, and the agent acts in a selfish manner for personal goals and gains, which is to increase his wealth to the maximum possible at the expense of the manager, so there is a transfer of wealth from The company to the manager, according to the agency theory, the manager always strives to maximize their benefit at the expense of the interest of others, and to help reduce this behavior and stimulate interest in the goals of the company, managers are paid according to the results achieved and this generates an incentive for managers to manage profits and maximize their wealth and this point is supported by (Jensen & Mackling 1976). It has been argued about this idea that the greater the percentage of capital that the manager maintains, the greater the deviation from the main goal, which is to maximize the value of the company and thus it results in good performance, and yet managers can manage profits from In order to obtain strengths in their position and thus lead to neglecting the interests of internal and external investors, which leads to an increase in disputes between managers and shareholders instead of reducing them in reality,

compensation contracts are established based on the profit of the company. Imen and Anthony (2016) because of the divergence of interests between shareholders and managers and thus leads to an increase in their salaries and the benefit of these contracts, managers can also use the practice of managing profits to postpone some fees and expenses and to show the goodness of their management (good management).

#### **2.5.2 The Free cash flow theory**

The free cash flow theory was developed by Jensen's (1986) as this theory explains agency conflicts that are exacerbated when the cash flow required to finance all positive net present value projects exceeds, and there is an incentive for managers to increase spending on franchises or continue in projects of low value. Finding a solution to provide market discipline, announcing recurring dividends is a solution to the problem of underinvestment and the problem of free cash flow, because it creates a contract or quasi-contract with shareholders to return the excess money, and from the viewpoint of (Healy & Palepu 1988) in the complete and ideal market, the distribution policy profits do not affect the value of the company. Given the frictions of the information market and others, the relationship between profits and dividends is not clear.

According to Miller and Modigliani (1961) the change in dividends is considered an indication of the management's expectation of future profits and future growth of the company later, as the authors examined the returns of stocks and profits for successive years and also examined the profits when announcing the start of dividend distribution, companies that start dividend distributions have an increase in profits in years The previous one immediately, during and after the start and this indication that there is a transfer of new information to the market, and based on these results, this study may summarize that starting the profit distribution process is expected to increase in profits for two consecutive years

### 2.5.3 The signal theory

The signal theory states that the same information is not shared by all economic agents and according to (Myers & Majluf 1984) in the reality of market economics there are many incomplete information that is not shared with all market parties and is distributed among various stakeholders within the same company as well. Ross (1977) the signal theory, which examined the relationship between managers and investors in the context of asymmetric information, and given the nature of the managers 'work, this gives them the advantage that they are the most knowledgeable of the company's prospects because they have some distinct information that allows them to send a signal to various investors and participants in the market, and here comes how to use signal theory for the concept of profit management, by obtaining information about the expectations and prospects of the company, managers can use earning management by increasing the reported profits and thus reporting the correct performance of the company. The market depends on each of the performance of managers and the results presented in the financial reports published at the end of the year to be able to anticipate (Aerts & Tarca, 2013).

According to the literature devoted to signal theory, there are two types of signals. The first type is the informational signal, and this type supports the idea that managers obtain distinct information. They choose to deliver this information to the market to adjust the securities' values and thus reflect the real value of the company, and this may reduce the asymmetry of information between the various actors in the capital market, according to Ahmed et al., (1999) companies may practice earning management in order to report investment opportunities, but these companies They have high growth expectations. The second type is the opportunistic signal, which is reporting signals by managers to camouflage profitable investments and the aim is to mislead investors and get managers to obtain personal gains such as job security or increase their wealth through salary bonuses based on the outcome. Chalayer et al. (2001) suggested that companies can send some references to compare itself with other companies or to the sector through earning management, or for companies to reduce or increase their profits to appear like other companies or to distinguish itself from other companies.

#### **2.5.4** The positive accounting theory

It is also called the political contract theory, and it is one of the theories mentioned in the literature and it started with (Watts & Zimmerman, 1986) which talks about the use of different accounting practices to influence the outcome of the company. There are two types of behavior followed by managers, the first type, which aims to apply accounting standards. Efficiently to maximize the value of the company, and the second type is opportunistic behavior, which is in favor of managers for their own interests and personal gains at the expense of the interests of others, (Jeanjean, 2002) indicated that it is expected that the interests and welfare of managers will improve at the expense of influencing the interest of others (Watts & Zimmerman, 1986) suggested that there are three explanatory factors that can explain profit management: size, compensation and debt. According to the compensation standard, executives choose to accelerate and increase profits to maximize their wealth, especially if there is a direct relationship between the compensation percentage and the results achieved.

Jeanjean (1999) opposed the explanatory factor, which is the size, because from his point of view the size of the company may present other aspects that are not indicative of the presence or absence of political costs such as good management that can show the efficiency of the executive directors, and also criticize the tool used to measure the size of the company (Total assets) This tool is believed to depend on the accounting measurement method and financing strategies.

### 2.6 The effect of earning management on dividend payout

In this part, the effect of profit management on the distributions will be clarified and explained, based on several theories linking the two concepts as explained in the previous part: agency theory, free cash flow theory, signal theory and positive accounting theory. According to agency theory on the difference of interests between managers and shareholders, on the one hand managers are trying to achieve their goals and personal interests (increase their wealth) and shareholders are trying to limit the opportunistic behavior that the director may follow and motivate him to take care of the correct management of the company by paying bonuses and profits (distributions) and that creates an incentive for managers to practice managing profits to maximize their wealth, and managers can also practice profit management to strengthen the job position or to maintain it (job security) by neglecting the interests of internal and external investors, and this leads to conflicts of interest, and also leads to the need for shareholders to establish compensation contracts, for example: dividends (bonus shares, cash dividends) or promotions in positions based on company income

According to the signal theory and concept, managers are considered the most informed party about the prospects of the company because they have distinct information that allows them to send a signal to various investors in the market. Managers can use earning management by increasing reported profits and providing results that align market expectations with managers' expectations and here comes the effect of profit management on increasing opportunities to distribute profits based on the results presented. With reference to the signal theory, we find the second type of signals, which are opportunistic signals, and here also
comes the role and effect of profit management, as managers use this type of signals to camouflage unprofitable investments and mislead investors to obtain personal gains such as job security or to increase their wealth through rewarding salaries based on the result Therefore, companies may send signals to increase their dividends as well and explain to investors that the company is in good condition. According to the free cash flow theory Jensen's (1986), it was suggested that there could be a solution to the problem of over-investment and the problem of free cash flow, through dividend payments, and this would limit manipulation of profits by managers. Dividends can be a solution to provide market discipline for over investment and the free cash flow problem because the announcement of recurring dividends creates a quasi-contract with shareholders to return excess cash.

Dividend changes provide a signal that acts as management's expectations of future profits. When dividends are announced, companies sometimes start to increase their profits in previous years directly or after the start of the announcement or distribution. Here, the role of managers is to improve the company's image and profits, so it manages earnings for its effect on dividends.

# 2.7 The Moderating role of financial leverage on the effect of earning management on dividend payout

Referring to agency theory Panda & Leepsa (2017) the theory assumes that monitoring the agent leads to lower costs of the agency, and the logic here is that managing profits is the agency's cost because it is often opportunistic. To avoid the agent's opportunistic behavior, the monitoring mechanism is to monitor the debts performed by the lenders and is within reach. On the other hand, the theory which argues that managers need to achieve more permanent profits in order to pay the capital premiums (Panda & Leepsa, 2017). Therefore it is not logical to manage earning where there is debt and as such, debt should have a negative effect on financial leverage and thus reduce agency cost should increase earnings.

#### **2.8** Palestine exchange –An overview

The Palestine Exchange was established in the year 1995, and it is the only stock exchange in Palestine that encouraged investment in Palestine. It was the first Arab stock exchange to allow the use of electronic and automated technology for trading securities. It includes five major economic sectors, namely: banking and financial services, insurance, investments, Industry and services for profitable companies. And trade in the stock exchange in the two currencies, the Jordanian dinar and the US dollar. Securities are traded for 48 companies listed on the stock exchange with a market capital of 3 billion dollars, and stocks are traded only on the Palestine Exchange now, in the year 2009 the Palestine Stock Exchange ranked. The thirty-third among the global security markets, and it comes regionally in second place in terms of investor protection (www.pex.ps).

#### 2.9 Amman stock exchange – An overview

Amman Stock Exchange was established on March 11, 1999, as an independent, not-for-profit Corporation; it is managed by the private sector and authorized to operate as a regulated market for securities trading in the Kingdom. Amman Stock Exchange is managed by a seven-member board of directors and an executive director who manages and monitors the daily business of the exchange. The Amman Stock Exchange is keen on establishing cooperation relations with international stock exchanges, associations, and organizations, entering into agreements with them, participating in Arab and international conferences and seminars and is an active member of the Arab Stock Exchanges Union, the European Asian Stock Exchanges Federation, the International Federation of Exchanges (https://www.ase.com.jo/ar).

#### 2.10 The Background of research

Many types of research have investigated the issue of the effect of earning management on dividends, and these research papers have concluded with mixed results among them.

On one hand, many types of research has found the negative effect of earning management on dividends as researches by (Ajide & Aderemi, 2014; Dilawer, 2012; Savov, 2006; Khanet al., 2013 and Gill & Mand 2014).

Dilawer (2012) examined that the Textile industry in Pakistan and found a negative effect of EM on DPO, (Khan et al., 2013) and (Gill &Mand2014) studies also showed a negative and insignificant effect; this study selected 228 firms from 500 top companies listed on Bombay stock exchange (BSE). A study by (Ajide & Aderemi, 2014) concluded that earnings management has a negative relationship with the dividend policy of a firm and it is not significant in the determination of dividend payout of every firm. It was therefore concluded that this relationship could be as a result of effective corporate governance mechanisms put in place. If managers increase discretionary accruals of the company, the dividend percentage will not increase, even not significantly in the determination of dividend policy in Nigeria. He et al., (2017) found a robust negative relationship between the dividend-paying status and earnings management, even after conditioning on some variables that have been previously shown to affect earnings management.

Chansarn and Chansarn (2016) research showed a positive influence with dividend yields and no effect of earnings management on dividend payout ratio, reveal that listed companies in MAI had high earnings management due to high average discretionary accruals in the absolute term which equaled 11.91 percent of total assets based on Kasznik Model and 12.55 percent of total assets based on Kothari Model. study provided the first investigation of the difference in earnings management between dividend-paying banks and non-payers and how it is impacted in different settings of information failures by using the sample of US BHC throughout 2001:Q1-2017:Q4. The dividend policy not only impacts the conditional average earnings management of banks but also exerts influence on their dispersion. The impact of dividend policy appears to be more profound for highly opaque banks.

As for the research that have reached the absence of any effect from earning management on dividends (e.g. Khan & Shah 2019; He et al., 2017; Shah & Zafar, 2010; Saleem & Alifiah, 2017; Ibrahim & Hanefah, 2016; Joshi, 2014 and Srikanth & Prasad, 2015).

In the research of (Khan & Shah, 2019) the sample was taken from companies listed on the Karachi stock exchange (KSE) from the year 2005 to 2009, and the relationship was identified between earning management and dividends, which is a negative impact but very weak, close to the lack of influence, and it was concluded that small companies pay more dividends than big companies. He et al., (2017) study there is no impact and set that companies that pay dividends manipulate earning less than companies that do not pay dividends.

In the research of (Shah & Zafar, 2010) it's different because its case study was taken between Pakistan and China in studying the effect of earning management on dividend payout. It was concluded that the discretionary accruals (DAC) have no effect on the dividend in both countries, but the large companies in Pakistan announce and distribute dividends while in China the small businesses do that, Saleem and Alifiah, (2017) found insignificant impact, and one of the main reasons for that, according to the research, is the financial crisis in the world and the decline in the economy in that period, as a sample of companies in the gas and oil sector was taken from the year (2008 to 2015) in the period of this decline, companies tried to increase earning management and as result of that are starting to reduce the payment of dividends, but other factors effectively affect in a pattern of dividend payout. In another research by (Ibrahim & Hanefah, 2016) the effect of earning management was measured on dividend, but in non-financial companies in Nigeria, it was found that there is no significant effect on the dividends from the management of earning, but both the financial leverage and the size of the company show a significant impact on the dividends, and it was also found that the earning management does not facilitate in any way forming or restricting the payment of dividends. Rather, managers have other reasons for managing earnings, and it is also concluded in the study that the main determinant of cash dividends is the level and size of the company's financial leverage. Joshi (2014) research found a positive but insignificant effect on the dividends, which indicates that the increase in the discretionary accruals of the company will not lead to a significant increase in the percentage of profits, and therefore the earning management practices do not significantly affect the dividend payout policy of the company in India. Srikanth and Prasad (2015) provide evidence that there is a significant correlation between earning management and dividends, and previous studies that were used talked about changes in stock prices and future profits as a result of changes in dividend distributions. As a result of this study, it was

concluded that the discretionary accruals are a factor affecting the dividend payout.

#### **2.11 Development of hypotheses**

#### 1- The effect of earning management on dividend payout

Most of the research that was researched indicated a negative effect of earning management on a dividend. The results of previous research concluded that EM has negative relationship with the dividend policy of a firm in the determination of dividend payout of every firm. It was therefore concluded that this relationship could be a result of effective corporate governance mechanisms put in place that show in( Ajide & Aderemi, 2014; Dilawer, 2012; Savov, 2006; Khan et al., 2013 and Gill & Mand, 2014).

Ajide & Aderemi (2014) if managers increase discretionary accruals of the company, the dividend percentage will not increase; accordingly, the first hypothesis can be formulated as follows:

H1: Earning management has negative significant effect on dividend payout at Palestine and Amman stock exchange in the banking sector.

# 2- The role of leverage on the effect of earning management on dividend payout

According to the definition of financial leverage, capital structure options are among the difficult options because financial leverage is the degree to which the company uses the borrowed money and high leverage can lead to the risk of bankruptcy, however, leverage can increase shareholders' return on investment and usually What have tax advantages, and according to what was mentioned in the study of Kothari et al., (2012) the financial leverage has a tremendous impact on the management of earnings when companies aim to reduce the violation of debt agreements and increase the value of commercial bargaining during debt negotiations, so companies can use multiple earning management strategies, whether management accrual-based or true earnings, with the knowledge that accrual-based earning management occurs when managers choose accounting policies from a set of generally accepted policies to achieve profit goals. Jensen (1986) indicates that increasing leverage due to debt pledge pressure reduces the manager's opportunistic behaviors and makes them more conservative. Zagers (2009) found that financial leverage leads to income control with the purpose of affecting operating cash flow if financial leverage in companies increasing. On the other hand, the study of (Tonya & Sokiri, 2020) supports agency theory; the result shows a negative relationship between the level of leverage and profit management. Beatty and Weber (2003) and (Dichev & Skinner, 2002) indicate that higher financial leverage is likely to lead to increased accounting options from AEM and other earnings this to avoid debt charter violations.

Graham et al., (2005) indicates that managers tend to practice profit management through manipulation Real activities are more than accruals because fixed asset management is more straightforward due to scrutiny of auditors and regulators.

Leverage can increase the shareholders' return on their investment and make good use of the tax advantages associated with borrowing. That is why there is an urgent need for every firm to have a specific optimal debt-to-equity ratio determined by balancing the present value of expected marginal benefits of leverage against the present value of expected marginal costs of leverage proposed that increased debts can reduce the probability of a firms failure. Despite these (Odum & Odum, 2017) suggested that leverage can impact dividend policy significantly because firms that have relatively high leverages may be at financial risk of bankruptcy if they are unable to make payments on their debt. It may also result in the inability to find lenders in the future. So leverage increases with fixed assets, non - debt tax shields, growth opportunities, and firm size and decreases with volatility, expenditures, and profitability, though provide no support for an effect on debt ratios arising from non - debt tax shields, volatility, and future growth. According too many studies that indicated the existence of a moderate effect of the role of the leverage on the effect of earning management on dividends.

Accordingly, the second hypothesis can be formulated as follows:

H2: The effect between the earning management and Dividend payout is moderated by leverage at Palestine and Amman stock exchange in banking sector.

# 2.12 Research Framework

Figure 1 show the theoretical framework used in this research with the final target at the dividend payout.



Figure (1): A research framework

# **Chapter Three**

# **Research Methodology**

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- **3.2 Research Population and Sample**
- 3.3 Data and Source
- 3.4 Research Variables and Measurement
- 3.5 Statistical Processing
- 3.6 Empirical Model

# **Chapter Three**

# **Research Methodology**

#### **3.1 Introduction**

The research methodology is considered a pivotal part of the research, through which the applied aspect of the research is carried out to reach the results of the research and achieve its objectives, and this chapter aims to describe the research methodology in terms of the research community and sample, data sources and their collection tools, research variables, and the method of measuring each of them, the research model and methods, and the statistic used in data analysis and hypothesis testing.

#### **3.2 Population and sample of the research**

The research population consists of 21 banks listed on Palestine and Amman exchanges during the period 2009 to 2018. To conduct the research, all listed banks that have been selected meet the following conditions to form the study sample:

- 1- To be listed on Palestine and Amman Stock Exchange during the study period.
- 2- Availability of annual reports in addition to the data and information necessary to measure research variables during the study period.

#### **3.2 Data and source**

The theoretical aspect of the research was developed by using the sources related to the research topic, such as journals, scientific letters, books, in addition to websites on the internet as for the practical aspect, the annual reports and disclosures issued by the banks during the years 2009-2018 and published on the official website of Palestine Exchange and Amman stock Exchange were relied upon to collect the required data to conduct this research.

#### 3.4 Research variables and measurement

A generalized model was initially explored by using all the variables as per the literature; however, the final optimized model was achieved by studying the effect of earning management as independent variables on dividend payout as dependent variable. Financial leverage was taken as a moderating variable, and firm size, return on assets and board director diversity (experience, age, gender, nationality) as control variables. A dummy variable was used (Exchange variable) in the research to clarify the difference in the effect of EM on DPO in the Palestine exchange and Amman stock exchange of the banking sector.

#### **1-** Independent variable

#### **Earning management**

Earning management represents the independent variable in this research, and regarding previous studies, it is noticed that discretionary accruals are widely used as an indicator for managing earnings, and there are many models used to detect earning management that is based on estimating discretionary accruals. There are many models for measuring profit management (DAC), but most of them have been developed in developed countries such as the United States and European countries, there is no guarantee that these results are effective in various industries and economic environments, and these results may not be generalizable to developing countries. For example, Yoon et al., (2006) and Islam, et al. (2011) documented that the Modified Jones model is not effective in measuring discretionary accruals for Korean and Bangladeshi firms. Therefore, this research attempts to find out if the Yoon model is effective in detecting earnings management in an emerging economy as Palestine and Jordan and will use it as a research model in this study. During this research, after measuring the earning management using this model the results will be compared with other results and we will explore more appropriate model in developing countries to detect earning management.

The model of Yoon et al. (2006) is represented by:

$$\frac{TAt}{REVt} = \beta_1 \left(\frac{\Delta Revt - \Delta Rect}{REVt}\right) + \beta_2 \left(\frac{\Delta EXPt - \Delta PAYt}{REVt}\right) + \beta_3 \left(\frac{\Delta DEPt + \Delta RETt}{At - 1}\right) + \varepsilon it$$

TA (Total accruals) = accounting earnings - CFO

REV = net sales revenue

REC = receivables

EXP = sum of the cost of goods sold and selling and general administrative expenses excluding non-cash expenses.

PAY = payables

DEP = depreciation expenses

RET = retirement benefits expenses

At-1= total asset in the year t-1

 $\Delta$  = change operator.

The model posits that total accruals will normally depend on changes in cash sales revenue, changes in cash expenses, and some non-cash expenses including depreciation expenses and retirement benefits expenses.

#### **2- Dependent variable**

#### **Dividend payout**

Dividends payout represents the dependent variable in the research, and it has used dividend payout ratio following the example of many previous studies and is considered appropriate to measure dividend payout. Here in this research, cash dividends and share dividend were measured and calculated in the form of free shares to shareholders and the total of dividends and divided by the net income. The data was used financial extracted from the annual reports.

The dividend payout ratio can be calculated as:

$$DPO = \frac{div paid}{N.I}$$

Where:

DPO is the dividend payout ratio

Div paid is dividend paid (cash)

N.I is net income at the end of the year.

The Dividend payout (stock) can calculate:

Dividend stock that disclosure in annual report in the year t+1 to net income at the end of the year.

The total Dividend payout can calculate:

Dividend payout cash + Dividend payout stock

## **3-** Moderating variable

#### **Financial leverage:**

Leverage represented as a moderator variable in the research. According to (Khan et al., 2013) leverage can be defined as the ratio of total debt to total assets.

$$LEV = \frac{TD}{TA}$$

Where:

LEV is Leverage

TD is long term debt of the year

TA is the total asset

#### 4- Control variables

These variables have the purpose of control for firm characteristics that can affect earnings management and dividend payout. In this section, I will provide a descriptive analysis of firm-specific control variables.

#### a- Firm Size (SIZE)

There are two different measures of company size, market value and total assets. He et al., (2017) found a strong relationship between total assets and market capital, so I will use the only record of total assets in the analysis, but strength tests found that results remain unchanged using market value. It was also found from previous studies that larger companies are less likely to manage profits (Siregar & Utama, 2008) and in the largest company that has audit quality avoids earnings management activities that distort financial data and usually have a greater reputation in the market so the potential costs of losing reputation due to earnings management are greater (Siregar & Utama, 2008).

#### **b-** Return on Assets (ROA)

With the analyses of the impact of firm's profitability, for the coefficient of this variable, the previous studies have again contradictory results using different samples using sub-sample of U.S firm, the coefficient is negative and statistically not significant (He et al., 2017) and other studies using a sample of China's listed firms, the coefficient is positive and statistically significant. De Angelo et al., (2007) suggested that more profitable firms are less likely to manage earnings.

#### c- Board of director Diversity:

The world has embarked into the era of globalization; consequently, the management of cultural differences is on the agenda of most corporate leaders due to the combination of workforce diversity in terms of gender, race, ethnicity, and nationality .This diversity not only yields gains like improve decisions, greater vision, the novelty of ideas, and product marketing to culturally diverse customers but also generates costs such as more turnover rate, social differences, and communication issues.

Ararat and Tinsel (2015) investigated the impact of Board Diversity using Board Diversity Indices (Gender, Age, Education, Nationality) on the Firm Performance who found a positive relationship between the Demographic Board Diversity and the Firm Performance. While reviewing the literature on the Diversity of Board of Directors, (Kagzi & Guha, 2018) stated Board Diversity as a remarkable and vital dimension for research.

Diversity can be broadly categorized in two broad features i.e. apparent features such as gender, age, race or ethnic background, nationality, etc. And unobvious attributes such as education, technical abilities, experience, etc. Differentiating between the two types of diversities is important as the persons' apparent features tend to induce reactions owing directly to presumptions, prejudgment, for example, gender differences may be linked with the differences of underlying attributes such as social status, schooling, and beliefs.

#### \* Nationality Diversity (Nati)

Board nationality diversity defined as the existence of at least one holding member foreign-nationality within the board of director (Staples, 2007). Various governance instructions focus on the hiring of individuals from various nationalities in board of director for their stakeholders, employees and customers. This is due the hiring of foreign directors is seen to enhance the decision process and its quality for the board (Ibrahim & Hanefah, 2016). Ruigrok & Tacheva (2007) in addition, suggest that foreign directors bring with them diverse ideas and viewpoints, such as religion, language, culture life, experiences, norms and behavior of the company or state, which, in turn, improve the decision-making operation. The assumption may be made that foreign board membership is a primary element of a corporate governance framework that defines the value of companies and the distribution of resources amongst different stakeholders (Romli & Ismail, 2014; Okon & Monday, 2017 and Bollazzi & Risalvato, 2018).

## \* Gender and Age diversity (GENDER and AGE)

Members of the corporate board are supposed to be educated intellectuals, mature, knowledgeable, experienced, and hence aged above the forties. Diversity in age and gender can be referred to as the degree to which the age & gender of the members of a group or organization varied (Li, J. & Liao, 2011). Age diversity is considered to be the apparent attribute group diversity in terms of age is one of the salient topics among the researchers as the workforce is getting old throughout the world. The aging of personnel globally subsequently resulting in an increase in age diversity in the business firms (Li, J & Liao, 2011).

#### \* Experience Diversity (Exp)

Experienced directors may explore the new prospects for the firm with a better grasp of the association between the corporate board of directors and its decisions. Altiner and Ayhan (2018) studied and found a positive correlation between experience diversity and team efficiency. The organizations can learn from diverse backgrounds and experiences of different individuals. The knowledge so gained can be used to yield favorable results (Jehn & Bezrukova, 2004) While switching the corporates, directors gain facts, information, and skills. This gained experience consequently outlines the range of decisions, which in turn becomes the framework for strategic considerations of the organization (Kroll & Wright, 2008) experience drives the future course of action of the executives (Beckman, 2006) corporations can accomplish expertise in certain activities performed internally by adding experience in the execution of such activities. Likewise, directors gain expertise via their external experience. It is assumed that directors with experience have a rather worthwhile comprehension of the enterprise; hence such directors have the propensity to contribute in bringing to light key components of the enterprise habitat and in aligning management focus on the critical aspects for guidelines. While highlighting the behavioral aspects of the theory of the firm, emphasized former experience cannot be parted away from the decision making, therefore while analyzing a given situation with a perspective of the individuals with varied experiences, an innovative solution can be triggered.

Table (1):	Variable	measurement

Variables	Measurement
Earning management (EM)	Yoon et al, model 2006
Dividend payout /cash(DPO)	Dpo/N. I
Dividend stock	Disclosure in annual report in the year
	t+1 to net income at the end of the year
total Dividend payout	Dividend payout cash + Dividend stock
Leverage (LEV)	total debt/total asset
Size firm (SIZE)	In of total assets
Nationality Diversity(Nati)	Equal to one if the non-resident director is
	on the board. otherwise zero
Gender diversity(GENDER)	Equal to one if man zero if a woman
Age diversity(AGE)	The average age of the board of the
	directors of the firm
Experience Diversity(EXP)	Ln (average experience of the directors of
	the firm )
Return on Asset (ROA)	net income/ total asset
Exchange variable	Palestine exchange $= 0$
	Amman stock exchange =1

# 3.5 Statistical processing

Statistical analyses were carried out using E-views statistical computer program, the analysis examined in the research includes:

## **1- Descriptive statistics**

Descriptive statistics forms the basis of nearly every quantitative analysis of data and is used to describe the basic features of data in research as they provide simple summaries about the sample and measures, and describe the maximum value, minimum value, mean, and standard deviation of variables.

# 2- Multiple regressions:

Another statistics processing used is multiple regressions. To complete this research which was used to test the relationship between the dependent variable and independent variable which are earning management and dividend payout and the moderator variable which are the leverage and board diversity, regression analyses describe how one variable is related to another. The method of Generalized Least Squares (GLS) constructed with E-views is used to estimate the regression line. Some tests were also performed to verify the compatibility of the data with the basic assumptions of the multiple regression models, as (Durbin-Watson statistic) was used to verify the existence of the (autocorrelation) problem between the residuals and autocorrelation. Otherwise, the regression equation expresses the linear relationship between two or more variables, moreover, the regression analysis, the dependent variable (DV), the independent variable (IV) and moderator variable (MV) have to be identified and these are usually based on the theoretical basis.

#### **3.6 Empirical Model**

The research model is developed to examine the effects of earnings management on dividend payout with a focus on the moderating role of leverage at Palestine and Amman exchanges in the Banking sector during the period (2009 to 2018).

DPO =
$$\beta 0$$
+  $\beta 1$ DACi++  $\beta 3$  FIRM SIZE+  $\beta 4$  ROA +  $e_i$ 

DPO =  $\beta 0 + \beta 1$ DACi +  $\beta 2$ LEVi +  $\beta 3$  DAC\*LEV+  $\beta 4$  SIZE+ $\beta 5$ ROA+  $\beta 6$ Nati+  $\beta 7$  AGE+  $\beta 8$  GENDER+  $\beta 9$  EXP + $e_i$ 

DACi = earnings management of firm i. It is proxy by Discretionary accrual calculated using Yoon et al. (2006) model.

Div = Dividend payout of firm *i*. It measured as  $Di = \frac{DPo}{N.I}$ , Dividend cash, Dividend stock(disclosure in annual report to N.I) and Dividend total (Dividend cash +Dividend stock).

SIZEi = size of firm i. It is calculated using the natural logarithm of total assets of a company

ROAi = Return on asset of firm i in year t. It is measured using the ratio of net income of the company to total asset

LEVi = Financial leverage of firm i in year t. It is calculated using the ratio of total debt to total assets.

DAC\*LEV= Interaction term.

Nati= Nationality diversity, Equal to one if the non-resident director is on the board. Otherwise zero

GENDER= gender diversity, Equal to one if man zero if a woman

AGE= age diversity, the average age of the board of the directors of the firm

EXP= experience diversity. Equal Ln (average experience of the directors of the firm)

# **Chapter Four**

# The Estimation results and discussion

- 4.1 Introduction
- 4.2 Descriptive statistics
- 4.3 Pearson Correlation matrix
- 4.4 Estimation results
- 4.5 Testing Hypotheses and Discussion of results

# **Chapter Four**

## The Estimation results and discussion

#### **4.1 Introduction**

This chapter aims to test the research's hypotheses to investigate whether earning management will affect the dividend payout in the banking sector at Palestine and Amman exchange and focus on the role of Leverage as moderator variable. Also, it presents the research results and discussion.

## **4.2 Descriptive statistics**

This section demonstrates the effect of earning management on dividend payout with a focus on moderating effect of Leverage. EM was measured by discretionary accruals; firm size and ROA were controlling variables. In this part, the descriptive statistics obtain the appropriate output for variables; the descriptive shows every quantitative analysis of data and describes the Maximum Minimum values and standard deviation of search variable. Table (2) presents the descriptive pooled indicators of the variable.

Table (2): Descriptive indicators for the variables considered in the analysis

	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
TOTAL_DIV	0.76	0.5	23.67	-7.23	2.10	210
DIV_CASH	0.47	0.40	8.15	0.00	0.97	210
DIV_STOCK	0.29	0.00	17.30	-7.23	1.60	210
DAC_YOON	0.00	-0.30	20.18	-13.28	2.86	210
LEVERAGE	0.80	0.84	8.82	0.08	0.80	210
GENDER	0.51	1.00	1.00	0.00	0.50	210
LN_AGE	4.06	4.06	4.234	3.80	0.10	210
LN_EXP	3.44	3.46	3.71	2.99	0.16	210
NATIONALITY	0.61	1.00	1.00	0.00	0.48	210
ROA	0.01	0.01	0.13	-0.02	0.01	210
FIRM_SIZE	20.93	20.79	24.65	17.87	1.24	210
EXCHANGE	0.71	1.00	1.00	0.00	0.45	210
LEVERAGE_CENTERED*D AC_YOON_CENTERED	-0.24	-0.02	8.56	-12.73	1.42	210

Referring to the table (2) the mean of discretionary accruals (DAC Yoon) is about 0 this result approximately corresponds with previous research (Zeb & Rahman, 2019 and Saleem & Alifiah 2017). Looking at the minimum value, the maximum value, and the standard deviation of the estimated entitlements, we find it as follows: minimum (-13.3) maximum value (20.2) st.div (2.8) As for the minimum value, the previous research found that consistent with the result (Saleem & Alifiah, 2017) in the gas and oil Pakistani companies Also, in (Zeb & Rahman, 2019) found the minimum value-0.391 according to the maximum value of accruals (DAC) for the proxy used and this result approximately in the range of previous research of (Dilawer, 2012) in textile industry 9.941399 on the other hand, (Ibrahim & Hanefah, 2016) found it 41.74, and it was found in (Khan &

Shah, 2019) 16.453. Referring to Table (2), the standard deviation of discretionary accruals is (2.8) for the proxy used. And that fit with previous types of research (Shah & Zafar, 2010) they were found in china case the st.div of DAC 1.233157 on the other hand, it was found (Dilawer, 2012) std of DAC 1.524665.

Moving to the dependent variable the dividend payout Mean value of DPO (dividend payout) is (0.5) for div cash, (0.3) for div stock and (0.8)for total div which shows the average payment of dividend level, while the standard deviation of dividend payout is (0.97, 1.61 and 2.10) which shows the deviation of dividend from its mean value. The maximum value of dividend payout is (8.16, 17.3 and 23.7), and the minimum value of dividend payout is (0, -7.23 and -7.23). the results are similar to several previous studies, and it was found in a research (Saleem & Alifiah, 2017 Khan & Shah, 2019) the mean value (.30) and (0.703486) and Respectively, While in their (Shah & Zafar, 2010) research study of Pakistan and China cases, they found that the minimum value of dividends in Chinese companies is -5.08928 and the maximum value is consistent with Pakistan case 8.0936 was found in (Khan& Shah, 2019) -13.81551, while the st.div of dividend payout was found higher than it in (Khan & Shah, 2019) was 4.90505. As for the financial leverage and its moderate role the Table above shows that leverage has a mean value of -0.24 with an associated standard deviation of 1.43 and minimum value -12.7 and maximum value 8.5 In previous studies, the effect of financial leverage was found on earning management as well as on dividends, and it was found

that the results are close to the results of the research in the research (Vakilifard & Mortazavi, 2016 and Odum & Odum, 2017).

#### 4.3 Correlation matrix

As we know the Correlation coefficients are indicators of the strength of the relationship between two variables. If correlation coefficient is greater than zero indicates a positive relationship between two variables, a value of zero indicates no relationship between the two variables that are being compared.

Finally, a value that is less than zero signifies a negative relationship between two variables. Moving to correlation matrix for the variables in this study is presented in Table (3) as shown, all the proxies of discretionary accruals are highly correlated. This observation validates the measurement approaches of the dependent variable of the study. The correlations among independent variables are generally low. Asteriou and Hall (2007) claimed that correlations of less than 0.9 do not cause a serious Multicollinearity problem in the regression analysis.

Correlation	TOTAL_DIV	DIV_CASH	DIV_STOCK	DAC_YOON	LEVERAG	GENDER	LN_AGE	LN_EXP	NATIONALITY	ROA	FIRM_SIZE	EXCHANGE	LEVERAGE_CE NTERED*DAC_ YOON_CENTER ED
TOTAL_DIV	1.000												
DIV_CASH	0.681	1.000											
DIV_STOCK	0.896	0.285	1.000										
DAC_YOON	-0.057	0.036	-0.097	1.000									
LEVERAGE	0.034	0.019	0.034	-0.106	1.000								
GENDER	-0.022	0.099	-0.090	0.066	0.033	1.000							
LN_AGE	-0.123	-0.021	-0.149	0.115	0.067	0.510	1.000						
LN_EXP	0.087	0.040	0.090	-0.095	0.100	0.225	0.296	1.000					
NATIONALITY	0.083	0.151	0.018	0.015	-0.022	-0.233	-0.094	0.189	1.000				
ROA	-0.034	0.008	-0.050	-0.129	0.395	0.102	0.171	0.143	0.089	1.000			
FIRM_SIZE	0.033	0.089	-0.011	-0.130	-0.057	0.242	0.305	0.267	-0.062	0.033	1.000		
EXCHANGE	0.110	0.199	0.024	-0.038	-0.005	-0.214	-0.066	0.271	0.502	0.074	0.329	1.000	
LEVERAGE_C ENTERED*DA C_YOON_CEN TERED	0.162	0.044	0.186	-0.643	0.301	0.099	0.022	0.155	-0.126	0.120	0.226	-0.088	1.000

 Table (3): Correlations between all variables included in the analysis

Note: All correlations in the table are based on original data. Mean-centering of variables is used to reduce multicolinearity problem.

Table (3) above shows that the degree of association between discretionary accruals and dividend payout ratio is -0.05,-0.09 and 0.04, suggesting a negative association between the two. This result was also confirmed by (Haider & Sadiq, 2012; Srikanth & Prasad, 2015 and Saleem, & Alifiah, 2017). This result confirms that it is an important signal for potential future growth. The companies may also participate in the management's gain to reduce their profits to pay fewer dividends if there are cash restrictions with them in the event that the management's profits increase from the ability of the profits and may lead to an increase in the share price and this helps to attract investors to invest in the company. The table reveals that there is positive correlation between dividend payout (total div, cash div 0.07 and stock div 0.09), an increase in leverage would reduce dividend payout. With the focus of leverage and DAC of the proxy Yoon et al. model (-0.64), we see their negative correlation, depending on whether the leverage is high or low, the users of financial statements should be taking into account in assessing reported earnings by lowering / increasing their expectations regarding the reliability of earnings. Moving to control variables (Firm size, ROA, board diversity) the table below shows the correlation coefficient of firm size with earning management (DAC) for yoon model proxy, the value of firm size (-0.130) it indicates there negative and insignificant relationship with DAC it reveals that the banks that don't have a large number of assets and decrease using EM practices.

However, the size of the firm positively correlated with DPO of total and cash div (0.03 and 0.08) and negatively with the stock dividend (-0.011). As indicate of ROA is found to be negatively associated with dividend payout and DAC. Moving to board diversity (Gender, age, Exp, Nationality show negative correlation with two variables. This can be confirmed from the correlation coefficient. Furthermore, the correlation matrix only shows the degree of association among the variables of the study. But, to determine the real impact, should using regression.

#### **4.4 Estimation results**

The two hypotheses were proposed by this research and investigated using one proxy to measure DAC (Yoon model) independent variable and the relationship with the dependent variable (total dividend, cash dividend, and stock dividend) the moderating variable (Financial leverage) and control variables (Firm size, ROA) were estimated using panel GLS with cross-section weights and using exchange variable as dummy variable for Palestine and Jordan to explain if there any differences in two countries. Table (4) below shows the estimation results for the Yoon model with (total div, cash div and stock div) as a dependent variable with no moderator variable . The coefficient is equal (0, 0.007 and 0.003) to DAC-Yoon with t-statistics of (-0.02,0.88 and 0.38) (p-value=0.98,0.38 and 0.70). Thus, from the result, it can be stated that there is no significant and positive effect of earning management (DAC) and dividend payout for the three types .The adjusted R-square shows that the model explained 34% of

the total variations of the dependent variable it means that 34% of the changes dependent (dividend payout) are described by independent, and control variables. As a point of focus, the hypotheses of this research states that there is no significant and positive effect of earning management (DAC) and dividend payout for the three types in all banks sector in Palestine and Amman's stock exchanges selected for the research. Hence the research supports the view that there negative and significant effect and the result show the opposite of it. Moving to control variables the results show that there is insignificant and positive between the firm size and DPO but negative with ROA, moving to board diversity variables shows gender negative and insignificant with total div and stock div and positive and insignificant with cash div, the age diversity show positive and significant with total div, cash div and negative insignificant with cash div, while the estimation result show in experience diversity positive insignificant with total div, negative significant with cash and stock dividends, in nationality diversity the result show as following negative insignificant with total and stock dividends and insignificant negative with cash dividends and this result does not correspond with our expectation about the association between control V and cash DPO. When we used the exchange variable, it turned out that it is sufficient to compare the two markets to demonstrate the effect of earning management practice in Palestinian and Jordanian banks. There is no need to separate the two markets to know this comparison.

Table (4): Estimation results for the DAC Yoon et al (2006) model with three type of dividend as a dependent variables with no moderator variable

	Depen T(	dent Variabl )TAL_DIV	e:		Dependent	Variable: DIV	V_CASH		Dependent Variable: DIV_STOC			
Variable	Coefficient	t-Statistic	Prob.		Coefficient	t-Statistic	Prob.		Coefficient	t-Statistic	Prob.	
DAC_YOON	0.000	-0.019	0.985		0.007	0.883	0.378		0.003	0.375	0.708	
LEVERAGE	0.040	1.493	0.137		0.012	0.498	0.619	]	0.018	1.080	0.281	
GENDER	-0.054	-1.018	0.310	]	0.200	4.179	0.000	]	-0.151	-3.724	0.000	
LN_AGE	1.003	2.052	0.042		0.636	2.257	0.025	]	-0.389	-1.300	0.195	
LN_EXP	0.264	1.090	0.277		-0.292	-1.896	0.059	]	0.443	2.822	0.005	
NATIONALITY	-0.106	-1.871	0.063	]	0.052	1.344	0.180	]	-0.015	-0.421	0.675	
ROA	-2.936	-1.737	0.084		-0.025	-0.018	0.986		-0.905	-0.928	0.355	
FIRM_SIZE	-0.006	-0.392	0.696		0.008	0.500	0.618	]	0.007	0.675	0.501	
EXCHANGE	0.383	5.906	0.000	]	0.377	7.428	0.000	]	-0.067	-1.438	0.152	
С	-4.495	-3.043	0.003		-1.741	-1.757	0.080	]	0.151	0.167	0.868	
								]				
R-squared	0.366				0.524			]	0.146			
Adjusted R-squared	0.338				0.503			]	0.108			
Durbin-Watson stat			1.354		1.013			]	1.369			
F-statistic	12.835				24.512			]	3.806			
Prob(F-statistic)	0.000				0.000				0.000			
			Method:	Pane	el EGLS (Cross	-section weigh	nts)					
			Total	pane	l (balanced) obs	servations: 210	)					

- Note: the model is panel estimated GLS with cross-section weights. Independent variables are defined in Table (1).

- The model includes a constant term and exchange variable.

Table (5) below shows the estimation results for the DAC Yoon et al (2006) model with (total div, cash div and stock div) as a dependent variable with moderator variable (Leverage). The coefficient is equal (0.02,.023 and 0.014) to DAC-Yoon with t-statistics of (1.45,2.43 and 1.38) (p-value=0.14,.02 and 0.18). Thus, from the result, it can be stated that there is no significant and positive relationship between earning management (DAC) and dividend payout for the two types (Total dividend and stock dividend) and significant with cash dividend at a significant level of 5%. The adj R-square shows that the model explained 25% of the total variations of the dependent variable it means that 25% of the changes in the dependent (dividend payout) are described by independent, moderator, and control variables. As a point of focus, the hypotheses of this research states that there is significant and positive relationship between EM and DPO in all banks sector in Palestine and Amman's stock exchanges selected for the research. Hence the research supports the view that there positive and not significant relationship and the result shows the opposite of it in total and cash dividend. Moving to control variables the results show that there insignificant and negative between the firm size and DPO and negative with ROA and this result does not correspond with our expectation about the association between control V and cash DPO, board diversity show as following age and nationality diversity positive and significant that correspond with our expectation, while gender and experience show negative and insignificant.

Table (5) also shows how positively that affects DPO and how the moderating variable affects the relationship between EM and the DPO positively and the significant relationship. This result is consistent with our expectations about the effect of the moderating variable on the relationship between the EM and the DPO.

	Dependent Variable: TOTAL_DIV				Depend	dent Variabl V_CASH	e:	Dependent	dent Variable: DIV_STOCK		
Variable	Coefficient	t-Statistic	Prob.		Coefficient	t-Statistic	Prob.	Coefficient	t-Statistic	Prob.	
DAC_YOON	0.023	1.459	0.146		0.023	2.431	0.016	0.014	1.386	0.167	
LEVERAGE	0.028	0.517	0.606		0.019	0.698	0.486	0.005	0.127	0.899	
GENDER	-0.044	-0.768	0.444		0.166	3.761	0.000	-0.170	-4.096	0.000	
LN_AGE	0.871	1.699	0.091		0.499	1.797	0.074	-0.163	-0.518	0.605	
LN_EXP	-0.167	-0.608	0.544		-0.314	-1.996	0.047	0.457	2.523	0.012	
NATIONALITY	-0.026	-0.446	0.656		0.046	1.298	0.196	-0.010	-0.290	0.772	
ROA	-1.140	-0.505	0.614		0.545	0.381	0.704	-0.741	-0.656	0.512	
FIRM_SIZE	-0.019	-1.007	0.315		-0.002	-0.128	0.898	-0.007	-0.690	0.491	
EXCHANGE	0.440	5.521	0.000		0.415	7.991	0.000	-0.028	-0.530	0.597	
LEVERAGE_CENTERED*DAC_ YOON_CENTERED	0.127	2.647	0.009		0.057	2.527	0.012	0.072	2.250	0.026	
С	-2.336	-1.410	0.160		-0.922	-0.915	0.361	-0.519	-0.508	0.612	
R-squared	0.285				0.477			0.140			
Adjusted R-squared	0.249				0.451			0.097			
Durbin-Watson stat					1.201			1.492			
F-statistic	7.930				18.162			3.238			
Prob(F-statistic)	0.000				0.000			0.001			
Method: Panel EGLS (Cross-section weigh	nts)					•					
Total panel (balanced) observations: 210											

Table (5): Estimation results for the DAC Yoon et al (2006) model with three type of dividend as dependent variables with moderator variable

- Note: the model is panel estimated GLS with cross-section weights. Independent variables are defined in Table (1).

- The model includes a constant term and exchange variable.
#### 4.5 Testing Hypotheses and Discussion results

#### **Testing Hypotheses**

This part of the research aims to test the effect of earning management on dividend payout and then the intended part, which is to test the effect of earning management on dividend payout in the presence of leverage.

The two hypotheses intended to be investigated in this thesis were as follows:

# H1: Earning management has negative significant effects on dividend payout at Palestine and Amman stock exchange in the banking sector.

H2: The effect between the earning management and Dividend payout is moderated by leverage at Palestine and Amman stock exchange in banking sector.

To conclude about the relationships found from the analyses, Table (6) summarizes the results of previous model.

Dependent variable:	Total div	Cash div	Stock div	Conclusion			
variables							
EM (DAC)	-	- + -					
LEVERAGE	+	+	+	positive			
LEVERAGE*DAC_YOON	+	+	+	positive			
Firm size	-	-	-	negative			
ROA	-	-	-	negative			
Gender diversity	-	+	+	Mixed			
Age diversity	+	-	+	Mixed			
Nationality diversity	-	+	+	Mixed			
Experience diversity	+	+	-	Mixed			
Only significant results are presented in this table. All insignificant results are left empty.							

Table (6): Summary of the relationships from the research findings

# H1: Earning management has negative significant effects on dividend payout at Palestine and Amman stock exchange in the banking sector.

The first hypothesis examines the extent of the practice of Palestinian and Jordanian banks listed on the Palestine Exchange and the Amman Stock Exchange during the study period, and the hypothesis asks whether the management of profits practiced by the banks affects one of the most important financial decisions, which is the dividend policy. In order to test this hypothesis, the decision rule to accept the hypothesis if it is (F-test) is less than its scheduled value at the 95% confidence level, as well as its probability (p-value) less than 5%.

From table (4), it is noticed that correlation factor (R) between EM and the ratio of DPO (cash and total) is high, but the stock dividends is low, and the size and direction of the impact of EM on DPO positive while in our hypothesis however that indicates that banks manage their earnings by increasing them, which is reflected in the increase in dividends, but this result cannot be Generalize it because the effect is not significant. This result came close to a research result Joshi, R, (2014) In this study it was found that companies that practiced profit management in order to increase their profits made larger cash dividends, but this result cannot be generalized.

# H2: The effect between the earning management and Dividend payout is moderated by leverage at Palestine and Amman stock exchange in banking sector.

The question that expresses this hypothesis is whether there is an effect of earning management on dividend in moderate of leverage in Palestinian and Jordanian banks listed on the Palestine Exchange and Amman stock exchange? To test this hypothesis the base of the decision rule to accept the hypothesis if it (F-test) is less than its scheduled value at the 95% confidence level, as well as its probability (p-value) less than 5%. That means the banks that managed their earning with the moderate of leverage were able to influence the DPO? To measure this hypothesis, a multiple regression model was used .Through Table (5), we find that there is an effect of profit management on profit distributions in the presence of financial leverage and that the three variables (EM, DPO, Leverage) have statistical significance. Financial leverage and that is consistent with the hypothesis that was developed and also corresponds to several studies, such as (Ibrahim & Hanefah, 2016) for non-financial companies in Nigeria, (Chansarn & Chansarn, 2016; Khan & Shah, 2019; He et al., 2017; Shah, et al., 2010 and Saleem & Alifiah, 2017) that show a positive and significant impact were found.

#### **Discussion of results**

The research aims to discover how the banks listed in Palestine and Amman Stock Exchange practice managing earning and how misleading in financial disclosure, through their intervention in accounting measurement processes by exploiting the flexibility available to them in accounting standards to influence the declared net profit to achieve the objectives of the administration. Earning management in the banking sector on the policy of dividend distribution as one of the most important financial policies in banks with the moderate of financial leverage. In order to achieve the objectives of the research, two hypotheses were put forward and through testing those hypotheses, the following results have been reached, which can be summarized as follows:

- 1- The results of the first hypothesis test showed that there is no significant and positive statistical impact of earning management on dividend payout in the banking sector listed in the Palestine exchange and Amman Stock Exchange. Exposure to financial crises due to the distribution of fictitious profits. Whereas the banks that practice profit management and show low profits, they may resort to the voluntary reserve account, profits and retained losses, to maintain the stability of the distributed profit ratio. Therefore, the bank's management was able to harmonize between exploiting the phenomenon of profit management to achieve its goals and the most important financial decisions, which is the policy of distributing profits without affecting on their financial condition.
- 2- The results of the second hypothesis test showed that there is a significant and positive statistical effect of profit management on

profit distribution by mediating the financial leverage in the banks sector listed on the Palestine Stock Exchange and the Amman Stock Exchange. This hypothesis was based on the idea of a link between profit management and the relationship between dividends and financial leverage, meaning that the banks that managed their profits and financial leverage were able to influence the distribution of profits, and therefore the management of banks that committed to manipulating their profits was able to balance one of the most important financial decisions (the policy of dividend distribution) without damaging its financial position, using leverage and influencing the decisions of shareholders, investors and financial analysts with interests in the policy The bank distributes profits and that makes it a fairly stable policy.

# **Chapter Five**

# **Conclusions and Recommendations**

- 5.1 Introduction
- 5.2 Conclusions
- 5.3 Recommendations
- 5.4 Limitations

## **Chapter Five**

## **Conclusions and Recommendations**

#### **1.5 Introduction**

After running the data with variety of tests the result and evidence to approve the hypotheses whether significant or not are already being answered. Chapter five of this research aims to summarize the most important conclusions reached by the research in addition to present a set of recommendations based on them.

#### **2.5 Conclusions**

From the results we determined it has been clear that earnings management is positively effect on dividend payout with moderating role of financial leverage in Palestinian and Jordanian banking sector.

From the econometric analysis conclude that:

- Discretionary accruals have impact on dividend policy in both Palestine and Jordan.
- A control variable also shows insignificant impact on our dependent variable.

In this research we have found that there is earning management in both countries but that is not for the purpose of dividend announcement. Earning management is made by owners and managers to get maximum benefits from their profits. And the result shows there is positive relationship between earning management and dividend payout. It may be due to financial crisis in world. This research offers a wide range to look at what are the other factors that may involve in effecting the pattern of dividend payment. And this result shows the positive effect of EM on DPO in Yoon model (total, cash and stock DPO), while the relationships with these two variables were not significant and they indicated in overall failure in effect, because its nearly to be no impact and weak, with regard moderating role to leverage the result show that there are significant and positive effects, on the one hand, this research will focus on the situation related to earning management and its practice in the banking sector listed on the Palestine Exchange and the Amman Stock Exchange, as well as its impact on the dividend payout policy and how the role of financial leverage in improving this effect. The results of this research will be useful to all investors who may use it to make a decision as investors obtain more information about companies listed on the Amman Stock Exchange and the Amman Stock Exchange, they are likely to be more confident and invest more in this market. Palestinian and Jordanian banks sector seemed not to use EM to effect on dividend payout, the findings in this research are not corresponding with our expectations.

#### **3.5 Recommendations**

Depending on the results of the research related to the practice of banks listed in the Palestine Exchange and the Amman Stock Exchange, the study recommends the following:

- 1- Working to educate users of financial reports in general, and investors in particular, affects and implications of profit management practices on their investment decisions.
- 2- Keep on working on developing statistical methods to measure management intervention in accounting measurement processes, to serve as indicators to guide users of financial statements in evaluating the quality of the declared accounting numbers.
- 3- Study other factors that have not been studied to demonstrate their impact on profit management, such as administrative incentives, the percentage of major investors' representation on the board of directors, market share and tax payments.
- 4- Activating the role played by the Securities Commission in the field of organizing accounting policies and increasing the requirements of accounting measurement and disclosure and decisions that support and try to explain investment and credit decisions.

#### **5.4 Limitations**

This research indicates the effect of EM on DPO with a focus on moderating role of leverage at Palestine and Amman stock exchanges in the banking sector, that the data that used on this research is very limited, despite the in-depth analysis only employed small sample size (31) banks that may affect its generalizability to a border context. Furthermore, Different nature of disclosure of economic environment and the Jordanian environment on governance and disclosure more clear than in Palestine. According to the literature review, the findings imply that dividend policy and earnings management may have a causal relationship between each other. In other words, there may be a bilateral causality between both factors. Consequently, further study may focus on the causal linkage between dividend policy and earnings management of listed companies.

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# Websites:

- (<u>https://www.pex.ps/).</u>
- <u>https://www.ase.com.jo/ar.</u>

# Appendixes

Appendix (1): The websites that have been used to select the historical data of the study

**Appendix (2): Bank code table** 

Appendix (3): The Yoon et al (2006) model descriptive analysis with moderator variable

**Appendix (4): The Yoon et al (2006) model correlation matrix** with moderator variable

**Appendix (5): Summary of statistical analysis** 

Appendix (6): The Yoon et al (2006) model estimation result with moderator variable

## 80 **Appendix (1)**

# The websites that have been used to select

# the historical data of the study

1. Palestine Exchange, available at:

https://www.pex.ps/

2. Amman Stock Exchange, available at:

https://www.ase.com.jo/ar

# 81 **Appendix (2)**

# Bank code table

No.	Bank code	اسم البنك
1.	TNB	البنك الاسلامي العربي
2.	Вор	بنك فلسطين
3.	QUDS	البنك الاسلامي الفلسطيني
4.	AIB	بنك الاستثمار الفلسطيني
5.	ISBIC	بنك القدس
6.	PIBC	البنك الوطني
7.	ARBK	البنك العربي
8.	THBK	بنك الاسكان التجاري
9.	AHLI	البنك الاهلي
10.	BOJK	بنك الاردن
11.	EXFB	بنك المال
12.	JOIB	البنك الاسلامي الاردني
13.	САВК	بنك القاهرة عمان
14.	UBSI	بنك الاتحاد
15.	AJIB	بنك الاستثماري العربي
16.	ABCO	بنك المؤسسة العربية
17.	INVB	البنك الاستثماري
18.	SIBK	بنك صفوة الاسلامي
19.	САВК	بنك القاهرة عمان
20.	JCBK	بنك التجاري الاردني
21.	SGBJ	بنك سوستيه جنرال-الاردن

# 82 **Appendix (3)**

# The Yoon et al (2006) model descriptive

# analysis with moderator variable

	TA_REV	REV_REC_REV	EXP_PAY_REV	DEP_RET_AT_1		
Mean	0.173048	-1.4157	-1.47783	-4.36E-06		
Median	-0.08933	-0.711634	-1.023839	5.47E-05		
Maximum	ximum 23.02252 76.21737		22.87543	0.035069		
Minimum	-13.19534	-125.702	-18.33123	-0.055963		
Std. Dev.	2.914812	11.11922	4.942641	0.006427		
Skewness	2.936271	-4.969494	0.982586	-2.567163		
Kurtosis	Lurtosis 26.9967 87.11729		11.39644	37.65547		
Jarque-Bera	5340.373	62776.89	650.6688	10739.43		
Probability	0	0	0	0		
Sum	36.34014	-297.297	-310.3443	-0.000916		
Sum Sq.						
Dev.	1775.691	25840.14	5105.807	0.008634		
Bservations	210	210	210	210		

# 83 **Appendix (4)**

# The Yoon et al (2006) model correlation

# matrix with moderator variable

	TA_REV	REV_REC_REV	EXP_PAY_REV	DEP_RET_AT_1
TA_REV	1	0.024388	0.185082	0.035436958
REV_REC_REV	0.024388	1	0.10249	0.036778555
EXP_PAY_REV	0.185082	0.10249	1	0.083325686
DEP_RET_AT_1	0.035437	0.036779	0.083326	1

# Appendix (5) Summary of statistical analysis

TA_REV	REV_REC_Rev	EXP_Pay_REV	DEP_RET_At-1	div cash_N.I	div stock_N.I	div_N.I_total	leverage	firm size	ROA	AGE	EXPRIANCE	NATIONALITY	GENDER	ln_age	ln_exp
-3.703937318	-1.464814308	0.062375691	0.000140637	0	0	0	0.823180549	18.90718396	0.011397738	49	20	0	0	3.89182	2.995732
-0.232007636	0.365946468	0.882579256	-0.000106356	0	0	0	0.818307672	18.87898961	0.001334813	49	20	0	0	3.89182	2.995732
-2.105979856	-4.642610598	-12.82392871	0.000512667	0	0	0	0.881731323	19.32651347	0.002296944	49	20	0	0	3.89182	2.995732
-1.217055119	-5.738069151	-7.315172035	0.001176714	0	0	0	0.853739953	19.67598344	0.005759924	49	20	0	0	3.89182	2.995732
-0.34140514	-5.236458517	-11.18610617	-0.002656177	0	0	0	0.896212001	20.08763063	0.006798055	49	20	0	0	3.89182	2.995732
-2.312974505	-3.294751986	-6.120671463	0.002154978	0	0	0	0.882321546	20.33746818	0.006527912	49	20	0	0	3.89182	2.995732
-0.708312688	-3.796260346	-4.928455697	0.000413279	0	0	0	0.890500398	20.52514232	0.006633914	49	20	0	0	3.89182	2.995732
0.688252464	-3.349478098	-3.98131206	-0.000291902	0.506603407	0	0.506603407	0.903357393	20.6794068	0.00773412	49	20	0	0	3.89182	2.995732
0.469832338	-3.478903394	22.72472748	0.000758425	0.407398398	0	0.407398398	0.909609751	20.79967058	0.008527658	49	20	0	0	3.89182	2.995732
-0.369810755	-7.305708149	0.095087563	8.86771E-05	0.194745962	0	0.194745962	0.914790505	21.51385314	0.008734039	49	20	0	0	3.89182	2.995732
-1.703450852	-0.40717786	-3.182032251	-0.017008819	0	0.690547253	0.690547253	0.882447072	20.97248056	0.020988933	67	41	0	1	4.204693	3.713572
-0.186441777	-2.368510653	-3.054101955	-8.94329E-05	0.710503894	0	0.710503894	0.893928662	21.15831436	0.019494322	67	41	0	1	4.204693	3.713572
1.319809617	-1.86093866	-0.819292907	0.00091847	0	0.588569861	0.588569861	8.824611545	21.22643869	0.02054503	67	41	0	1	4.204693	3.713572
0.185391457	-2.356819696	-3.105697781	5.14994E-05	0.234696504	0.36508345	0.599779954	0.889760758	21.41865754	0.019130711	67	41	0	1	4.204693	3.713572
-0.466103943	-1.041206191	-2.727061206	0.017287481	0.248523505	0.395659311	0.644182815	0.892668636	21.57684931	0.017222334	67	41	0	1	4.204693	3.713572
-1.470031135	-0.337482744	-0.33458656	0.003849458	0.310771288	0.24861703	0.559388319	0.884481365	21.60900415	0.016588147	67	41	0	1	4.204693	3.713572
0.660766611	-1.611855241	-2.373783668	0.000175227	0.444779749	0.347484179	0.792263927	0.890221188	21.74758668	0.015498845	67	41	0	1	4.204693	3.713572
0.989866474	-4.417064223	-6.836537088	0.006672833	0.341646785	0.188480168	0.530126953	0.902076396	22.13944005	0.012873531	67	41	0	1	4.204693	3.713572
-1.268625539	-1.260991364	-3.257523954	0.003343654	0.431049844	0.09241648	0.523466324	0.090865355	22.30939886	0.011056476	67	41	0	1	4.204693	3.713572
1.280353524	-0.713321038	0.904252929	-0.001160839	0.498982694	0	0.498982694	0.910593904	22.26167659	0.011618632	67	41	0	1	4.204693	3.713572
-3.841146096	-0.507570348	6.895711918	0.001553861	0	0	0	0.858361357	19.61500377	0.008109639	57	28	1	1	4.043051	3.332205
0.440483836	6.605679293	-4.851035825	0.002512914	0	0	0	0.881760386	19.87120225	0.010325453	57	28	1	1	4.043051	3.332205
-1.293812483	-11.16925751	-1.289902584	-0.028405728	0	0	0	0.883298996	19.96329524	0.009796853	57	28	1	0	4.043051	3.332205
-0.369612173	-0.176367791	1.861034314	0.001385825	0	0	0	0.879424273	19.99118403	0.00679534	57	28	1	0	4.043051	3.332205
-2.288374184	0.272280083	-3.673748084	0.035068621	0	0	0	0.877968324	20.09324814	0.008899373	57	28	1	0	4.043051	3.332205
-0.9961489	-1.242049308	-3.785479008	0.017736822	0	0	0	0.868650636	20.35127734	0.010492168	57	28	1	0	4.043051	3.332205
-0.738670584	-2.35808541	-3.437462219	-0.021489354	0	0	0	0.904307056	20.50530898	0.00997158	57	28	1	0	4.043051	3.332205
1.439508499	-4.050289723	-3.000511442	0.027713791	0	0.5778026	0.5778026	0.90722837	20.68251709	0.010906184	57	28	1	0	4.043051	3.332205
-0.555462423	-0.606789048	-1.810774439	-0.019128556	0	0.655250203	0.655250203	0.904492513	20.79617194	0.010394343	57	28	1	0	4.043051	3.332205
-0.065169498	-0.461110245	-1.985536093	0.002032141	0.058967275	0.058967275	0.117934551	0.908127947	20.91638318	0.095592283	57	28	1	0	4.043051	3.332205
-2.884876519	-0.128609064	-1.48184109	6.56031E-05	0	0	0	0.334279208	19.49793796	0.003412263	55	33	1	1	4.007333	3.496508
-1.558626086	1.016935026	0.683722203	-0.003205556	0	0	0	0.317356363	19.47113371	-0.007357747	55	33	1	1	4.007333	3.496508
4.385533814	-4.037412779	0.774799321	0.004018282	0	0	0	0.271266058	19.51950488	0.002289708	55	33	1	1	4.007333	3.496508
1.999914482	-2.614054113	-2.660379414	-0.000714695	0	0	0	0.326762475	19.73735374	0.00173818	55	33	1	1	4.007333	3.496508
1.23746802	-1.057103818	-6.836791246	-0.000541776	0	0	0	0.499190435	19.96455026	0.007475349	55	33	0	1	4.007333	3.496508
1.141082458	-2.61997084	-2.191177081	0.000202196	0	0	0	0.499150845	20.14684881	0.007349679	55	33	0	1	4.007333	3.496508
2.343663767	-2.769055628	1.800891935	0.018344524	0.768980555	0	0.768980555	0.370571166	20.29339499	0.007995307	55	33	0	1	4.007333	3.496508
3.322487856	-3.880736149	-2.865492387	-0.015889558	0	0	0	0.404254197	20.48936736	0.007860108	55	33	0	0	4.007333	3.496508
2.259130801	-3.954868924	-3.628320665	0.000311477	0	0	0	0.430901141	20.76354723	0.006150131	55	33	0	1	4.007333	3.496508
3.224937384	12.83821445	2.022373796	0.001468157	0.844675448	0	0.844675448	0.351835331	20.78370487	0.006686719	55	33	0	1	4.007333	3.496508
0.988878121	0.203572398	1.352306108	-0.000516107	0	0	0	0.275840487	19.51640254	0.001239371	69	33	0	1	4.234107	3.496508
4.187516016	-0.389353573	-3.141022772	0.007774928	0	0	0	0.308853984	19.69459284	0.004460245	69	33	0	1	4.234107	3.496508
0.256730209	-4.675690631	-1.160224107	-0.007720743	0	0	0	0.335578035	19.78849513	0.010273478	69	33	0	1	4.234107	3.496508

0	5
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TA_REV	REV_REC_Rev	EXP_Pay_REV	DEP_RET_At-1	div cash_N.I	div stock_N.I	div_N.I_total	leverage	firm size	ROA	AGE	EXPRIANCE	NATIONALITY	GENDER	ln_age	ln_exp
-0.672566509	-1.089355309	0.075040499	0.000850994	0	0.197484444	0.197484444	0.310375242	19.86314105	0.013769464	69	33	0	1	4.234107	3.496508
1.420287316	-2.32017113	-1.029517789	0.000976119	0.180684838	0.433254602	0.61393944	0.315055481	20.03461221	0.012995198	69	33	0	1	4.234107	3.496508
1.313955999	-2.751101446	-1.948225216	-0.0004307	0.3980043	0	0.3980043	0.366336177	20.2045087	0.012662716	69	33	0	1	4.234107	3.496508
1.861338611	-2.390584418	-0.492263395	-0.000638041	0.423567621	0	0.423567621	0.351584312	20.33053629	0.014860261	69	33	0	1	4.234107	3.496508
0.930470987	-1.792196994	-0.507781164	-0.000205759	0.337205296	0	0.337205296	0.328166457	20.51141156	0.015577641	69	33	0	1	4.234107	3.496508
0.808859703	-1.448882475	-1.569712742	0.001466398	0.365594216	0.240862072	0.606456287	0.347640916	20.73358186	0.014382005	69	33	0	1	4.234107	3.496508
1.015814006	-0.85384015	0.078958448	-0.000689145	0.387599358	0.330434236	0.718033594	0.317088048	20.82256454	0.013701247	69	33	0	1	4.234107	3.496508
11.59788172	-23.63215686	-18.3312337	-0.000755074	1.365961603	0	1.365961603	0.752421082	19.31783153	0.011939712	58	25	0	1	4.060443	3.218876
-2.632845244	-8.895339139	-10.46368667	-0.000440886	0	0	0	0.764173257	19.39662775	0.005914543	58	25	0	1	4.060443	3.218876
0.439201367	2.168781942	1.971874874	0.001028564	0	0	0	0.735475945	19.31052536	0.010485605	58	25	0	1	4.060443	3.218876
-0.018936921	-1.318908848	-1.089447239	0.000681376	0	0	0	0.923645144	19.15635933	0.008751134	58	25	0	1	4.060443	3.218876
-1.216521094	-0.173913665	-1.884546689	-0.000441243	0	0	0	0.764425767	19.47991089	0.006790819	58	25	0	1	4.060443	3.218876
-1.031411433	-0.193850904	-2.146731181	0.00011291	0.511363516	0.706840163	1.218203679	0.786136401	19.58637136	0.00881974	58	25	0	1	4.060443	3.218876
2.554667209	-2.7688891	-0.117402266	0.000437026	0	7.553089504	7.553089504	0.775832392	19.60782344	0.005251087	58	25	0	1	4.060443	3.218876
-0.187535049	-2.268415275	-1.055620499	-0.000619705	0	0	0	0.773075932	19.68116438	0.009606124	58	25	0	1	4.060443	3.218876
-0.95590587	-1.371346388	-4.064545118	0.00050631	0	0	0	0.794944325	19.90973725	0.008841274	58	25	0	1	4.060443	3.218876
0.003135918	-0.224534404	-0.18679022	-1.31922E-05	0	0	0	0.78552614	19.93539476	0.009547514	58	25	0	1	4.060443	3.218876
-2.358563328	31.55154531	-16.01954888	-0.001133398	0.185564216	0	0.185564216	0.841239043	24.6457383	0.011391184	61	33	0	1	4.110874	3.496508
-0.021672695	-0.26820626	-0.171797163	8.26716E-05	0.346891778	0	0.346891778	0.838057388	24.65700871	0.006025241	61	33	0	1	4.110874	3.496508
-0.640163639	0.858724557	2.943410575	-6.67934E-05	0.615145255	0	0.615145255	0.832137492	24.54346323	0.006707355	61	33	0	1	4.110874	3.496508
-0.696162587	0.308658503	0.024395547	0.000182162	0.641670217	0	0.641670217	0.831330727	24.5441933	0.007712526	61	33	0	1	4.110874	3.496508
-0.209977861	-0.19061822	-0.373823812	-7.1966E-05	0.450129121	0.070936683	0.521065804	0.832590702	24.56055713	0.01081595	61	33	0	1	4.110874	3.496508
0.246197616	-0.10813084	-0.85358404	-1.34699E-05	0.167026768	0.123364169	0.290390936	0.836168285	24.5976179	0.011986192	61	33	0	1	4.110874	3.496508
-0.338577103	-0.47633413	-0.208703284	-7.73185E-05	0.510943787	0	0.510943787	0.83656545	24.61599578	0.009014714	61	33	0	1	4.110874	3.496508
0.411799748	0.156206461	0.740336958	-1.94721E-05	0.508949323	0	0.508949323	0.827971582	24.58316133	0.01122338	61	33	0	1	4.110874	3.496508
0.758097156	-0.772614805	-0.255325734	7.22497E-05	0.490465567	0	0.490465567	0.82540236	24.5978719	0.011065653	61	33	0	1	4.110874	3.496508
0.138552841	-0.069345336	-0.310364178	-5.31936E-05	0.49552492	0	0.49552492	0.823756583	24.61839952	0.016690403	61	33	0	1	4.110874	3.496508
-2.019587796	-4.029502104	-10.76935819	-0.055962651	0.757182985	0	0.757182985	0.84131048	22.87386913	0.010929199	62	29	1	1	4.127134	3.367296
-1.000901543	-0.289128638	-1.998285008	0.000301786	0.712369606	0	0.712369606	0.846709533	22.96623274	0.01323978	62	29	1	1	4.127134	3.367296
-0.312606876	-0.053935192	-0.721527219	-0.000106434	0.629985523	0	0.629985523	0.848855549	23.00417477	0.01441377	62	29	1	1	4.127134	3.367296
0.928413392	-0.474298758	-0.471482819	9.56745E-05	0.60293652	0	0.60293652	0.852408358	23.02608047	0.01473408	62	29	1	1	4.127134	3.367296
-1.020208981	0.142065693	-0.314603427	-0.000282218	0.707026872	0	0.707026872	0.853731519	23.0450021	0.014795253	62	29	1	1	4.127134	3.367296
-0.941055375	-0.185956035	-1.090176023	0.000149563	0.691969696	0	0.691969696	0.863277449	23.09464644	0.016782543	64	30	1	1	4.158883	3.401197
1.477811085	-2.247247156	-0.962045463	0.000152596	0.646526664	0	0.646526664	0.868814871	23.13689749	0.015743125	62	29	1	1	4.127134	3.367296
1.856672968	-1.450797091	0.353342716	-1.06919E-05	0.577043676	0.480869731	1.057913408	0.864447568	23.12387894	0.016753049	62	29	1	0	4.127134	3.367296
0.229225413	-0.641521544	-0.819169298	-6.35413E-05	0.503177741	0	0.503177741	0.86295841	23.16459367	0.015371551	62	29	1	0	4.127134	3.367296
-0.012816535	-0.057151902	21.02209808	-1.09738E-05	0.499858566	0	0.499858566	0.869868834	23.18342563	0.011388712	62	29	1	0	4.127134	3.367296
-0.511781267	-1.025220308	-1.528610546	-0.001160751	0	0.279972683	0.279972683	0.904176959	21.20042345	0.008285156	60	33	1	0	4.094345	3.496508
-0.833689138	-0.644520051	-2.351781596	4.19147E-05	0.47767206	0	0.47767206	0.909258039	21.31104587	0.00912984	60	33	1	0	4.094345	3.496508
0.654674944	-0.950562488	-0.607924085	8.44467E-05	0.473282693	0	0.473282693	0.902594005	21.34869573	0.008882256	60	33	1	0	4.094345	3.496508
0.974339984	-0.77912753	-0.118705463	1.21441E-05	0	0.615206333	0.615206333	0.898080848	21.36146143	0.008997402	60	33	1	0	4.094345	3.496508
-0.861175503	0.703499863	-0.375098406	0.000738589	0	0.937272233	0.937272233	0.894811591	21.38101891	0.005921598	60	33	1	0	4.094345	3.496508
-1.271219455	-0.056083845	3.680703853	-0.000802352	0.289805775	0	0.289805775	0.867181221	21.23057569	0.014691911	60	33	1	0	4.094345	3.496508
-1.694699987	-0.140723948	-1.330187078	0.001149828	0.766443791	0	0.766443791	0.87432248	21.30093362	0.009152754	60	33	1	0	4.094345	3.496508

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TA_REV	REV_REC_Rev	EXP_Pay_REV	DEP_RET_At-1	div cash_N.I	div stock_N.I	div_N.I_total	leverage	firm size	ROA	AGE	EXPRIANCE	NATIONALITY	GENDER	ln_age	ln_exp
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-0.90125284	0.077332058	0.521108935	5.23911E-05	0	0.65696192	0.65696192	0.887800772	21.3907111	0.004880587	60	33	1	0	4.094345	3.496508
-0.278972089	0.051873949	-0.557424003	0.000144227	0.431798617	0	0.431798617	0.891750083	21.41049839	0.007644107	60	33	1	0	4.094345	3.496508
-0.996983529	-0.523524989	-2.322919836	0.000265406	0.591269641	0	0.591269641	0.887775692	21.0328449	0.01329625	59	31	1	1	4.077537	3.433987
0.314559478	-0.80433126	-0.386923039	0.000368876	0.467065503	0	0.467065503	0.880268305	21.06435198	0.016309987	59	31	1	1	4.077537	3.433987
0.675849724	-0.64933889	-0.363838097	-0.002513829	0.636165001	0	0.636165001	0.864916083	21.10602659	0.01781453	59	31	0	1	4.077537	3.433987
-1.09032794	1.028291011	0.454782947	-7.39603E-06	0.700973302	0	0.700973302	0.855810396	21.08822037	0.016457952	59	31	0	1	4.077537	3.433987
-0.087065452	-0.982498114	-0.26301365	0.000576093	0.63926816	0	0.63926816	0.845208792	21.11768781	0.017522524	59	31	0	1	4.077537	3.433987
-1.396090701	-13.02084543	-7.330386532	0.001075632	0.69203088	0	0.69203088	0.844825125	21.1707807	0.020466098	59	31	0	1	4.077537	3.433987
2.003745381	0.568083946	0.099025285	5.89458E-05	0.77378528	0	0.77378528	0.833677221	21.17807509	0.018159005	59	31	0	1	4.077537	3.433987
-0.753943867	-0.639842465	12.93824622	-0.000128553	0.853039661	0	0.853039661	0.823657711	21.23644828	0.018044005	59	31	0	1	4.077537	3.433987
0.400480065	-1.249182741	-12.41740557	-0.000772981	0.789309915	0	0.789309915	0.828797754	21.32880352	0.017780552	59	31	0	1	4.077537	3.433987
0.581368368	-0.248953318	-0.517041554	-0.000127177	0.872845295	0	0.872845295	0.840609293	21.34961679	0.015747675	59	31	0	1	4.077537	3.433987
-4.551774139	0.576401782	-1.942537853	-0.002830414	0	0	0	0.80637453	20.45874533	0.001245467	49	37	1	0	3.89182	3.610918
0.687417271	-2.214553633	-2.662891104	0.00284859	0	3.440797717	3.440797717	0.822282997	20.57308152	0.004274652	49	37	1	0	3.89182	3.610918
-1.999256586	0.420503982	-3.40270948	0.000441714	0	10.50177214	10.50177214	0.841487379	20.72029218	0.001023274	49	37	1	0	3.89182	3.610918
-1.414862574	0.741043304	-2.300157116	2.26573E-05	0	0.680698612	0.680698612	0.848898258	20.86111103	0.013713331	49	37	1	0	3.89182	3.610918
-1.498335364	7.009731541	-2.455184415	-0.00032023	0.445508973	0.445508973	0.891017945	0.828105996	21.02155793	0.019631471	49	37	1	0	3.89182	3.610918
-0.240215437	0.007793811	-1.666419784	-5.07304E-05	0.299877953	0.509434512	0.809312465	0.832719173	21.1103194	0.017614086	49	37	1	0	3.89182	3.610918
2.328567628	-11.20878551	0.787813273	-0.000214886	6.371449154	17.30796615	23.67941531	0.836700584	21.07303263	0.000538141	49	37	1	0	3.89182	3.610918
1.229454113	-0.439165459	-0.090264488	0.000336523	0.021335282	0	0.021335282	0.833555895	21.08359611	0.008038551	49	37	1	0	3.89182	3.610918
-0.728531724	0.517798981	0.278663315	0.000111635	0.366144156	0	0.366144156	0.825335388	21.08012752	0.013653274	49	37	1	0	3.89182	3.610918
-0.884322749	0.221132214	0.269097095	-1.08277E-05	0.659016005	0	0.659016005	0.828562946	21.0621627	0.015446317	49	37	1	0	3.89182	3.610918
1.006400008	-0.238441751	-0.966775982	0.000268008	0.430278019	0	0.430278019	0.304353626	21.16752251	0.012775145	62	38	1	1	4.127134	3.637586
0.129545011	0.904453183	-0.162391488	0.000236838	0.515575657	0	0.515575657	0.299899159	21.34372094	0.01117405	62	38	1	1	4.127134	3.637586
-0.022612474	-8.211261529	-1.01816078	3.98473E-05	0.529582319	0	0.529582319	0.298925667	21.45091822	0.009772695	62	38	1	1	4.127134	3.637586
7.02110443	0.162697029	-0.440028623	-0.000144625	0.51446111	0	0.51446111	0.30267672	21.49221335	0.012066214	62	38	1	1	4.127134	3.637586
-0.037294648	0.154969197	-0.866939925	8.5521E-05	0.415684693	0	0.415684693	0.310744433	21.5751364	0.013745056	62	38	1	1	4.127134	3.637586
6.02046812	-0.030085793	-0.740908833	8.37554E-05	0.432091087	0	0.432091087	0.311319031	21.65507535	0.012695551	62	38	1	1	4.127134	3.637586
2.157007387	0.121513383	-0.752655615	0.00060862	0.400242572	0	0.400242572	0.318742751	21.72152922	0.012824577	62	38	1	1	4.127134	3.637586
-0.055125841	0.085319749	-0.602775658	-2.35657E-05	0.416519541	0	0.416519541	0.318313361	21.79766342	0.013176928	62	38	1	1	4.127134	3.637586
0.59129154	-0.024066916	0.51878074	-0.000152545	0.415596485	0	0.415596485	0.292519489	21.82464042	0.012854693	62	38	1	1	4.127134	3.637586
0.787941396	-0.011173718	0.304331548	-2.21344E-05	0.05420824	0	0.05420824	0.286579832	21.81246304	0.119712114	62	38	1	1	4.127134	3.637586
0.154550707	-0.980377377	-2.810654197	0.000516235	0.344435706	0	0.344435706	0.898649515	20.94464439	0.014625241	57	32	0	0	4.043051	3.465736
0.770108358	-0.734891224	13.42240712	0.000333729	0.431669132	0	0.431669132	0.088822234	20.9984298	0.018849943	57	32	0	0	4.043051	3.465736
-0.322256276	-0.981283462	-13.31426857	-0.000372598	0.464526377	0	0.464526377	0.884779125	21.0496688	0.0188606	57	32	0	0	4.043051	3.465736
0.566858514	-0.528216287	-0.56645025	-0.000138876	0.481775094	0	0.481775094	0.880831651	21.09203525	0.017430988	57	32	0	0	4.043051	3.465736
0.16211211	-0.946406862	12.26028305	-0.000496283	0.416794393	0.612932943	1.029727336	0.083503906	21.18112875	0.018431118	57	32	0	0	4.043051	3.465736
-1.033976562	0.959939835	-13.58053863	-0.000497987	0.364894937	0.785927546	1.150822483	0.876001713	21.24263557	0.018923353	57	32	0	0	4.043051	3.465736
-0.741432075	-0.972992876	-1.219158556	-6.52106E-05	0.388648997	0.485811247	0.874460244	0.878526684	21.31582763	0.016258785	57	32	1	0	4.043051	3.465736
1.154371672	7.842162828	2.397641243	0.000230162	0.460645369	0.575806712	1.036452081	0.86459844	21.29955139	0.013942724	57	32	1	0	4.043051	3.465736
-0.141421318	-11.14911503	-4.146973779	0.000220694	0.720774109	0	0.874272327	0.875801756	21.41439196	0.010724432	57	32	1	0	4.043051	3.465736
-0.525364508	-0.777100498	-1.036531322	9.3853E-05	0.545330913	0.336624048	0.336624048	0.882013205	21.46364203	0.010120118	57	32	1	0	4.043051	3.465736
-1.120406185	1.907855808	4.826071101	-0.001872608	0.612974639	0	0.612974639	0.842596713	20.76288049	0.011200182	58	29	1	0	4.060443	3.367296

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TA_REV	REV_REC_Rev	EXP_Pay_REV	DEP_RET_At-1	div cash_N.I	div stock_N.I	div_N.I_total	leverage	firm size	ROA	AGE	EXPRIANCE	NATIONALITY	GENDER	ln_age	ln_exp
-1.47936993	-0.263282555	-1.295524629	0.000307042	0.562510115	0	0.562510115	0.847223133	20.81818932	0.013857923	58	29	1	0	4.060443	3.367296
-0.631113005	-0.274563784	1.267257363	3.67815E-05	0.580454109	0.383076972	0.963531081	0.846116029	20.76628449	0.007072495	58	29	1	0	4.060443	3.367296
-0.743010819	-1.771052437	-4.565357349	0.000368787	0.406860102	0	0.406860102	0.865698923	20.9464758	0.008426347	58	29	1	0	4.060443	3.367296
-0.546915812	-2.496840118	-2.277565709	0.000206799	0.293046613	0	0.293046613	0.869216648	21.04322819	0.011682111	58	29	1	0	4.060443	3.367296
0.295553447	-2.656610861	-3.815375475	2.35681E-05	0.033240894	0.056660609	0.089901503	0.879397174	21.20067496	0.117312921	58	29	1	0	4.060443	3.367296
-0.673453014	-0.436579843	-1.171734542	-6.42909E-05	0.305204378	0	0.305204378	0.878334079	21.25646626	0.012083644	58	29	1	0	4.060443	3.367296
-0.714670406	0.132277728	-1.463094525	0.000128574	0.4275577	0	0.4275577	0.878814402	21.32669939	0.011421402	58	29	1	0	4.060443	3.367296
-0.091595077	-5.113860183	-5.720702418	0.000641696	0.459782232	0	0.459782232	0.871647339	21.65999632	0.009741434	58	29	1	0	4.060443	3.367296
-0.053287048	-1.162372979	-1.793040668	0.000171941	5.451990639	0	5.451990639	0.879204035	21.73954905	0.010621814	58	29	1	0	4.060443	3.367296
-0.315276592	-0.294787177	-2.03596067	-5.95148E-06	0.747897086	0	0.747897086	8.356628946	17.87131822	0.132344301	68	37	1	1	4.219508	3.610918
-0.554084409	-0.792703474	-3.467381811	0.001932627	0.844974231	0	0.844974231	0.85156823	20.24887635	0.013584799	68	37	1	1	4.219508	3.610918
-0.30059654	7.912241367	-1.166210669	3.48887E-06	0.83948115	0	0.83948115	0.859972464	20.31127047	0.012846605	68	37	1	1	4.219508	3.610918
-0.986280558	-8.682430145	-1.937887139	-7.26982E-06	0.800163721	0	0.800163721	0.84982418	20.41916944	0.014519169	68	37	1	1	4.219508	3.610918
-0.438126765	0.353707038	-3.928318239	2.46723E-05	0.780212986	0	0.780212986	0.866928433	20.56804311	0.013899992	68	37	1	1	4.219508	3.610918
-2.319633787	-5.026039278	-8.108097103	-0.000170388	0.738813977	0	0.738813977	0.875132384	20.94653721	0.013920148	68	37	1	1	4.219508	3.610918
-1.149988566	-0.43737933	-0.511017408	-0.000133887	0.776363019	0	0.776363019	0.087694869	23.27277835	0.00129372	68	37	1	1	4.219508	3.610918
0.084659106	0.872947073	-0.026455032	2.75963E-05	0.795112681	0	0.795112681	0.878196211	20.979891	0.012510219	68	37	1	1	4.219508	3.610918
-0.724507542	-10.36312455	-0.500442582	0.000263834	0.786028586	0	0.786028586	0.88065545	20.99548568	0.009344237	68	37	1	1	4.219508	3.610918
-0.579633189	0.01918386	-3.440104715	5.93133E-05	0.802791321	0	0.802791321	0.894053801	21.09635061	0.008271313	68	37	1	1	4.219508	3.610918
0.290347769	-0.628122373	-0.432074454	-0.000119569	0	0.983116571	0.983116571	0.842507986	19.89410536	0.015118095	52	28	1	1	3.951244	3.332205
0.790717858	2.216377397	-2.165396219	0.00047988	0	0.9267856	0.9267856	0.847023544	20.0255764	0.014865058	52	28	1	1	3.951244	3.332205
-1.528045053	-3.371879693	-1.802570798	-0.000363976	7.963455152	0.849503187	8.812958339	0.844138676	20.10982768	0.014907026	52	28	1	1	3.951244	3.332205
1.729734079	-3.991835937	-1.414705361	-0.000109297	8.157926819	0	8.157926819	0.842005372	20.19726732	0.013333316	52	28	1	1	3.951244	3.332205
-2.312319365	-0.545737288	-3.090800558	-5.85212E-05	0	0.85501696	0.85501696	0.860309313	20.34210096	0.012230241	52	28	1	1	3.951244	3.332205
-0.659566006	-0.283877263	-2.920186877	5.53534E-05	0.736526783	0	0.736526783	0.866370331	20.48203691	0.012220333	52	28	1	1	3.951244	3.332205
1.467503981	-0.398317714	1.634958398	-4.44033E-05	0.632814983	0	0.632814983	0.85153344	20.41541415	0.01520298	52	28	1	1	3.951244	3.332205
0.392702992	-0.5938579	-1.696490156	-6.77624E-05	0.391021433	0	0.391021433	0.858909331	20.49432168	0.012631745	52	28	1	1	3.951244	3.332205
0.992450278	5.191459805	-0.246599141	1.25388E-05	0.367143821	0	0.367143821	0.857949603	20.50729565	0.023903727	52	28	1	1	3.951244	3.332205
1.866990192	-6.940683723	-0.429661531	-0.000335922	0.566064178	0	0.566064178	0.860216133	20.52298665	0.008479089	52	28	1	1	3.951244	3.332205
-1.267957344	-125.7019774	1.18139514	0.0002457	0	1.036156987	1.036156987	0.860136105	19.98140104	0.010856641	63	33	1	0	4.143135	3.496508
2.208584261	76.21737304	0.206896447	0.000941078	0	0.711851	0.711851	0.841121484	19.99702964	0.016076259	63	33	1	0	4.143135	3.496508
-0.727753857	0.051208469	0.277091396	0.001724546	0.833719509	0	0.833719509	0.809333897	20.01829471	0.013870978	63	33	1	0	4.143135	3.496508
1.785585512	-1.154341946	-0.271718432	0.000251387	0.710898054	0	0.710898054	0.809131506	20.04220828	0.01588306	63	33	1	0	4.143135	3.496508
-0.891943541	-0.996054564	-1.872347793	0.001928182	0.670540446	0	0.670540446	0.820870433	20.13695059	0.015316886	63	33	1	0	4.143135	3.496508
0.150168755	-0.68680201	-0.505801672	0.002239892	0.566096076	0	0.566096076	0.818305178	20.17008348	0.01535762	63	33	1	0	4.143135	3.496508
-0.214185718	0.139287784	-0.762389392	0.0023249	0.489174328	0	0.489174328	0.817077515	20.21887174	0.016926296	63	33	1	0	4.143135	3.496508
0.125411503	-1.61417694	0.645022816	0.002860876	0.512581984	0	0.512581984	0.826930022	20.3350546	0.016436019	63	33	1	0	4.143135	3.496508
0.564542011	-1.933903746	-4.343619442	0.002119532	0.63391129	0	0.63391129	0.833405424	20.45748143	0.014698469	63	33	1	0	4.143135	3.496508
-0.645107798	-0.917358869	-1.582286413	0.001586151	0.687128654	0	0.687128654	0.844773216	20.5283825	0.013895154	63	33	1	0	4.143135	3.496508
23.02252292	22.06986727	22.87543281	0.000820123	0	0	0	0.17368854	18.41040436	-0.027140043	57	26	1	0	4.043051	3.258097
16.42404104	-22.52938185	-14.45629001	-0.002283526	0	-7.230569796	-7.230569796	0.204916064	19.07035524	-0.012897021	57	26	1	0	4.043051	3.258097
6.185935719	-4.213471841	-0.724710308	-0.002895253	0	2.05549043	2.05549043	0.201015752	19.33811016	0.015272659	57	26	1	0	4.043051	3.258097
4.599847383	-4.895738882	-1.838851171	0.000716324	0	0	0	0.205758909	19.64280994	0.004492472	57	26	1	0	4.043051	3.258097
0.045033936	1.707345024	-0.262596946	0.000254256	0	0	0	0.194650366	19.74900936	0.002782777	57	26	1	0	4.043051	3.258097

0	0
0	0

TA_REV	REV_REC_Rev	EXP_Pay_REV	DEP_RET_At-1	div cash_N.I	div stock_N.I	div_N.I_total	leverage	firm size	ROA	AGE	EXPRIANCE	NATIONALITY	GENDER	ln_age	ln_exp
3.814630902	-2.949978266	-0.38578991	8.89494E-05	0	0	0	0.167543665	19.96793876	0.002923098	57	26	1	0	4.043051	3.258097
1.515006111	-0.564224187	-0.279894893	0.0006073	0	0	0	0.151700012	20.13852592	0.004206785	57	26	1	0	4.043051	3.258097
2.903321046	-2.331285055	-0.349824252	0.000260274	1.228648546	0	1.228648546	0.140831082	20.30298038	0.006195409	57	26	1	0	4.043051	3.258097
1.2355969	-1.093279106	-1.280756555	-0.000106123	0	0	0	0.168834789	20.34368007	0.005958796	57	26	1	0	4.043051	3.258097
2.247076662	-0.709946469	-0.421519466	-0.000416365	0.598755054	0	0.598755054	0.169193783	20.50143706	0.007446151	57	26	1	0	4.043051	3.258097
-1.228333168	1.182319067	-0.31229171	2.76248E-05	0.334284618	0	0.334284618	0.867184312	21.1423803	0.02107792	64	32	1	1	4.158883	3.465736
0.15643241	-0.766956975	0.833588361	-0.000108	0.383039906	0	0.383039906	0.841288128	21.12107831	0.025054757	64	32	1	1	4.158883	3.465736
-0.065925984	-0.707370102	-1.510543433	-9.73011E-05	0.673475397	0	0.673475397	0.845232025	21.20854907	0.013056429	64	32	1	1	4.158883	3.465736
1.13156288	-1.376410665	-0.900921396	-0.000209276	0.429111749	0	0.429111749	0.842661562	21.2662699	0.019342291	64	32	1	1	4.158883	3.465736
-0.630632957	1.577788095	-0.888941163	-0.000244109	0.421782336	0	0.421782336	0.839236055	21.32385345	0.018577262	64	32	1	1	4.158883	3.465736
-0.328992562	-0.612223404	-0.201343867	0.000156261	0.427700498	0	0.427700498	0.832565625	21.34603445	0.017918319	64	32	1	1	4.158883	3.465736
-1.216875678	0.291384952	-0.918440061	-1.8518E-05	0.680002085	0	0.680002085	0.805167755	21.43225877	0.010339035	64	32	1	1	4.158883	3.465736
2.109462194	-1.503259085	0.187150351	9.54111E-05	0.666537596	0	0.666537596	0.830227256	21.3947462	0.010951084	64	32	1	1	4.158883	3.465736
0.143037174	-0.928011272	0.081429536	0.00046452	0.742059632	0	0.742059632	0.801782322	21.42431281	0.009549977	64	32	1	1	4.158883	3.465736
1.383614187	-0.546373782	0.019461574	-1.94721E-05	0.474568961	0	0.474568961	0.083649285	23.69028425	0.00154897	64	32	1	1	4.158883	3.465736
-1.935503963	1.550219332	0.143100647	0.000159627	0	1.313712127	1.313712127	0.855613341	19.92489732	0.008825541	55	30	0	0	4.007333	3.401197
-1.455343792	-2.290327465	-4.617517751	0.000126296	0	0.567379789	0.567379789	0.876448544	20.11600585	0.005737481	55	30	0	0	4.007333	3.401197
-1.121352725	-0.724427045	-1.188047021	-0.000222237	0	0	0	0.885036088	20.16587201	-0.001658498	55	30	0	0	4.007333	3.401197
0.717294792	-0.699987611	-0.953796934	0.000107065	0	0	0	0.87745269	20.21759717	0.002443175	55	30	0	0	4.007333	3.401197
-1.113614987	-2.045183718	-5.558985184	0.000636003	0	0	0	0.891893087	20.44031591	0.003032526	55	30	0	0	4.007333	3.401197
-13.19534326	0.060854115	-2.258022737	-5.1298E-05	0	0	0	0.896665577	20.53974066	0.010064695	55	30	0	0	4.007333	3.401197
-2.308561532	-0.879477919	-4.718556897	-0.000217122	0	0.317321778	0.317321778	0.907243312	20.78393292	0.010592409	55	30	0	0	4.007333	3.401197
2.609093931	-0.988865407	4.688444016	9.8872E-05	0	0.844467291	0.844467291	0.884758752	20.62210313	0.007370112	55	30	0	0	4.007333	3.401197
-0.105724199	-1.775495465	-2.350775804	0.000104292	0	1.880536305	1.880536305	0.891814515	20.7105143	0.002741025	55	30	0	0	4.007333	3.401197
2.661969044	-0.301675914	0.328153907	-0.000112541	0	1.416679471	1.416679471	0.900970044	20.6895388	0.003715631	55	30	0	0	4.007333	3.401197
-2.326708663	0.761152179	-1.400143783	-0.000215785	0	0	0	0.824667796	19.18475024	0.014253764	45	38	1	0	3.806662	3.637586
-5.221515022	1.684407989	-2.401709946	-0.000158151	0	0	0	0.832744861	19.31576557	0.013434732	45	38	1	0	3.806662	3.637586
0.442418476	-0.654068237	-1.149854561	0.00019301	0	0	0	0.833292423	19.36783775	0.009030775	45	38	1	0	3.806662	3.637586
-2.308169294	-2.101818843	1.733715423	6.16281E-05	0	0	0	0.57179964	19.65172517	0.009874517	45	38	1	0	3.806662	3.637586
-2.2588175	-2.340289488	-13.56969252	-0.000280106	0	0	0	0.824729069	19.94175169	0.010926417	45	38	1	0	3.806662	3.637586
-6.152296219	-4.070522341	-9.040802221	0.000706513	0	0	0	0.859769803	20.24356987	0.010617834	45	38	1	0	3,806662	3.637586
-7.490777268	-3.882753302	-12.1519911	-0.00013647	0.399631328	0	0.399631328	0.894568501	20.57753085	0.008271121	45	38	1	0	3.806662	3.637586
2.495302817	-4.611837266	-3.10693912	-0.003759089	0.45837773	0	0.45837773	0.897603353	20.65159767	0.00837035	45	38	1	0	3.806662	3.637586
1.152641317	-3.382000384	-1.714248869	0.003491119	0.896262781	0	0.896262781	0.900823276	20.68841654	0.005776563	45	38	1	0	3.806662	3.637586
-0.156570698	-6.558361929	-14.70440673	5.39963E-05	0.905256464	0	0.905256464	0.924952188	20.91935972	0.004864062	45	38	1	0	3.806662	3.637586

#### 89 **Appendix (6)**

#### The Yoon et al (2006) model estimation

#### REV\_REC\_REV 0.001286 0.018047 0.071246 0.9433 0.040714 2.649429 EXP\_PAY\_REV 0.107868 0.0087 DEP\_RET\_AT\_1 9.077079 31.16554 0.291254 0.7712 С 0.334319 0.208777 1.601321 0.1108 R-squared 0.034683 Mean dependent var 0.173048 Adjusted R-squared S.D. dependent var 2.914812 0.020625 S.E. of regression 2.884597 Akaike info criterion 4.975511 Schwarz criterion Sum squared resid 1714.106 5.039266 Log likelihood -518.429 Hannan-Quinn criter. 5.001285 F-statistic Durbin-Watson stat 2.46711 0.966804 Prob(F-statistic) 0.063234

#### result with moderator variable

جامعة النجاح الوطنية كلية الدراسات العليا

# تأثير ادارة الأرباح على توزيعات الأرباح والدور المعدُل للرافعة المالية: دليل من القطاع المصرفي الفلسطيني والاردني

# اعداد أسيل يوسف شاكر ملحم

قدمت هذه الأطروحة استكمالا لمتطلبات الحصول على درجة الماجستير في المحاسبة بكلية الدراسات العليا في جامعة النجاح الوطنية في نابلس، فلسطين. 2021

ب

يهدف هذا البحث الى التحقق من أشر ادارة الارباح على توزيعات الارباح مع بيان دور الرافعة المالية في هذا التأثير في قطاع البنوك في بورصة فلسطين وبورصة عمان خلال فترة (2009-2018)، تم الاعتماد في هذا البحث على البيانات السنوية في القوائم المالية ولتوضيح هذا الاثر تم استخدام واختبار المتغيرات من خلال استخدام coefficient, correlation and panel general least square بالإضافة الى استخدام Yoon et al, (2005) model لقياس ادارة الارباح والتي تم قياسها من خلال المستحقات Discretionary). أظهرت النتائج الرئيسية المتعلقة بالمتغيرات الاختيارية (accruals ادارة الارباح وتوزيعات الارباح في قطاع البنوك في السوق المالي الفلسطيني والاردني أن هناك اثر ايجابي بممارسة ادارة الارباح على سياسة توزيع الارباح ولكن هذا التأثير غير معنوي، علاوة على ذلك عند قياس ذلك الاثر في وجود الرافعة المالية تم ايجاد اثر من ادرة الارباح ايجابي ومعنوي على سياسة توزيع الارباح، وتوصل ايضا هذا البحث الى ان العلاقة بين ادارة الارباح وسياسة توزيع الارباح مهمة ووجود علاقة دليل على ان ذلك لا يناسب المستثمرين من جهة ،ونوصبي بشدة بعدم وجود اي علاقة تربط بين ادارة الارباح وسياسة توزيع الارباح، ويمكن التقليل من هذه العلاقة عن طريق التحكم في الاستحقاقات التقديرية (الاختيارية) وسيساعد ذلك ايضا الادارة التي ستعمل على ادارة ارباحها بفعالية بإدارة رافعتها المالية لذلك يجب تقليل تأثير ادارة الارباح على سياسة توزيع الارباح.