

# Study the Impact of Banking Management Choices on Disclosing Future Profits and the Impact of Bank Characteristics on Management Choices

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## Abstract

*As we are in the process of keeping pace with globalization and challenging global markets, attention must be paid to two important aspects, the first of which is attention to practical activities and the second of which is adequate accounting disclosure in the financial reports and providing them to the concerned authorities and stakeholders inside and outside the company, and placing this disclosure within a framework with which the financial reports in companies can be compared, This study aims to uncover and measure earnings management practices in the Iraqi banking environment, and attempt to measure earnings management practices. To achieve this goal, a sample of fifteen Iraqi banks listed on the stock market and stock exchange was used for the period (2010 - 2020), The study tested the impact of earnings management practices using the modified Jones model on future profits and the operating cash flows that make up current profits. The modified Jones model (Jones: 1991) is one of the models used to measure earnings management through the use of a regression model to measure optional accruals. Several hypotheses were used for the study: The effect of optional dues on future profits, The larger the bank, the greater the impact of receivables on future profits., The greater the bank's debt ratio, the greater the impact of optional receivables on future profits, The greater the ratio of the market value to the book value of the bank's shares, the greater the impact of optional dues on future profits, The greater the bank's revenue growth, the greater the impact of optional accruals on future profits, The greater the deviation in the bank's operational activity, the greater the impact of optional accruals on future profits, This study reached important results, including: There is a positive relationship between optional entitlements and future levels of profits. Optional benefits are the least sustainable component of current profits in the future.*

**Keywords:** *Earnings Management, Iraqi Banks, Disclosure, Modified Jones Model.*

## Introduction

The financial and banking sector is one of the most important economic sectors in any country due to its effective and efficient contribution to financing various economic sectors at the local, regional and international levels and its increasing importance in various economic systems as it leads the process of economic and social development. These institutions have become one of the distinctive features of the developed world after human society used to deal with barter as a basis for meeting the increasing needs and satisfying the developing desires by achieving multiple benefits in light of limited natural resources. Then, dealing with credit began after the emergence of multiple financial institutions that kept pace with the process of rapid economic growth after the industrial, commercial and information revolution and the development of communication channels and methods of communication and transportation. Countries' interest in the banking and financial sector increased, especially when the financial or digital economy emerged as a result of the capitalist system represented by the market mechanism, privatization and globalization, etc. Profit is considered one of the most important basic goals that banks seek to achieve through net cash flows after covering their expenses, which can be used in their distributions to shareholders or to carry out investment expansion to create growth in all aspects of the bank. It gives an indication of the efficiency of the banking management in its work. Earnings management has a significant impact on the quality of future earnings, as the quality of earnings reflects the ability of earnings to express the bank's real profit, and therefore earnings management is inconsistent with the quality of earnings because it leads to the earnings stated in the financial report not expressing the bank's real profit. Based on the above, this study comes to examine the reality and practices of profit management by commercial banks and the repercussions of these practices on the quality of future profits and their disclosure. Determining and measuring economic information in a way that enables users of this information to make sound decisions, by providing them with the financial or economic activities of the bank. Users of financial

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information are stakeholders such as company management, current and potential shareholders, creditors, government agencies, especially tax departments, depositors and customers. Disclosure has gained increasing importance at the present time, especially with regard to the banking environment due to the complexity of the financial instruments used such as derivatives and securities, the volume of trading and the risks associated with them. The importance of disclosure and transparency lies in the financial statements that are presented to investors and shareholders, to know the financial position of the bank and based on the accounting standards applied in the country, which leads to the production of financial information that enables shareholders to monitor these statements. Although financial reports are subject to a large number of accounting standards and policies when prepared, and are also subject to accounting disclosure standards when published, this does not prevent managements from Banks seek to show financial statements, especially profits, in a way that serves their interests through profit management practices. Profit management is a means by which the bank's management manipulates its profits so that the profits published in the financial statements serve the management's objectives. The application of transparency and disclosure rules increases the ability to be held accountable due to the provision of facts, which is active disclosure. It also leads to what is called the Information – Transparency Cycle, meaning that disclosure leads to transparency, and transparency leads to improving the quality of information.

**Study Problem:** The study problem is represented by the lack of knowledge of the extent to which Iraqi commercial banks practice earnings management and the lack of clarity on the impact of these practices on the quality of future earnings. Through the above, this study seeks to answer the following questions: Does earnings management (discretionary or optional accruals) affect future earnings? Do the characteristics of banks affect the relationship between earnings management (discretionary or optional accruals) and future earnings? To what extent does the management of commercial banks manage their future earnings? What is the impact of earnings management practices on the quality of future earnings? What is the impact of the size of the bank on the quality of future earnings?

**Study Objectives:** The main objective of this study is to know the impact of the choices, practices, and decision-making process for earnings management by bank management on future earnings.

**The importance of the study:** The importance of the research is highlighted by the Iraqi market's trend towards openness to the world, especially in light of the entry of foreign investors into the capital market in Iraq. This requires keeping pace with developments related to the banking system in the world through the trend and increased interest in accounting disclosure, in addition to the emergence of a modern research trend in accounting that is concerned with optional disclosure. Also, banks' interest in practices of profit management that affect decision-making regarding future profits, and the reflection of this matter on stakeholders and investors, risk prediction, investor awareness, disclosure, and transparency in presenting this information, and in light of the fluctuations resulting from the financial crises, in addition to the existence of a relationship between the quality of accounting disclosure and profit management, made it important to study these topics and keep pace with them through research and studies and the extent of their reflection on the reality of Iraqi banks

### *Theoretical Framework*

#### *Banking Management:*

According to the concepts of modern administrative ideas, it is "the process of coordinating and integrating banking activities in a manner that is characterized by efficiency, effectiveness, and flexibility in achieving banking performance objectives through basic functions such as planning, organization, leadership, and control" (Ramadan, 2006: p. 33). The importance of banking management lies in activating the regulatory aspect of the bank (regulatory rules, banking tools). Previously, it was limited to the certificate of commencement of work or the certificate of registration or submission of financial statements, which are not sufficient for regulatory authorities. However, at present, modern methods and approaches for banking management have emerged, including the following:

□ Experience in strategic planning and analysis: Effective management creates a modern strategy for providing banking services in a competitive banking environment and developing policies and management functions.

□ Risk management: Banking management bears the risks to which the bank is exposed and works to solve them, developing treatments for potential risks such as (credit risks, exchange rate risks, interest rate risks) and others. (Ramadan, 2006: p. 33)

Managing and ensuring sufficient liquidity: Failure to provide the necessary liquidity to meet the bank's obligations from sudden withdrawals of depositors' money leads to a problem that may end the bank's work. p12 (Certo, Samuel 2005:

Competition in providing banking services: The bank can attract many customers because of the distinguished services it provides that differ from those provided by other banks.

Human resources management: i.e. employees and teams working in the bank and directing them to work and managing their affairs and working to increase their banking skills. (Logothetes N.,1997: p39)

Activating the aspect of internal auditing and review: by supporting it with a set of rules, instructions, procedures and international and accounting standards. (Jelda, 2008: p22)

Keeping pace with local and international legislation and laws: as international relations create a competitive advantage in banking work such as international trade, commercial exchange, international legislation, money transfer laws, etc.

The departments in the bank are many and varied: depending on the functions and services provided and the purposes it performs, it is not possible to establish a fixed system that all commercial banks follow, but it is possible to establish main lines for internal organization that are taken into consideration when carrying out the process of dividing work in banks These main issues are summarized as follows:

Determining the scope and authority of supervision: Determining the number of employees who are subject to the supervision of one or more persons. (Jalda, 2008: p. 22)

Simplifying and unifying work: Practical foundations must be taken into account in simplifying and coordinating banking operations to ensure their speedy completion. The work system must also be unified in all branches and departments of the bank. Work must also be flexible to match the increase in work volume and reduce the rate of customer stay inside the bank. (Hashad, 2013: p. 44)

Dividing and unifying work into specialized departments: Work must be distributed according to its type into specialized departments, each department performing one type of banking work to save time and effort, develop work skills, reduce costs, increase quality of service, and achieve harmony and accuracy in work. (Al-Shammari, 2008: 241-243)

Employee training: Every bank must develop intensive programs to train its employees before assigning them the tasks assigned to them and for more than one time. These trainings include the latest scientific methods that have been reached. (Hashad, 2013: p. 44)

### *Earnings Management*

Earnings management emerged with the spread of the so-called (agency) theory, as well as with the spread that occurred in the financial markets, so the need for administrations in institutions to state and document the financial position in the financial statements emerged, and this presentation should be in a way that satisfies the public, so in the thirties of the twentieth century some practices of earnings management began to appear, especially during the recession period, as these administrations faced many pressures and difficulties in producing better profits during this period, and here it is necessary to invent profits to

maintain the level of financing in the institution, or encourage new capital to enter into its capital. Bankruptcy and collapse, especially in the largest global companies such as the American company (Enron) and the Belgian company (Hauspie), as well as in the wake of financial and accounting scandals, led to the emergence of many questions about the wrong image in showing and presenting financial reports and how to trust them, and what is the role of external control and auditors in that, and many recommendations and studies appeared that called for changing the method of preparing financial statements such as the (Corporate Governance) law in Belgium in 2002 and the (SOX) law in America in 2002. (Mahmoud, 2010: p. 27) The process of writing financial reports and deliberate interference in the development of data and numbers to reach private benefits, which is done by changing and manipulating these reports, to modify the announced profit rates, as well as the use of profit management in institutions of their judgments regarding their preparation of financial reports, and restructuring financial operations to modify financial reports, to achieve several special goals such as misleading stakeholders about the financial performance of the institution, whether negatively or positively, to reach desired results, or to influence the contracts that will be Concluding it due to the accounting figures that will be disclosed, as several different methods are used to manipulate and defraud the financial disclosure process. (Al-Mashhadani, Muhammad, 2019: p. 9)

The importance of profitability management in every institution and company is in developing its reports according to the motives that drive it to adopt such misleading behavior, which leads to the opportunistic behavior of profit management, either to reduce or increase their profits for gains and others. (Mahmoud, 2010: p. 27)

The concept of profit management arose as a result of changing the concept of the accounting unit and separating ownership from management. In our return to the literature of accounting knowledge for-profit management, it was defined as the methodology used by profit management to choose accounting policies to provide accounting solutions and treatments for existing or potential problems in the future and give the financial statements a misleading image that may differ from the truth and reality in data and numbers and legitimately and illegitimately. (Abu Rashid, 2015: 40) The researcher believes that it is the influence and manipulation of accounting data and information included in financial reports by earnings management, and aims to influence accounting numbers, especially accounting profits, by exploiting the transparency and flexibility allowed by some accounting policies and personal estimates. Also, the earnings management process in the case of manipulating accounting numbers and information, the earnings index, and its distributions, by influencing the methods of accounting data processing and choosing alternative policies to produce outputs of information and financial reports that are biased and unfair. One of the most used tools in earnings management is income smoothing, and income smoothing is considered one of the most important risks to which earnings management is exposed, as the financial statements are an important statistical summary of the establishment's achievements and are usually relied upon in evaluating performance and concluding agreements with other parties, such as loan agreements and managers' reward policies. To reduce the phenomenon of earnings manipulation ensure the integrity of the data to which the financial statements are exposed and reduce potential risks in earnings management, the instructions are strengthened and the control system is strengthened.

### *Accounting Disclosure*

Accounting disclosure is the essence of accounting theory. Accounting disclosure is based on the necessity of disclosing financial statements and accounting information clearly and completely, in addition to the complementary explanations to these statements, with the aim of enabling the parties that rely on these financial statements. Accounting disclosure refers to everything related to the financial statements in terms of their content, which includes items and quantitative information, as well as the form and method of presenting these items and information within each statement, in addition to the accounting policies that are followed in measuring to determine the value of each item. This is to help users make decisions and reduce their uncertainty.

Accounting disclosure is one of the accounting concepts and principles that play an important role in stating the value of financial data, information and figures that appear in the financial statements and are used for many purposes, including:

Making decisions in investment, activities and financing in institutions.

Contributing to achieving the effectiveness and efficiency of exploiting available economic resources, whether at the level of the institution or at the level of the national economy.

The views of stakeholders differ on the concept and limits of disclosure of data and information that must be provided in the preparation of financial statements due to the difference in sources and parties benefiting from this information. We find that the concept of disclosure for those preparing financial statements differs from its concept for auditors in investors and shareholders, and their point of view may not agree with regulatory and professional bodies such as tax directorates, central banks and securities authorities. There are two levels of disclosure:

The ideal level of disclosure.

The available or possible level of disclosure.

The necessity of presenting information in a way that reflects the reality of the institution's situation without misleading so that users of this information can rely on it in making the right decision, but the quantity and amount of information provided differed, and the beneficiaries of these financial statements, regardless of their cultural, economic and accounting levels, are characterized by differences in their abilities to process this information. (Khamis, 2019: p. 78)

Direct communication between management and accountants or external users leads to external disclosure, which is evident in the necessity of preparing basic financial statements, which are (income statement, balance sheet, cash flow statement).

The lack of homogeneity and conformity of interests and different parties regarding the form and content of these financial statements has led to a difference in the angle from which they join these statements. The management in the institution is responsible for preparing the data, and disclosure is viewed from an angle that may not be consistent with the view of auditors or external parties, investors, money owners, regulatory and supervisory bodies. (Huafang, and Jianguo, 2007, p. 604- 619))

Accounting has been defined as a system of measurement and disclosure, as the financial analyst measures the various elements that make up the financial statements and discloses the results of the measurement process in the form of reports and financial statements that include information about the company's financial position. The American Auditing Standard (301) states that future financial information is either financial perceptions or financial forecasts in light of the best available information and the management's belief that the basis of these forecasts is the management's assumptions that reflect the conditions expected to exist or expected to be taken. The responsibilities of these forecasts fall on the management, and therefore it should have a reasonable objective basis for setting this forecast or financial perception. It has been shown that there is unanimous agreement in the accounting literature that the disclosure of accounting data must be comprehensive, fair, and sufficient. Accounting disclosure can be defined as "all financial information, whether quantitative or qualitative, that the company has published through official and unofficial means to internal or external parties and included in the financial statements in a language that is understandable to all readers." Through the above, Disclosure can be defined as an effective means of protecting the company from being exposed to crises, collapses, financial collapses and bankruptcy for a large number of investors. There are also a set of characteristics that can affect the degree of accounting disclosure, such as the size and indebtedness of companies, profitability and type of industry. In addition, there are some theoretical variables of agency and corporate governance that affect accounting disclosure. (Khamis, 2019: p. 78) There is an impact or relationship between corporate governance, i.e. (the relationship between the impact of the ownership structure and the composition of the board of directors) and voluntary disclosure, as the ownership of major shareholders and the ownership of foreign shares have a direct relationship with the choice of disclosure, especially voluntary disclosure, and (administrative ownership, state ownership and individual ownership) are not related to voluntary disclosure. The increase in the

independence of directors improves voluntary disclosure and the duality of the executive director reduces voluntary disclosure. (Salama, 2011: p. 67)

And testing the impact of ownership structure (administrative ownership, ownership of major shareholders, and government ownership), the composition of the board of directors, and the percentage of external directors on corporate disclosure, in addition to some variables, namely opportunities (growth, company size, debt, industry sector, auditor reputation, analyst follow-up, stock price performance, and profitability) on corporate disclosure.

From the above, we conclude that accounting disclosure focuses on the method and formula by which information is displayed, announced and communicated to beneficiaries, in a way that reflects the reality of the financial situation of the institution, without misleading or falsifying, and allows reliance on that information in making decisions by publishing all economic information related to the institution, whether quantitative or qualitative information that can help the investor in making his investment decisions and strategic timing. Hence, accounting disclosure is considered one of the communication tools by presenting and interpreting numbers, data and information, and otherwise there is no significant benefit to the outputs of the accounting system.

#### *Applied Framework*

**Research Methodology:** To achieve the study objective and hypotheses, the descriptive analytical method was used for the selected countries as a study sample to analyze data and statistics derived from the relevant authorities. Iraqi banks relied on the quantitative method to build a standard model to measure the study of the impact of banking management choices on disclosing future profits and the impact of bank characteristics on management choices.

**Research Community and Sample:** The study sample included 15 commercial banks listed on the Iraq Stock Exchange during the period from 2011 to 2021. Data were collected from the financial statements published on the official website of the Iraqi Stock Exchange. This section of the study will present the use of multiple linear regression analysis to test the study hypotheses.

**Descriptive Statistics:** Descriptive statistics for all variables during the study period from (2011) to (2020). Table No. (1) below is devoted to displaying the upper and lower limits, the arithmetic mean, the median, and the standard deviation for all study variables, as in the following table:

**Table (1).** Descriptive Statistics for All Study Variables

Std. Dev.	Minimum	Maximum	Median	Mean	Variable
0.315	-1.430	2.334	0.038	0.054	CFO+1
0.057	-0.032	0.475	0.016	0.033	OI+1
0.041	-0.032	0.297	0.011	0.024	NI+1
0.111	0.000	0.674	0.070	0.103	DA
0.485	25.698	28.234	26.993	27.023	SIZE
0.164	0.182	0.841	0.513	0.524	DebtTA
0.485	0.000	2.814	0.541	0.647	MB
0.585	-1.017	3.630	-0.044	0.084	SG
1.928	0.000	10.987	0.477	1.071	AvpcOI
0.161	-0.688	0.401	0.018	0.009	CFO

Source: Program Outputs EViews-12

Cash flow from operations for the next year (CFO+1):

It was found that the highest value of cash flow from operations for the next year was (2.334), while the lowest value of cash flow from operations for the next year was (-1.430), while its arithmetic mean was (0.054) and its standard deviation was (0.315).

Operating profit for the next year (OI+1):

It was found that the highest value of operating profit for the next year was (0.475), while the lowest value of operating profit for the next year was (-0.023), while its arithmetic mean was (0.033) and its standard deviation was (0.057).

Net profit for the next year (NI+1):

It was found that the highest value of net profit for the next year was (0.297), while the lowest value of net profit for the next year was (-0.023), while its arithmetic mean was (0.024) and its standard deviation was (0.041).

Optional Dues (DA):

It was found that the highest value of the optional dues was (0.674), while the lowest value of the optional dues was (0.000), while its arithmetic mean was (27.023) and its standard deviation was (0.485).

Size (SIZE):

It was found that the highest value of the bank's size was (28.234), while the lowest value of the size was (25.698), while its arithmetic mean was (0.103) and its standard deviation was (0.111).

Debt Ratio (DebtTA):

It was found that the highest value of the bank's debt ratio was (0.841), while the lowest value of the debt ratio was (0.182), while its arithmetic mean was (0.524) and its standard deviation was (0.164).

Market value to book value ratio (MB):

It was found that the highest value of the market value to book value ratio of the bank's shares reached (2.814), while the lowest value of the market value to book value ratio reached (0.000), while its arithmetic mean was (0.647) and its standard deviation was (0.485).

Revenue growth (SG)

It was found that the highest value of the bank's revenue growth ratio reached (3.630), while the lowest value of the revenue growth ratio reached (-1.017), while its arithmetic mean was (0.647) and its standard deviation was (0.585).

Absolute value of the percentage of change in operating profit (AvpcOI):

It was found that the highest value of the absolute value of the percentage of change in operating profit was (10.987), while the lowest value of the absolute value of the percentage of change in operating profit was (0.000), while its arithmetic mean was (1.071) and its standard deviation was (1.928).

- Cash flow from operating operations (CFO):

It was found that the highest value of cash flow from operating operations was (0.401), while the lowest value of cash flow from operating operations for the year was (-0.688), while its arithmetic mean was (0.009) and its standard deviation was (0.161).

#### *Testing The Correlation Coefficient Between the Study Variables*

The correlation coefficient measures the degree of linear association between two variables, and the correlation coefficients for the study variables were as in the table below:

**Table No. (2).** Correlation Matrix for The Study Variables

CFO	AVPCOI	SG	MB	DEBITA	SIZE	DA	NI1	OI1	CFO1	Correlation
									1.000	CFO1
									-----	Probability
								1.000	0.157	OI1
								-----	0.057	Probability
							1.000	0.965	0.215	NI1
							-----	0.000	0.009	Probability
						1.000	0.470	0.450	0.003	DA
						-----	0.000	0.000	0.972	Probability
					1.000	0.093	-0.239	-0.215	-0.254	SIZE
					-----	0.261	0.003	0.009	0.002	Probability
				1.000	0.713	0.243	0.203	0.201	-0.076	DEBITA
				-----	0.000	0.003	0.013	0.015	0.356	Probability
			1.000	0.491	0.199	0.295	0.357	0.296	0.085	MB
			-----	0.000	0.015	0.000	0.000	0.000	0.305	Probability
		1.000	0.253	0.210	-0.049	0.297	0.530	0.534	-0.117	SG
		-----	0.002	0.011	0.554	0.000	0.000	0.000	0.155	Probability
	1.000	0.366	-0.218	-0.033	-0.067	0.017	0.063	0.089	-0.080	AVPCOI
	-----	0.000	0.008	0.688	0.421	0.833	0.448	0.283	0.333	Probability
1.000	0.054	0.298	0.077	0.200	0.061	0.064	0.286	0.284	0.009	CFO
-----	0.516	0.000	0.354	0.015	0.463	0.438	0.000	0.001	0.910	Probability

Source: Program Outputs EViews-12

Table No. (2) indicates that the values of the correlation coefficient between the independent variables are less than ( $\pm 0.80$ ), which indicates that there is no problem in the linear correlation between the independent variables. It also shows the existence of an inverse significant relationship between the dependent variable cash flow from operations for the coming year and the intermediate variable (size), as well as the existence of a significant relationship between the dependent variable operating profit for the coming year and the independent variable optional receivables and with the intermediate variables (size, debt ratio, the ratio of the market value of shareholders' equity to the book value of shareholders' equity and revenue growth), as well as the existence of a significant relationship between the dependent variable net profit for the coming year and the independent variable optional receivables and with the intermediate variables as well (size, debt



ratio, the ratio of the market value of shareholders' equity to the book value of shareholders' equity and revenue growth).

#### *Data Stationarity Test (Stationarity) For Study Variables*

Time series stationarity refers to the stability of each average and variance of the series values over time, and that the variance between two time periods depends only on the time gap, and not on the actual time in which the variance is measured. The unit root test is applied to verify whether the study variables are stable or not, using the Levin-Lin-Chu (LLC) test. If these variables contain a unit root, their differences must be taken to make them stationary, because unstable variables give high values (R<sup>2</sup>, F, T), which leads to misleading results and incorrect interpretation.

**Table No. (3).** Results of the Unit Root Test for Study Variables

Prob.	Statistic	Variable
0.000	-25.064	CFO+1
0.000	-198.976	OI+1
0.000	-183.281	NI+1
0.000	-11.029	DA
0.000	-10.824	SIZE
0.000	-9.969	DebtTA
0.000	-11.746	MB
0.000	-6.938	SG
0.000	-3.949	AvpcOI
0.000	-11.120	CFO

Source: Program Outputs EViews-12

Table No. (3) above shows the results of the data stability test, using the Levin-Lin-Chu (LLC) test. All the values of the time series used in the study are stable over time because all the probability values of the variables are less than (0.05), which indicates that there is no unit root and the time series are stable at the level.

#### *Hypothesis Testing*

*The first model: The model related to testing the first sub-hypothesis of the first main hypothesis*

*Results of choosing the method for testing the first model*

We determine the most appropriate model, as we will conduct two tests in two stages, the first stage to determine the homogeneity of individual units between the method of aggregate effects and the method of fixed effects in order to know the most appropriate model, and it is known as the Chow or F test. The results of this test were as follows:

**Table No. (4).** Chow or F Test

Test result	Prop	F	(H <sub>0</sub> )
H0 Hypothesis accepted (the most appropriate cumulative effects method)	0.191	1.343	OLS

Source: Program Outputs EViews-12

Table No. (4) shows that the Prop value for the F test is equal to (0.191), which indicates the acceptance of the null hypothesis H<sub>0</sub>, which indicates the superiority of the fixed clustering method, i.e. the homogeneous individual units were accepted and the clustering effects method is the most appropriate.

#### Variance Inflation Factor (VIF)

Variance Inflation Factor (VIF) test for the first model, and the results were as in the following table:

**Table (5).** Results of the Variance Inflation Factor (VIF) Test for the First Study Model

VIF	Variables
1.920	DA
3.497	SIZE
4.201	DebtTA
1.959	MB
1.830	SG
1.369	AvpcOI
1.944	CFO

Source: Program Outputs EViews-12

Table No. (5) indicates that all values of the variance inflation factor (VIF) are less than (10), indicating that there is no problem in the linear association between the variables of the first model.

#### Testing The First Sub-Hypothesis of the First Main Hypothesis

*The First Sub-Hypothesis: The Effect of Optional Dues on Future Profits Measured by The Operating Cash Flow for the Next Year.*

**Table No. (6).** Testing The First Sub-Hypothesis of the Second Main Hypothesis

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.375	0.891	1.016	0.905	C
0.036	2.122	0.136	0.288	DA
0.421	-0.808	0.039	-0.031	SIZE
0.643	-0.465	0.096	-0.045	DebtTA
0.023	-2.296	0.024	-0.056	MB
0.106	1.630	0.026	0.042	SG
0.123	-1.552	0.005	-0.008	AvpcOI
0.008	2.694	0.128	0.345	CFO
0.095	Adjusted R-squared		0.149	R-squared
0.009	Prob(F-statistic)		2.724	F-statistic
1.533			Durbin-Watson stat	

Source: Program Outputs EViews-12

Table No. (6) shows through the results of the statistical analysis the significance of the model, where the value of (Prob) (F-statistic) was less than (0.05) and was (0.009), which indicates that the model is valid for testing and its results are reliable. As for the value of (Durbin-Watson), it reached (1.533), which is greater than the value of (R-squared), which reached (15%). This explains the absence of autocorrelation and false regression. As for the value of (R-squared), it was (0.149), which means that the explanatory power of the independent variables in the dependent variable is (15%). As for the value of (Adjusted R-squared), it was (0.095), which means that the independent variables affect the dependent variable by (10%), the remaining (90%) is due to other factors outside the model. Interpretation of the result of the first sub-hypothesis of the first main hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable optional receivables is less than (0.05) as it reached (0.036), which indicates that there is a direct moral effect of optional receivables on future profits measured by the operating cash flow for the next year.

This means accepting the hypothesis that states the effect of optional receivables on future profits measured by the operating cash flow for the next year.

*The second model: The model related to testing the second sub-hypothesis of the first main hypothesis*

*Results of choosing the method for testing the second model*

We determine the most appropriate model, as we will conduct two tests in two stages, the first stage to determine the homogeneity of individual units between the method of aggregate effects and the method of fixed effects in order to know the most appropriate model, and it is known as the Chow or F test. The results of this test were as follows:

**Table No. (7)** Chow or F Test.

Test result	Prop	F	(H <sub>0</sub> )
H0 Hypothesis rejected (fixed effects method is most appropriate)	0.029	1.929	OLS

Source: Program Outputs EViews-12

Table No. (7) shows that the Prop value for the F test is equal to (0.029), which indicates the rejection of the null hypothesis H<sub>0</sub>, which indicates the superiority of the fixed effects method, i.e. the heterogeneous individual units were accepted and the fixed effects method is the most appropriate.

If the null hypothesis is rejected, the second stage is applied to prefer between the fixed effects model and the random effects model, using the Hassmann test, to verify the significant association between the model variables. If there is a significant association, the panel method with fixed effects will be used, but if there is no significant association, the panel method with random effects should be used, as in the table below:

**Table No. (8)** Hassmann Test

Test result	Prop	Chi-Sq.	(H <sub>0</sub> )
H0 Hypothesis accepted (The panel method with random effects is most appropriate)	0.234	9.263	.Random effects method is best

Source: Program Outputs EViews-12

It is clear from Table No. (8) that the Prop value for the Hasman model test is equal to (0.234), which indicates the acceptance of the null hypothesis H<sub>0</sub>, which means that the random effects method is more appropriate than the fixed effects method.

*Variance Inflation Factor (VIF)*

*Variance Inflation Factor (VIF) test for the second model, and the results were as in the following table:*

**Table (9).** Results of the Variance Inflation Factor (VIF) test)

VIF	Variables
1.169	DA
1.871	SIZE
2.592	DebtTA
1.686	MB
1.585	SG
1.319	AvpcOI
1.137	CFO

Source: Program Outputs EViews-12

Table No. (9) indicates that all values of the variance inflation factor (VIF) are less than (10), indicating that there is no problem in the linear association between the variables of the second model.

Testing the second sub-hypothesis of the first main hypothesis

*The second sub-hypothesis: The effect of optional dues on future profits measured by the operating profit for the next year.*

**Table No. (10)** Testing the Second Sub-Hypothesis of the Second Main Hypothesis

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.000	6.067	0.269	1.634	C
0.000	4.768	0.031	0.149	DA
0.000	-6.024	0.010	-0.062	SIZE
0.001	3.581	0.036	0.130	DebtTA
0.592	0.538	0.009	0.005	MB
0.000	4.438	0.007	0.030	SG
0.301	-1.038	0.002	-0.002	AvpcOI
0.043	2.045	0.021	0.043	CFO
0.514	Adjusted R-squared		0.537	R-squared
0.000	Prob(F-statistic)		23.216	F-statistic
1.593			Durbin-Watson stat	

Source: Program Outputs EViews-12

Table No. (10) shows through the results of the statistical analysis the significance of the model, where the value of (Prob) (F-statistic) was less than (0.05) and was (0.000), which indicates that the model is valid for testing and its results are reliable. As for the value of (Durbin-Watson), it reached (1.593), which is greater than the value of (R-squared), which reached (54%). This explains the absence of autocorrelation and false regression. As for the value of (R-squared), it was (0.537), which means that the explanatory power of the independent variables in the dependent variable is (54%). As for the value of (Adjusted R-squared), it was

(0.514), which means that the independent variables affect the dependent variable by (51%), the remaining (49%) is due to other factors outside the model. Interpretation of the result of the second sub-hypothesis of the first main hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable optional dues is less than (0.05) as it reached (0.000), which indicates that there is a direct moral effect of optional dues on future profits measured by the operating profit for the next year.

This means accepting the hypothesis that states the effect of optional dues on future profits measured by the operating profit for the next year.

*The third model: The model related to testing the third sub-hypothesis of the first main hypothesis*

*Results of choosing the method of testing the third model*

We determine the most appropriate model by conducting two tests in two stages. The first stage is to determine the homogeneity of individual units between the cumulative effects method and the fixed effects method in order to know the most appropriate model. This is known as the Chow or F test. The results of this test are as follows: Table No. (11) Chow or F test.

Test result	Prop	F	(H <sub>0</sub> )
<b>H0 Hypothesis rejected (fixed effects method is most appropriate)</b>	<b>0.0497</b>	<b>1.773</b>	<b>OLS</b>

Source: Program Outputs EViews-12

Table No. (11) shows that the Prop value for the F test is equal to (0.0497), which indicates the rejection of the null hypothesis H<sub>0</sub>, which indicates the superiority of the fixed effects method, i.e. the heterogeneous individual units were accepted and the fixed effects method is the most appropriate.

If the null hypothesis is rejected, the second stage is applied to prefer between the fixed effects model and the random effects model, using the Hassmann test, to verify the significant association between the model variables. If there is a significant association, the panel method with fixed effects will be used, but if there is no significant association, the panel method with random effects must be used, as in the table below:

**Table No. (12) Hassmann Test**

Test result	Prop	Chi-Sq.	(H <sub>0</sub> )
<b>H0 Hypothesis accepted (the panel method with random effects is most appropriate)</b>	<b>0.079</b>	<b>12.726</b>	<b>Random effects method is .best</b>

Source: Program Outputs EViews-12

Random Effects Method It is clear from Table (12) that the Prop value for the Hasman model test is equal to (0.234), which indicates the acceptance of the null hypothesis H<sub>0</sub>, which means that the random effects method is more appropriate than the fixed effects method.

*Variance Inflation Factor (VIF)*

Variance Inflation Factor (VIF) test for the third model, and the results were as in the following table:

**Table (13)** Results of the Variance Inflation Factor (Vif) Test

VIF	Variables
1.173	DA
2.091	SIZE
2.804	DebtTA
1.661	MB
1.586	SG
1.320	AvpcOI
1.138	CFO

Source: Program Outputs EViews-12

Table No. (13) indicates that all values of the variance inflation factor (VIF) are less than (10), which indicates that there is no problem in the linear association between the variables of the first model.

Testing the third sub-hypothesis of the first main hypothesis

The third sub-hypothesis: The effect of optional dues on future profits measured by net profit for the next year.

**Table No. (14)** Testing the Third Sub-Hypothesis of the Second Main Hypothesis

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.000	7.011	0.180	1.262	C
0.000	5.275	0.021	0.112	DA
0.000	-6.965	0.007	-0.048	SIZE
0.000	4.096	0.024	0.097	DebtTA
0.154	1.435	0.006	0.008	MB
0.000	4.251	0.005	0.020	SG
0.309	-1.021	0.001	-0.001	AvpcOI
0.024	2.287	0.014	0.033	CFO
0.563	Adjusted R-squared		0.583	R-squared
0.000	Prob(F-statistic)		28.010	F-statistic
1.396			Durbin-Watson stat	

Source: Program Outputs EViews-12

Table No. (14) shows through the results of the statistical analysis the significance of the model, where the value of (Prob) (F-statistic) was less than (0.05) and was (0.000), which indicates that the model is valid for testing and its results are reliable, while the value of (Durbin-Watson) reached (1.396), which is greater than the value of (R-squared), which reached (58%), and this explains the absence of autocorrelation and false regression. As for the value of (R-squared), it was (0.583), which means that the explanatory power of the independent variables in the dependent variable is (58%), while the value of (Adjusted R-squared) was (0.563), which means that the independent variables affect the dependent variable by (56%), the remaining (44%) is due to other factors outside the model. Interpretation of the result of the third sub-hypothesis of the first main hypothesis:

The results of the statistical analysis show that the value of (Prob) for the independent variable optional dues is less than (0.05) as it reached (0.000), which indicates that there is a direct significant effect of optional dues on future profits measured by net profit for the next year.

This means accepting the hypothesis that states the effect of optional dues on future profits measured by net profit for the next year.

The fourth model: The model related to testing the second main hypothesis and its branches

Results of choosing the method of testing the fourth model

We determine the most appropriate model as we will conduct two tests in two stages, the first stage to determine the homogeneity of individual units between the method of aggregate effects and the method of fixed effects in order to know the most appropriate model, and it is known as the Chow or F test. The results of this test were as follows:

**Table No. (15)** Chow or F test)

Test result	Prop	F	(H <sub>0</sub> )
<b>H0 Hypothesis rejected (fixed effects method is most appropriate)</b>	<b>0.003</b>	<b>2.629</b>	<b>OLS</b>

Source: Program Outputs EViews-12

Table No. (15) shows that the Prop value for the F test is equal to (0.003), which indicates the rejection of the null hypothesis H<sub>0</sub>, which indicates the superiority of the fixed effects method, i.e. the heterogeneous individual units were accepted and the fixed effects method is the most appropriate.

In the event that the null hypothesis is rejected, the second stage is applied to prefer between the fixed effects model and the random effects model, using the Hassmann test, to verify the significant association between the model variables. In the event of a significant association, the panel method with fixed effects will be used, but in the event of no significant association, the panel method with random effects should be used, as in the table below:

**Table No. (16)** Hassmann Test

Test result	Prop	Chi-Sq.	(H <sub>0</sub> )
<b>H0 Hypothesis accepted (the panel method with random effects is most appropriate)</b>	<b>0.077</b>	<b>19.510</b>	<b>Random effects method is .best</b>

Source: Program Outputs EViews-12

Table No. (16) shows that the Prop value for the Hasman model test is equal to (0.077), which indicates the acceptance of the null hypothesis H<sub>0</sub>, which means that the random effects method is more appropriate than the fixed effects method.

#### *Testing The Second Main Hypothesis and Its Branches*

The second main hypothesis: The greater the impact of the bank's characteristics, the greater the impact of optional accruals on future profits measured by the operating cash flow for the next year. The following hypotheses branch out from it:

The larger the size of the bank, the greater the impact of optional accruals on future profits measured by the operating cash flow for the next year.

The greater the bank's debt ratio, the greater the impact of optional accruals on future profits measured by the operating cash flow for the next year.

The greater the ratio of the market value to the book value of the bank's shares, the greater the impact of optional accruals on future profits measured by the operating cash flow for the next year.

The higher the bank's revenue growth rate, the greater the impact of discretionary accruals on future profits measured by the operating cash flow for the coming year.

The greater the deviation in the bank's operating activity, the greater the impact of discretionary accruals on future profits measured by the operating cash flow for the coming year.

**Table No. (17)** Testing the Second Main Hypothesis and Its Sub-Hypotheses

<b>Prob.</b>	<b>t-Statistic</b>	<b>Std. Error</b>	<b>Coefficient</b>	<b>Variable</b>
<b>0.161</b>	<b>-1.543</b>	<b>0.783</b>	<b>-1.208</b>	<b>C</b>
<b>0.023</b>	<b>2.806</b>	<b>4.201</b>	<b>11.790</b>	<b>DA</b>
<b>0.113</b>	<b>1.778</b>	<b>0.029</b>	<b>0.052</b>	<b>SIZE</b>
<b>0.002</b>	<b>-4.366</b>	<b>0.074</b>	<b>-0.323</b>	<b>DEBTTA</b>
<b>0.017</b>	<b>-2.997</b>	<b>0.031</b>	<b>-0.094</b>	<b>MB</b>
<b>0.000</b>	<b>6.206</b>	<b>0.022</b>	<b>0.139</b>	<b>SG</b>
<b>0.682</b>	<b>-0.425</b>	<b>0.008</b>	<b>-0.003</b>	<b>AVPCOI</b>
<b>0.032</b>	<b>-2.593</b>	<b>0.179</b>	<b>-0.465</b>	<b>DA*SIZE</b>
<b>0.037</b>	<b>2.500</b>	<b>0.901</b>	<b>2.252</b>	<b>DA*DEBTTA</b>
<b>0.709</b>	<b>0.387</b>	<b>0.314</b>	<b>0.122</b>	<b>DA*MB</b>
<b>0.002</b>	<b>-4.693</b>	<b>0.155</b>	<b>-0.727</b>	<b>DA*SG</b>
<b>0.440</b>	<b>-0.813</b>	<b>0.109</b>	<b>-0.088</b>	<b>DA*AVPCOI</b>
<b>0.002</b>	<b>4.433</b>	<b>0.073</b>	<b>0.324</b>	<b>CFO</b>
<b>0.371</b>	<b>Adjusted R-squared</b>		<b>0.433</b>	<b>R-squared</b>
<b>0.000</b>	<b>Prob(F-statistic)</b>		<b>6.988</b>	<b>F-statistic</b>
<b>1.738</b>			<b>Durbin-Watson stat</b>	

Source: Program Outputs EViews-12

Table No. (17) shows through the results of the statistical analysis the significance of the model, where the value of (Prob) (F-statistic) was less than (0.05) as it reached (0.000), which indicates that the model is valid for testing and its results are reliable. As for the value of (Durbin-Watson), it reached (1.738), which is greater than the value of (R-squared), which reached (43%). This explains the absence of autocorrelation and false regression. As for the value of (R-squared), it was (0.433), which means that the explanatory power of the independent variables in the dependent variable is (43%). As for the value of (Adjusted R-squared), it was (0.371), which means that the independent variables affect the dependent variable by (37%), the remaining (63%) is due to other factors outside the model. Interpretation of the result of the first sub-hypothesis of the second main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the size of the bank, is less than (0.05), as it reached (0.032), which indicates that there is a significant inverse effect of the size of the bank on the impact of optional receivables on



future profits, which means that the larger the size of the bank, the less the impact of optional receivables on future profits measured by the operating cash flow for the next year.

Interpretation of the result of the second sub-hypothesis of the second main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the bank's debt ratio, is less than (0.05), as it reached (0.037), which indicates that there is a significant direct effect of the bank's debt ratio on the impact of optional receivables on future profits, which means that the larger the bank's debt ratio, the greater the impact of optional receivables on future profits measured by the operating cash flow for the next year.

Interpretation of the result of the third sub-hypothesis of the second main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the ratio of the market value to the book value of the bank's shares, is higher than (0.05) as it reached (0.709), which indicates that there is no significant effect of the ratio of the market value to the book value of the bank's shares on the impact of optional receivables on future profits measured by the operating cash flow for the next year.

Interpretation of the result of the fourth sub-hypothesis of the second main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the growth rate of the bank's revenues, is less than (0.05) as it reached (0.002), which indicates that there is a significant inverse effect of the growth rate of the bank's revenues on the impact of optional receivables on future profits, which means that the higher the growth rate of the bank's revenues, the less the impact of optional receivables on future profits measured by the operating cash flow for the next year.

Interpretation of the result of the fifth sub-hypothesis of the second main hypothesis:

The results of the statistical analysis show that the value of (Prob) for the mediating variable, bank characteristics, measured by the percentage of deviation in the bank's operational activity, is higher than (0.05), reaching (0.440), indicating that there is no significant effect of the percentage of deviation in the bank's operational activity on the impact of optional dues on future profits measured by the operating cash flow for the next year.

*The fifth model: The model related to testing the third main hypothesis and its branches*

*Results of choosing the method of testing the fifth model*

We determine the most appropriate model, as we will conduct two tests in two stages, the first stage to determine the homogeneity of individual units between the method of aggregate effects and the method of fixed effects in order to know the most appropriate model, and it is known as the Chow or F test. The results of this test were as follows:

**Table No. (18)** Chow or F test)

Test result	Prop	F	(H <sub>0</sub> )
<b>H0 Hypothesis rejected (fixed effects method is most appropriate)</b>	<b>0.005</b>	<b>5.460</b>	<b>OLS</b>

Source: Program Outputs EViews-12

Table No. (18) shows that the Prop value for the F test is equal to (0.005), which indicates the rejection of the null hypothesis H<sub>0</sub>, which indicates the superiority of the fixed effects method, i.e. the heterogeneous individual units were accepted and the fixed effects method is the most appropriate.

If the null hypothesis is rejected, the second stage is applied to prefer between the fixed effects model and the random effects model, using the Hassmann test, to verify the significant association between the model variables. If there is a significant association, the panel method with fixed effects will be used, but if there is no significant association, the panel method with random effects should be used, as in the table below:

**Table No. (19)** Hassmann Test

Test result	Prop	Chi-Sq.	(H <sub>0</sub> )
<b>H0 Hypothesis rejected (Panel method with fixed effects is most appropriate)</b>	<b>0.001</b>	<b>18.168</b>	<b>Random effects method is best.</b>

Source: Program Outputs EViews-12

Random effects method is best 18.168 0.001 H<sub>0</sub> The hypothesis is rejected (the fixed effects panel method is more appropriate)

It is clear from Table (19) that the Prop value for the Hasman model test is less than (0.05) as it equals (0.001), which indicates the rejection of the null hypothesis H<sub>0</sub>, which indicates that the fixed effects method is more appropriate than the random effects method.

Testing the third main hypothesis and its branches

The third main hypothesis: The greater the impact of the bank's characteristics, the greater the impact of optional receivables on future profits measured by the operating profit for the next year. The following hypotheses branch out from it:

The larger the size of the bank, the greater the impact of optional receivables on future profits measured by the operating profit for the next year.

The greater the bank's debt ratio, the greater the impact of optional receivables on future profits measured by the operating profit for the next year.

The higher the ratio of market value to book value of the bank's shares, the greater the impact of optional accruals on future profits measured by the operating profit for the coming year.

The higher the bank's revenue growth rate, the greater the impact of optional accruals on future profits measured by the operating cash flow for the coming year.

The greater the deviation in the bank's operating activity, the greater the impact of optional accruals on future profits measured by the operating profit for the coming year.

**Table No. (20)** Testing the Third Main Hypothesis and Its Sub-Hypotheses

Prob.	t-Statistic	Std. Error	Coefficient	Variable
<b>0.798</b>	<b>0.264</b>	<b>0.330</b>	<b>0.087</b>	<b>C</b>
<b>0.037</b>	<b>2.503</b>	<b>1.350</b>	<b>3.379</b>	<b>DA</b>

<b>0.823</b>	<b>-0.231</b>	<b>0.012</b>	<b>-0.003</b>	<b>SIZE</b>
<b>0.709</b>	<b>-0.387</b>	<b>0.019</b>	<b>-0.007</b>	<b>DEBTTA</b>
<b>0.076</b>	<b>2.041</b>	<b>0.011</b>	<b>0.023</b>	<b>MB</b>
<b>0.071</b>	<b>-2.083</b>	<b>0.005</b>	<b>-0.010</b>	<b>SG</b>
<b>0.418</b>	<b>-0.854</b>	<b>0.003</b>	<b>-0.002</b>	<b>AVPCOI</b>
<b>0.036</b>	<b>-2.525</b>	<b>0.051</b>	<b>-0.128</b>	<b>DA*SIZE</b>
<b>0.217</b>	<b>1.339</b>	<b>0.135</b>	<b>0.181</b>	<b>DA*DEBTTA</b>
<b>0.365</b>	<b>0.961</b>	<b>0.042</b>	<b>0.040</b>	<b>DA*MB</b>
<b>0.012</b>	<b>3.264</b>	<b>0.073</b>	<b>0.237</b>	<b>DA*SG</b>
<b>0.819</b>	<b>0.237</b>	<b>0.054</b>	<b>0.013</b>	<b>DA*AVPCOI</b>
<b>0.921</b>	<b>0.102</b>	<b>0.022</b>	<b>0.002</b>	<b>CFO</b>
<b>0.763</b>	<b>Adjusted R-squared</b>		<b>0.811</b>	<b>R-squared</b>
<b>0.000</b>	<b>Prob(F-statistic)</b>		<b>16.733</b>	<b>F-statistic</b>
<b>1.924</b>			<b>Durbin-Watson stat</b>	

Source: Program Outputs EViews-12

Table No. (20) shows through the results of the statistical analysis the significance of the model, where the value of (Prob) (F-statistic) was less than (0.05) as it reached (0.000) which indicates that the model is valid for testing and its results are reliable, while the value of (Durbin-Watson) reached (1.924) which is greater than the value of (R-squared) which reached (81%) and this explains the absence of autocorrelation and false regression, while the value of (R-squared) was (0.811) which means that the explanatory power of the independent variables in the dependent variable is (81%), while the value of (Adjusted R-squared) was (0.763) which means that the independent variables affect the dependent variable by (76%) and the remaining (24%) is due to other factors outside the model. Interpretation of the result of the first sub-hypothesis of the third main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the size of the bank, is less than (0.05), as it reached (0.036), which indicates that there is a significant inverse effect of the size of the bank on the impact of optional receivables on future profits, which means that the larger the size of the bank, the less the impact of optional receivables on future profits measured by the operating profit for the next year.

Interpretation of the result of the second sub-hypothesis of the third main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the bank's debt ratio, is higher than (0.05), as it reached (0.217), which indicates that there is no significant effect of the bank's debt ratio on the impact of optional receivables on future profits measured by the operating profit for the next year.

Interpretation of the result of the third sub-hypothesis of the third main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the ratio of the market value to the book value of the bank's shares, is higher than (0.05) as it reached (0.365), which indicates that there is no significant effect of the ratio of the market value to the book value of the bank's shares on the impact of optional receivables on future profits measured by the operating profit for the next year.

Interpretation of the result of the fourth sub-hypothesis of the third main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the growth rate of the bank's revenues, is less than (0.05) as it reached (0.012), which indicates that there is a direct significant effect of the growth rate of the bank's revenues on the impact of optional receivables on future profits, which means that the higher the growth rate of the bank's revenues, the greater the impact of optional receivables on future profits measured by the operating profit for the next year.

Interpretation of the result of the fifth sub-hypothesis of the third main hypothesis:

The results of the statistical analysis show that the value of (Prob) for the mediating variable, bank characteristics, measured by the percentage of deviation in the bank's operational activity, is higher than (0.05), reaching (0.819), indicating that there is no significant effect of the percentage of deviation in the bank's operational activity on the impact of optional dues on future profits measured by the operating profit for the next year.

The sixth model: The model related to testing the fourth main hypothesis and its branches

Results of choosing the method of testing the sixth model

We determine the most appropriate model, as we will conduct two tests in two stages, the first stage to determine the homogeneity of individual units between the method of aggregate effects and the method of fixed effects in order to know the most appropriate model, and it is known as the Chow or F test. The results of this test were as follows:

**Table No. (21)** Chow test)) or F))

Test result	Prop	F	(H <sub>0</sub> )
<b>H0 Hypothesis rejected (fixed effects method is most appropriate)</b>	<b>0.014</b>	<b>5.460</b>	<b>OLS</b>

Source: Program Outputs EViews-12

Table No. (21) shows that the Prop value for the F test is equal to (0.014), which indicates the rejection of the null hypothesis H<sub>0</sub>, which indicates the superiority of the fixed effects method, i.e. the heterogeneous individual units were accepted and the fixed effects method is the most appropriate.

If the null hypothesis is rejected, the second stage is applied to prefer between the fixed effects model and the random effects model, using the Hassmann test, to verify the significant association between the model variables. If there is a significant association, the panel method with fixed effects will be used, but if there is no significant association, the panel method with random effects should be used, as in the table below:

**Table No. (22)** Hassmann Test

Test result	Prop	Chi-Sq.	(H <sub>0</sub> )
<b>H0 Hypothesis rejected (Panel method with fixed effects is most appropriate)</b>	<b>0.003</b>	<b>18.168</b>	<b>Random effects method is best.</b>

Source: Program Outputs EViews-12

Table No. (22) shows that the Prop value for the Hasman model test is less than (0.05) as it equals (0.003), which indicates the rejection of the null hypothesis (H<sub>0</sub>), which indicates that the fixed effects method is more appropriate than the random effects method.

Testing the fourth main hypothesis and its branches

The fourth main hypothesis: The greater the impact of the bank's characteristics, the greater the impact of optional accruals on future profits measured by the net profit for the next year. The following hypotheses branch out from it:

The larger the size of the bank, the greater the impact of optional accruals on future profits measured by the net profit for the next year.

The greater the bank's debt ratio, the greater the impact of optional accruals on future profits measured by the net profit for the next year.

The greater the ratio of the market value to the book value of the bank's shares, the greater the impact of optional accruals on future profits measured by the net profit for the next year.

The higher the bank's revenue growth rate, the greater the impact of discretionary accruals on future profits measured by the operating cash flow for the coming year.

The greater the deviation in the bank's operating activity, the greater the impact of discretionary accruals on future profits measured by the net profit for the coming year.

**Table No. (23)** Testing the Fourth Main Hypothesis and Its Branches

<b>Prob.</b>	<b>t-Statistic</b>	<b>Std. Error</b>	<b>Coefficient</b>	<b>Variable</b>
<b>0.280</b>	<b>1.087</b>	<b>0.303</b>	<b>0.330</b>	<b>C</b>
<b>0.032</b>	<b>2.180</b>	<b>1.124</b>	<b>2.451</b>	<b>DA</b>
<b>0.284</b>	<b>-1.077</b>	<b>0.012</b>	<b>-0.013</b>	<b>SIZE</b>
<b>0.475</b>	<b>0.717</b>	<b>0.032</b>	<b>0.023</b>	<b>DEBTTA</b>
<b>0.007</b>	<b>2.752</b>	<b>0.005</b>	<b>0.013</b>	<b>MB</b>
<b>0.087</b>	<b>-1.727</b>	<b>0.004</b>	<b>-0.007</b>	<b>SG</b>
<b>0.956</b>	<b>-0.056</b>	<b>0.001</b>	<b>0.000</b>	<b>AVPCOI</b>
<b>0.041</b>	<b>-2.065</b>	<b>0.044</b>	<b>-0.090</b>	<b>DA*SIZE</b>
<b>0.647</b>	<b>0.459</b>	<b>0.125</b>	<b>0.057</b>	<b>DA*DEBTTA</b>
<b>0.191</b>	<b>1.317</b>	<b>0.023</b>	<b>0.030</b>	<b>DA*MB</b>
<b>0.000</b>	<b>4.681</b>	<b>0.034</b>	<b>0.159</b>	<b>DA*SG</b>
<b>0.411</b>	<b>-0.826</b>	<b>0.017</b>	<b>-0.014</b>	<b>DA*AVPCOI</b>
<b>0.891</b>	<b>-0.138</b>	<b>0.008</b>	<b>-0.001</b>	<b>CFO</b>
<b>0.795</b>	<b>Adjusted R-squared</b>		<b>0.837</b>	<b>R-squared</b>
<b>0.000</b>	<b>Prob(F-statistic)</b>		<b>19.908</b>	<b>F-statistic</b>
<b>2.043</b>			<b>Durbin-Watson stat</b>	

Source: Program Outputs EViews-12

Table No. (23) shows through the results of the statistical analysis the significance of the model, where the value of (Prob) (F-statistic) was less than (0.05) as it reached (0.000) which indicates that the model is valid for testing and its results are reliable, while the value of (Durbin-Watson) reached (2.043) which is greater than the value of (R-squared) which reached (84%) and this explains the absence of autocorrelation and false regression, while the value of (R-squared) was (0.837) which means that the explanatory power of the independent variables in the dependent variable is (84%), while the value of (Adjusted R-squared) was (0.795) which means that the independent variables affect the dependent variable by (80%) and the remaining (20%) is due to other factors outside the model. Interpretation of the result of the first sub-hypothesis of the fourth main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the size of the bank, is less than (0.05), as it reached (0.041), which indicates that there is a significant inverse effect of the size of the bank on the impact of optional receivables on future profits, which means that the larger the size of the bank, the less the impact of optional receivables on future profits measured by the net profit for the next year.

Interpretation of the result of the second sub-hypothesis of the fourth main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the bank's debt ratio, is higher than (0.05), as it reached (0.647), which indicates that there is no significant effect of the bank's debt ratio on the impact of optional receivables on future profits measured by the net profit for the next year.

Interpretation of the result of the third sub-hypothesis of the fourth main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the ratio of the market value to the book value of the bank's shares, is higher than (0.05) as it reached (0.191), which indicates that there is no significant effect of the ratio of the market value to the book value of the bank's shares on the impact of optional dues on future profits measured by the net profit for the next year.

Interpretation of the result of the fourth sub-hypothesis of the fourth main hypothesis:

The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the growth rate of the bank's revenues, is less than (0.05) as it reached (0.000), which indicates that there is a direct significant effect of the growth rate of the bank's revenues on the impact of optional dues on future profits, which means that the higher the growth rate of the bank's revenues, the greater the impact of optional dues on future profits measured by the net profit for the next year.

Interpretation of the result of the fifth sub-hypothesis of the fourth main hypothesis: The results of the statistical analysis show that the value (Prob) of the mediating variable, bank characteristics, measured by the percentage of deviation in the bank's operational activity, is higher than (0.05), as it reached (0.411), which indicates that there is no significant effect of the percentage of deviation in the bank's operational activity on the impact of optional dues on future profits measured by the net profit for the coming year.

## Results

Despite the increased awareness of risks and their management, the structure of (mandatory disclosure) is still devoid of a comprehensive and integrated framework for disclosing the risks to which all banks are exposed, as the reports prepared for risks may not convey the true reality in these financial reports, in a way that gives all users of information early warnings about any potential risks that they may be exposed to and threaten their ability.

Disclosure sometimes gives a vague summary in a way that does not meet the requirements of international accounting standards and does not meet the needs of users of banks' financial statements from owners, lenders, depositors and regulatory bodies, which reflects the inadequacy of accounting disclosure of credit risks.

There is a clear disparity and deficiency regarding the level of disclosure of information related to banking activities, which is called the "Risk Information Gap" between the preparers of financial statements and their users, and the level of disclosure of these risks according to what is stated in the Iraqi regulatory instructions guide is not in line with the requirements of accounting and international standards.

The dependent variable, which is the improvement of financial performance, was measured by the following indicators: return on assets rate - return on equity rate - return on earnings per share.

Developing the level of disclosure is prepared according to a new accounting standard prepared for this purpose that takes into account the characteristics that must be available in the disclosed information such as (relevance - understandability - comparability - verifiability). This list is binding on all banking activity units to disclose all necessary information related to banking risks.

The voluntary disclosure has an impact on the quality of financial reporting as well as enhancing confidence in the financial statements of companies listed on the Iraqi Stock Exchange.

Voluntary disclosure increases the confidence and degree of uncertainty among decision-makers, investors and stakeholders in companies listed on the Iraqi Stock Exchange, which in turn enhances the quality of financial reporting. 8. Voluntary disclosure did not receive sufficient attention from major international companies, as well as scientific research and studies, until the financial crises that hit companies, leading to their bankruptcy, increased the need for disclosure in order to achieve quality in financial reporting for the beneficiary parties. 9. The lack of regulatory mechanisms and controls in the bank, in light of the availability of the bank's management's motive, is a reason for managing profits, which increases financial risks. 10. Achieving self-benefits for the bank's management under legal rules that include some loopholes is a reason for practicing profit management, which increases financial risks. 11. There is a significant relationship between the availability of regulatory controls in Iraqi commercial banks and the limitation of the ability of these banks. On profit management.

## **Second: Recommendations**

Based on the previous results and believing in the role played by the banking sector in the Iraqi business environment in economic activity, the researcher proposes the following recommendations:

The necessity of qualifying an accounting and administrative cadre specialized in measuring the financial performance of banks in a scientific and organized manner to achieve practical benefit from the currently available methods and indicators and the use of statistical and mathematical methods and methods that can be used, especially in the field of predicting financial results, which improves the degree of uncertainty.

That voluntary disclosure receives appropriate attention from Iraqi joint-stock companies listed on the stock market in the Iraq Stock Exchange as it is an important factor in providing external parties with the data and information necessary for decision-making

The management of companies must ensure that the financial statements and the accompanying notes are true and expressive of the result of the financial position of companies and that they have been prepared in accordance with the generally accepted accounting principles and standards.

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