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Creative Accounting Methods and Their Impact on the Quality of Accounting Information in Al Rajhi Bank of KSA Country

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Abstract

The main purpose of this study was creative accounting methods and their impact on the quality of accounting information. The method of this study was Descriptive – survey. The statistical population of this study was Al Rajhi Bank employees in KSA country that their number is 9400 persons. The sample size was estimated using Cochran formulate as 369 persons and they were selected by random cluster sampling. The tool to collect data was a researcher-made questionnaire was used. The validity of the questionnaire was confirmed by supervisor and a number of management and accounting professors and the reliability of the questionnaire was confirmed by Cranach Alpha which was 0.82. The collected questionnaires were analyzed by One-sample T-test by SPSS software. Findings showed that creative accounting methods are used by the accountant who has the characteristic of self-criticism and continuous development, and that knowledge growth in the field of information technology generates creative ideas and practices in the accounting field.

Key words: Creative accounting, the quality of accounting information, Al Rajhi Bank.

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Introduction:

In recent years there are many criticisms to accounting profession that it relies on some accounting methods which can provide unreliable and misleading information to the users of this information, which may cause collapse for some companies. The practices and techniques of creative accounting contribute to the breakdown of bigger companies such as Arther Anderson, Enron, World Com, Parmalat, etc., (Ahmed, 2017). Creative accounting is the practice of influencing financial indicators using accounting knowledge without explicitly violating accounting policies, rules, and the law. Creative accounting is practiced to show the financial position as the company management would like it to be; stakeholders are informed of what the management wants them to perceive (Abed et al, 2022).

Although, creative accounting is one of the ways of manipulation and fraud in the accounting profession, it appears legal according to the laws and standards followed. Therefore, it may be difficult to be discovered because of its different ways. The main purpose of using creative accounting methods is to show the company's profit in a way that influences the decisions of users of the financial statements and to show the best image of the company management (Al-Natsheh and Alokdeh, 2020). Accurate, relevant, and trustworthy disclosures are considered to be a way of improving the image of a business, lowering the cost of financing, and increasing the marketability of shares. It also simplifies the purchase of long-term funds, allows management to properly account for the resources entrusted to them, and works as a catalyst for the expansion and development of the capital market. four key variables of creative accounting are ethical considerations, disclosure quality, internal control, and ownership structure (Abed et al, 2022).

There is a growing debate on creative accounting globally because of its impact on organizational outcomes. Thus, the concept is linked to the ethical standards of accounting and general ethics (Rahman et al., 2023). Also, the results of various studies have proven the multiple effects of creative accounting methods on the companies. For example, the result of Essien and Ntiedo (2018) showed that accounting creativity is euphemism and contributes 90% to the unfair reporting of firm's operations. The creativity in those practices is motivated by greed and intended to deceive the public, potential investors and shareholders and increases the rate of enterprise failures at a decreasing rate. Sardouk Fatih, (2021) showed that there are no statistically significant differences regarding the impact of creative accounting methods and the validity and reliability of financial statements from the point of view of financial statement preparers and beneficiaries of their services, and they agree that creative accounting has a significant impact on the validity and reliability of financial statements. Zenouda Iman (2020) showed that creative accounting and tax evasion practices or aggressive tax management are interconnected, considering that accounting outputs are the tax vessels that the institution pays to the tax administration, and thus the ability and desire of managers to evade taxes may lead to harmful creative accounting in the economic institution. The Tahrawi institution in Biskra is chosen for this purpose during the period (2002-2017). (Using the models (ALTMAN, BENEISH)), and applying multiple linear regression, the results of the study are represented by the presence of creative accounting practices as well as the presence of practices indicative of aggressive tax management represented by both financial leverage (LVG) and the size of the institution (SIZE). (The study also found that creative accounting tools represented by: financial leverage (LVGI), (sales growth (SGI), (general and administrative expenses (SGAI) may be used in aggressive tax management. Zeki Doğan & Enis Abdurrahmani (2021) confirmed that creative accounting has a significant impact on corporate performance. The results also confirmed managers' ethics have a significant effect on the reliability of financial statements. In addition, there is a positive influence of the audit period on creative accounting limitation. The study found a negative impact of creative accounting on corporate performance. Furthermore, a significant effect of managers' ethics on financial statements' reliability was concluded; and finally, the findings concluded that audit period and quality could significantly contribute to the creative accounting limitation. Armenia Androniceanu & Lenka Strakova (2021) showed use of creative accounting techniques such as Window dressing techniques and Off-balance sheet techniques, our goal is to point out the possible manipulation of the company's financial statements by performing accounting cases in terms of maximization variant (A) and minimization variant (B). Al-Rawashdeh (2021) showed that earnings management operations include many means and methods aimed at achieving specific purposes serving the management. Additionally, that commercial banks have practiced earnings management and creative accounting operations to a large extent during the financial years covered by the study period. And that the banking management is not aware of the impacts resulting from the operations of practicing fraudulent accounting and earnings management on the financial reports and statements, which greatly affects the reliability of the financial statements, makes them misleading and loses their quality, objectivity and credibility, therefore, affects the decisions of those statements & rsquo; users.

Creative accounting is the root cause of a number of accounting scandals and many proposals for accounting reform are focusing on removing such practices (Adetoso & Ajiga, 2017; Bankole et al., 2018). As stated, it seems that creative accounting has an effect on the quality of accounting information. McLeod (2007) determines that the accounting information quality is the information considered to be accurate, timely, relevant, and complete. An organization takes into account that providing qualified information is the key to achieve competitive achievement in market competition, leverage is very helpful for the organization to make a fast and precise decision, competed with its competitors. Accounting information quality allows information users, in this case organizations, in making valuable decisions, called usefulness decisions. Further, Laudon and Laudon (2012) states if the information in the organization has good quality, the organization will run well (Anggadini, 2013).

Al Rajhi Bank, headquartered in Riyadh, Saudi Arabia, is one of the largest banks in the world by market capitalization, and the largest in the Middle East and in the Kingdom. This leading bank has a strong financial position, with assets worth SAR 583 billion (USD 155 billion), a capital of SAR 25 billion (USD

6.67 billion), and more than 9,400 employees. Al Rajhi Bank has a wide network of more than 526 branches, more than 4,900 ATMs, 290,302 POS terminals, and 215 money transfer centers, in addition to having the largest customer base among Saudi banks.

It started its activity in 1957. In 1978, the various institutions bearing the name Al Rajhi were merged under one umbrella in Al Rajhi Banking and Trade Company, to be transformed in 1988 into a Saudi public joint stock company under the name Al Rajhi Banking and Investment Company and was renamed Al Rajhi Bank in 2006. As the bank is primarily based on the principles of Islamic banking, it plays a major role in bridging the gap between modern banking requirements and the core values of Islamic Sharia, setting exemplary industrial and development standards and making numerous contributions to society in several fields, including education, healthcare and government housing. Because of worldwide financial crises in recent decades as a result of using creative procedures, it is important and necessary; however, such procedures are rarely applied in Saudi Arabia, a fundamental gap is seen regarding the subject. Considering the above-mentioned content and explanation of the importance of providing clear and reliable information for bankers, the main subject is to make the right decisions and the effect of creative accounting methods on the quality of accounting information in Saudi Al-Rujhi Bank. As a result, the findings of this study can help policy makers and compilers of accounting standards and also for declaration of professional steps. To take action with the knowledge derived from identifying the dimensions of creative accounting, and the importance of the quality of accounting information to reduce the weak points in distorting the disclosure of financial information, and based on that, to adopt the necessary regulatory policies to prevent the spread of such practices in reporting financial statements. According to the stated content, the main purpose of this research is to investigate the impact of creative accounting methods on the quality of accounting information Al Rajhi Bank.

Methodology

The method of this study was Descriptive – survey. The statistical population of this study was Al Rajhi Bank employees in KSA country that their number is 9400 persons. The sample size was estimated using Cochran formulate as 369 persons and they were selected by random cluster sampling. The tool to collect data was a researcher-made questionnaire was used. The validity of the questionnaire was confirmed by supervisor and a number of accounting professors and the reliability of the questionnaire was confirmed by Cronbach Alpha which was 0.82. The collected questionnaires were analyzed by One-sample T-test by SPSS software.

Findings

Descriptive Findings

According to the descriptive findings, 67 percent of responders were men and 33 percent of responders were women. The education levels of the persons include: Bachelor's degree (86.6 percent), Master degree and PhD (13.4 percent). Also, the length of service of the statistical sample is as follows: From below 5 years (13.8 percent), 5-10 years (26.6 percent), 10-15 years (23.5 percent), 15-20 years (14.6 percent), higher than 20 years (21.5 percent).

Inferential Statistics

Table (1) shows the descriptive statistics for the scale elements of Creative accounting methods:

Table (1): the descriptive statistics for the scale elements of Creative accounting methods

Phrases	Average	Respons e acuity	Standar d deviatio n	Opinion trend	Significanc e	Averag e

1) Creative accounting methods are used by an accountant who has the ability to analyze and compile data in creative ways.	4.06	4	1.34710	I agree	Strong	4.06
2) Creative accounting methods are used by the accountant who has the ability to imagine and intuition.	3.10	3	1.72048	Neutral	Middle	3.10
3) Creative accounting techniques are used by an accountant who has courage and self-confidence.	4.58	5	.74229	I strongly agree	Strong	4.58
4) Creative accounting methods are used by the accountant who relies on instructions based on scientific facts, away from facts derived from administrative centers.	3.98	4	1.11172	I agree	Strong	3.98
5) Creative accounting techniques are used by an accountant who is self-critical and continually improving.	4.26	5	.94321	I strongly agree	Strong	4.26
6) Creative accounting techniques are used by an accountant who has the ability to continually evaluate ideas and information.	4.39	5	.81206	I strongly agree	Strong	4.39
7) Creative accounting techniques are used by an accountant who has the ability to use techniques that affect the presentation of the financial statements of the organization.	4.05	4	1.14128	I agree	Strong	4.05
8) Creative accounting techniques are used by an accountant who has the ability to reduce profits and revenues and increase expenses to reduce the company's tax burden.	3.83	4	1.16683	I agree	Strong	3.83
9) Creative accounting methods are used by the accountant who has the ability to improve the result of the activity and the financial position to meet the financing conditions imposed by the financial institutions.	3.73	5	.89795	I strongly agree	Strong	3.73
10) Creative accounting methods are used by the accountant who has the ability to satisfy investors with the financial position of the company to improve the company's reputation in the market and influence the maximization of the financial value of	3.87	4	.92714	I agree	Strong	3.87

the shares.						
11) Creative accounting techniques are used by an accountant who has no religious scruples.	3.31	3	1.35274	Neutral	Middle	3.31
12) One of the creative accounting methods is choosing accounting policies that suit achieving the goals of the company's managers or owners or exploiting legal loopholes.	3.87	4	.92714	I agree	Strong	3.87
13) One of the creative accounting methods is to manipulate foreign exchange rates when translating transactions.	3.72	4	1.04430	I agree	Strong	3.72
14) Creative accounting is an ethical challenge for accountants and auditors.	4.02	4	.84939	I agree	Strong	4.02
15) One of the creative accounting methods is manipulation through the instability of accounting methods and policies followed from one year to another.	3.58	4	1.25649	I agree	Strong	3.58
16) Cognitive development in the field of information technology helps generate creative ideas and practices in the accounting field.	4.28	5	.71646	I strongly agree	Strong	4.28
17) Activating the role of (Corporate Governance) helps reduce creative accounting practices.	3.87	4	.76277	I agree	Strong	3.87
18) Assists the auditor in verifying and detecting creative accounting practices and results.	3.31	3	1.49886	Neutral	Middle	3.31
19) The use of corporate governance and audit committees reduces creative accounting practices.	3.64	4	.83948	I agree	Strong	3.64
20) One of the creative accounting methods is to use different methods to estimate expenses.	4.17	4	.85542	I agree	Strong	4.17
21) The use of creative accounting leads to the emergence of a state of weak comparability of the information contained in the financial statements.	3.90	4	1.20375	I agree	Strong	3.90
22) The use of creative accounting leads to inflated profits and thus affects the quality of accounting	3.34	3	1.14527	Neutral	middle	3.34

information.						
Full hypothesis	3.70	4	I agree			3.70

From Table (1) above, we find that the validity of the previous results is confirmed by looking at the intensity of the response “MO”, which represents the most common repetition of the responses that were monitored against each of the hypothesis statements. It is noted that there is agreement between the opinion direction that was reached and the response unit, as the result 5 represents the response pattern “strongly agree” according to the five-point Likert scale. We also find that the standard deviations of the statements were relatively small, which indicates the presence of homogeneity in the pattern of the respondents’ responses to the hypothesis statements, as the standard deviation represents a measure of the difference in the quality and pattern of recording the responses. The smaller it is, the more homogeneity and lack thereof. Difference, otherwise the result will be different from what was mentioned.

Hypothesis test

The t-test will be conducted at a significance level of 5% and based on the probability value sig of the calculated test. Its statistic t which gives $t=(x-\mu)/\sigma$, the acceptance or rejection of the hypothesis will be determined based on the criterion that states that if the probability value sig of the t-test statistic is less than 5%, the validity of the hypothesis stated is confirmed by measuring the difference between the actual mean of the statement MA and the response unit MO, and the test results were as in Table (2).

Table (2): the results of the t-test for the statements of the Creative Accounting Methods scale

Phrases	Statistics t	Degree of freedom	Significance level Sig
1) Creative accounting methods are used by an accountant who has the ability to analyze and compile data in creative ways.	25.804	368	0.000
2) Creative accounting methods are used by the accountant who has the ability to imagine and intuition.	15.442	368	0.000
3) Creative accounting techniques are used by an accountant who has courage and self-confidence.	52.822	368	0.000
4) Creative accounting methods are used by the accountant who relies on instructions based on scientific facts, away from facts derived from administrative centers.	30.636	368	0.000
5) Creative accounting techniques are used by an accountant who is self-critical and continually improving.	38.591	368	0.000
6) Creative accounting techniques are used by an accountant who has the ability to continually evaluate ideas and information.	46.265	368	0.000
7) Creative accounting techniques are used by an accountant who has the ability to use techniques that affect the presentation of the financial statements of the organization.	30.356	368	0.000

8) Creative accounting techniques are used by an accountant who has the ability to reduce profits and revenues and increase expenses to reduce the company's tax burden.	28.086	368	0.000
9) Creative accounting methods are used by the accountant who has the ability to improve the result of the activity and the financial position to meet the financing conditions imposed by the financial institutions.	35.583	368	0.000
10) Creative accounting methods are used by the accountant who has the ability to satisfy investors with the financial position of the company to improve the company's reputation in the market and influence the maximization of the financial value of the shares.	35.726	368	0.000
11) Creative accounting techniques are used by an accountant who has no religious scruples.	20.938	368	0.000
12) One of the creative accounting methods is choosing accounting policies that suit achieving the goals of the company's managers or owners or exploiting legal loopholes.	35.726	368	0.000
13) One of the creative accounting methods is to manipulate foreign exchange rates when translating transactions.	30.485	368	0.000
14) Creative accounting is an ethical challenge for accountants and auditors.	40.512	368	0.000
15) One of the creative accounting methods is manipulation through the instability of accounting methods and policies followed from one year to another.	24.405	368	0.000
16) Cognitive development in the field of information technology helps generate creative ideas and practices in the accounting field.	51.132	368	0.000
17) Activating the role of (Corporate Governance) helps reduce creative accounting practices.	43.424	368	0.000
18) Assists the auditor in verifying and detecting creative accounting practices and results.	18.897	368	0.000
19) The use of corporate governance and audit committees reduces creative accounting practices.	37.086	368	0.000
20) One of the creative accounting methods is to use different methods to estimate expenses.	41.731	368	0.000
21) The use of creative accounting leads to the emergence of a state of weak comparability of the information contained in the financial statements.	27.711	368	0.000
22) The use of creative accounting leads to inflated profits and thus affects the quality of accounting information.	24.936	368	0.000
Full hypothesis	3.40	22	0.000

From Table (2) we find that the values of the T-test statistic have a significance level of less than 5.0%, thus confirming the validity of the statements under test and the researcher deduces the fulfillment of these statements. From Table (5) we also note that the level of statistical significance of the T-test statistic for the statements is less than 5.0%, and this result confirms that these statements fulfill the hypothesis, and there is also statistical significance and essential differences that prove their validity.

Discussion

The main purpose of this study was creative accounting methods and their impact on the quality of accounting information. The results of data analysis showed Creative accounting methods showed the accountant who has the ability to analyze and collect data in creative ways. And creative accounting methods are used by the accountant who has the ability to imagine and intuition and are used by the accountant who has courage and self-confidence and the accountant's use of instructions based on scientific facts away from facts derived from administrative centers and are used by the accountant who has the characteristic of self-criticism and continuous development. And, the results showed that cognitive growth in the field of information technology in generating creative ideas and practices in the accounting field. And, the results showed that activating the role of (CORPORATE GOVERNANCE) in reducing creative accounting practices. And, the results showed that the auditor helps in verifying and revealing creative accounting practices and results. And, the results concluded that the use of corporate governance and audit committees leads to reducing creative accounting practices. And, the results showed that among the creative accounting methods Use different methods to estimate expenses. And this is consistent with the findings of Essien and Ntiedo (2018), Sardouk Fatih, (2021), Zenouda Iman (2020), Zeki Doğan & Enis Abdurrahmani (2021), Androniceanu & Lenka Strakova (2021) and Al-Rawashdeh (2021).

According to the obtained results, it is suggested to the relevant managers and officials; The necessity of adding courses that enhance professional ethics and ethical practices in accounting programs. And the necessity of working to spread sufficient awareness about creative accounting in order to clarify its harms and then reduce and combat it through the right means. And the necessity of auditors and accountants' associations to hold specialized courses for their members, related to clarifying the negative effects of creative accounting methods and procedures on the accounting and auditing professions. And the necessity of Al Rajhi Bank and other banks to hold specialized courses for their employees, related to clarifying the negative effects of creative accounting methods and procedures on the accounting and auditing professions. And the necessity of accounting information being free of creative accounting practices in order to contribute to making sound decisions. And the necessity of issuing legislation that obligates management to adhere to professional ethics and to achieve deterrent penalties in the event of practicing manipulation. And strengthening governance mechanisms by establishing effective oversight committees that oversee oversight operations Internal and external, and separation between the Board of Directors and the Executive Management.

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