

Determinants and prevention of creative accounting in financial institutions: Evidence from banking and non-banking sectors in the Tarkwa Nsuaem Municipality, Ghana

CHRISTIAN KWAKU AWUTE

University of Mines and Technology, Ghana

*Correspondence: mawuenyegahck@gmail.com

Abstract

Creative accounting practices continue to undermine the reliability of financial reporting in developing economy financial sectors, where governance and regulatory enforcement remain uneven. This study evaluates the determinants of creative accounting and the effectiveness of preventive techniques within banking and non-banking financial institutions in the Tarkwa Nsuaem Municipality, Ghana. Grounded in agency theory and corporate governance literature, the study employs a correlational and descriptive survey design. Structured questionnaires were administered to 100 purposively and conveniently sampled respondents, including accountants, auditors, managers, and credit officers, yielding a 90% response rate. Data were analyzed using descriptive statistics and regression analysis in SPSS version 20. Four determinants of creative accounting were examined: ethical issues, disclosure quality, internal controls, and ownership structure. Regression results confirm that all four exert a significant and positive effect on institutional financial performance, indicating that governance weaknesses create conditions that enable creative accounting. Descriptively, disclosure quality falls short of international reporting benchmarks, internal controls are inconsistently applied, and ownership structures do not consistently deter managerial opportunism, despite moderate adherence to ethical standards. Nine preventive techniques are identified, including adoption of international accounting standards, strengthening of audit functions, audit provider rotation, independent director appointments, corporate governance reforms, whistleblower policies, forensic accounting application, investor education, and enforcement of regulatory penalties. The study concludes that preventing creative accounting requires a proactive, multi-layered governance response from institutional management, regulators, and policymakers, with direct implications for financial reporting integrity in emerging economy contexts.

Keywords: Creative Accounting, Earnings Management, Financial Reporting Quality, Corporate Governance, Internal Controls, Disclosure Quality, Ownership Structure, Forensic Accounting, Whistleblower Policy, Ghana

JEL Classification: M41, M42, G21

1. Introduction

In recent years, there has been a rise in aggressive and creative accounting practices by top management aimed at presenting a more favorable picture of companies' financial performance, especially during periods of economic downturn. In response to financial scandals and crises, governments and regulatory bodies have strengthened oversight mechanisms to curb financial statement fraud. These efforts emphasize greater transparency, accountability, and clearer responsibilities among businesses, financial institutions, and their stakeholders. Financial statements, as the end product of the accounting process, play a vital role in informing both internal and external users about a company's financial health and guiding critical decision-making. The importance of reliable financial reporting became especially evident following major corporate failures such as Enron and subsequent global financial crises. Accurate and dependable financial statements require adherence to standardized and objective accounting frameworks like GAAP and IAS. However, despite the existence of these standards, there remains a risk that preparers of financial statements may manipulate or present information in ways that influence users' judgments in favour of the organization. This underscores the ongoing challenge of ensuring integrity and trust in financial reporting.

The credibility of financial reporting has been undermined by widespread practices such as price manipulation, profit inflation, and falsification of accounts, often carried out through creative accounting. This practice allows management to manipulate financial figures to reflect organizational goals rather than economic reality, either by exploiting loopholes in regulations or ignoring them altogether. Creative accounting has been linked to numerous accounting scandals in the past and is often used to present an overly optimistic financial position to investors, thereby distorting the true performance of a company. Theoretical perspectives suggest that the use of creative accounting is closely associated with managerial inefficiency and poor performance. Struggling firms and ineffective managers may adopt such techniques to conceal weaknesses and artificially boost profits, temporarily delaying the exposure of underlying problems. However, this often leads to long-term consequences, including potential corporate collapse. The increasing prevalence of corporate fraud has raised serious concerns among scholars and professionals about the effectiveness of corporate governance, regulatory frameworks, and ethical standards in business practices. Historically, the manipulation of financial figures is not new, as creative accounting practices have existed for centuries and evolved alongside accounting systems. Creative accounting is widely defined as the use of accounting knowledge to manipulate reported financial data while still appearing to comply with established standards and regulations. Despite the structured process of financial accounting-ranging from data collection to reporting-such practices compromise the reliability and transparency of financial statements. Recent economic challenges and corporate scandals have called for intensified scrutiny on disclosure practices, audit independence, and governance systems. Consequently, reforms and corporate governance

mechanisms have been developed hence the techniques to address these issues, aiming to reduce agency conflicts so as to restore trust in financial reporting.

Financial reporting is fundamental to the effective operation of corporate organizations, as it provides stakeholders with reliable information about a firm's financial position and performance for informed decision-making. However, modern accounting practices allow flexibility in the application of accounting policies, estimates, and professional judgment in areas such as measurement and recognition. While this flexibility is intended to improve relevance and accuracy, it also creates opportunities for management to manipulate financial information. Such manipulation often involves the concealment of critical information or the distortion of accounting figures, resulting in financial statements that portray organizations as more financially stable or profitable than they truly are. The persistence of financial statement fraud and creative accounting remains a significant concern in corporate finance, as these practices undermine the credibility of financial reporting and have been linked to numerous corporate failures. Techniques such as overstating assets and profits or understating liabilities and expenses are commonly used to mislead stakeholders. Despite the existence of accounting standards and regulatory frameworks, gaps in enforcement and the discretion allowed in practice continue to enable such behaviours. Evidence suggests that organizations often find ways to circumvent new regulations, highlighting weaknesses in governance and oversight systems. This ongoing challenge raises critical questions about the reliability of financial information and the effectiveness of existing mechanisms designed to ensure transparency and accountability.

The general objective of this study is to evaluate effective techniques for preventing the adverse effects of creative accounting on the performance of financial institutions within the Tarkwa Nsuaem Municipality. The study seeks to identify practical and sustainable measures that can enhance transparency, strengthen financial reporting practices, and improve the overall integrity and performance of both banking and non-banking institutions in the municipality. Specifically, the study aims to examine the effectiveness of various techniques used to prevent creative accounting practices in both the banking and non-banking sectors within the Tarkwa Nsuaem Municipality. It also seeks to analyze the relationship between creative accounting practices and the performance of financial sector with a view to understanding how such practices influence professional efficiency, accountability, and the quality of financial reporting in these institutions.

This study seeks to address the question of what effective techniques can be implemented to prevent creative accounting practices among the banking and non-banking sectors within the Tarkwa Nsuaem Municipality. It aims to identify practical measures, controls, and regulatory approaches that can enhance transparency and ensure compliance with established accounting standards. The study also examines the relationship between creative accounting practices and the performance of institutions in the financial space. Specifically, it seeks to determine how such

practices influence professional effectiveness, ethical conduct, and the reliability of financial reporting within financial institutions in the Tarkwa Nsuaem Municipality.

2. Literature Review

Creative accounting refers to the use of accounting knowledge and techniques to alter financial information in ways that remain within legal and, in some cases, ethical boundaries. It is often described using various terms interchangeably such as earnings management, income smoothing, financial engineering, or innovative accounting. While these practices may not explicitly violate regulations, they involve presenting financial data in a manner that reflects management's preferred image of the company rather than its true financial position. Scholars highlight that creative accounting enables management to influence how stakeholders perceive a company's performance by manipulating financial figures within the flexibility allowed by accounting standards. This actions may involve overstating profits, understating liabilities, or selectively disclosing information to make the business appear more stable and attractive. Although such practices can enhance a company's short-term image, they can mislead investors, customers, and other stakeholders, ultimately affecting decision-making and potentially hindering long-term growth (sustainability) and trust (integrity) in financial reporting. There is ongoing debate about whether creative accounting constitutes fraud or a legitimate use of accounting discretion. Some argue that it simply exploits loopholes in accounting standards without breaking the law, while others view it as deceptive and harmful to the integrity of financial reporting. Despite differing perspectives, many agree that creative accounting undermines qualitative characteristics-reliability, objectivity, verifiability and comparability of financial statements. As a result, it poses significant risks to stakeholders and raises concerns about corporate governance, transparency, and the long-term sustainability of organizations.

2.1 Concept of Creative Accounting

Creative accounting is essentially the application of accounting expertise to change financial indicators without going against the law or ethical standards. In other literatures, the term creative accounting could be referred to as inventive bookkeeping, innovative accounting, ingenious accounting, financial engineering, financial innovation or income smoothing accounting, aggressive bookkeeping or earning management techniques/ practices. These terminologies were used interchangeably to refer to the skilful or smart ways of processing financial information that is not in breach with the law or ethical standards. The definition of creative accounting given by Susmu and Demirhan (2013) is that this technique aids management in communicating to stakeholders their preferred financial picture while keeping them informed. Whether the preparer constantly abides by the standards or frequently veers from them, it makes it easier to manipulate legitimate and accurate financial data (Idris et al. 2012; Mulford and Comiskey 2012). Administrators have the option to purposefully mislead or hide data since accounting elements provide a variety of alternatives. As a result, these changes could provide the impression that the

business is more enticing because it is making more money and is more stable financially. Additionally, these tactics may deceive investors and customers, which would severely hinder corporate expansion and the mobilization of capital (Campello et al., 2011; Farhan Jedi and Nayan, 2018; Abed et al., 2020c). Studies have shown that people may rely on bank financial data for trustworthy guidance on how to make impartial judgements (Mutuc et al., 2019). Financial decision-making reports must be easy to understand, comparative, appropriate, and relevant. If businesses use inventive bookkeeping techniques, multiple parties could suffer (Brauweiler et al., 2019). These parties can include, for instance, customers, lenders, suppliers, vendors, equity investors, and government organizations.

Okoye and James (2020) define "creative accounting" as bookkeeping methods that differ from accepted industry standards. Similar to this, Farlex (2012) described creative accounting as the process of boosting a company's reported financial results by fiddling with sales and expenses in a way that nonetheless conforms with GAAP. In support of this concept, Ali et al. (2011) stated that management has the option to employ innovative accounting methods that would either improve or worsen the appearance of the company's financial position in the financial statements. Ghosh (2010) defines creative accounting as the act of altering accounting data from what they are to what the wrongdoers desire while using pre-existing rules and/or principles and disregarding part or all of them. This can be demonstrated by adhering strictly to the rules but ignoring their intended outcome, which is to provide information that is honest, fair, accurate, and believable. Sen and Inaga (2011) described creative accounting as accounting procedures that alter financial data by boosting or lowering profit, faking a larger or more complicated capital base, and hiding critical information from current or prospective investors through window-dressing and other representations. Ezeani et al. (2012) assert that creative accounting practices constitute a serious threat to the future of the accounting profession and are to blame for a number of financial mishaps. The trust in financial reports and the judgments based on them, they said, was undermined by creative accounting practices carried out with genuinely evil intentions. This is because the truthfulness, objectivity, and comparability of such statements are diminished when accounting principles and standards are falsified. As a result, using this financial data as a starting point for evaluating the performance of financial institutions could be misleading and erroneous.

Others, such as Karim et al. (2016), hold that those who engage in creative accounting are not committing fraud because they are merely utilizing gaps in the accounting standards to produce more accurate financial statements. Yousif and Ismael (2017) noted and predicted that companies would be at risk if they engaged in creative accounting practices because such actions only produce short-term benefits. They also predicted that companies would eventually be embroiled in scandals for engaging in unethical accounting activities. According to Shah (2008), management may give a misleading impression of a company's financial health by taking advantage of any inconsistencies or gaps in accounting regulations.

It is asserted that the purpose of this approach is to falsify data in order for the company and its management, which goes against the spirit of fundamental accounting practice but may not be illegal. Since different people have varied opinions on how the concept should be applied, Leuz et al. (2013) claim that there is no single definition of creative accounting. These experts all concur that creative accounting is dishonest and maybe deceitful. Schipper and Vincent (2015), however, vehemently disagreed, contending that even when creative accounting is utilized, financial statements can still represent a company's sales in a reasonably honest and truthful manner.

2.2 Determinants of Practice of Creative Accounting

Research by Salome et al. (2012) indicates that management routinely exerts pressure on the accounting staff at their banks to inflate the company's financial health. Managers in charge of accounting frequently intentionally overstate the profit margins of banks and non-bank institutions. These unethical and dishonest strategies have improved the share values of these publicly traded firms, which is wonderful news for the shareholders. Long-term failure rates are higher for businesses that use dubious accounting methods to hide their debt from shareholders and the general public (Kardan et al., 2016). Ethics, disclosure quality, internal control, and ownership structure are the four primary characteristics that affect whether or not accountants use creative accounting techniques, according to study (Koda et al., 2017). Understanding how Ghana's financial reporting systems addresses these issues is essential. It has also been established that innovative accounting techniques and reliable financial reporting depend critically on an efficient audit committee. Weak governance systems foster dishonest behaviour, as noted by Tassadaq and Malik (2015) and Abed et al. (2020a). The link between ineffective audit committees and accounting fraud is highlighted by Mudel (2015) and Trisanti (2016). Contrarily, organizations that have strong audit committees are less likely to use questionable accounting methods, such as manipulating expenses to boost profits or fabricating income streams (Ababneh and Aga 2019). The goal of this study was to pinpoint a specific group of elements that could affect how reliable financial statements are. This paper goes into great detail about the several deceptive practices used in financial report presentation and how they affect the financial sector of the economy.

2.2.1 Ethical Issues

Certain behaviours are viewed as right or wrong depending on one's ethical perspective. The ethical problems that exist in a corporation have a big impact on whether or not fresh accounting techniques are accepted. Others claim that the financial institutions' unethical culture is mostly driven by some managers' propensity to focus on short-term gains, which further encourages subpar financial reporting (Tassadaq and Malik 2015). But when managers behave morally, the financial institution's accounting transparency may rise (Butala and Khan 2011). They discovered that whereas regulators and public accountants rarely used creative accounting techniques, treasurers frequently did (Ezeagba and Chidoziem Abiahu 2018). The straightforward method of Charles et al (Akenbor and Tennyson 2014) raises the possibility that managerial and business

ethics may have an impact on the accuracy of financial reporting. The standard of financial reporting may therefore be said to be influenced by ethical management and a moral environment.

2.2.2 Disclosure Quality

Aggressive bookkeeping tactics may be used by managers who act on behalf of their shareholders in order to improve their own wealth, according to agency theory. This viewpoint asserts that shareholders must be shielded from lawsuits that might reduce their earnings (Tommasetti et al., 2019). Conflicts over profits between shareholders and managers are thought to be the cause of information asymmetry. In an effort to close the information gap between external investors and business management, many market observers look for trustworthy financial reports and data. A lot of accounting scholars (Song et al., 2013) concur that better disclosure quality reduces information asymmetry. As a result, the value of the bank was increased because it was realized that the quality of the bank's disclosures was a crucial component in greatly reducing profit and knowledge asymmetry conflicts (Yasser et al., 2016). It has been observed that disclosure quality is adversely correlated with information asymmetry. According to the literature (Abed et al. 2020b), several financial institutions use innovative bookkeeping techniques.

2.2.3 Internal Control

Internal controls that are properly developed and implemented can increase a company's financial reporting's dependability and reduce auditing expenses (Rozidi et al., 2015). These findings demonstrated that when internal controls are absent or ineffective, management's financial reporting is less accurate and of worse quality. Reliable financial reporting and effective internal control are positively correlated (Ayagre et al., 2014). Additionally, it was stated by (Brauweiler et al. 2019) that putting internal control in place is essential for raising the standard of financial reporting. The requirement for efficient internal control, according to D'Mello et al. (2017), is directly tied to the standard of financial reporting. They expanded on the claims made by the former chairman of the US Securities and Exchange Commission (SEC), who stated that internal control was the major factor determining the standard of financial reporting. Therefore, inadequate internal controls endanger the accuracy of financial statements.

2.2.4 Ownership Structure

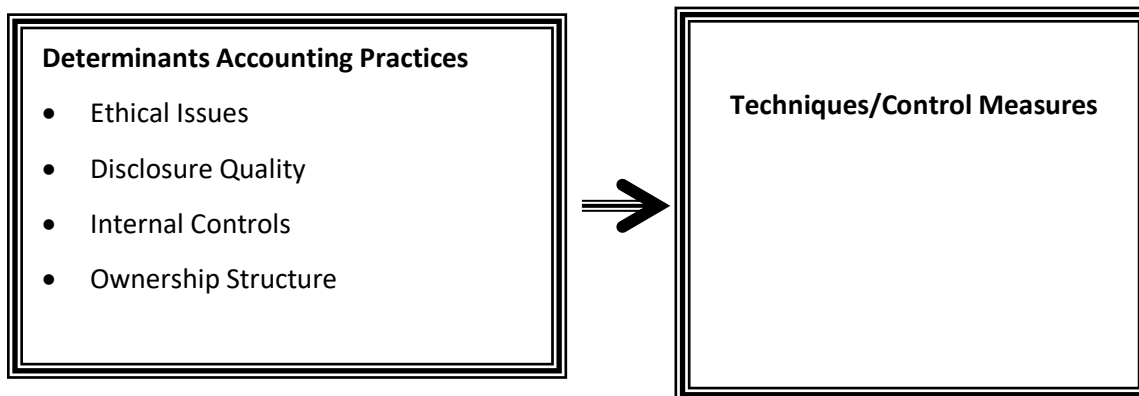
A better ownership structure, in accordance with Nagata and Nguyen (2017), can improve external management control, hence improving the accuracy of the financial reporting. Depending on the size of the financial institution, there are more or fewer restrictions on its ownership structure (Sahasranamam et al., 2019). Banks that use cutting-edge accounting indicators claim that the ownership structure and the accuracy of financial reporting are related (Alzoubi, 2016). The level of accounting innovation and creativity employed by the personnel of these financial institution has increased the level of financial honesty. Additionally, they claimed that firms with ownership arrangements should employ accrual creative accounting indicators to increase the correctness of

their financial reporting. The ownership structures of the banks were ineffective in managing their agents, according to numerous earlier studies (Kao et al. 2019). Another study indicates that the ownership structure benefits bank performance (Bao and Lewellyn, 2017). The ownership structure affects the standard of financial reporting favourably, according to Qawqzeh et al. (2019).

2.3 Conceptual Framework

The study's conceptual framework is a symbolic depiction of ideas and how they are related. A conceptual framework is a presenting model where the researcher conceptualizes or depicts the link between the variables under investigation and illustrates it graphically or diagrammatically (Grodno, 2008). It is a model that hypothesizes the variables or concepts under study and identifies them while demonstrating their link to one another. The important factors in this study can be divided into independent and dependent variables. Since they forecast the degree of change in another variable, independent variable, according to Mugenda (2008), are also known as predictor variables.

Figure 1. Conceptual Framework



Source: Researcher's Construct, 2023

3. Methodology

This section covers study methodology and design adopted for the study, outlining the procedures used for data collection, analysis and reporting. It explains the different approaches employed to achieve the study's objectives, incorporating both quantitative and qualitative methods, each with its own distinct techniques. The section also provides detailed information on measures taken to ensure the reliability and validity of the study, including the target population, sampling size and design, data collection and analysis procedures, organizational characteristics, and the ethical principles guiding the study.

3.1 Research Area

One of Ghana's 22 administrative Metropolitan, Municipal District Assemblies, Tarkwa Nsuaem Municipality is listed as having a composite budget for the 2019–2022 fiscal year (MMDAs). In

2008, it was established by Legislative Instrument (L.I) 1886. Its shared borders with Prestea Huni-Valley District, Nzema East Municipality, Ahanta West District, and Mpohor Wassa East District are to the north, west, south, and east, respectively. It is positioned between latitude 405 and longitude 505. The Municipal has 5 zonal councils: Tarkwa urban council, Nsuaem Zonal Council, Nsuta Zonal Council, Simpa Zonal Council, and Bonsa Zonal Council. It has 438 settlements and one urban council (Tarkwa urban council). The Municipality has a total population of 181,224 as of 2018, with a growth rate of 2.97 and a total land area of 978.26 square kilometers. The population is split 49 percent female and 51 percent male. About 32% of the Municipality's workforce is employed in agriculture, with the remaining 68% working in extractive mining, commerce, the private unorganized sector, and the hotel sector. The municipality's socioeconomic activity has made it possible for it to draw and house the majority of Ghana's financial institutions. There are thirteen (13) commercial banks (Omni Bank, Fidelity Bank, ABSA Bank, National Investment Bank, Ghana Commercial Bank, Zenith Bank, UBA Bank, Universal Merchant Bank, Guaranty Trust Bank, Access Bank, Consolidated Bank, Société Générale Bank, and Ecobank) in the municipality. A few investment firms, community rural banks, and a number of community savings and loans and credit unions are all present in Tarkwa Township alone. Tarkwa-Nsuaem is the Municipality, a centre for business and investment.

3.2 Research Design

Research design centers on the objectives, goals, purposes, and plans of a study. It provides a structured framework that guides the entire study process. Creswell (2014) emphasizes that researchers must carefully reflect on the knowledge claims and theoretical perspectives they bring into a study, as well as the strategies and methods they intend to use for data collection and analysis. This reflection is essential in helping researchers recognize and manage potential biases that could influence their methodological choices and the interpretation of data, as noted by Vogt et al. (2012). According to Creswell (2014), study designs are part of broader “strategies of inquiry” as described by Denzin and Lincoln (2011), and advances in modern technology have expanded opportunities for more innovative and sophisticated research approaches. In this study, both a correlational design and a descriptive survey methodologies were employed. The descriptive survey was used to capture and describe existing conditions, attitudes, and behaviours, while the correlational approach helped to examine relationships between measured variables (Wimmer & Dominick, 2013). A quantitative approach guided the data collection and analysis process, with data gathered through surveys. This method enabled the researcher to better understand participants’ beliefs and behaviors by collecting structured responses, thereby providing insights into real-world conditions (Brasel et al., 2020).

3.3 Sample and Sampling Procedures

A sample is defined by Bryman (2013) and Spiegel (2012) as a portion of the entire population. It is referred to by Kothari (2011) as a group of objects selected from the cosmos to serve as its

symbols. The study sample size was 100, which represents the total number of respondents who were sampled. This result was obtained using a practical and intentional sampling of the accountants, managers, auditors, operations managers, budget officers and credit officers, of chosen banks and non-bank financial institutions. Finding and selecting people or groups with particular expertise in or experience with an interest phenomenon is required (Cresswell & Plano Clark, 2011). In this inquiry, convenient and purposeful sampling techniques were both used. Cochran's approach was replaced by Yamane's formula (1967), which is a simpler formula for calculating the sample size from a population. Yamane (1967) recommended that the sample size be; for a 95% confidence level and a 0.05 p-value;

$$n = \frac{N}{1+N(e^2)}$$

Where, N is the population size and e is the level of precision

Let this formula be used for our population, in which N = 130 with \pm 5% precision

Assuming 95% confidence level and p= 0.5, we get the sample size as

$$\begin{aligned} n &= \frac{N}{1+N(e^2)} \\ &= \frac{130}{1+120(.05^2)} \\ &= \frac{130}{1.3} \end{aligned}$$

$$n= 100$$

The study therefore sampled 100 accountants, managers, auditors, operation managers, budget officers and credit officers of the selected financial institutions.

3.4 Data Collection Instruments

According to Ghauri et al. (2020), data collection tools or instruments are any tools or pieces of gear used to gather data, such as a questionnaire or interviewing instructions. Case studies, checklists, interviews, sporadic observation, surveys, and questionnaires are some of the instruments used to collect data. Information was gathered for the purposes of this study's objectives via a questionnaire.

3.5 Questionnaire

In order to collect data that might be useful in the analysis, closed-end questions were used. The surveys were conducted by the researcher himself.

3.6 Data Analysis Techniques

The questionnaire was coded before analysis to ensure precision and thoroughness. Inferential statistics from Statistical Package for the Social Sciences (SPSS) including percentages, frequencies, and measures of central tendency like means, standard deviations, and percentages, were used to analyse the data in addition to descriptive statistics (i.e., correlations and regressions). According to Brasel et al., it is preferable to utilize statistical methodologies to organize and summarize data in a way that makes it simple to interpret. These methods include tables, bar graphs, pie charts, frequency distributions, and percentages (2020). The data were imported into SPSS in order to conduct further analysis. Frequency distributions and tables were used to present the data. To offer justifications and insights, regression analysis, the mean, standard deviation, percentage were all used.

3.7 Reliability and Validity

Reliability, as defined by Saunders et al. (2018), is the extent to which the same or comparable results are obtained using the same data collecting procedures, the same or similar observations are made, and the same or similar conclusions are drawn. A reliable measurement tool is one that produces consistent results across time (Jackson, 2011). Another definition of validity is the degree to which a method or set of processes for gathering data reliably assesses the construct or constructs for which it was designed (Saunders et al., 2018). The reliability of the factors was evaluated using Cronbach's alpha. According to Fawcett (2013), an accurate test is one that measures an important trait. The items on a measurement tool have face validity if they appear to be measuring the targeted construct (Rubin & Bellamy, 2012). When a test appears to assess all possible interpretations of a topic, it is said to have high content validity (Rubin & Babbie, 2016). Expert panels are typically used to determine both face and content validity (Kraska-Miller, 2014; Jackson, 2016). The study's research instruments were standardized after their validity and reliability have been proven. Content validity was assessed to make sure that the research tools appropriately reflect the themes under examination.

4. Results and Discussion

The analysis of data, the presentation of the findings, and their discussion are covered in this chapter. The study covers demographic information, determinants of creative accounting financial institution and effective ways to combat the practice of creative accounting banking and non-banking industries. The information was shown using a description and regression models. The consistency of the variables was further assessed using the Cronbach alpha coefficient. The study involved 100 employees from the selected institutions, including managers, auditors, budget officers and operations managers. Response was 90, replies were received, representing 90% of the sample.

4.1 Demographic Profile of Respondents

The study examined demographic parameters such as respondents' gender, marital status, education level, length of time working at the bank, and length of time the bank has been in operation.

Table 4.1 Demographic information of respondents

Variable	Frequency	Percentage
Gender		
Male	49	54.4%
Female	41	45.6%
Total	90	100%
Marital status		
Single	37	41.1%
Married	39	43.3%
Divorced	14	15.6%
Total	90	100%
Educational qualification		
Diploma/HND	21	23.3%
First Degree	36	40.0%
Master's	19	21.1%
Professional	14	15.6%
Total	90	100%
Years of working in the bank		
Below 2 Years	0	0.0%
2-5Years	59	65.5%
5-8 Years	15	16.7%
Above 8 years	16	17.8%
Total	90	100%
Years the institution has been in business		
2-5 Years	21	23.3%
5-9 Years	27	30.0%

More than 9 Years	42	46.7%
Total	90	100%

Source: Researchers Field data, 2023

The study aimed to identify the respondents' gender. Findings showed that 49 of the respondents (54.4 %) were men, while 41 of the remaining counterparts (45.6 %) were women. In terms of marital status, 14 (15.6%) of the respondents were married but divorced, 37 (41.1%) of the respondents were single and 39 (43.3%) of the respondents were married. With respect to respondents' educational backgrounds, the results showed that 36 (40.0 %) had first degrees, 19 (21.1 %) had master's degrees, and 14 (15.6%) had professional certificates. In addition, 21 (23.3 %) of respondents had diploma/HND qualifications. Regarding the length of time that respondents had been employed by the institution, the results showed that 0 (0.0 %) of respondents had been there for less than two years, 59 (65.5 %) had been there for two to five years, 15 (16.7 %) had been there for five to eight years, and 16 (17.8%) had been there for more than eight years. In terms of the number of years the institution have been operating, the results show that 42 (46.7%) of the respondents said the institution had been operating for more than nine years, followed by 27 (30.0%) said the institution have been operating for 5-9 years and 21 (23.3%) respondents who said the institution had been operating for between 2 and 5 years.

The use of descriptive statistics was thought necessary in order to get insight into how the respondents rate on the study's major themes. As a result, descriptive analysis was carried out to improve the researcher's comprehension of the factors that contribute to creative accounting practices in the Ghanaian banking and non-banking sector that participated in the survey. Table 4.2 below shows the items and variables used in assessing ethical issues as a component of determinants of creative accounting practice in the Ghanaian banking and non-banking industry.

Table 4.2 Descriptive Statistics on Ethical Issues as a Component of Determinants of Creative Accounting Practice in the Ghanaian Banking and non-banking Industry

Variables	N	Min	Max	Mean	Std. Deviation
The ethical Issues prevalent in our Bank do not affect the presentation of the financial reporting.	90	1	5	3.27	1.188
Financial reports should be prepared and presented in accordance with the ethical guidelines of our bank.	90	1	5	3.30	1.065
Ethical standards are duly observed in the presentation of the financial reporting procedures in our bank.	90	1	5	3.51	1.211
The accountants in our bank are always objective in the presentation of the financial reports.	90	1	5	3.54	1.238
The bank has revealed a code of conduct/ethics.	90	1	5	3.48	1.134

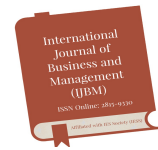
Source: Researchers Field data, 2023

The variables employed in evaluating ethical concerns as a factor in the determinants of creative accounting practice in the Ghanaian banking and non-banking sector are displayed in Table 4.2 above. Finding revealed that, the ethical issues prevalent in the bank and non-bank do not affect the presentation of the financial reporting, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Finding further indicated that, financial reports should be prepared and presented in accordance with the ethical guidelines of the banks and non-bank, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly disagree. The result further indicated that, ethical standards are duly observed in the presentation of the financial reporting procedures in the banks and non-bank, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Finding again indicated that, the accountants and auditors in the banks are always objective in the presentation of the financial reports which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Meanwhile, the bank and non-bank have revealed a code of conduct and ethics in the daily management and transaction of the banks and non-banks which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree.

Table 4.3 presents results of the factors that influence the practice creative accounting in the financial sector. With a five-point scale, it was demanded of informants to indicate the degree to which the respondents score on each item ranging from ‘strongly disagree = 1’ to strongly agree = 5’. Table 4.3 shows the items and variables used in assessing disclosure quality as a component of determinants of creative accounting practice in the Ghanaian banking industry.

Table 4.3 Descriptive Statistics on Disclosure Quality as a Component of Determinants of Creative Accounting Practice in the Ghanaian Banking and non-banking Industry

Variables	N	Min	Max	Mea n	Std. Deviation
There are significant effects for the reports’ disclosure on the quality of the financial reporting practice in our bank.	90	1	5	3.56	1.153
Disclosure practice is affected by the professional competence of the professional accountant.	90	1	5	3.43	1.162
The quality of disclosure practice for financial reporting is complained with financial reporting standards.	90	1	5	3.43	1.218
Disclosure of internal control reports increases the auditory role.	90	1	5	3.52	1.163



The disclosure of financial reporting is affected by the professional accountant practice.	90	1	5	3.71	1.183
Valid N (listwise)	90				

Source: Researchers Field data, 2023

The variables used to assess disclosure quality as a factor in what determines creative accounting practice in Ghanaian banking and non-banking are displayed in the Table 4.3 above. Respondents were asked to rate how much they agreed or disagreed with the statement that factors influencing creative accounting practices in Ghana's banking and non-banking sector include disclosure quality. Finding revealed that, there are significant effects for the report's disclosure on the quality of the financial reporting practices in the banks and non-bank, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Disclosure practice is affected by the professional competence of the professional accountants, with minimum value of (1) of the respondents strongly disagree, while maximum value of (2) of the respondents strongly agree. Finding further revealed that, the quality of disclosure practice for financial reporting is complaint with financial reporting standards, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly. Again, the disclosure of internal control reports increases the auditory role, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Meanwhile, the disclosure of financial reporting is affected by the professional accountants practice with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree.

Table 4.4 shows the items and variables used in assessing internal control as a component of determinants of creative accounting practice in the Ghanaian banking and non-banking industry.

Table 4.4 Descriptive Statistics on Internal Control as a Component of Determinants of Creative Accounting Practice in the Ghanaian Banking and non-Banking Industry

Variables	N	Min	Max	Mean	Std. Deviation
The availability of continuous control reports in the bank can enhance the internal control functions which lead to improving the quality of financial reporting.	90	1	5	3.64	1.193

	90	1	5	3.49	1.238
The existence of recommendations and advice about potential improvement in the reports leads to improve the quality of financial reporting.					
	90	1	5	3.41	1.244
The existence of matching and reasonableness reports for different periods in the reports lead to improve the quality of financial reporting.					
	90	1	5	3.36	1.284
Segregation of duties leads to improve the quality of financial reporting.					
	90	1	5	3.36	1.202
A clear determination for the responsibilities and authorities among departments leads to improve the quality of financial reporting.					
Valid N (listwise)	90				

Source: Researchers Field data, 2023

The variables utilized in evaluating internal control as one of the factors influencing innovative accounting practices in the banking and non-banking sector in Ghana are displayed in the aforementioned Table 4.4. Respondents were asked to state whether they agreed or disagreed with the statement that one factor influencing the use of creative accounting practices in Ghanaian banking and non-banking is internal control. Finding revealed that, the availability of continuous control reports in the bank and non-bank can enhance the internal control functions which lead to improving the quality of financial reporting, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Finding further indicated that, the existence of recommendations and advice about potential improvement in the reports leads to improvement of quality of financial reports, which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly disagree. Again, the existence of matching and reasonableness reports for different periods in the reports lead to improve the quality of financial reporting, which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. The result further revealed that, segregation of duties leads to improve the quality of financial reporting with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Meanwhile, a clear determination for the responsibilities and authorities among departments leads to improve the quality of financial reporting with a minimum

value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree.

Table 4.5 shows the items and variables used in assessing ownership structure as a component of determinants of creative accounting practice in the Ghanaian banking and non-banking industry.

Table 4.5 Descriptive Statistics on Ownership Structure as a Component of Determinants of Creative Accounting Practice in the Ghanaian Banking and non-banking Industry

Variables	N	Min	Max	Mean	Std. Deviation
Our bank provides equal access to information for shareholders and investment analysts.	90	1	5	3.33	1.298
Ownership in our bank would be stronger since managers have more incentives to opportunistically exploit quality financial reporting.	90	1	5	3.28	1.333
The concentrated ownership in our bank can overcome the free-rider problem and enhance the quality of financial reporting by improving the monitoring of management.	90	1	5	3.31	1.242
In our bank's high ownership structure, controlling shareholders are less dependent on minority shareholders and may take benefits from them.	90	1	5	3.31	1.260
Ownership structure reflects the banks' selection to disclose high-quality information as a corporate governance practice to monitor managerial activities.	90	1	5	3.28	1.254
Valid N (listwise)	90				

Source: Researchers Field data, 2023

Table 4.5 showed the variables used in measuring internal control as a component of determinants of creative accounting practice in the Ghanaian banking and non-banking industry. It was required of respondents to indicate the extent to which they agree or disagree on item measuring internal control as a component of determinants of creative accounting practice in the Ghanaian banking industry. Finding revealed that, the bank and non-bank provides equal access to information for shareholders and investment analyst, which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Moreover, the concentrated ownership in the banks can overcome the free-rider problem and enhance the quality

of financial reporting by improving the monitoring of management, which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Finding further indicated that, the bank's high ownership structure, controlling shareholders are less dependent on minority shareholders and may take benefits, which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. The result further revealed that, ownership structure reflects the banks' selection to disclose high-quality information as a corporate governance practice to monitor managerial activities, which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree.

The use of descriptive statistics was thought essential in order to comprehend how selected banks' participants' accountants, managers, auditors, operation managers, budget officers and credit officers rate on the study's important ideas. In order to better understand effective strategies for combating creative accounting in the Ghanaian banking and non-banking sector that participated in the survey, a descriptive analysis was carried out. With a five-point scale, it was demanded of informants to indicate the degree to which the management and respondents score on each item ranging from 'strongly disagree = 1' to strongly agree = 5'.

Table 4.6 Descriptive Statistics Efficient Techniques for Preventing Creative Accounting by Accountants in the Ghanaian Banking and non-banking Industry

Variables	N	Min	Max	Mean	Std. Deviation
Adaptation of accounting standards in terms of limited use of estimates and consistency in the application of accounting methods	90	1	5	3.49	1.202
Recognizing and insisting on the role of internal and external audit in identifying and reporting unfair estimates, and preventing accounting manipulations	90	1	5	3.48	1.183
Change of audit service providers from one accounting period to another	90	1	5	3.49	1.247
Hiring independent directors and members of the audit committee	90	1	5	3.47	1.201
Establishing effective corporate governance controls	90	1	5	3.50	1.274

Company persistence in developing a whistle-blower policy	90	1	5	3.59	1.217
Placing emphasis on the development and application of forensic accounting	90	1	5	3.43	1.218
Making investors aware of the practice of manipulating financial information	90	1	5	3.42	1.132
Consistent enforcement of penalties by national authorities	90	1	5	3.47	1.083
Valid N (listwise)	90				

Source: Researchers Field data, 2023

The characteristics utilized to evaluate effective strategies for thwarting creative accounting in Ghana's banking and non-banking sector are displayed in the aforementioned Table 4.6. Respondents were asked to rate how much they agreed or disagreed with the following statement: "The motivations for creative accounting by accountants in the Ghanaian banking and non-banking business.". Finding revealed that, adaptation of accounting standards in terms of limited use of estimates and consistency in the application of accounting methods, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Moreover, recognizing and insisting on the role of internal and external audit in identifying and reporting unfair estimates, and preventing accounting manipulations, which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Change of audit service providers from one accounting period to another is equally one of the efficient techniques for preventing creative accounting practices, which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Finding further revealed that, hiring independent directors and members of the audit committee is very critical in preventing creative accounting in the banking industry, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Moreover, establishing effective corporate governance controls is vital and pivotal in preventing creative accounting in the banking industry, with a minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Again, company persistence in developing a whistle-blower policy in fighting any form of canker in the banking and non-banking industry including creative account one major effective techniques in preventing the incidence, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Placing emphasis on the development and application of forensic accounting equally efficient techniques in preventing

creative account in companies and organizations including the banking and non-banking industry in Ghana, which minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Moreover, making investors aware of the practice of manipulating financial information is vital in preventing creating accounting practices, with minimum value of (1) of the respondents strongly disagree, while maximum value of (5) of the respondents strongly agree. Minimum value of (1) and maximum value of (5) of accountants, managers, auditors, operation managers, budget officers and credit officers of the selected banks and non-bank indicated that, consistent enforcement of penalties by national authorities remain an efficient technique in preventing creative accounting practices among the banking industry.

4.2 Discussion

Findings indicate that ethical issues within the banking and non-banking sectors had a negligible impact on the structural layout of financial reporting. In practice, this highlights that while ethical challenges exist, they do not fundamentally alter how financial information is organized. Furthermore, the application of ethical standards remained resilient, maintaining an appreciable level of integrity throughout the preparation and presentation of financial statements. The results also showed that the way banks and non-bank disclose their financial reporting information uphold ethical standards and principles. The findings also revealed that current disclosure practices fall short of the benchmarks set by financial reporting standards. This gap suggests that the information provided to stakeholders may lack the necessary detail or transparency required for full regulatory compliance. Consequently, the quality of these disclosures does not sufficiently align with established frameworks. This underscores a need for more rigorous adherence to reporting protocols to ensure that all mandatory data is accurately and comprehensively shared.

The study highlights that both banking and non-banking institutions can significantly bolster their internal control procedures by developing the capacity to generate consistent, ongoing control reports. This continuous monitoring allows for the early detection and correction of system deficiencies, ensuring that internal checks remain robust and effective. Furthermore, the quality of financial reporting has notably improved due to the inclusion of matching and reasonableness reports covering multiple time periods. These detailed comparisons enhance the reliability and integrity of the data, providing a more transparent view of the institution's financial health over time. The conclusion demonstrated that clear roles and responsibilities among departments improve the standard of financial reporting. Additionally, by strengthening management control, the concentrated ownership of the banks and non-banks can address the free-rider problem and raise the standard of financial reporting. The bank and non-bank sector have a high shareholder structure, according to the study, which means that the controlling owners are less dependent on the lesser shareholders and more likely to profit. The study findings indicate that accounting regulations have been refined to limit the use of estimates and adjustments. By encouraging a more conservative application of these techniques, the rules aim to reduce subjectivity and ensure that

financial figures are based on more objective, verifiable data. Furthermore, these modifications emphasize the need for consistency across all accounting periods. By applying these techniques uniformly, institutions can provide more comparable and reliable financial information, which ultimately strengthens the overall transparency of their reporting practices. It is critical to emphasize the vital role that both internal and external audits play in maintaining financial integrity. These auditing processes serve as a primary defense against the practice of creative accounting, specifically by identifying and disclosing the use of erroneous or inconsistent estimates.

By rigorously examining financial records, auditors can effectively detect and prevent the manipulation of data. This oversight ensures that accounting practices remain transparent and that any attempts to artificially inflate or distort a firm's financial position are addressed and corrected. The findings highlight that the presence of independent directors and dedicated audit committees is essential for curbing creative accounting practices. By providing an objective layer of oversight, these independent bodies can effectively challenge management decisions and ensure that financial reporting remains transparent and unbiased within both the banking and non-banking sectors. Furthermore, the study underscores that these governance structures act as a critical deterrent against financial manipulation. Their independence allows for more rigorous scrutiny of accounting techniques, ensuring that any attempts to distort financial realities are identified and halted before they can compromise the institution's integrity. The study further revealed that the establishment of robust corporate governance controls is essential for preventing creative accounting practices. By implementing comprehensive oversight mechanisms, both banking and non-banking institutions can create a structured environment that prioritizes transparency and discourages the manipulation of financial data. Furthermore, these strong governance frameworks serve as a critical defense against unethical reporting. When corporate controls are deeply embedded in an organization's operations, they ensure that management remains accountable and that financial statements accurately reflect the true economic position of the entity. The study emphasizes that a company's commitment to establishing a robust whistleblower policy is one of the most effective strategies for combating unethical behavior. By providing a secure channel for reporting misconduct, banking and non-banking institutions can actively identify and address creative accounting practices before they escalate into systemic failures. Furthermore, the implementation of such a policy fosters a culture of accountability and transparency throughout the organization. This proactive approach not only serves as a powerful deterrent against financial manipulation but also proves to be a successful cornerstone in the broader effort to maintain the integrity of the financial industry. The study concluded that educating all stakeholders, particularly investors, is a vital step in curbing the practice of creative accounting. By improving their understanding of how financial data can be manipulated, stakeholders are better equipped to scrutinize reports and identify red flags that might otherwise go unnoticed. Furthermore, fostering a well-informed investor base creates a powerful external layer of accountability. When

stakeholders are aware of the techniques used to alter financial data, they can demand greater transparency and more rigorous reporting standards, effectively making it much harder for such deceptive practices to take root.

5. Conclusion and Recommendations

This study investigated the determinants of creative accounting practices and the effectiveness of preventive techniques within banking and non-banking financial institutions in the Tarkwa Nsuaem Municipality, Ghana. The findings lead to several important conclusions. First, the four determinants examined, namely ethical issues, disclosure quality, internal controls, and ownership structure, all exert a significant and positive effect on the financial performance of the sampled institutions. This confirms that governance weaknesses in these dimensions do not merely create opportunities for creative accounting in isolation but interact collectively to shape the integrity of financial reporting. While ethical standards in financial statement preparation remain moderately upheld, the quality of disclosure practices falls short of the benchmarks established by international financial reporting standards. Internal control mechanisms, though recognized as important, are inconsistently implemented, and ownership structures do not consistently function as effective deterrents against managerial opportunism. Second, the study affirms that creative accounting practices exist within the Ghanaian financial institution sector and are not confined to any single type of institution. Both banking and non-banking institutions demonstrated vulnerability to financial reporting manipulation, underscoring the systemic nature of the problem and the inadequacy of reactive, compliance-only approaches to governance. Third, the nine preventive techniques identified, covering the adoption of international accounting standards, strengthening of internal and external audit functions, rotation of audit service providers, appointment of independent directors, robust corporate governance frameworks, whistleblower policies, forensic accounting, investor education, and consistent regulatory enforcement, collectively represent a comprehensive governance architecture for curbing creative accounting. The findings confirm that no single technique is sufficient on its own. Effective prevention requires their coordinated and sustained implementation across institutional, regulatory, and professional domains.

The study therefore concludes that preventing creative accounting in Ghana's financial sector is not merely a technical or regulatory matter but a governance challenge requiring institutional commitment, professional integrity, and active stakeholder engagement. Corporate management must be proactive in establishing control environments that prioritize transparency and accountability over short-term financial optics. Regulatory bodies, particularly the Bank of Ghana and the Securities and Exchange Commission, should intensify enforcement activities and mandate greater consistency in disclosure practices across all categories of financial institutions.

The study was limited to one municipality and relied on a relatively small sample drawn from a single geographic area. The findings may therefore not be fully generalizable to the broader Ghanaian financial sector or to other developing economy contexts. Future research should extend

this inquiry to multiple municipalities or regions, incorporate longitudinal data to track changes in creative accounting behavior over time, and explore the moderating role of firm size, ownership type, and regulatory environment on the relationship between governance mechanisms and financial reporting quality.

5.1 Recommendations

Efficient techniques for preventing the practice of creative accounting are found to be significant and contributing immensely to the performance of banks and non-bank in the industry. It is therefore recommended for management and authorities to take a second look and the techniques and implement them rigorously in order to maintain continuity of business. To enhance financial transparency and curb creative accounting, the following measures are recommended:

Strengthen Regulatory Oversight on Disclosures: Regulatory bodies should enforce more rigorous compliance with financial reporting standards, moving beyond mere structural layout to ensure the depth and transparency of qualitative disclosures.

Mandate Continuous Internal Reporting: Banking and non-banking institutions should transition from periodic to "ongoing" control reports. Implementing automated "matching and reasonableness" checks across multiple time periods can help identify inconsistencies in real-time.

Empower Independent Governance Bodies: Institutions must ensure that audit committees and board directors are strictly independent. These bodies should be granted greater authority to challenge management's use of subjective estimates and accounting adjustments.

Formalize Whistleblower Protections: Firms should implement and heavily promote anonymous whistleblower policies. Protecting those who report unethical accounting is a proven deterrent against systematic financial manipulation.

Launch Stakeholder Education Initiatives: Investors and other stakeholders should be provided with targeted training to recognize "red flags" in financial statements. An informed stakeholder base acts as a critical external check on corporate transparency.

Standardize the Use of Estimates: Accounting standards should be further refined to provide clearer, more restrictive guidelines on the use of subjective adjustments, ensuring consistency and comparability across all financial periods.

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