

**Earnings Management and Its Relationship with Managerial  
Changes and Financial Performance in Banks  
(An Empirical Study on Jordanian Commercial Banks 2006 -  
2015)**

By: Mohammed Yousef Mahmoud Elayan

Supervised by

Dr. Mohammed Ebrahim Al Nawaiseh

**ABSTRACT**

This study aims to show the extent of Earnings Management and its Relationship with Managerial Changes and Financial Performance in Jordanian commercial banks, and to achieve the objectives of the study, the researcher applied the approach of descriptive analytical method for Jordanian commercial banks from 2006 to 2015 through a set of statistical tools.

This study shows earnings management concept and the modules used to discover it, and if there is a relationship between (Managerial Changes and Financial Performance) and (earnings management). In addition, it shows the Impact of other variables such as age and size of bank besides Managerial Changes and Financial Performance. The population of study consisted of Jordanian commercial banks from 2006 to 2015 which is has been selected due to its importance in national economy.

The study reached the following results:

- Jordanian Commercial Banks exercised earnings management from 2006 to 2015.
- There is an inverse relationship between the performance of Jordanian commercial banks in a year of earnings management, and the decision of earnings management, this relationship is not statistically significant.

- There is an inverse relationship between the size of commercial banks and their decision in earnings management, and we note that there is an improvement in the explanatory capacity of the model by predicting changes that may occur in the decision of Jordanian commercial banks to practice earnings management, and this relationship is not statistically significant.
- There is an inverse relationship between banks ages and the decision of earnings management, and we note that there is an improvement in the explanatory capacity of the model by predicting changes that may occur in the decision of Jordanian commercial banks to practice earnings management, and this improvement is very weak.
- There is a statistically significant relationship between the change of executives in the Commercial Bank and the decision of earnings management, and this relationship was a positive statistical significance.
- There is an effect of the variables of performance, size, age and administrative change as combined variables on the decision of banks regarding earnings management. Meanwhile, these relationships not statistically significant expect changes in CEO.
- The study has resulted that there is no improvement in banks performance that took the decision of earnings management for all years expect 2006,2007- 2008-2009, 2010-2011,2014-2015.

The researcher recommends the following:

- Enacting adequate legislation that discloses profit management practices through cooperation between the Securities Commission, the Central Bank of Jordan, the Jordanian Banking Association and the Jordanian Association of Certified Public Accountants to deal with the concepts of profit management practices
- Statement of the impact of profit management practices on the trends of investors and users of financial reports of commercial banks in general and their investment decisions.

- Raising awareness of the employees of commercial banks on the effects of the methods of profit management practices by working on holding training courses in this field
- Need to tighten the supervision of banks who exercised earnings Management