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Research article

The Effect of Earning Management on Dividend Payouts and the Mediating Role of Financial Leverage

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

Keywords: Earning Management; Dividend payout; Leverage.

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1. Introduction

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

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

2. Research problem and questions

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

For every company there is a specific strategy that is followed when distributing profits depends on its stability, despite that, there are many approaches to distributing earning such as the stability dividend therefore, extract the problem statement from the above issues.

The following are factors of possible earnings management and dividend payout management problems encountered:

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

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

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

Many companies maintain their investors or attract new investors to pay dividends despite the presence of losses or manipulations of their earnings (RAHIM, 2010 and Al-Taweel & Rashwan 2022).
Based on the illustrated problem, this study considered the following questions to investigate the effect of earnings management on dividend payout with a focus on moderating the Role of leverage at Palestine and Amman stocks exchanges in the Banking sector. The question of this research:

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

3. Research Objectives

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

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

4. Research Importance

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

Dividends policies are a guideline and a combination of rules of how dividend payment is to be made to its shareholder (Ben-David, 2010). When dividend policy is clear and describes how the company should distribute their dividends to shareholders, who can make all prediction and allocate information that mean it is working.

The results of the research will help investors who take into account the earnings of a corporation before investing and help owners of companies to make their dividend policy.

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

5. The Background of research

5.1 Earning management

Opportunistic behavior may lead management to either reduce profits for tax evasion or to increase the remuneration of members of the board of directors; however, there are varied instinct pushing the management to adopt the behavior of practicing earning management, and this behavior is considered profiteer behavior practiced by the management either to reduce profits for tax purposes or to increase the remuneration of members of the board of directors and according to (Healey & Wahlen, 1999) profit management is practiced when managers renounce estimates and methods do not accurately reflect the real economy or the true financial condition of their companies. While the EM Is defined by many definitions and forms for examples (Leuz, & Wysocki, 2003) defined EM as a change in the declared financial performance of the company by the managers of the company in order to mislead the stakeholders or to affect the contractual results. Also, (Sun & Rath, 2008) defined EM, in general, as it is to conceal the actual financial performance by the company’s manager in order to influence the performance of shares or benefit from contractual practices between the company and managers or to influence the organizational decisions of the company. Although EM has been defined in many ways, the basic concept of EM underlies the change of financial reporting information by the management (Deng et al., 2017) explain that one of the important determinants of earning management is the dividend policy. Therefore, he suggests that managers use a lot of inside information about the positions or results of the company's business to make decisions about it, such as dividends (Baker et al., 2003) showed the accrual accounting allows managers to easily access the internal financial data and transfer it through the company's financial statements and generally influence each of the share management and also greatly affect the percentage of dividends distribution. They also showed how the earning management was not an agency problem and also noted that the managers that are appointing them to their operating and investment experiences have sufficient capacity to influence dividend payout policy through their practice of earning management (Kasanen et al., 1996) was the first to popularizing the idea of earning management paid with profits according to the implicit contractual parties of non-financial companies in Finland and the idea is that large shareholders demand high returns on their stocks and thus expect a smooth flow of profits, and this encourages companies to do some kinds of earning management techniques to show income high enough to distribute dividends.

5.2 Dividend payout

As we know that the shareholder gets profits that depend on his share in the company or his holdings of shares in a particular company (Deng et al., 2017) and (He et al., 2017) suggested that dividend-paying companies are less likely to use earning management practices or earning manipulation because there is a possibility of using dividends as a form of resolving the agency problem (La Porta et al., 2000) also suggested that there is a possibility to reduce the opportunistic behavior that managers use to pressure minority shareholders to pay cash dividends and to limit their personal interests through dividends, as well as to benefit from them in building a worthy reputation for improved access and growth in capital markets. (Hanaeda & Serita, 2007) clarified that companies do not amend the dividend policy in line with the financial need for investment, and indicated that there is a positive indicator and a positive trend in companies obtaining a consistent dividend policy (regular annually) and (Baker & Powell, 2001).

researchers emphasize the impact of corporate investment decisions on managers, and in some cases these decisions may stress managers and motivate them to use internal information for their benefits and their attempts to manipulate earnings for the sake of management incentives and achieve the goal of the investment decision. (Deng et al., 2017).

5.3 Financial Leverage

Financial leverage can be defined as the ratio of long-term debt to total long-term capital. Firms that use less debt, achieve maximum returns compared to operating companies with high debt, because the higher the financial leverage, the greater the company's dependence on long-term creditors for its long-term capital. According to (Irina, 2009), there is a possibility that companies face the risk of bankruptcy if they are not able to pay the financed payments from external debts, and if a company with high leverage wants to obtain a new loan, then there will be stress from the lenders on the loan procedures and examining many procedures to ensure that the company remains within reasonable limits and that there is an ability to pay its debts.

5.4 The effect of earning management on dividend payout

Based on several theories linking the two concepts as explained in the previous part: agency theory, free cash flow theory, signal theory and positive accounting theory (Leuz, & Wysocki, 2003). According to agency theory, the difference of interests between managers and shareholders, on the one hand managers are trying to achieve their goals and personal interests (increase their wealth) and shareholders are trying to limit the opportunistic behavior that the director may follow and motivate him to take care of the correct management of the company by paying bonuses and profits (distributions) and that creates an incentive for managers to practice managing profits to maximize their wealth, managers can also practice profit management to strengthen the job position or to maintain it (job security) by neglecting the interests of internal and external investors, and this leads to conflicts of interest, and also leads to the need for shareholders to establish compensation contracts, and here also comes the role and effect of profit management, as managers use this type of signals to camouflage unprofitable investments and mislead investors to obtain personal gains such as job security or to increase their wealth through rewarding salaries based on the result. Therefore, companies may send signals to increase their dividends and explain to investors that the company is in good condition (Jensen's,1986).

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

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

6. Literature review and hypothesis development

6.1 The effect of earning management on dividend payout

Most of the research indicated a negative effect of earning management on a dividend. The results of previous research concluded that EM has a negative relationship with the dividend policy of a firm in the determination of dividend payout of every firm. It was therefore concluded that this relationship could be a result of effective corporate governance mechanisms put in place that show the effect of earning management on dividend payout, (Ajide & Aderemi, 2014; Dilawer, 2012; Savov, 2006; Khan et al., 2013 and Gill & Mand,2014).If managers increase discretionary accruals of the company, the dividend percentage will not increase; accordingly, the first hypothesis can be formulated as follows:

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

The role of leverage on the effect of earning management on dividend payout

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

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

Accordingly, the second hypothesis can be formulated as follows:

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

6.2 Research Framework

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

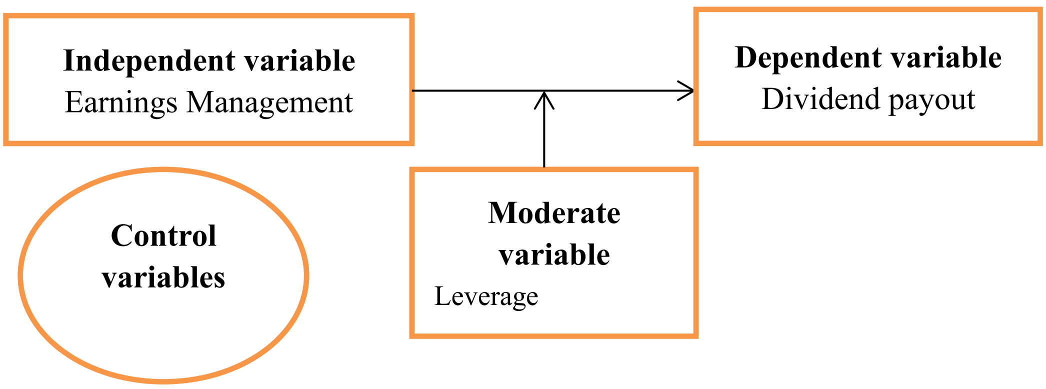

Figure (1): Research Framework

7. Research Methodology

7.1 Population and sample of the research

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

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

7.2 Data and source

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

7.3 Research Variables and Measurement

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

8. Statistical Processing

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

8.1 Descriptive statistics

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

8.2 Multiple regressions:

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

8.3 Empirical model

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

DPO =β0+ β1DACi++ β3 FIRM SIZE+ β4 ROA + e_i

DPO = β0 + β1DACi + β2LEVi + β3 DAC*LEV+ β4 SIZE+β5ROA+ β6 Nati+ β7 AGE+ β8 GENDER+ β9 EXP +e_i

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

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

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

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

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

DAC*LEV= Interaction term.

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

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

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

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

9. The Estimation Results and Discussion

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

9.1 Descriptive statistics

This section demonstrates the effect of earning management on dividend payout with a focus on moderating effect of Leverage. EM was measured by discretionary accruals; firm size and ROA were controlling variables. In this part, the descriptive statistics obtain the appropriate output for variables; the descriptive shows every quantitative analysis of data and describes the Maximum Minimum values and standard deviation of search variable. Table (3) presents the descriptive pooled indicators of the variable.

Table (1): Descriptive indicators for the variables considered in the analysis

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

Referring to the table (1) the mean of discretionary accruals (DAC Yoon) is about 0 this result approximately corresponds with previous research (Zeb & Rahman, 2019, Saleem &Alifiah 2017). Looking at the minimum value, the maximum value, and the standard deviation of the estimated entitlements, we find it as follows:_minimum (-13.3) maximum value (20.2) st.div (2.8) As for the minimum value, the previous research found that consistent with the result (Saleem& Alifiah, 2017) [place the parenthesis appropriately] in the gas and oil Pakistani companies Also, in (Zeb &Rahman, 2019) found the minimum value-0.391 according to the maximum value of accruals (DAC) for the proxy used and this result approximately in the range of previous research of (Dilawer, 2012) in textile industry 9.941399 on the other hand, (Ibrahim & Hanefah, 2016) found it 41.74, and it was found in (Khan& Shah, 2019) 16.453.Referring to Table (3), the standard deviation of discretionary accruals is (2.8) for the proxy used. And that fit with previous types of research (Shah &Zafar, 2010) they were found in China case the st.div of DAC 1.233157 on the other hand, it was found (Dilawer, 2012) std of DAC 1.524665.

Moving to the dependent variable the dividend payout Mean value of DPO (dividend payout) is (0.5) for div cash, (0.3) for div stock and (0.8) for total div which shows the average payment of dividend level, while the standard deviation of dividend payout is (.97,1.61and 2.10) which shows the deviation of dividend from its mean value. The maximum value of dividend payout is (8.16,17.3 and 23.7), and the minimum value of dividend payout is (0, -7.23 and -7.23). the results are similar to several previous studies, and it was found in a research (Saleem & Alifiah, 2017 and Khan & Shah, 2019) the mean value (.30) and (0.703486) Respectively, While in their (Shah & Zafar, 2010) research study of Pakistan and China cases, they found that the minimum value of dividends in Chinese companies is -5.08928 and the maximum value is consistent with Pakistan case 8.0936 was found in (Khan& Shah, 2019) -13.81551, while the st.div of dividend payout was found higher than it in (Khan& Shah, 2019) was 4.90505. As for the financial leverage and its moderate role the Table above shows that leverage has a mean value of -0.24 with an associated standard deviation of 1.43 and minimum value -12.7 and maximum value 8.5 In previous studies, the effect of financial leverage was found on earning management as well as on dividends, and it was found that the results are close to the results of the research for (Vakilifard &Mortazavi, 2016 and Odum &Odum, 2017).

9.2 Correlation matrix

As know the Correlation coefficients are indicators of the strength of the relationship between two variables. If correlation coefficient is greater than zero indicates a positive relationship between two variables, a value of zero indicates no relationship between the two variables that are being compared. Finally, a value that is less than zero signifies a negative relationship between two variables. Moving to correlation matrix for the variables in this study is presented in Table 4. As shown, all the proxies of discretionary accruals are highly correlated. This observation validates the measurement approaches of the dependent variable of the study. The correlations among independent variables are generally low. Asteriou and Hall (2007) claimed that correlations of less than 0.9 do not cause a serious Multicollinearity problem in the regression analysis.

Table (2): Correlations between all variables included in the analysis

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

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

Table 2 shows that the degree of Correlations between discretionary accruals and dividend payout ratio is -0.05,-0.09 and 0.04 , suggesting a negative association between the two. This result was also confirmed by (Haider &Sadiq, 2012; Srikanth & Prasad, 2015, Saleem, & Alifiah, 2017). This result confirms that it is an important signal for potential future growth. The companies may also participate in the management's gain to reduce their profits, to pay fewer dividends if there are cash restrictions with them in the event that the management's profits increase from the ability of the profits, and may lead to an increase in the share price and this helps to attract investors to invest in the company. The table reveals that there is positive correlation between dividend payout (total div, cash div 0.07 and stock div 0.09), an increase in leverage would reduce dividend payout. With the focus of leverage and DAC of the proxy Yoon et al. model (-0.64), we see their negative correlation, depending on whether the leverage is high or low, the users of financial statements should be taking into account in assessing reported earnings by lowering / increasing their expectations regarding the reliability of earnings. Moving to control variables (Firm size, ROA, board diversity) the table below shows the correlation coefficient of firm size with earning management (DAC) for yoon model proxy, the value of firm size (-0.130) it indicates that is a negative and insignificant relationship with DAC, it reveals that the banks that don't have a large number of assets and decrease using EM practices.

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

9.3 Estimation results

The two hypotheses were proposed by this research and investigated using one proxy to measure DAC (Yoon model) independent variable and the relationship with the dependent variable (total dividend, cash dividend, and stock dividend) the moderating variable (Financial leverage) and control variables (Firm size, ROA) were estimated using panel GLS with cross-section weights and using exchange variable as dummy variable for Palestine and Jordan to explain if there any differences in two countries .Table (3) below shows the estimation results for the Yoon model with (total div, cash div and stock div) as a dependent variable with no moderator variable . The coefficient is equal (0,0.007 and 0.003) to DAC-Yoon with t-statistics of (-0.02,0.88 and 0.38) (p-value=0.98,0.38 and 0.70).Thus, from the result, it can be stated that there is no significant and positive effect of earning management (DAC) on the dividend payout for the three types .The adjusted R-square shows that the model explained 34% of the total variations of the dependent variable it means that 34% of the changes dependent (dividend payout) are described by independent, and control variables. As a point of focus, the hypotheses of this research states that there is no significant and positive effect of earning management (DAC) on the dividend payout for the three types in all banks sector in Palestine and Amman's stock exchanges selected for the research. Hence the research supports the view that there negative and significant effect and the result shows the opposite of it. Moving to control variables the results show that there is insignificant and positive, relations between the firm size and DPO but negative with ROA. Moving to board diversity variables shows gender negative and insignificant with total div and stock div and positive and insignificant with cash div, the age diversity show positive and significant with total div, cash div and negative insignificant with cash div. While the estimation result show in experience diversity positive insignificant with total div, negative significant with cash and stock dividends, in nationality diversity the result show as following negative and insignificant with total and stock dividends and insignificant negative with cash dividends this result does not correspond with our expectation about the association between control V and cash DPO. When we used the exchange variable, it turned out that it is sufficient to compare the two markets to demonstrate the effect of earning management practice in Palestinian and Jordanian banks. There is no need to separate the two markets to know this comparison.

Table (3): Estimation results for the DAC Yoon et al (2006) model with three types of dividends as a dependent variable with no moderator variable

	Dependent Variable: TOTAL_DIV			**Dependent Variable: DIV_CASH**			**Dependent Variable: DIV_STOCK**		
Variable	**Coefficient**	**t-Statistic**	**Prob.**	**Coefficient**	**t-Statistic**	**Prob.**	**Coefficient**	**t-Statistic**	**Prob.**
DAC_YOON	0.000	-0.019	0.985	0.007	0.883	0.378	0.003	0.375	0.708
LEVERAGE	0.040	1.493	0.137	0.012	0.498	0.619	0.018	1.080	0.281
GENDER	-0.054	-1.018	0.310	**0.200**	**4.179**	**0.000**	**-0.151**	**-3.724**	**0.000**
LN_AGE	**1.003**	**2.052**	**0.042**	**0.636**	**2.257**	**0.025**	-0.389	-1.300	0.195
LN_EXP	0.264	1.090	0.277	**-0.292**	**-1.896**	**0.059**	**0.443**	**2.822**	**0.005**
NATIONALITY	**-0.106**	**-1.871**	**0.063**	0.052	1.344	0.180	-0.015	-0.421	0.675
ROA	**-2.936**	**-1.737**	**0.084**	-0.025	-0.018	0.986	-0.905	-0.928	0.355
FIRM_SIZE	-0.006	-0.392	0.696	0.008	0.500	0.618	0.007	0.675	0.501
EXCHANGE	**0.383**	**5.906**	**0.000**	**0.377**	**7.428**	**0.000**	-0.067	-1.438	0.152
C	-4.495	-3.043	0.003	-1.741	-1.757	0.080	0.151	0.167	0.868
R-squared	**0.366**			**0.524**			**0.146**		
Adjusted R-squared	**0.338**			**0.503**			**0.108**		
Durbin-Watson stat	**1.354**			**1.013**			**1.369**		
F-statistic	**12.835**			**24.512**			**3.806**		
Prob(F-statistic)	**0.000**			**0.000**			**0.000**		

- **Note: the model is panel estimated GLS with cross-section weights. Independent variables are defined in Table (2).**
- **The model includes a constant term and exchange variable.**

Table (4) below shows the estimation results for the DAC Yoon et al (2006) model with (total div, cash div and stock div) as a dependent variable with moderator variable (Leverage). The coefficient is equal (0.02,.023 and 0.014) to DAC-Yoon with t-statistics of (1.45,2.43 and 1.38) (p-value=0.14,.02 and 0.17).Thus, from the result, it can be stated that there is no significant and positive relationship between earning management (DAC) and dividend payout for the two types (Total dividend and stock dividend) and significant with cash dividend at a significant level of 5%.The adj R-square shows that the model explained 25% of the total variations of the dependent variable it means that 25% of the changes in the dependent (dividend payout) are described by independent, moderator, and control variables. As a point of focus, the hypotheses of this research states that there is significant and positive relationship between EM and DPO in all banks sector in Palestine and Amman's stock exchanges selected for the research. Hence the research supports the view that there positive and not significant relationship and the result shows the opposite of it in total and cash dividend. Moving to control variables the results show that there insignificant and negative between the firm size and DPO and negative with ROA and this result does not correspond with our expectation about the association between control V and cash DPO, board diversity show as following age and nationality diversity positive and significant relationship that correspond with our expectation, while gender and experience show negative and insignificant.

Table (4) also shows how positively that EM affects DPO and how the moderating variable affects the relationship between EM and the DPO positively and the significant relationship. This result is consistent with our expectations about the effect of the moderating variable on the relationship between the EM and the DPO.

Table (4): Estimation results for the DAC Yoon et al (2006) model with three type of dividend as dependent variables with moderator variable

	Dependent Variable: TOTAL_DIV			Dependent Variable: DIV_CASH			Dependent Variable: DIV_STOCK		
Variable	Coefficient	t-Statistic	Prob.	Coefficient	t-Statistic	Prob.	Coefficient	t-Statistic	Prob.
DAC_YOON	23	1.459	0.146	0.023	2.431	0.016	0.014	1.386	0.167
LEVERAGE	0.028	0.517	0.606	0.019	0.698	0.486	0.005	0.127	0.899
GENDER	-0.044	-0.768	0.444	0.166	3.761	0.000	-0.170	-4.096	0.000
LN_AGE	0.871	1.699	0.091	0.499	1.797	0.074	-0.163	-0.518	0.605
LN_EXP	-0.167	-0.608	0.544	-0.314	-1.996	0.047	0.457	2.523	0.012
NATIONALITY	-0.026	-0.446	0.656	0.046	1.298	0.196	-0.010	-0.290	0.772
ROA	-1.140	-0.505	0.614	0.545	0.381	0.704	-0.741	-0.656	0.512
FIRM_SIZE	-0.019	-1.007	0.315	-0.002	-0.128	0.898	-0.007	-0.690	0.491
EXCHANGE	0.440	5.521	0.000	0.415	7.991	0.000	-0.028	-0.530	0.597
LEVERAGE_CENTERED*DAC_YOON_CENTERED	0.127	2.647	0.009	0.057	2.527	0.012	0.072	2.250	0.026
C	-2.336	-1.410	0.160	-0.922	-0.915	0.361	-0.519	-0.508	0.612
R-squared	0.285			0.477			0.140		
Adjusted R-squared	0.249			0.451			0.097		
Durbin-Watson stat	1.352			1.201			1.492		
F-statistic	7.930			18.162			3.238		
Prob(F-statistic)	0.000			0.000			0.001		
Method: Panel EGLS (Cross-section weights)									
Total panel (balanced) observations: 210									

- **Note: the model is panel estimated GLS with cross-section weights. Independent variables are defined in Table (2).**
- **The model includes a constant term and exchange variable.**

10. Testing Hypotheses and Discussion results

10.1 Testing Hypotheses

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

The two hypotheses intended to be investigated in this research are as follows:

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

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

To conclude about the relationships found from the analyses, Table (5) summarizes the results of previous model.

Table (5): Summary of the relationships from the research findings

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

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

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

From table (5), it is noticed that correlation factor (R) between EM and the ratio of DPO (cash and total) is high, but the stock dividends is low, and the size and direction of the impact of EM on DPO positive while in our hypothesis however that indicates that banks manage their earnings by increasing them, which is reflected in the increase in dividends, but this result cannot be generalized because the effect is not significant. This result came close to a research result of Joshi, R, (2014). In this study it was found that companies that practiced profit management in order to increase their profits made larger cash dividends, but this result cannot be generalized.

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

The question that expresses this hypothesis is whether there is an effect of earning management on dividend in moderate of leverage in Palestinian and Jordanian banks listed on the Palestine Exchange and Amman stock exchange? To test this hypothesis the base of the decision rule to accept the hypothesis if it (F-test) is less than its scheduled value at the 95% confidence level, as well as its probability (p-value) is less than 5%. That means the banks that managed their earning with the moderate of leverage were able to influence the DPO? To test this hypothesis, a multiple regression model was used. Through Table (6), we find that there is an effect of profit management on profit distributions in the presence of financial leverage and that the three variables (EM, DPO, Leverage) have statistical significance. Financial leverage and that is consistent with the hypothesis that was developed and also corresponds to several studies, such as (Ibrahim & Hanefah, 2016), (Chansarn & Chansarn, 2016; Khan & Shah, 2019; He et al. 2017 ; Shah, et al. 2010 and Saleem & Alifiah, 2017).

11. Discussion of results

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

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

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

12. Conclusions

From the results it has been clear that earnings management has positive affect on dividend payout with moderating role of financial leverage in Palestinian and Jordanian banking sector.

From the econometric analysis conclude that:

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

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

13. Recommendations

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

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

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تأثير إدارة الأرباح على توزيعات الأرباح والدور الوسيط للرافعة المالية

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الملخص: يهدف هذا البحث إلى دراسة تأثير إدارة الأرباح على توزيعات الأرباح والدور الوسيط للرافعة المالية على في القطاع المصرفي في بورصة فلسطين وبورصة عمان خلال الفترة من 2009 إلى 2018 بإجمالي 210 ملاحظة سنوية ثابتة. استخدمت الدراسة نموذج (يون، وآخرون، 2006) لقياس إدارة الأرباح. تم تقدير النموذج باستخدام نموذج المربعات الصغرى، وأظهرت النتائج وجود علاقة بين إدارة الأرباح وتوزيعات الأرباح في القطاع المصرفي الفلسطيني والأردني، وأن هناك تأثيرًا إيجابيًا لممارسة إدارة الأرباح على توزيعات الأرباح النقدية، ولكن هذا التأثير ليس معنويًا مع إجمالي توزيعات الأرباح وأرباح الأسهم. تؤثر الرافعة المالية بشكل إيجابي على العلاقة بين إدارة الأرباح وتوزيعات الأرباح النقدية. العلاقة سلبية مع أنواع الأرباح الأخرى. إن المعنى الضمني لهذا البحث هو أن العلاقة بين إدارة الأرباح وسياسة توزيع الأرباح مهمة. وجود علاقة دلالة لا يناسب المستثمرين. ونوصي بضرورة العمل على عدم وجود أي علاقة بين إدارة الأرباح وسياسة توزيع الأرباح، ويمكن تقليل هذه العلاقة الهامة عن طريق التحكم في الاستحقاقات التقديرية. سيساعد هذا البحث الإدارة التي ستعمل على إدارة أرباحها بفعالية من خلال تقليل النفقات التشغيلية. لذلك يمكن تقليل تأثير إدارة الأرباح على سياسة توزيع الأرباح.

الكلمات الافتتاحية: إدارة الأرباح، توزيع الأرباح، الرافعة المالية.