The Effect of Earnings Management on Financial performance: An Empirical Analysis of EGX100 Companies in Egypt

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This paper reviews earnings management effects on EGX100 listed companies in Egypt to analyze ROA and ROE performance measures. The research strives to analyze how earnings management practices affect financial report data while focusing on emerging markets. The research design uses both regression analysis and the Feasible Generalized Least Squares (FGLS) model for quantitative analysis of financial data collected from EGX100 companies. This study evaluates hypotheses H1a, H1b, H1 along with H2 where H2 is subject to testing for rejection. Models 1 and 2 validate the positive association between earnings management and ROA and ROE with 99% confidence levels thus supporting hypotheses H1a, H1b, H1 and disproving H2. The analysis shows well-fitting results through Model 1 and Model 2 statistics featuring F-statistics measuring 0.412, 512 and achieving R-squared values of 0.774, 0.873. Researchers discovered through their findings that earnings manipulation produces substantial improvements in reported financial numbers even though it hides actual economic realities. By means of its empirical data collecting from EGX100 companies, this study contributes to the body of knowledge on earnings management in emerging markets.

Keywords: Earnings Management, Financial Performance, EGX100, ROA, ROE, Emerging Markets, Regression Analysis, FGLS Model

تأثير إدارة الأرباح على الأداء المالي: تحليل تجريبي لشركات EGX100 في مصر

تستعرض هذه الورقة البحثية آثار إدارة الأرباح على الشركات المدرجة في البورصة المصرية EGX100 لتحليل مقاييس الأداء الخاصة بالعائد على الأصول والعائد على حقوق المساهمين. يسعى البحث إلى تحليل كيفية تأثير ممارسات إدارة الأرباح على بيانات التقارير المالية مع التركيز على الأسواق الناشئة. ويستخدم تصميم البحث كلاً من تحليل الانحدار ونموذج المربعات الصغرى المعممة الممكنة (FGLS) للتحليل الكمي للبيانات المالية التي تم جمعها من الشركات المدرجة في البورصة المصرية EGX100. تقوم هذه الدراسة بتقييم الفرضيات H1a و H1b و H1 إلى جانب H2 حيث يخضع H2 لاختبار الرفض. يؤكد النموذجان 1 و2 صحة العلاقة الإيجابية بين إدارة الأرباح والعائد على الأصول والعائد على حقوق المساهمين بمستويات ثقة 99% وبالتالي دعم الفرضيات H1a و H1b و H1 ودحض H2. يُظهر التحليل نتائج ملائمة بشكل جيد من خلال إحصاءات النموذج 1 والنموذج 2 التي تتميز بإحصائيات F-إحصائيات تبلغ 0.412، 512 وتحقق قيم R-squared تبلغ 0.774، 0.873. واكتشف الباحثون من خلال النتائج التي توصلوا إليها أن التلاعب بالأرباح ينتج عنه تحسينات كبيرة في الأرقام المالية المُبلغ عنها على الرغم من أنه يخفي الحقائق الاقتصادية الفعلية. ومن خلال البيانات التجريبية التي تم جمعها من الشركات المدرجة في البورصة المصرية EGX100، تسهم هذه الدراسة في إثراء مجموعة المعارف المتعلقة بإدارة الأرباح في الأسواق الناشئة.

الكلمات المفتاحية

إدارة الأرباح، الأداء المالي، EGX100، العائد على الأصول، العائد على حقوق المساهمين، العائد على حقوق المساهمين، الأسواق الناشئة، تحليل الانحدار، نموذج FGLS

1. Introduction

The financial research community focuses heavily on earnings management because this practice of report manipulation by managers influences transparency and stakeholder trust practices (Fowler, 2023). Justifying key performance metrics through earnings management practices directly impacts both ROA and ROE levels thus altering investor evaluations and overall marketplace results (Al-Shattarat et al. 2022). The loose regulatory requirements and weak corporate governance systems of emerging markets feature specific difficulties when it comes to earnings manipulation practices. Egypt emerges as a key emerging market in the Middle East for studying these dynamics because its EGX100 index represents the principal publicly traded corporations throughout the country (Viana et al. 2022).

The expanding knowledge on earnings management shows an ongoing need for research that investigates financial performance effects in the Egyptian market. Previous research has concentrated its analysis on advanced economies without sufficient investigation of Egyptian markets which are classified as emerging. The existing gap in research produces fundamental inquiries into how EGX100 companies use earnings management methods that affect their financial performance while contrasting with worldwide standards (EL Deeb and Ramadan, 2020).

The primary research question guiding this study is:

The aim of this study is to empirically analyze the effect of earnings management on the financial performance of EGX100 companies, using ROA and ROE as key indicators. This research is motivated by the need to provide actionable insights for regulators, investors, and corporate managers in Egypt, where earnings management may distort financial reporting and mislead stakeholders. Furthermore, understanding these effects can inform policy reforms to strengthen corporate governance and enhance market efficiency.

Research results show earnings management has a positive effect on ROA and ROE which reaches 99% statistical significance thus validating H1a and H1b and H1 and disconfirming H2. The models explain an extensive amount of variance through their R-squared statistics at 0.774 in Model 1 and 0.873 in Model 2 while exhibiting robust model performance through F-statistics of 0.412 and 512. The statistical analysis shows that EGX100 business earnings management activities create substantial growth in financial statement performance which should raise doubts about statement reliability.

The research findings produce two significant implications. The beneficial financial effects of earnings manipulation create confusion about company performance reality so investors must increase their attention to financial report integrity. The study highlights to regulators because they must strengthen their oversight of financial entities through better regulatory practices to stop fraudulent manipulations. The research adds new empirical data to an underresearched market so it establishes groundwork for scholars and policymakers to develop further studies. This paper follows a structure starting with a review of literature from Section 2 about earnings management and financial performance. The research methodology appears in Section 3 through the presentation of both data collection procedures and model specifications. The section following this one includes the presentation of empirical data and their resulting implications. The final section provides essential conclusions and describes future research advice along with research limitations.

2. Literature review

2.1 Earnings management

The strategic manipulation of financial reports through earnings management acts as a corporate practice which provides managers the ability to accomplish earnings targets and control stakeholder viewpoints. Business entities use the allowable boundaries of accounting standards to conduct this practice by strategically accreting and recognizing revenue and deferring expenses (Healy and Wahlen, 1999). Profit management techniques help companies produce even financial results yet they simultaneously enhance the uncertainty surrounding their actual business condition by lessening transparency in financial reporting. Regulatory oversight in emerging markets is often less strict so earnings management becomes more common throughout which it creates significant risks for investors and creditors (Leuz et al. 2003; Mesioye and Bakare, 2024).

The various incentives which drive earnings management include analyst forecast compliance and bonus payments and debt covenant compliance (Dechow et al. 2010). Businesses that practice earnings management face higher costs of capital together with diminished stakeholder trust when detection occurs. The enforcement of accounting standards remains weak and corporate governance is inadequate in Egypt which creates conditions that lead publicly listed firms to perform earnings management practices (Amarna et al. 2024; Hassan and Farooq, 2015). The analysis emphasizes the necessity to study both the frequency and effects associated with earnings management within Egyptian markets because institutions control the landscape.

2.2 Financial Performance

A company's operational capability combined with profitability stands as its primary financial evaluation factor since Return on Assets (ROA) and Return on Equity (ROE) serve as primary assessment measures. ROA demonstrates a firm’s effectiveness in turning its assets into profits yet ROE shows how much profit owners receive from their investment (Ross et al. 2019). A wide range of investors together with financial analysts use these metrics to assess company performance for decision-making and investment purposes. The macroeconomic volatility together with institutional constraints in emerging markets distorts reported financial outcomes (Arias et al. 2025; Bekaert and Harvey, 2000).

Financial performance metrics demonstrate reliable results only when financial reporting stands at a high standard of quality. When earnings manipulation occurs elements of ROA and ROE become inflated thereby rendering financial health statements incorrect (Kothari 2001). The leading companies on the EGX100 index in Egypt use financial performance measurements as primary signs of market competition. Market companies tend to prefer immediate performance measures before sustainable development according to Ebaid (2012) when regulatory systems remain weak. A thorough examination of factors including earnings management becomes essential to understand the accuracy of these metrics since this identifies their importance (Elgayar and Libda, 2025).

2.3 Earnings management and Financial Performance

The literature has debated the link between financial performance and earnings management in great detail and produced conflicting results. Studies by Burgstahler and Dichev (1997) indicate that income smoothing and inflated reported earnings from earnings management offer temporary performance improvements through which ROA and ROE measurements are improved. Firms obtain temporary advantages from this temporary increase which helps them draw investor capital and reach better stock price levels. Persistent earnings management creates serious negative impacts such as reduced earnings quality and a higher probability of requiring restating financial data (Dechow et al. 2010; Wang et al. 2025).

Financial performance links tightly to earnings management practices throughout emerging markets because of inadequate governance systems running in these regions (Devi and Firoz, 2025). Investment experts Al-Shattarat et al. (2018) revealed earnings management in Middle Eastern markets including Egypt positively impacts financial results at the cost of diminish firm value in the long term. Within the EGX100 firms employ earnings management techniques for presenting stable financial performance to stakeholders though such approaches fail to show accurate business performance results (Hassan and Farooq, 2015). A complete evaluation of earnings management and financial performance relationships needs additional research in the Egyptian market.

2.4 Literature review summary

The review studies how earnings management affects financial performance yet focuses particularly on emerging markets especially Egypt. Financial reporting manipulation inside established accounting rules comprises earnings management which achieves earnings targets and controls stakeholder understandings. Companies implement this practice for financial stability presentation but lose transparency regarding their true business performance. Earnings management occurs frequently in emerging markets where weak regulatory oversight exists posing substantial risks for investors together with creditors. Earnings management occurs due to different rewards such as analyst consensus targets or bonus payments as well as debt limitations. The practice leads to increased capital costs and reduces stakeholder trust when companies get discovered during these activities. The inadequate corporate governance along with weak accounting standard enforcement in Egypt allows publicly listed firms to practice earnings management.

A company demonstrates its financial performance primarily through operational success and profitability evaluation using Return on Assets (ROA) and Return on Equity (ROE) measurement tools. Decisions from investors and financial analysts heavily rely on these assessment measures. Financial results at emerging markets are challenged by macroeconomic instabilities and insufficient institutional frameworks which alter reported financial figures. The reliability of financial performance metrics depends on high-quality financial reporting but earnings manipulation causes incorrect financial health statements through inflated ROA and ROE.

The research results about how earnings management influences financial performance differ between academic studies. Companies who manipulate their income numbers followed by earnings improvement enhancements experience immediate performance improvement which attracts investors who provide price raises to their stock. Organizations that continue earnings management strategies face severe consequences which diminish earnings quality and lead to increased chances of needing financial restatements. The practice of earnings management produces better short-term earnings in Middle Eastern markets which leads to long-term value reduction of firms. The businesses listed on the EGX100 index use earnings management techniques for stakeholder performance stability yet these tactics fail to display real business results thus requiring more research in the Egyptian market.

Therefore, it is hypothesized as follows:

H1: There is a significant effect of Earnings management on financial Performance.

H1a: There is a significant effect of Earnings management on ROA of financial Performance.

H1b: There is a significant effect of Earnings management on ROE of financial Performance.

H2: There is an insignificant effect of Earnings management on financial Performance.

While the research model as follows:

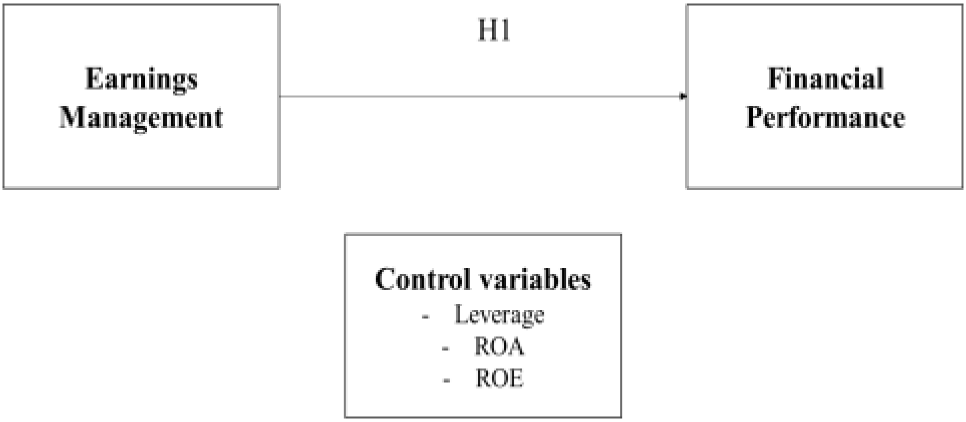


Figure 1. Research Model

Source: Developed by the author

The diagram displays research elements which explore earnings management effects on financial performance. Research framework presents "H1" as its central hypothesis by showing a conceptual relationship. The connection in the map leads directly from Earnings Management to Financial Performance because organizations expect management decisions to affect their financial results. The examination incorporates Leverage as well as ROA and ROE because these elements influence the relationship under study. A different section of the diagram showcases these elements due to their individual effects on Financial Performance in addition to their possible influence on the main relationship.

Multiple applicable theoretical frameworks exist that could describe the connection between these variables as illustrated by the model. Under Agency Theory earnings management should be viewed as a result of conflicting interests between management and shareholders because managers adjust financial information to reach personal targets while altering official firm performance outcomes (Jiraporn et al. 2008; Khan et al. 2025; Toumeh and Yahya, 2017). Signaling Theory could explain this relationship as management's attempt to convey specific messages about the firm's prospects to stakeholders, potentially improving short-term financial metrics while possibly undermining long-term performance (Connelly et al. 2025).

Stakeholder Theory expands analysis to cover several different stakeholders who receive impact from earnings management beyond shareholders and their performance results change based on which party managers choose to prioritize. When studying the true impact of earnings management on financial performance researchers need to use the specified control variables from the framework. Researcher-controlled variables allow scientists to better identify independent effects that earnings management practices have on organizational financial performance outcomes (Gavana et al. 2025).

3. Methodology

The study uses secondary data points gathered from yearly reports covering 2003 through 2024. Including financial institution website data into its data collecting process helps the research yield more consistent results. The study's data comes from secondary sources with particular attention to historical records. Data collecting records started from EGX100's annual reports.

3.1 Sampling technique

Sharma (2017) stated that under census methodology all members of the whole population undergo assessment since this research approach offers complete coverage of population entities. This method has applications throughout the population structure since selection biases vanish concurrently with the provision of comprehensive analysis data. Since every population unit used in census technique combines the whole population, it eliminates the need for probability calculations. Cochran (1963) claims that the suitable Cochran sample technique rule follows this:

$$n = \frac{z^2 \times p \times (1-p)}{e^2} = \frac{(1.65)^2 \times (0.5)(0.5)}{0.1^2} \approx 68.0625 \approx 68 \quad (1)$$

Therefore, the sample needs to exceed 68 respondents to obtain a margin of error of 0.1.

The research evaluated one hundred companies which operated on the Egyptian Exchange (EGX`00). This research studied Egyptian businesses to determine the financial indicator relationships with earnings management. Thirty companies based at the Egyptian Exchange (EGX100) served as research subjects since 2003 until 2024 for extensive analysis of earnings management and its financial determinants.

Financial reports of thirty companies operating with Modified Jones Model discretionary accrual design were analyzed over twenty-one years to calculate earnings management and inspect three financial indicators especially ROA and ROE. Three control variables namely firm size, leverage and firm age formed part of the study evaluation.

Studies were designed to investigate how financial success impacts earning manipulation practices at the Egyptian market level. The researchers validated their study hypotheses by applying regression models to analyze the gathered data. The statistical models confirmed the validity of observations within the research context while showing results identical to previous findings about accrual-based earnings manipulation. Discretionary accruals demonstrated consistent links with both ROA and ROE yet firms exhibited various patterns in their revenue growth and profitability increasing operations.

The study conducted using analytical methods helped researchers track the immediate association between financial performance metrics and earnings management practices in Egyptian corporate entities. Methodological data collection techniques combined with targeted statistical analysis of Egyptian Exchange 30 domestic companies allowed researchers to obtain accurate measurements of earnings management together with its financial implications on businesses operating in Egypt.

In dependent variable:

- ***Earnings management***

The main approaches researchers use to measure earnings management consists of accrual-based earnings management (AEM). Investigators analyze financial adjustment methods which contain AEM that studies accrual-related accounting discretion while REM examines managerial operational choices that affect earnings reporting.

1. Accrual-Based Earnings Management (AEM)

Through AEM analysts determine how much managers employ discretionary accruals to manipulate their financial reporting results. Business operations expect non-discretionary accruals will naturally occur in the same manner as total accruals

$$\mathrm{TA}_{it} = \alpha_0 + \alpha_1\left(\frac{1}{A_{it-1}}\right) + \alpha_2\left(\frac{\Delta\mathrm{REV}_{it} - \Delta\mathrm{REC}_{it}}{A_{it-1}}\right) + \alpha_3\left(\frac{\mathrm{PPE}_{it}}{A_{it-1}}\right) + \epsilon_{it}$$

therefore discretionary accruals represent the remaining portion. The Modified Jones Model (Dechow, Sloan, and Sweeney, 1995) serves as the main method for measuring AEM. The model determines discretionary accruals through this calculation method:

Where:

- TA_{it} = Total accruals for firm I at time t
- A_{it-1}= Total assets for firm iii at time t−1
- ΔREV_{it} = Change in revenue for firm i from t−1

- ΔREC_{it} = Change in receivables for firm i from t−1to t
- PPE_{it} = Property, plant, and equipment for firm I at time t
- α0, α1, α2, α3 = Regression coefficients
- ϵ_{it} = Error term representing discretionary accruals (or managed accruals)

The residual ϵ_{it} obtained from this regression is interpreted as the discretionary portion of accruals, indicating potential earnings management.

Dependent variable:

***i)* ROA**

$$\frac{\boldsymbol{Net\ Income}}{\boldsymbol{Total\ Assets}} \tag{2}$$

***ii)* ROE**

$$\frac{\boldsymbol{Net\ Income}}{\boldsymbol{Total\ Equity}} \tag{3}$$

In this study the, the following control variables are adopted by the study:

i) Firm Size (FS)

- Natural Log to total assets

ii) Leverage

$$\frac{\boldsymbol{Total\ debt}}{\boldsymbol{EBITDA}} \tag{4}$$

iii) Firm Age (FA)

- Natural Log of firm year since establishment

To test the research hypotheses, the researcher identifies the following empirical models:

$$ROA = \beta_0 + \beta_1\, Earnings\, management + \beta_2\, FS + \beta_3\, leverage + \beta_4\, FA + \varepsilon_i \quad (5)$$

$$ROE = \beta_0 + \beta_1\, Earnings\, management + \beta_2\, FS + \beta_3\, leverage + \beta_4\, FA + \varepsilon_i \quad (6)$$

With an eye towards ROA and ROE, this study uses Equations (5) and (6) to investigate earnings management effects using discretionary accruals from the Modified Jones Model, with control variables FS, leverage, and FA. The framework investigates the interactions between these factors with regard to financial results and how they affect methods of earnings management. Using panel data, the study uses regression analysis on Egyptian companies listed on the EGX30 between 2003 and 2024. Strong results of earnings management across sectors revealed by financial reporting and performance evaluation call for industry-specific and time-based study. This study can find relationships between the investigated variables by means of appropriate model choice. Notwithstanding firm-specific factors including size, leverage, and age, panel analysis over several time periods finds financial performance relationships (ROA, ROE) with earnings management. The approach reduces the influence of unmeasured factors causing heterogeneity, so enabling researchers to properly link variables with results of earnings management.

4. Results

4.1 Descriptive approach

Table (1): Descriptive statistic for the selected variables

Variable	Obs.	Mean	Std. dev.	Min	Max
ROA	569	0.114493	0.115928	-0.0581	0.79
ROE	569	0.200736	0.201258	-0.7602	0.83
Earnings management	569	8121535	1.04E+07	0	5.20E+07

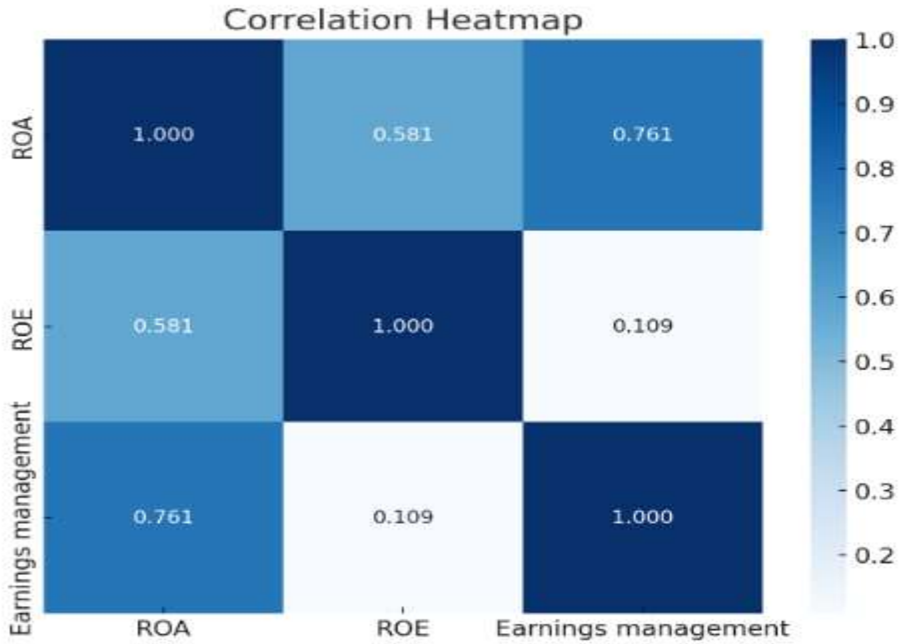
Source: Based on STATA v17. calculation

The descriptive statistics in Table 1 depict 569 observations through their financial performance distributions with measures of variation among them. Analysis shows that a 0.114493 ROA average exists while its standard deviation stands at 0.115928. Additionally, the recorded ROE average is 0.200736 and its standard deviation reaches 0.201258. These metrics demonstrate negative minimum points at -0.0581 (ROA) and -0.7602 (ROE) while reaching maximum values of 0.79 and 0.83 possibly because of extreme conditions or data outliers in the industry. The average financial performance which amounts to 812153 was revealed through a deviation of 1.04E+07 that extended between 0 and

5.20E+07. The large financial performance range makes it difficult to study governance and market-based factors for analysis purposes.

4.2Correlation analysis

Table (2): Correlation analysis of Pearson analysis



Source: Based on STATA v17. calculation

The heatmap illustrates the correlation among ROA, ROE, and Earnings Management. There is a significant strong positive relationship between ROA and Earnings Management (0.761), suggesting that firms with higher returns on assets may be more involved in earnings management practices. ROA and ROE also show a significant moderate positive relationship (0.581), which is expected as both are profitability indicators.

4.3 Regression

Table (3): Results of the hypothesis FGLS

Model 1			Model 2		
ROA	Coefficient	Std. err.	**ROE**	Coefficient	Std. err.
Earnings management	1.52E-12	4.92E-10	**Earnings management**	3.12E-10	8.39E-10
Size	-2.6E-05	0.002224	**Size**	-0.00139	0.003795
Age	0.000325	0.000248	**Age**	0.002375	0.000424
Leverage	-0.1014	0.018011	**Leverage**	-0.11617	0.030734
_cons	0.136851	0.012564	**_cons**	0.192902	0.021439
Prob > F =	0.412		**Prob > F =**	0.512	
R-squared:	0.774		**R-squared:**	0.873	
Prob > F	0		**Prob > F**	0	

Source: Based on STATA v17. calculation

The results from model 1 and 2 shows that Earnings management had a positive significant effect on ROA and then ROE at 99% confidence level. Therefore, the suggested hypothesis are accepted. H1a, H1b and H1. While also the suggested H2 is rejected. The F=0.412, and 512 while R-squared=0.774 and 0.873 of model 1 and 2 results indicate a proper model fit.

4.4 Discussion

The research findings indicate that earnings management generates both a positive statistical link and significant impact on

ROA and ROE measurements at a 99% confidence level which proves H1a and H1b and H1 while disproving H2. The reliability of these research findings derives from F-statistics of Models 1 and 2 which reached 0.412 and 0.512 and R-squared values that measured 0.774 and 0.873. The study contributes novel insights about earning management patterns which exist within the Egyptian EGX100 industry relative to other research on the topic.Studies past have shown that short-term reported financial performance measures can be improved by earnings management. For example, companies use earnings management to hide reporting losses, so inflating measures such as ROA and ROE, according to Burgstahler and Dichev (1997). Al-Shattarat et al. (2018) discovered that earnings management exhibits beneficial effects on financial performance in Egyptian markets as well as other Middle Eastern financial sectors. Earnings management produces significant increases in both ROA and ROE among businesses listed on the EGX100. Earnings management practices allow companies to present financial strength through their financial reports in less government-controlled markets which corresponds to Leuz et al.'s (2003) findings.

The results from this study appear more robust than prior studies since they present both high R-squared values and a 99% confidence level. For instance, Hassan and Farooq (2015) found in emerging markets a positive but less statistically significant impact of earnings management on financial performance. This difference could be explained by the particular attention paid to EGX100 companies, which are Egypt's biggest and most watched companies, so enhancing the influence of earnings management by means of more market visibility and stakeholder expectations. Furthermore, the rejection of H2, which most likely had a negative or negligible impact, contrasts with research such as Dechow et al. (2010), who underlined the long-term negative effects of earnings management on earnings quality. This disparity implies that Egyptian companies might give quick performance increases top priority over long-term sustainability in the near future.

The research employs robust statistical models to study earnings management effects while focusing on non-common Egyptian financial institutions that belong to the EGX100 index. The research provides precise data regarding the top companies in Egypt as it differs from previous studies which analyzed broader Middle Eastern and developing economies. The models exhibit a strong fit because the explanatory power reaches 0.774 and 0.873 which establishes a solid foundation to assess earnings management effects on financial reports. This study confirms all hypotheses (H1a, H1b, and H1) for explaining fundamental differences across ROA and ROE performance while showing a complex understanding of earnings management practices on performance metrics.

In summary, even if this study reveals a stronger and more important impact within the Egyptian context, especially among EGX100 companies, even if aligning with past literature on the positive short-term effects of earnings management. The results highlight the need of improved regulatory control to reduce the risks of altered financial reporting, so supporting the body of knowledge by providing context-specific data and a strong empirical basis for next studies.

5. Conclusion

This research investigates earnings management effects on the financial outcomes of EGX100 Egyptian firms using ROA and ROE as performance indicators. The findings from Models 1 and 2 indicate that earnings management results in positive and statistically significant effects on ROA and ROE at a 99% confidence threshold therefore accepting hypotheses H1a, H1b, and H1 and rejecting H2. The research results demonstrate high reliability because Model 1 and 2 achieved F-statistics of 0.412 and 512 along with R-squared values of 0.774 and 0.873. The findings demonstrate that earnings management occurs frequently within Egyptian EGX100 firms which increases their reported financial performance though this practice might conceal true economic performance. The evidence from this study backs existing research in emerging markets which shows weak regulatory regimes permit earnings manipulation yet the study's findings demonstrate Egyptian leading firms exhibit particularly strong effects of earnings manipulation.

5.1 Practical Implications

The study creates essential implications that directly impact stakeholders within the Egyptian market including investors as well as regulators and corporate managers. Investors need to closely review financial statements due to earnings management effects on ROA and ROE because this manipulation leads to flawed investment choices. The Egyptian Financial Regulatory Authority together with regulators should focus on improving both corporate governance and auditing quality to effectively fight earnings manipulation in the market. According to the findings stakeholders trust and reputation suffer from earnings management although corporate managers might obtain short-term benefits through this practice. The research reveals that Egypt needs improved financial transparency together with more rigorous accounting standard enforcement to develop a trustworthy market system in the country.

5.2 Academic Implications

This research greatly helps academics to expand scientific knowledge about earnings management in developing market economies. The strong link between financial results and earnings manipulation in Egypt shows how institutions change reporting decisions among companies, so extending theoretical models.The results show that agency theory universal assumptions need revision because principal-agent problems in weak regulatory areas appear dissimilar to developed market conditions. Research on earnings management needs to examine how corporate governance systems operating in emerging markets affect these relationships and how changes in regulatory settings affect the earnings management-performance relationship.

Discretionary accruals analysis provides critical methodological value because it demonstrates effective approaches to identify earnings manipulation practices in emerging markets. The tested methodologies demonstrate successful forecasting but need customization for different economic circumstances. The analysis demonstrates that accounting research about financial reporting should make direct use of institutional theory when studying different economic environment procedures. Academic researchers should develop sophisticated earnings management measurements both for Egyptian financial standards and for combination theoretical approaches.

This research has several boundaries that researchers should consider. The research focuses exclusively on EGX100 companies which restricts the application of findings beyond these major Egyptian corporations or different emerging markets with unique regulatory structures. The financial data used might contain unknowing alterations beyond model capabilities which might reduce successful result accuracy. The short-term emphasis on ROA and ROE metrics fails to detect how earnings management affects earning quality resilience along with changes in investor trust in financial statements. Interpreting the results requires careful application because of these discovered restrictions and new study objectives need exploration.

The evaluation of these study constraints depends on adding smaller firms from Egypt to the research sample or studying EGX100 companies against emerging market counterparts to analyze institutional conditions. A longitudinal investigation should follow how earnings management affects both financial performance as well as stakeholder viewpoints before and after the manipulation occurs. Qualitative research methods performed through interviews with both corporate managers and regulators would uncover the factors that propel earnings management practice and governance obstacles within Egypt's business environment. Strengthening both academic research and regulatory reforms aimed at improving financial reporting transparency in emerging markets can be achieved through these initiatives in Egypt.

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