



# Digital Transformation as a Tool for Earnings Management: An Empirical Study on Libyana Mobile Phone Company

Ola Abu Ajila Mohamed Fleifel

Faculty of Economics and Political Science - Ajilat

Department of Economics, University of Zawiya

n.mbc2020@gmail.com

**Abstract:** This study stems from the radical transformation brought about by digital technology in business, production, and consumption models. The research primarily aims to explore the extent to which digital transformation contributes to reducing the phenomenon of "earnings management" within the telecommunications sector, specifically at Libyana. The study's significance lies in assessing how digital systems can enhance the transparency of financial statements and mitigate the "information asymmetry" that management might exploit to direct reported profits toward specific objectives. The research problem stems from the complexity of operational processes and the magnitude of investments in telecommunications companies, which can open the door to accounting manipulation. To answer these questions, the researcher employed a descriptive-analytical approach and collected data through a questionnaire distributed to a sample of Libyana employees (42 valid responses), representing diverse specializations such as computer science, accounting, and management. The study concluded that digital transformation is not merely replacing paper with screens, but rather an integrated control system that limits management's ability to practice "earnings management" thanks to real-time tracking systems and high transparency in the presentation of financial statement figures.

**Keywords:** Digital transformation, earnings management, technical oversight.

## 1. INTRODUCTION

Digital technology and information and communication technologies have played a major role in the emergence of many new terms, such as the digital economy and e-commerce, which have become hallmarks of digital transformation. These technologies have changed production models and even consumption patterns, making digital transformation a fundamental requirement for both public and private institutions. It is a cornerstone upon which they rely to achieve their goals, given the difficulties companies face in managing profits. While these technologies are supposed to enhance the transparency of financial statements, they may also open new horizons or limit traditional profit management practices. Which aims to direct declared profits towards achieving specific goals.

## 2. Research Framework

### 2.1 Research problem

The telecommunications sector is characterized by complex operational processes and massive capital investments. This could create information asymmetry, which management might exploit in the earnings management process. Although digital transformation is supposed to increase data transparency, the study's problem lies in answering the following main question.

- **Does digital transformation contribute to profit management at Libyana Telecom?**

The following sub-questions branch out from it.

- What is the impact of investing in digital infrastructure and digital transformation on managing company profits?
- Can digital transformation be used to uncover earnings management practices across real-world activities?



## 2.2 Importance of the research

- Understanding the impact of digital transformation at Libyana Telecom in light of rapid technological advancements.
- Evaluating the earnings management of Libyana Telecommunications Company through the digital transformation process.
- Understanding the availability of resources for implementing the digital transformation process
- Presenting a practical model for external auditors on how to use the outputs of digital transformation in financial control.

## 2.3 Research hypotheses.

The study is based on testing the following hypotheses:

- **First hypothesis:** Digital transformation has a statistically significant effect on reducing earnings management practices, through tighter control over financial estimates and investment policies in the Company.
- **Second hypothesis:** There is a statistically significant effect of digital transformation as an effective control tool in reducing manipulation of accounting items, thus narrowing the gap between reported profits and the company's actual profits.

## 2.3 Research objectives

- Identifying the challenges of digital transformation at Libyana Telecom.
- Understanding the importance and dimensions of digital transformation in the company.
- A practical study of profit management at Libyana Telecom through the digital transformation process.
- Providing recommendations to enhance digital governance in the company.

## 3. Research Methodology and Scope

### 3.1 Study methodology

To achieve the study's objectives, the descriptive approach was used through books and references, and the analytical approach through questionnaires to analyze the relationship between digital transformation and earnings management.

### 3.2 Study Limitations

- Spatial boundaries: Libyana Telecommunications Company, branch Tripoli
- Thematic focus: The impact of digital transformation on earnings management at Libyana Company
- Time limit: 2025-2026

## 4. Literature Review

**A study by Nasriya Mhammed Al-Fitouri (2025) entitled "The Impact of Applying Digital Transformation in Human Resources Management on Achieving Institutional Excellence: A Field Study on Al-Waha Oil Company in Tripoli Economic Horizons Magazine 11(1) 83–47.**

This study aimed to identify the impact of applying the dimensions of digital transformation in human resource management (recruitment and selection, training and development, compensation, and performance evaluation) on achieving institutional excellence at Al-Waha Oil Company in Tripoli. The study results showed a positive impact of the dimensions of digital transformation in human resource management on organizational excellence, reflecting the importance of implementing these dimensions in enhancing organizational excellence and improving performance efficiency.

The results also indicated that the training and development dimension is the most important among the dimensions of digital transformation in human resource management at Al-Waha Oil Company, demonstrating the company's strong commitment to developing its employees' skills. The study recommends fostering a culture of digital transformation among all employees of Al-Waha Oil Company by providing workshops and training courses that reinforce the concept and importance of digital transformation.

**A study by Mahmoud Ali Al-Madani and ZiadWanis Al-Darouqi. (2024). the impact of digital transformation on organizational development (an applied study on public administration employees at the University of Benghazi).**

This study aimed to identify the impact of digital transformation on organizational development – an applied study on employees in the general administration at the University of Benghazi – to determine the extent to which the dimensions



of digital transformation (digital technologies, data, digital innovation, and human resources) are available, and to assess their degree of influence on organizational development. The researchers used the descriptive-analytical method, distributing 108 questionnaires, of which 97 were returned and deemed valid for analysis. The main hypothesis, "There is no impact of digital transformation on organizational development," was tested. Cranach's alpha coefficient was used to measure the validity and reliability of the study instrument, along with frequencies, percentages, arithmetic means, and standard deviations. Correlation coefficients and simple linear regression were also tested. The results of the study showed a statistically significant impact of digital transformation on organizational development. The study recommended that the University of Benghazi should increase its focus on the dimensions of digital transformation due to its proven impact on organizational development.

**Maryam Muhammad Al-Zoubi's study (2023) entitled: The Impact of Digital Transformation on Employee Performance, Human Resources Development Journal for Studies and Research, Issue(19)**

This study aimed to determine the impact of digital transformation on employee performance in Jordanian telecommunications companies and to provide recommendations and suggestions that enhance the role of digital transformation in improving employee performance in these companies. The study employed a descriptive-analytical approach and used a questionnaire to collect data. The sample was purposive, and the sample size was [missing information]. (246) employees (managers, assistant managers, and department heads) in Jordanian telecommunications companies. The study concluded that there is a statistically significant and high impact of digital transformation in its dimensions (digital transformation strategy, organizational culture, and human resources) on employee performance in telecommunications companies operating in the Kingdom of Jordan, as well as on the creation of new business models for the company's technology-supported business sectors.

## **5.Theoretical Framework**

### **5.1 Digital Transformation Concept**

**Digital transformation is defined as:** investing in thinking and changing behavior to bring about a radical shift in the way we work by leveraging significant technological advancements, in order to serve beneficiaries faster by abandoning or developing traditional methods.<sup>1)</sup>

Digital transformation is also defined as the adoption of technology to comprehensively enhance performance or change the organization's outlook.<sup>2)</sup>

Digital technologies bring new business models and investments, as well as creating new business opportunities. Digital transformation, in terms of computer reliance, does not mean eliminating human work. Rather, the role of digital transformation is to reduce repetitive work while increasing opportunities for innovation and development to accelerate daily operations. From this perspective, digital transformation means: "The seamless transition from a known way of working to another business model by changing the structure of ideas and operations in order to create new value that traditional institutions cannot achieve with their limited resources."<sup>3)</sup>

Digital transformation focuses on the individual in light of the rapid development of technology through training, development, and encouraging innovation and creativity. This is what the digital environment provides. The digital transformation process requires a work environment and technical and digital capabilities that are combined to create innovative products and services compared to traditional methods of providing services.

Digital transformation as the adoption of digital technology is viewed by some researchers as an organizational change process. It has been defined as follows: "The prevalence of digital technology stimulates organizational change, enabling organizations to integrate digital technologies into their operations. This leads to a radical transformation within the organization and an extraordinary impact on organizational strategies and structures." Digital transformation is also defined as a radical or gradual change process that begins with the adoption of digital technologies and their application, and then encompasses organizational change and how the organization seeks value.

- **Requirements for implementing digital transformation in an organization:**

Digital transformation is implemented across a set of integrated requirements, including human resources, processes, data, and technologies, as follows:

**1- Human Resources:** Human resources constitute a vital aspect without which it is difficult for institutions to implement digital transformation. It is necessary to provide qualified personnel capable of using and analyzing data to make effective decisions. Planning and implementing visions also requires human competencies, scientific and practical expertise, and a belief in change and development.

**2- Operations:** It is a set of organized and interconnected activities or tasks that produce a specific service or product for beneficiaries. Organizations must establish an effective technological infrastructure that allows for the development



of processes both internally and externally to ensure the optimal implementation of digital transformation. This includes internal and external alignment in process execution, along with monitoring of process execution.

**3- Data:** Organizations are expected to undertake regular and effective data management and analysis efforts, provide reliable and complete information and awareness procedures, and provide and develop appropriate tools for statistical analysis, data research, and future forecasting. Data should also be continuously monitored to ensure its continuity and use in a manner consistent with the organization's goals and expectations.

**4- Techniques:** Digital transformation is built using a system of devices, operating systems, storage media and software that operate within technical environments and information centers that allow the use of all assets with uninterrupted operational efficiency. It also requires ensuring an appropriate level of service for the organization's members, customers and suppliers through professional teams responsible for managing the technical system and network infrastructure, whether this system is local or cloud-based.<sup>(4)</sup>

#### • Steps for digital transformation

1. Developing a strategic framework for digital transformation and identifying procedural improvement mechanisms.
2. Assessing existing digital capabilities to identify the technological gap.
3. Describing the optimal organizational structure for digital marketing operations to ensure efficient control.
4. Identifying the financial allocations and requirements necessary for implementing digital investment projects.
5. Monitoring and analyzing the challenges facing the digital integration process between different departments.
6. Governance of change management to ensure the sustainability of the transition towards an integrated digital environment.<sup>(5)</sup>

#### • Benefits of digital transformation

- 1- Digital transformation saves costs and effort, improves operational efficiency, and streamlines operations.
- 2- Replacing repetitive manual tasks with intelligent software, thus reducing human errors.
- 3- It frees up employee time for creative tasks Reducing the time required to complete transactions (such as the transition from paper to electronic signatures)
- 4- Connecting different departments via cloud platforms ensures the smooth flow of information and the use of data to understand customer needs and deliver customized offers.
- 5- The ability to access the service from anywhere and at any time via phone or web.<sup>(6)</sup>

#### • Challenges of digital transformation

Digital transformation is not simply replacing paper with screens; it's an "organizational earthquake" that fundamentally changes how companies operate. In the telecommunications sector, these challenges are amplified by the sheer volume of data, and this is one of the most significant challenges of digital transformation.

- 1- Employees' fear of losing their jobs or their inability to master new tools.
- 2- A shortage of qualified personnel to deal with artificial intelligence, big data analysis, and cloud software.
- 3- Embarking on digitization as a technological "trend" without a vision that links these technologies to specific financial or operational goals.
- 4- With digitization, potential attack points increase, and protecting customer data in telecommunications companies becomes an existential challenge.
- 5- Difficulty in unifying data coming from different departments (sales, network, finance) into a single platform to make an accurate decision.
- 6- The complexity of international standards For example, reconciling digitalization with the requirements of the International Financial Reporting Standard (IFRS) 15 for contracts with customers in telecommunications companies.<sup>(7)</sup>

### 5.2 Earnings Management Concept

It is the use of accounting techniques in processing economic events in light of the application of accounting standards, with the aim of obtaining financial data that reflects the good performance of the entity during the financial period, in a way that serves the management's objective and improves the entity's strength in the market.<sup>(8)</sup>

And I knew Earnings management encompasses external actions that may affect earnings, ranging from operational processes, investment, and financing to bookkeeping, which only affect the accounting measurements of earnings.<sup>(9)</sup>

The focus on earnings management stems from management's influence and desire to reach a specific summary measurement of the firm's performance. Earnings management is viewed as a deliberate intervention in the external accounting process for achieving a private gain. The various receivables options permitted and available under generally



accepted accounting principles and the ease of defining the exposure of these receivables to manipulation are what allow managers to adjust and manage earnings to achieve an ideal level each year. It has become clear that earnings management is motivated by management's desire to increase the annual income of the joint-stock company.

- **Earnings management objectives:**

Earnings management is linked to the management of the establishment on the basis that it is the owner of the franchise in this business and has the greatest interest in adopting this approach for multiple reasons. Therefore, the motives of management in earnings management can be classified as follows:

- 1- Maintaining the establishment's survival and continuity in the market in terms of achieving a competitive advantage and demonstrating the establishment's financial strength to investors and users of financial data.
- 2- The pursuit of self-interest by management means that earnings management has a substantial impact on the true financial position of the enterprise.<sup>10)</sup>

Management always has a strong incentive to influence financial data to serve its interests. Some of the most important intrinsic motivations of management are:

- a) Negatively impacting stock prices and then acquiring them.
- b) Maintaining the reputation of management in order to strengthen their position in retaining their job positions. If the evaluation of management performance is based on a target profit figure, or the profit figure of last year, or on the rate of growth in profits, then management has an incentive to influence the profit figure in order to be consistent with its vision.
- c) The new management resorts to getting rid of all the bad things in the organization by attributing them to the year in which the change occurred, and thus the new management appears better when its performance is evaluated in subsequent years.<sup>(11)</sup>

- **Earnings management motives**

The motives that drive management in the telecommunications sector specifically to practice earnings management are varied, the most prominent of which are:

- **Contractual Motives:** To ensure that the terms of loan agreements that stipulate certain financial ratios are not violated.
- **Reward motives:** To maximize the rewards associated with the financial performance of senior management.
- **Motivations of the financial market:** To influence the stock price on the stock exchange or to meet the expectations of financial analysts and avoid a decline in the stock price.
- **Tax motives:** Reducing declared profits to lower the tax burden.

The intrinsic motivation of management has a significant impact on profit management, and this is particularly relevant to those who manage the company, as humans always strive to achieve the best through intrinsic motivation linked to their own behaviors.<sup>12)</sup>

### Field study procedures

#### Tools Data collection:

Data was collected through a questionnaire designed to obtain information that would help test the research hypotheses and serve the research objectives. (45) Questionnaires were distributed, and (42) were returned. Additionally, books, journals, and publications related to the research topic were reviewed, which delve into the study in depth. Transformation digitalis a tool Management Profit say other references that contribute to enriching the research scientifically. The form included a set of questions as follows:

- **Group One** It includes 5 personal questions covering (computer courses, years of experience, academic qualifications, specialization, and job title).
- **Group Two** It includes 7 questions about the hypothesis that digital transformation has a statistically significant effect on reducing earnings management practices, through tighter control over financial estimates and investment policies.
- **Group Three:** He works A Digital transformation as an effective control tool helps to curb manipulation of accounting items, thus reducing the gap between declared profits and the company's actual profits.

#### The statistical method used to describe and analyze the data:

Testing was used(T) in this study is one of the most important statistical tools used to compare two sample means or to compare the mean of a single sample to a fixed value

- To test the hypotheses, the overall average of the study sample's responses to all statements related to these hypotheses was calculated, and a test was used (T) About the mean of the scale (3)



- The mean values of the statements measuring the hypothesis are greater than the hypothetical mean value, which is (3). This indicates that the study sample agrees with those statements.
- The standard deviation value of the statements ranges between (0.783 – 1.015) and the difference between the two deviations is less than one, which indicates the homogeneity and similarity of the answers of the study sample towards those statements.

**6.Data analysis and hypothesis testing**

**Graphical analysis:**

**Table No. (1) Reliability and Validity Coefficients for Questionnaire Data**

Survey topics		Validity coefficient	Internal stability coefficient
First axis	There is a statistically significant effect of digital transformation in reducing earnings management practices, through tighter control over financial estimates and investment policies in Company	0.898	0.807
Second axis	He works ADigital transformation as an effective control tool helps to curb manipulation of accounting items, thus reducing the gap between declared profits and the company's actual profits.	0.960	0.922

Sincerity questionnaire meaning confirmation from that it measure what prepared to measure it, as he means honestly inclusion questionnaire peer elements that he should that to intervene in Analysis from side, clarity its paragraphs and its vocabulary from District, Secondly, as per Table No. (1),So that be understood perform it uses That's by calculation coefficient Link between Degree College per axis from Axes questionnaire and degree college for the survey, And it becomes clear from results The phenomenon in the table number (2) that all axes questionnaire It is related with Degree College For the questionnaire on about Dal statistically when level moral (0.05), as that Value probability less from 0.05 Therefore It is considered all axes questionnaire honest when placed to measure it.

**Table No. (2) Correlation coefficient between the total score for each axis and the total score of the questionnaire**

T	axis	Value	Correlation coefficient
1	There is a statistically significant effect of digital transformation in reducing earnings management practices, through tighter control over financial estimates and investment policies in Company	0.000	0.914
2	There is a statistically significant effect of digital transformation. As an effective control tool, it helps to curb manipulation of accounting items, thus reducing the gap between declared profits and the company's actual profits.	0.000	0.726

The correlation is statistically significant at the 5% level.

**Statistical description of the study sample data according to demographic variables**

**Table No. (3) Frequency distribution of the study sample according to personal characteristics**

m	property	Categories	repetition	Percentage %
2	Computer courses	One course	9	21.4%
		Two rounds	22	52.4%
		More than two rounds	11	26.2%
		the total	42	100%
3	Years of experience	under 5 years	14	33.3%
		From 5 to under 10 years old	6	14.3%
		From 10-under 15 years old	10	23.8%
		15 years and older	12	28.6%
		the total	42	100%



4	Academic qualification	Intermediate Diploma	5	11.9%
		Higher Diploma	6	14.3%
		Bachelor's	28	66.7%
		Master's	3	7.1%
		the total	42	100%
5	Scientific specialization	accounting	9	21.4%
		business management and economy	11	26.3%
		Computers, Communications and Networks	20	47.6%
		law	2	4.7%
		the total	42	100%
6	The nameJob	Branch Manager	1	2.4%
		Assistant Branch Manager	2	4.7%
		Section MCalculator	6	14.2%
		Calculator	15	35.7%
		archives	2	4.7%
		Legal Affairs	2	4.7%
		Sales	6	14.2%
		Other	8	19.4%
		the total	42	100%

**Table No. (1)**

- **Computer courses**

The results showed good interest in developing technical skills among employees. And Employees who completed two courses constituted the largest percentage (52.4%) and Employees who have completed only one course, at a rate of (21.4%) as we note that more than (78%) The sample has two or more training courses, reflecting a high level of technical expertise that aligns with the nature of work at a telecommunications company.

- **Years of experience**

Experience within the company is distributed across a diverse range of demographics, with a tendency towards younger or newly hired staff. Where I noticed that those with less than 5 years of experience, at a rate of (33.3%) and followed by it in percentage Experienced staff 5 years and older represent (28.6%) From the sample then the category of 5 to less than 10 years old (14.3%). These ratios indicate that The Company relies on a mix of "fresh blood" and long-standing expertise, with a slight gap in the mid-level experience category.

- **Academic qualification**

The company's staff is characterized by a high level of education Whereas Bachelor's degree holders, who constitute the vast majority (66.7%) and Master's degree holders represent the smallest percentage (7.1%) and Intermediate and higher qualifications Together they formed approximately (26%) These percentages indicate that Libyan's workforce is highly academically qualified, with approximately (74%) They hold university degrees or higher.

- **Scientific specialization**

Specializations are concentrated in the vital areas of managing and operating telecommunications companies. In Rank the first included the field of computer science, networks, and communications. Computer science major by percentage (66.7%) Rank Second specialization Business and Economics Management Percentage (23.8%) and Rank Third Accounting major (percentage) (66.7%)

And in Last place Law specialization by percentage (4.7%) This indicates the administrative diversity within the company.

- **Job title**

The functional distribution reflects the organizational structure and operational focus. Whereas Greater focus to employee Computers represent the largest group in the sample by percentage (35.7%) then Administrative and financial jobs where the remainder are divided between sales and the accounting department in a certain proportion. (14.2%) For each of them and senior management the branch manager and his assistant represent the smallest percentage in the overall sample. (66.7%) This is normal in organizational structures.



• **Testing the study hypotheses:**

Testing the first hypothesis, which states: There is a statistically significant effect of digital transformation in reducing earnings management practices, through tighter control over financial estimates and investment policies in Company :

And it shows Table No. (2) The arithmetic mean, standard deviation, degree of importance, and ranking of responses from the study sample to the relevant items. Digital transformation and its effect in limiting earnings management practices, by tightening control over financial estimates and investment policies in Company The results were as shown in Table No. (2).

**Table No. (2) Ranking the statements of the first hypothesis according to their relative importance to the members of the sample.**

Phrases	Arithmetic Mean	Standard Deviation	Order Of Importance
Digital transformation imposes technical discipline on investment policies, preventing overstepping of authority and ensuring the portfolio adheres to established standards.	3.857	0.783	2
Digital technologies (such as artificial intelligence) enhance the accuracy of calculating provisions and reserves, reflecting the fair and realistic value of future liabilities.	3.904	0.878	1
Digital transformation provides a transparent regulatory environment that protects owners from any biased management decisions, thus ensuring the protection of their long-term interests.	3.785	0.898	5
Digital transformation helps eliminate material errors from the financial statements of telecommunications companies, ensuring a true representation of their financial position.	3.857	0.871	3
Digital transformation acts as a technological watchdog, limiting management's ability to engage in "earnings management" or falsify business results thanks to real-time tracking systems.	3.833	0.823	4
Digital transformation enables advanced analytical tools that facilitate the effective use of financial derivatives to protect the company against volatility and financial risks.	3.761	0.849	6
Digital transformation plays a crucial role in digitizing and streamlining the procedures for registering and processing stock trading transactions, ensuring their consistency with international accounting standards.	3.571	1.015	7

From Table No. (2) It is evident that the arithmetic mean values of the statements that measure the extent perception Company Digital transformation aims to reduce earnings management practices by tightening control over financial estimates and investment policies. Company All of them were greater than the hypothetical mean value, which is equal to (3). This indicates that the study sample members agreed with those statements. It is also evident from the same table that the standard deviation value of the statements ranges between (0.783 – 1.015), and the difference between the two deviations is less than one. This indicates the homogeneity and similarity of the study sample members' answers towards those statements.

To test the first hypothesis regarding the extent of perception Company Digital transformation aims to reduce earnings management practices by tightening control over financial estimates and investment policies. Company the overall average of the study sample's responses to all statements related to this hypothesis was found using a test (T) regarding the mean of the scale (3), the results were as shown in Table No. (3).

**Table No. (3) Test results (T) regarding the overall average of responses, vocabulary of the study sample**

Phrases	Arithmetic Mean	Standard Deviation	Value (T) Calculated	Probability Value (Sig)	Decision Statistician
First	3.795	0.750	6.877	0.000	acceptance

From Table No. (3) We note that the calculated value of (1) reached (6.877), which is greater than the tabulated value of (1), which equals (1.683). It is also clear from the same table that the probability value (The p-value (Sig) is 0.000, which is less than the significance level (a) of 0.05. Furthermore, the overall mean of the sample responses is



3.795, exceeding the hypothetical mean of 3 with a standard deviation of 0.750. Therefore, we conclude that the first hypothesis is correct: Digital transformation has a statistically significant effect on reducing earnings management practices by tightening control over financial estimates and investment policies. Company

• **Testing the second hypothesis: There is a statistically significant effect of digital transformation as an effective control tool that contributes to reducing manipulation of accounting items, thus reducing the gap between declared profits and the company's actual profits.**

Table No. (4) The arithmetic mean, standard deviation, degree of importance, and ranking of responses from the study sample to the relevant items.

**Digital transformation as an effective control tool helps to curb manipulation of accounting items, thus reducing the gap between declared profits and the company's actual profits.** The results were as shown in Table No. (4).

**Table No. (4) Ranking the statements of the second hypothesis according to their relative importance to the members of the sample.**

Phrases	Arithmetic Mean	Standard Deviation	Order Of Importance
Transformation digital Reveals risks decrease Height Prices Stocks.	4.119	0550	5
Transformation digital Meets requirements the government Towards Partners from during show numbers Lists Finance transparently High.	4.142	0566	3
Transformation digital no He appears fictitious profits in Lists Finance rate Because systems officer For revenues and expenses.	4.071	0.835	7
Transformation digital no he provides safety job for managers.	4.119	0670	6
Affects transformation digital in statement hypothesis income company without any violations.	4.142	0.646	4
Style transformation digital organized ministraton to implement plans finance in distribution wards for the workers	4.190	0.803	2
Transformation digital from it is easy practical acquisition assets in picture.	4.238	0.691	1

From Table No. (4) It is evident that the arithmetic mean values of the statements that measure digital transformation as an effective control tool that contributes to limiting manipulation of accounting items, thus reducing the gap between declared profits and the company's real profits, were all greater than the hypothetical mean value, which is equal to (3). This indicates that the study sample members agree with those statements. It is also evident from the same table that the standard deviation value of the statements ranges between (0.550 – 0.837), and the difference between the two deviations is less than one. This indicates the homogeneity and similarity of the study sample members' responses to those statements.

To test the second hypothesis related Ba Digital transformation as an effective control tool contributes to curbing manipulation of accounting items, thus reducing the gap between declared and actual company profits. The overall average of the study sample's responses to all statements related to this hypothesis was calculated, and a test was used (T) regarding the mean of the scale (3), the results were as shown in Table No. (5)

Phrases	Arithmetic Mean	Standard Deviation	Value (T) Calculated	Probability Value (Sig)	Decision Statistician
Second	3.795	0.750	6.877	0000	acceptance

Table No. (5) Test results (T) regarding the overall average of responses, vocabulary of the study sample From Table No. (5) It is evident that the calculated value of test (1) reached (16.469), which is greater than the value of (The tabulated T value, which equals (1.683), is also evident from the same table. The probability value (Sig) is (0.000), which is less than the significance level (a), which equals (0.05). Furthermore, the overall mean of the sample responses is (4.128), which exceeds the hypothetical mean of (3) with a standard deviation of (0.443). Therefore, we conclude that



the second hypothesis is correct, which states that...It works Digital transformation as an effective control tool helps to curb manipulation of accounting items, thus reducing the gap between declared profits and the company's actual profits.

## 7. Results and Recommendations

### First: Results

- The study demonstrated a statistically significant effect of digital transformation in reducing "earnings management" practices by tightening control over financial estimates and investment policies.
- Digital transformation acts as an effective control tool that helps reduce the gap between declared profits and the company's actual profits by limiting manipulation of accounting items.
- Digital systems and real-time tracking systems contribute to increasing the transparency of financial statements, thus reducing the "information asymmetry" that management might exploit to manipulate profits.
- Digital technologies (such as artificial intelligence) enhance the accuracy of calculating provisions and reserves, reflecting the fair and realistic value of future liabilities.
- The results showed that the Libyana workforce is strongly qualified both academically and technically, with approximately Two-thirds of the sample University degree or higher, and they have two or more computer training courses.

### Second: Recommendations

- Work is underway to develop digital governance models to enhance financial oversight and reduce opportunities for human intervention in directing financial figures.
- Providing practical models for external auditors on how to use the outputs and tools of digital transformation in financial control and auditing processes.
- Promoting a culture of digital transformation among all employees through specialized workshops and training courses that raise awareness of the importance of these technologies in improving performance.
- Working to align digitization processes with the requirements of International Financial Reporting Standards to ensure the accurate processing of contracts and revenues.
- Continue investing in digital infrastructure and big data analytics tools to ensure the smooth flow of information between different departments (finance, sales, and network.)

## REFERENCES:

1. Al-Jazrawi, I., & Al-Janabi, A. (2022). Basics of Digital Transformation. Al-Yazouri Scientific Publishing and Distribution House, Amman, Jordan.
2. Al-Banna, A. B. (2024). Scope of the auditor's responsibility: Digitalization and limiting earnings management. *Scientific Journal of the Faculty of Commerce*, Assiut University, Issue (42)
3. Abu Hamam, M. I. (2023). *Impact of applying digital governance rules on earnings management: A field study on companies listed on the Palestine Stock Exchange* [Master's thesis]. Islamic University of Gaza, Palestine..
4. Al-Arishi, J. H., & Al-Shalhoub, M. (2023). *Earnings Management*. Al-Manhajia House, Amman, Jordan
5. Janan Sadiq Abdul Razzaq, (2024) Using technology in Limiting earnings management, The Arab Center for Studies Electronic, Oman, Jordan.
6. Khalid bin Sulaiman Al-Qahtani, (2022) Information security Finance and Earnings Management, Publications of the King Fahd National Library The edition (1), Riyadh, Saudi Arabia.
7. Al-Helot, R. M. (2023). *The effectiveness of accounting information systems in achieving quality financial reports* [Master's thesis]. Islamic University of Gaza, Palestine.
8. Sumaya Farajallah, And Umm al-Khair Belkader, (2019) Analysis and design of accounting information systems and their impact on the quality of financial statements, Master's thesis in Financial and Accounting Sciences, Accounting and Auditing, Mohamed Boudiaf University, M'Sila, Algeria.
9. Sayed Attallah El Sayed, (2022) Organized Earnings management in industrial companies Dar Al-Raya Publishing and Distribution, Amman, Jordan.
10. Abdul Aziz Al-Sayed Mustafa, (2020) Technology basics financial information, Faculty of Commerce, Cairo University, Egypt.
11. Abdullah Ibrahim Al-Faqi, (2018) Computerized information systems and decision supporting earnings management House of Culture to for publishing and distribution, Edition (1), Oman, Jordan.
12. Arabi, Majed Mohammed, Abu goat, names, (2024) study Applied on role risks Earnings Management in Kingdom Arabic Saudi Arabia, The magazine International For science Finance and administrative Economic, version (3), number (10).