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The impact of applying governance principles and mechanisms on ensuring the credibility of financial statements: An exploratory study of the opinions of accountants and auditors in a sample of economic enterprises

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Abstract---The study aimed to analyze the impact of applying corporate governance principles and mechanisms on the credibility of financial statements. To achieve this, we selected a sample of economic enterprises in the industrial zone of Biskra as the field of study. A questionnaire was distributed to 40 executives overseeing accounting and financial functions within the sampled enterprises. The collected data was analyzed using the SPSS statistical software, employing various statistical measures. The study concluded that there is a positive correlation between corporate governance principles and mechanisms (board responsibilities, disclosure and transparency, internal auditing, and external auditing) and the credibility of financial statements. This indicates that the management of the

studied enterprises is convinced of the importance of implementing the governance concept across all activities.

Keywords---Board Responsibilities, Disclosure and Transparency, Internal Auditing, External Auditing.

Introduction

In recent decades, the world has witnessed numerous changes across various political, economic, and technological fields, with their intensity increasing in the 1990s, especially after a series of financial and economic crises in both developed and developing countries. These crises were fundamentally caused by financial and administrative corruption, driven by heightened competition and market integration. This led international organizations to demand the establishment of a set of ethical and professional standards and principles aimed at building trust, improving oversight, and ensuring the credibility of the information presented in financial statements and reports issued by various enterprises. This resulted in the emergence of the term "Corporate Governance," which has been translated into Arabic as "حوكمة المؤسسات" (Governance of Enterprises). This marked the first official international recognition of this term, with its principles primarily targeting the reduction of manipulation in data and financial statements issued by various enterprises, while enhancing their financial performance to benefit all stakeholders, whether internal or external, without favoring one party over another.

The credibility of financial statements enhances the quality of financial and accounting information, which is achieved through the proper application of corporate governance principles. In this context, various mechanisms contribute to ensuring the credibility of financial statements as they reflect the financial position of the enterprise. Among these mechanisms are internal auditing, external auditing, and risk management, which enable the identification of irregularities and errors. These mechanisms have significant implications for the credibility of financial statements.

Research Problem:

Do the principles and mechanisms of corporate governance have an impact on the credibility of financial statements in economic enterprises?

This main problem is further divided into the following sub-questions:

- Is there a statistically significant effect of the responsibilities of the board of directors on the credibility of the financial statements of the economic enterprises under study?
- Is there a statistically significant effect of disclosure and transparency on the credibility of the financial statements of the economic enterprises under study?
- Is there a statistically significant effect of internal auditing on the credibility of the financial statements of the economic enterprises under study?

- Is there a statistically significant effect of external auditing on the credibility of the financial statements of the economic enterprises under study?
- Is there a statistically significant effect of risk management on the credibility of the financial statements of the economic enterprises under study?

Research Hypotheses:

The study's hypotheses are articulated as follows:

- **Main Hypothesis:** "There is no statistically significant effect of governance principles and mechanisms on the credibility of financial statements from the perspective of the managers of the economic enterprises under study at a significance level of $\alpha \leq 0.05$."

This main hypothesis is further subdivided into the following:

- "There is no statistically significant effect of the responsibilities of the board of directors on the credibility of financial statements from the perspective of the managers of the economic enterprises under study at a significance level of $\alpha \leq 0.05$."
- "There is no statistically significant effect of disclosure and transparency on the credibility of financial statements from the perspective of the managers of the economic enterprises under study at a significance level of $\alpha \leq 0.05$."
- "There is no statistically significant effect of internal auditing on the credibility of financial statements from the perspective of the managers of the economic enterprises under study at a significance level of $\alpha \leq 0.05$."
- "There is no statistically significant effect of external auditing on the credibility of financial statements from the perspective of the managers of the economic enterprises under study at a significance level of $\alpha \leq 0.05$."

Research Objectives:

The study aims to:

- Highlight the role of corporate governance in the continuous improvement of the financial statements of the enterprises under study.
- Analyze the perspectives of managers of the economic enterprises under study regarding the application of governance principles and mechanisms and the challenges they face.
- Provide recommendations to enhance the credibility of financial statements by applying governance principles and mechanisms.

Theoretical Framework of the Study

First: Corporate Governance

1. The Concept of Governance:

The term "governance" originates from an ancient Greek word referring to the ability and skill of a ship captain in navigating a vessel amidst waves, storms, and tempests, embodying noble values, ethical conduct, and honorable behavior to

protect passengers and their belongings. If the captain successfully returned to the harbor, they were referred to as a "good governor" or "Good Governne" (1).

The Public Oversight Board (POB) defines governance as: *"The activities performed by the board of directors and the audit committee to ensure the integrity of the financial reporting process."*(2)

The World Bank defines governance as: *"The state through which economic resources are efficiently managed to promote development."*(3)

The United Nations Development Programme (UNDP) describes it as: *"A set of rules, procedures, and mechanisms adopted by authorities to ensure effective management of state affairs at the highest level of efficiency."*(4)

The International Monetary Fund (IMF) considers it: *"The method by which authority over economic and social resources is exercised to promote development through effective management methods that minimize costs and maximize benefits."*(5)

The International Finance Corporation (IFC) defines governance as: *"A system by which enterprises are managed and their operations are controlled."*(6)

The Organization for Economic Co-operation and Development (OECD) describes governance as:

"A set of relationships between the management of the enterprise, the board of directors, shareholders, and other stakeholders."(7)

Finally, according to Algeria's Charter for Good Governance (2009), governance is: *"A managerial philosophy and a set of practical measures aimed at ensuring the sustainability and competitiveness of the enterprise while defining the rights and duties of the stakeholders involved."*(8)

From these definitions, it can be concluded that corporate governance is a set of principles, systems, and procedures applied by an enterprise to protect the rights of all stakeholders and to ensure that its operations are managed in accordance with prescribed laws and regulations.

The Importance of Governance:

Corporate governance is essential for enterprise management as it builds trust in the financial information contained in published financial statements. It is one of the critical processes required for any institution to perform its functions effectively, ensuring the integrity of its board of directors and confirming its commitment to fulfilling obligations and achieving its objectives in a legal and economically sound manner (9).

Governance is also crucial for shareholders as it helps safeguard their rights, such as taxation rights and participation in major decisions. It ensures full disclosure about the enterprise's performance, financial condition, and key decisions made by senior management, which aids in identifying investment risks (10).

Principles of Governance:

Several principles of corporate governance have been established depending on

the vision of the relevant organization. The principles outlined by the OECD (11) include:

- **Establishing a Framework for Effective Governance:**
Enhancing transparency and market efficiency in accordance with laws, while clearly delineating the responsibilities of various supervisory and oversight entities.
- **Shareholders' Rights and Key Ownership Functions:**
Protecting shareholders' rights, such as the transfer of ownership, election of board members, receiving dividends, reviewing financial statements, and participating effectively in general assembly meetings.
- **Equitable Treatment of Shareholders:**
Ensuring the protection of shareholders' legal rights, their ability to vote and participate in major decisions, and access to the practices of board members and executive management.
- **Role of Stakeholders in Governance:**
Respecting the roles of stakeholders associated with the enterprise (shareholders, creditors, board members, executive management, workforce, and community) and compensating them for any infringement of their legal rights. Allowing them to participate actively in company oversight.
- **Disclosure and Transparency:**
Requiring fair and timely disclosure of the role of auditors, the ownership of major shares, financial actions by board members and executives, and stakeholders.
- **Responsibilities of the Board of Directors:**
Defining the legal rights and obligations of the chairman and board members, the process of their selection, their supervisory roles over executive management and stakeholders, and the audit committee.

Mechanisms of Corporate Governance:

Corporate governance mechanisms are divided into internal and external mechanisms:

A. Internal Governance Mechanisms:

1. **Board of Directors:**
The board is the best tool for monitoring managerial behavior, protecting the capital invested in the enterprise from managerial misuse, and exercising its legal authority to appoint, dismiss, and reward top management.
2. **Audit Committee:**
Its role is to enhance trust and transparency in financial information disclosed by enterprises by preparing financial reports and supervising the internal audit function within the institution.
3. **Compensation Committee:**
Comprising non-executive board members, this committee grants benefits and rewards to senior management.
4. **Nomination Committee:**
Responsible for identifying the best-qualified candidates and maintaining objectivity in recruitment processes while advertising vacant positions.

5. **Internal Auditing:**

Internal auditors, through their activities, enhance credibility, fairness, and the behavior of employees and workers in state-owned enterprises while reducing the risks of administrative corruption.

B. External Mechanisms of Corporate Governance:

1. **Market Competition for Products (Services) and Administrative Labor Market:**

If management is not properly evaluated in fulfilling its duties, the enterprise will fail to compete with others operating in the same industry, leading to bankruptcy.

2. **Mergers and Acquisitions:**

These involve restructuring the corporate sector globally. Without such measures, it is challenging to control managerial behavior effectively. Often, underperforming management teams are replaced during acquisition or merger processes.

3. **External Auditing:**

External auditors play a crucial role in improving the quality of financial statements. To achieve this, they must engage with the audit committee to discuss the quality of these statements.

4. **Legislation and Laws:**

Certain regulations impact key actors in the governance process, influencing not only their roles and functions but also the way they interact with one another.

Second: The Credibility of Financial Statements

1. Concept of Financial Statement Credibility:

Financial statements are defined as:

"An accounting tool used by accountants to present the results or financial position of an enterprise for a past period or predict these results and positions for a future financial period. It serves as a means to express the enterprise's activities over a specific period through its financial position."

They also represent:

"The aggregate output of accounting measurements during that period, providing essential evaluation results to concerned parties, whether internal (management and owners) or external (shareholders and investors)." (12)

From the above definitions, financial statements can be considered one of the most important sources of information for investors, financial analysts, and other stakeholders in decision-making processes related to the enterprise. They are the primary source of information regarding the results of the enterprise's operations over a financial period.

2. Indicators of Credibility in Accounting Information:

The credibility of financial statements is evidenced (13) by:

- Clearly representing the enterprise's financial position and cash flows.
- Proper application of accounting standards in the preparation of financial statements.
- Accurate description of the quality of presentation and verification, ensuring compliance with all accounting disclosure requirements.

- Selection and application of appropriate accounting policies to ensure reliable and suitable presentation of accounting information.
- Recognition and recording of transactions and events in accounting records and their reflection in the financial statements for the relevant financial periods (proper matching of revenues and expenses).
- Consistency in the presentation, classification, and treatment of accounting items across periods.

Third: Governance and Financial Statement Credibility

1. Role of the Board of Directors in Ensuring Financial Statement Credibility:

The board of directors plays a critical role in financial oversight, ensuring transparency, and boosting public confidence in the enterprise. It safeguards the enterprise's assets in the interest of shareholders, investors, and regular depositors. Key functions (13) include:

- Improving the quality of financial reporting by reviewing financial statements before they are presented to the board.
- Evaluating, enhancing, and assessing the control environment and reviewing the enterprise's risk analysis system.
- Enhancing communication with internal and external auditors to ensure their independence and regularly reviewing their remuneration and performance.
- Ensuring compliance with laws, regulations, and guidelines.

The audit committee also undertakes activities to enhance the quality of financial reporting, including:

- Strengthening the independence of external auditors.
- Examining internal control systems and their relationship with internal auditors.
- Reviewing financial reports.

To ensure the committee's effectiveness, it must maintain independence among its members, particularly in its financial oversight role.

2. Role of Internal and External Auditing in Ensuring Financial Statement Credibility:

Internal Auditing:

As defined by the International Institute of Internal Auditors (IIA), internal auditing has a consultative and assurance role. Its primary aim is to add value to the enterprise (14) by:

- Enhancing opportunities for achieving organizational objectives.
- Improving processes and procedures.
- Ensuring compliance with policies.
- Reducing risks to acceptable levels.

The services of internal auditors benefit both the board of directors and its audit committee.

External Auditing:

Several theoretical approaches explore the role of external auditing in ensuring the quality of financial information disclosed in an enterprise's financial statements. For external users of this information, it is often difficult to determine its reliability due to:

- Lack of expertise to judge the credibility of the information.
- Challenges in accessing detailed data.

This information risk, tied to financial data, affects many stakeholders, necessitating assurance of its quality. External auditing provides this assurance by evaluating and certifying the reliability of financial information.

Field Study Procedures

To apply the theoretical concepts of corporate governance and financial statement credibility and establish the relationship between them in practical settings, a case study was conducted on a sample of economic enterprises. These included:

- Textile and Equipment Company (Biskra)
- Naftal Branch (Biskra)
- Maintenance Directorate, Sonatrach (Biskra)
- Electricity and Gas Distribution Company (Biskra)
- Cable Manufacturing Company (EN.I.CA)

1.4 Methodological Procedures of the Study:

The enterprises under study were selected for their service and production nature, making them suitable for adopting corporate governance mechanisms to address challenges faced by accountants in preparing financial statements, making financial decisions, and safeguarding shareholder rights. Additionally, the sector they belong to is subject to continuous changes, making it conducive to applying governance principles and mechanisms.

Study Tool:

A questionnaire was used as the primary tool for collecting data and information from the study sample. A carefully designed questionnaire was distributed to the target population, consisting of **49 questionnaires**, of which **42** were returned. Due to challenges such as the COVID-19 pandemic and the absence of some accountants under quarantine, **7 questionnaires were not retrieved**. Additionally, **2 questionnaires were invalid for analysis**, leaving **40 valid questionnaires**, representing a **75% response rate**, which is considered adequate for statistical analysis.

The questionnaire was divided into three sections:

1. **Section 1:** Personal data of the study sample.
2. **Section 2:** Corporate governance (independent variable), comprising **18 items** distributed across four dimensions:
 - Board responsibilities
 - Disclosure and transparency

- Internal auditing
 - External auditing
3. **Section 3:** Financial statement credibility (dependent variable), comprising **14 items**.

A **five-point Likert scale** was used to measure responses, with the following grading system:

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
5	4	3	2	1

The study was conducted on economic enterprises in the industrial zone of **Biskra Province** between **September 10, 2021, and September 16, 2021**. The research focused on the relationship between the application of governance principles and mechanisms and the credibility of financial statements. The study included heads of accounting and finance departments, as well as accountants and auditors from the selected enterprises.

Study Population and Sample:

- **Study Population:**

The population refers to the group that the researcher is interested in studying and generalizing the findings to. In this study, the population comprised heads of accounting and finance departments, accountants, and auditors from the selected enterprises:

- Textile and Equipment Company (Biskra)
- Naftal Branch (Biskra)
- Maintenance Directorate, Sonatrach (Biskra)
- Electricity and Gas Distribution Company (Biskra)
- Cable Manufacturing Company (EN.I.CA)

- **Study Sample:**

The sample represents a subset of the population chosen for research. In this study, a **stratified proportional sample** of **40 individuals** was selected from the study population. The sample was chosen systematically to ensure accurate and reliable results.

Reliability and Validity of the Study Tool:

The reliability of the study tool refers to its consistency in producing the same results if repeated several times over a specific period. The reliability of the questionnaire was tested using Cronbach's Alpha coefficient. The validity of the data collected through the questionnaire was also verified using this test, which measures both the reliability and validity of the study tool. The results are summarized in the following table:

Table 2: Results of the Reliability and Validity Test for the Study Tool

Dimensions	Number Items	of Reliability Coefficient (α)	Validity Coefficient
Independent Governance	Variable: 18	0.921	0.900
Board Responsibilities	4	0.612	0.782
Disclosure and Transparency	4	0.663	0.814
Internal Auditing	5	0.690	0.831
External Auditing	5	0.990	0.890
Dependent Credibility	Variable: 14	0.951	0.903
Overall Questionnaire	32	0.874	0.935

Source: Prepared by researchers based on SPSS outputs.

The high reliability and validity scores indicate that the study tool is consistent and accurate for analyzing the data collected.

Study Results and Analysis

Reliability and Validity of the Study Tool

From the table, the Cronbach's Alpha reliability coefficient is **87.4%**, which is considered high compared to the statistically acceptable threshold of **60%**. The validity coefficient is **93.5%**, indicating a strong consistency and correlation among the questionnaire items.

Analysis of Sample Characteristics

The characteristics of the study sample were analyzed based on gender, age, educational qualification, professional experience, and job position.

Table 3: Demographic Data of the Study Sample

Variable	Category	Count	Percentage (%)
Gender	Male	34	85
	Female	6	15
Age	Under 25	-	-
	25 to less than 30	4	10
	30 to 45	20	50
	Over 45	16	40
Educational Qualification	High school	5	12.5
	University degree	25	62.5
	Postgraduate degree	10	25
Professional Experience	5 years or less	-	-

Variable	Category	Count	Percentage (%)
Job Position	5–10 years	10	25
	Over 10 years	30	75
	Division Head	2	5
	Department Head	4	10
	Auditor	12	30
	Accountant	22	55

Source: Compiled by the researchers based on SPSS outputs.

From Table 3, it is evident that the sample is predominantly male (**85%**), with most participants aged **30 to 45 years (50%)** and over **45 years (40%)**. The majority hold university degrees (**62.5%**) and have over **10 years of professional experience (75%)**. All participants are executives holding senior positions in the studied enterprises.

2.4 Analysis and Interpretation of Results

1.2.4 Corporate Governance

The following table summarizes the mean and standard deviations for corporate governance variables:

Table 4: Mean and Standard Deviations for Corporate Governance Variables

Statement No.	Corporate Governance	Mean	Std. Deviation	Acceptance Level
Board Responsibilities				
1	The board approves the organizational hierarchy and clarifies responsibilities at all levels.	3.73	1.16	High
2	The board enjoys complete independence within the organization.	3.81	1.20	High
3	The board approves regulations to reduce risks and disclose reports and financial statements on time.	3.76	1.15	High
4	The board approves policies and procedures ensuring compliance with regulations and disclosure of essential information.	3.71	1.07	High
Dimension Mean		3.75	1.14	
Disclosure and Transparency				

Statement No.	Corporate Governance	Mean	Std. Deviation	Acceptance Level
5	The organization discloses information following IFRS-IAS reporting standards.	3.66	1.25	High
6	The organization discloses its objectives and financial and operational results.	3.73	1.15	High
7	The organization discloses credible and relevant information for data interpretation and analysis.	3.77	1.13	High
8	The organization presents results and recommendations annually and discloses them.	3.72	1.18	High
Dimension Mean Internal Auditing		3.72	1.17	
9	Internal auditing identifies errors, fraud, and manipulation within the organization.	3.75	1.14	High
10	Internal auditing contributes to assessing and improving the internal control system.	3.68	1.14	High
11	Internal auditing fosters a professional culture within the organization.	3.80	1.16	High
12	Internal auditing enhances and evaluates the performance of various functions and activities.	3.74	1.19	High
13	Internal auditing is conducted according to clear, sound professional standards that align with international auditing standards.	3.75	1.19	High
Dimension Mean External Auditing		3.74	0.96	
14	External auditing improves financial statements and thus enhances their reputation.	3.72	1.25	High
15	External auditing identifies causes of disputes between management and stakeholders.	3.80	1.01	High

Statement No.	Corporate Governance	Mean	Std. Deviation	Acceptance Level
16	External auditing helps employees assume responsibility and respect internal regulations.	3.85	1.23	High
17	External auditing assists in assessing risks faced by the organization.	3.77	1.26	High
18	External auditing provides stakeholders with relevant information reflecting the organization's true financial position.	3.75	1.29	High
Dimension Mean		3.77	1.20	
Overall Mean		3.74	1.12	

Source: Prepared by researchers based on SPSS outputs.

From Table 4, the overall mean for corporate governance dimensions is **3.74**, with a standard deviation of **1.12**, indicating a high level of agreement among respondents on the role of governance dimensions in their organizations. All individual dimensions, including board responsibilities, disclosure and transparency, internal auditing, and external auditing, also reflect high acceptance levels, emphasizing their importance in ensuring governance practices.

Analysis of Results

1. Corporate Governance

The results in the table above indicate that external auditing ranks first among the corporate governance mechanisms with a mean score of **3.77** and a standard deviation of **1.20**. Internal auditing ranks second with a mean score of **3.74** and a standard deviation of **0.96**. Board responsibilities come third with a mean score of **3.75** and a standard deviation of **1.14**. Disclosure and transparency rank last with a mean score of **3.72** and a standard deviation of **1.17**.

These results suggest that corporate governance principles and mechanisms are perceived as highly significant by the study sample. Additionally, the table shows minimal variance among the responses, reflecting a high level of agreement among participants regarding the governance practices in the studied institutions.

2. Financial Statement Credibility

The table below provides a description of the financial statement credibility variable.

Table 5: Mean and Standard Deviations for Financial Statement Credibility

Statement No.	Financial Statement Credibility	Mean	Std. Deviation	Acceptance Level
19	The organization regularly presents its financial position to the board of directors.	3.72	1.25	High
20	The organization maintains a safety margin at every stage to ensure financial stability.	3.85	1.23	High
21	The organization is capable of meeting its debt obligations on time.	3.77	1.26	High
22	The organization has sufficient liquidity to face potential risks.	3.75	1.29	High
23	The organization is effective in decision-making to avoid financial failure.	3.72	1.23	High
24	The organization efficiently generates profits from sales and invested funds.	3.79	1.09	High
25	The organization continuously monitors and tracks its financial statements to assess its financial position.	3.74	1.24	High
26	The organization relies on external funds to meet its financing needs.	3.79	1.20	High
27	The organization is capable of meeting its short-term needs.	3.74	1.24	High
28	The organization uses financial indicators in preparing financial statements to highlight short- and long-term financial balance.	3.79	1.20	High
29	The organization consistently achieves the forecasted cash budget.	3.68	1.27	High
30	Respecting stakeholder rights leads to increased trust and enhances independence and liquidity within the organization.	3.75	1.20	High
31	Information in financial statements provides feedback for improving future financial performance.	3.72	1.16	High
32	The organization benefits from	3.77	1.11	High

Statement No.	Financial Statement Credibility Mean	Std. Deviation	Acceptance Level
	advice provided by banks and financial institutions on business and financial strategies to improve its financial statements.		
Overall Mean	3.72	1.18	

Source: Compiled by the researchers based on SPSS outputs.

The results in the table show that the overall mean for financial statement credibility is **3.72** with a standard deviation of **1.18**. This indicates a low level of variance among respondents and reflects a high degree of consensus regarding the credibility of financial statements in the studied institutions. All individual statements have high mean scores, emphasizing the importance of financial stability, liquidity, profitability, and the consistent monitoring of financial statements in enhancing credibility.

4.3 Hypothesis Testing

4.3.1 Testing the Main Hypothesis

- **Null Hypothesis (H₀):**

"There is no statistically significant effect between the principles and mechanisms of corporate governance and the credibility of financial statements in the studied institutions at a significance level of 0.05 ($\alpha \geq 0.05$)."

- **Alternative Hypothesis (H₁):**

"There is a statistically significant effect between the principles and mechanisms of corporate governance and the credibility of financial statements in the studied institutions at a significance level of 0.05 ($\alpha \geq 0.05$)."

To test this hypothesis, the Fisher F-test was used to evaluate the significance of the regression model. The results are presented in the following ANOVA table:

Table 6: ANOVA Regression Analysis

Statement	Sum of Squares	Degrees of Freedom	Mean Square	F-Value (Tabular)	F-Value (Calculated)	Significance Level (Sig)
Between Groups	1.939	1	1.939	/	12.991	0.01
Within Groups	4.915	38	0.150	At $\alpha = 0.05$		
Total Variance	6.854	39	/			

Source: Prepared by the researchers based on SPSS outputs.

Analysis of Results

From the regression variance analysis (ANOVA) shown in Table 6:

- The calculated **F-value** is **12.991** at a significance level of **0.05** and degrees of freedom (**1 and 38**).
- The significance value (**Sig**) is **0.000**, which is less than the adopted significance level (**$\alpha = 0.05$**).

Thus, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. This confirms that there is a statistically significant relationship between the application of corporate governance principles and mechanisms and the credibility of financial statements in the studied institutions at a significance level of **0.05 ($\alpha \geq 0.05$)**.

Goodness of Fit

The strength of the relationship is reflected by the coefficient of determination (**R^2**), which measures the explanatory power of the regression model—i.e., the proportion of variance in the dependent variable explained by the independent variable.

Table 7: Correlation Coefficients

F-Calculated	F-Significance (Sig)	R (Correlation Coefficient)	R^2 (Determination Coefficient)	B (Regression Coefficient)	Decision
12.991	0.01	0.563	0.317	0.563	Null hypothesis rejected

Source: Prepared by the researchers based on SPSS outputs.

Interpretation of Results

From Table 7:

- The correlation coefficient (**$R = 0.563$**) is close to 1, indicating a strong relationship between corporate governance and financial statement credibility.
- The determination coefficient (**$R^2 = 0.317$**) shows that **31.7%** of the variance in the dependent variable (financial statement credibility) is explained by the independent variable (corporate governance principles and mechanisms).

This is sufficient to confirm and explain the relationship between the independent and dependent variables. The hypothesis testing confirms a significant and linear regression relationship between corporate governance and financial statement credibility, with an adjusted determination coefficient of **31.7%**. Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted, indicating a statistically significant relationship between corporate governance principles

and mechanisms and financial statement credibility at a significance level of **0.05** ($\alpha \geq 0.05$).

Detailed Regression Results

The relationship between specific governance principles/mechanisms and financial statement credibility is further clarified in the following table:

Table 8: Multiple Regression Coefficients and Significance Levels for Corporate Governance Principles and Mechanisms

Governance Principle/Mechanism	Correlation Coefficient (R)	Determination Coefficient (R ²)	Regression Slope (B)	F-Value	Sig
Constant	/	/	1.833	/	/
Board Responsibilities	0.499	0.249	0.499	10.923	0.000
Disclosure and Transparency	0.582	0.338	0.582	16.122	0.000
Internal Auditing	0.645	0.416	0.645	19.327	0.000
External Auditing	0.435	0.190	0.435	7.186	0.000
Overall Score	/	/	/	/	0.001

Source: Prepared by the researchers based on SPSS outputs.

Insights from Table 8

- **Internal auditing** has the highest correlation coefficient (**R = 0.645**) and determination coefficient (**R² = 0.416**), explaining **41.6%** of the variance in financial statement credibility.
- **Disclosure and transparency** follow with an explanatory power of **33.8%** (**R² = 0.338**).
- **Board responsibilities** and **external auditing** also show significant contributions to explaining the dependent variable, with determination coefficients of **24.9%** and **19.0%**, respectively.
- All principles/mechanisms have significance values (**Sig = 0.000**) below **0.05**, confirming their statistical significance.

Thus, corporate governance principles and mechanisms significantly influence the credibility of financial statements, with internal auditing and disclosure and transparency being the most impactful.

Expression of the Relationship between Strategic Thinking Dimensions (Independent Variable) and Organizational Dexterity (Dependent Variable)

The relationship can be expressed in the following regression equation:

$$Y = 1.833 + 0.499x_1 + 0.582x_2 + 0.645x_3 + 0.435x_4 -$$

Where:

- x_1 : Board Responsibilities
- x_2 : Disclosure and Transparency
- x_3 : Internal Auditing
- x_4 : External Auditing

Testing Sub-Hypotheses

Based on the results in Tables 7 and 8, there is an acceptable positive relationship between the principles and mechanisms of corporate governance, demonstrating the effect of these dimensions:

1. **Board Responsibilities:**

- The calculated F-value is **10.923** at a significance level of **0.05**.
- The significance value (Sig = **0.000**) is less than the threshold of **0.05**.
- Therefore, the alternative hypothesis is accepted, indicating a statistically significant relationship between board responsibilities and the credibility of financial statements in the studied institutions.

2. **Disclosure and Transparency:**

- The calculated F-value is **16.122** at a significance level of **0.05**.
- The significance value (Sig = **0.000**) is less than the threshold of **0.05**.
- Hence, the alternative hypothesis is accepted, indicating a statistically significant relationship between disclosure and transparency and the credibility of financial statements.

3. **Internal Auditing:**

- The calculated F-value is **19.327** at a significance level of **0.05**.
- The significance value (Sig = **0.000**) is less than the threshold of **0.05**.
- Thus, the alternative hypothesis is accepted, confirming a statistically significant relationship between internal auditing and the credibility of financial statements.

4. **External Auditing:**

- The calculated F-value is **7.186** at a significance level of **0.05**.
- The significance value (Sig = **0.000**) is less than the threshold of **0.05**.
- Therefore, the alternative hypothesis is accepted, showing a statistically significant relationship between external auditing and the credibility of financial statements.

Results and Discussion

The study revealed the following:

1. **Effectiveness of Governance Principles and Mechanisms:**

- The field study showed that the sample agrees that the principles and mechanisms of governance in the studied institutions help mitigate financial and administrative corruption.
- With a mean score of **3.72** and a standard deviation of **1.18**, the results demonstrate that governance maintains the institution's reputation, achieves long-term goals, and fosters shareholder growth.

2. **Credibility of Financial Statements:**

- The sample agrees that the credibility of financial statements depends on the integrity of the board of directors and the organization's disclosure of its financial and operational goals.

- With a mean score of **3.74** and a standard deviation of **1.12**, it is evident that the studied institutions benefit from financial institutions' advice to improve their financial statements and accurately determine their financial position.
- 3. **Board of Directors' Role:**
 - The sample confirmed that the board approves laws to reduce risks, discloses reports and financial statements in a timely manner, and ensures compliance with regulations and disclosure of essential information to stakeholders.
- 4. **Internal Auditing's Contribution:**
 - Internal auditing plays a vital role in improving internal control systems.
 - It is conducted according to clear, sound professional standards aligned with international auditing standards.
- 5. **External Auditing's Impact:**
 - External auditing ensures that employees take responsibility and comply with regulations.
 - It provides reliable information reflecting the institution's financial position, addresses disputes between stakeholders, and enhances the decision-making process.

Conclusion

Recently, economic institution managers have shown increasing interest in applying corporate governance principles. Governance is essential for efficient organization, effective supervision, and protecting stakeholders' interests, improving financial statements, and ensuring their credibility. The study concluded the following:

1. **Positive Correlation:**
 - There is a positive correlation between governance principles (comprehensive, abstract, diagnostic, and planning thinking) and the credibility of financial statements.
 - This correlation enhances organizational dexterity, enabling institutions to develop, innovate, and involve all staff, accountants, and department heads in preparing credible financial statements for timely decision-making.
2. **Impact of Inadequate Reporting:**
 - Inefficient financial statements negatively impact stakeholders.
 - Failure to provide comprehensive, timely information affects financial statement quality and credibility.
3. **Protection of Shareholder Rights:**
 - Institutions ensure shareholder rights by providing compensation for any violations.

Recommendations

1. **Continued Application of Governance Principles:**
 - Maintain proper governance practices based on OECD principles in the studied institutions.
2. **Enhancing Disclosure and Transparency:**

- Continuously improve the level of disclosure and transparency within economic institutions.
- 3. Independent and Competent Auditing:**
- Continue relying on independent and skilled external and internal auditors, ensuring compliance with international standards.

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