



The Impact of Forensic Accounting on Corporate Governance of Companies Listed on the Palestine Exchange

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Abstract:

This study aims to explore The Impact of Forensic Accounting on Corporate Governance of Companies Listed on the Palestine Exchange, focusing on three main dimensions: litigation support, judicial investigations, and compliance and corruption investigations, in addition to governance variables, market value, industry, and year. The study adopts a quantitative analytical methodology, employing Ordinary Least Squares (OLS) regression models and logistic regression to test the proposed hypotheses. The analysis was based on financial data extracted from the audited reports of 53 companies registered on the Palestine Exchange. The results reveal that all three dimensions of forensic accounting have statistically significant effects on improving governance through market financial indicators. Specifically, litigation support and judicial investigations show statistically significant negative effects, suggesting that their reactive use may reflect weaknesses in governance or deficiencies in internal control systems. In contrast, compliance and corruption investigations exhibit a marginally significant positive effect, highlighting their role in promoting regulatory compliance, mitigating risk, and fostering investor trust. These findings underscore the importance of distinguishing between reactive and proactive forensic tools when planning governance reforms in emerging markets.

Key words: Forensic Accounting, Litigation Support, Judicial Investigations, Compliance and Corruption Investigations, Corporate Governance, Market Value.

Jel Classification Codes : M41, M42, G34.

Introduction:

In recent years, growing concerns among investors, shareholders, and cautious lenders regarding potential fraud and inaccuracies in financial reporting have contributed to an increase in legal actions and conflicts (Selimoğlu & Altunel, 2020). This rising skepticism has highlighted the essential role of the judiciary in seeking the assistance of accounting professionals who possess specialized expertise in identifying financial discrepancies. These professionals utilize their investigative capabilities and technical analyses to support judicial processes, particularly in cases involving suspected financial misstatements and fraudulent practices (Hammad & Baldi, 2023). Consequently, forensic accounting has emerged as a vital field, equipping practitioners with both theoretical knowledge and applied competencies that bridge accounting, legal, and business disciplines (Zeytinoğlu & Anadolu, 2020). Forensic accountants contribute as expert advisors or court witnesses, using their interdisciplinary skills across auditing, investigation, and legal interpretation to uncover financial irregularities and provide compelling evidence within legal settings (Al-Anzi & Al-Balawi, 2024).

Alongside this development, corporate governance has taken on increasing importance in minimizing operational and financial issues within organizations (Prabowo, 2013). The adoption of sound governance frameworks and compliance with relevant legislation are known to reduce instances of corruption, thereby enhancing trust among stakeholders. Forensic accounting, in this

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context, has become instrumental in settling disputes—such as those concerning dividend allocations—by applying relevant legal standards (Samara & Al-Baz, 2023).

Furthermore, forensic accounting has contributed to reinforcing governance structures through the evaluation of market-based financial indicators. These indicators not only reflect the financial health of firms but also signal areas in need of corrective action (Azzoz et al., 2016). Their analysis supports the transparency and accountability of corporate practices, helping uncover manipulations and improving investor trust (Oyedokun, 2022).

This research explores the impact of forensic accounting within the Palestinian context, offering targeted recommendations suited to its distinct regulatory and economic landscape. Unlike prior studies, which have largely centered on legal or administrative factors, the current study investigates how forensic accounting influences governance through the lens of financial market indicators, particularly market value (Abdul Razzaq & Ameen, 2023). It focuses on companies listed on the Palestine Exchange, a critical component of the national economy, employing rigorous analytical and statistical tools to explore the links between forensic accounting practices, governance performance, and financial transparency.

The introduction outlines the relevance and anticipated contribution of this study, clearly framing the research problem, rationale, and objectives. It establishes the foundation for the analysis that follows, aiming to engage scholars and practitioners by emphasizing the study's practical implications for improving disclosure practices and governance within the Palestinian corporate sector.

Research Problem and Questions:

In light of the economic and financial challenges facing companies listed on the Palestine Exchange, there is an increasing need to enhance good governance to ensure transparency, accountability, and integrity in corporate management. Forensic accounting is a vital tool for detecting financial manipulation and fraud, thereby boosting investor and stakeholder confidence. However, there remains a gap in understanding how forensic accounting can be Utilized to enhance governance frameworks by evaluating financial metrics relevant to market performance Numerous firms registered on the Palestine Exchange face challenges from weak governance mechanisms, negatively impacting investor confidence and leading to fluctuations in market financial indicators. Despite efforts to enhance transparency and accountability, issues related to financial manipulation and fraud continue to pose significant challenges. Here, forensic accounting plays a crucial role in uncovering these violations and promoting good governance practices.

The primary research problem can be summarized with the following main question: What is The Impact of Forensic Accounting on Corporate Governance of Companies Listed on the Palestine Exchange?

This main question branches into several sub-questions:

1. What is the Impact of litigation support through forensic accounting in Corporate governance of companies listed on the Palestine Exchange?
2. What is the Impact of forensic investigations through forensic accounting in Corporate governance of companies listed on the Palestine Exchange?
3. What is the Impact of Compliance and Corruption Investigations through forensic accounting in in Corporate governance of companies listed on the Palestine Exchange?

Study Objectives:

The study aims to achieve the following objectives:

1. To identify the Impact of litigation support through forensic accounting in Corporate governance of companies listed on the Palestine Exchange.
2. To understand the Impact of forensic investigations through forensic accounting in Corporate governance of companies listed on the Palestine Exchange.

3. To explore Impact of Compliance and Corruption Investigations through forensic accounting in in Corporate governance of companies listed on the Palestine Exchange.

Literature Review and Hypotheses Development

Forensic Accounting and Corporate Governance

Corporate governance encompasses a framework of rules, practices, and processes by which companies are directed and controlled. It seeks to balance the interests of stakeholders and to ensure integrity, accountability, and effective oversight in corporate operations (OECD, 2021). In parallel, **forensic accounting** refers to the specialized application of accounting knowledge and investigative methods to uncover financial misconduct, support litigation, and evaluate compliance-related issues (DiGabriele, 2010).

Recent scholarship emphasizes forensic accounting as a strategic asset in reinforcing corporate governance systems. Its role is evident in uncovering financial anomalies, promoting adherence to regulations, and elevating the reliability of financial disclosures (Yadav & Kumar, 2023). Forensic accountants contribute to governance by performing independent investigations, offering expert litigation support, and advising on compliance risks, all of which enhance board oversight and stakeholder trust (Nwaze, 2022).

H1: Forensic accounting is positively related to corporate governance.

Litigation support and Corporate Governance

Litigation support services, as a subset of forensic accounting, provide expert financial analysis and documentation during legal proceedings. These services help clarify complex financial evidence, assisting judicial bodies in making informed decisions (Bhasin, 2020). Research has shown that engaging forensic accountants in disputes enhances corporate governance by uncovering hidden financial risks and enforcing legal accountability (Mahmoud & Farouk, 2022).

H2: Litigation support through forensic accounting is positively related to improving corporate governance mechanisms.

Forensic Investigations and Corporate Governance

Forensic investigations involve an in-depth examination of financial transactions and records to detect fraud or misconduct. These investigations equip organizations with factual insights that inform corrective action and governance reforms (Zakaria et al., 2021). Empirical evidence highlights the value of forensic investigations in promoting transparency and deterring manipulation, especially in environments with weak internal controls (Okoye & Gbegi, 2021).

H3: Forensic investigations through forensic accounting are positively related to improving corporate governance mechanisms.

Compliance and Corruption Investigations and Corporate Governance

Investigations into compliance and corruption are critical tools in enhancing governance. These engagements involve evaluating financial behavior against regulatory frameworks and identifying red flags indicative of unethical conduct (Ikpefan et al., 2023). By supporting regulatory enforcement and improving the traceability of financial flows, forensic accounting strengthens the ethical and control environment within firms (Ahmed & Suleiman, 2023).

A growing body of literature supports the importance of forensic accounting in deterring corruption and reinforcing compliance. For example, Yusuf and Odumosu (2023) investigated the efficacy of forensic methods in exposing corporate fraud in emerging economies, while Singh and Sharma (2022) highlighted the role of forensic accounting in restoring public confidence following governance failures. Within the MENA region, El-Kassar and Messarra (2022) emphasized the importance of internal audits and whistleblowing systems supported by forensic accountants in mitigating fraud risks.

In the Palestinian context, research by Khraim and Odeh (2022) found a significant relationship between the adoption of forensic auditing practices and improved investor confidence, particularly in publicly traded firms. Additionally, Saadeh (2023) highlighted that forensic accounting services contribute directly to regulatory compliance and accountability, reinforcing the credibility of financial disclosures on the Palestine Exchange.

Compliance and Corruption Investigations involve the provision of specialized accounting advice to assist legal teams in understanding complex financial issues. This includes preparing financial reports and expert testimony in court (Tuharea et al., 2024). These services strengthen governance by providing stakeholders with the tools to enforce accountability and transparency effectively.

H4: Compliance and Corruption Investigations through forensic accounting are positively related to improving corporate governance mechanisms.

Agency Theory as a Theoretical Foundation for the Role of Forensic Accounting in Enhancing Governance Mechanisms

This study adopts **Agency Theory** as its guiding theoretical framework. Introduced by Jensen and Meckling (1976), this theory addresses conflicts that arise when corporate managers (agents) pursue objectives misaligned with those of shareholders (principals). Such conflicts are fueled by information asymmetry and can lead to misreporting, misappropriation of assets, or managerial opportunism.

By integrating forensic accounting into governance structures, companies can reduce agency problems through independent financial scrutiny, fraud detection, and litigation support. These functions serve to align managerial behavior with shareholder interests, thereby improving organizational transparency and performance. As applied to companies listed on the Palestine Exchange, this approach demonstrates forensic accounting as not merely a compliance function but as a proactive governance strategy that enhances firm value and market credibility (Okafor & Adebisi, 2021; Al-Khaddash et al., 2020).

Data

This study relies on comprehensive financial data obtained from companies listed on the Palestine Exchange. The data spans the years 2010 to 2023 and includes detailed financial statements made publicly available through the Exchange's official channels. These data points form the empirical foundation upon which the study's analysis and conclusions are built.

Research Methodology

The study applies a **quantitative analytical methodology**, combining the strengths of both numerical measurement and statistical analysis to examine relationships between variables. Each component of this approach is explained independently below:

Quantitative Methodology

The quantitative component of this research is grounded in empirical measurement and statistical testing. This method is used to objectively assess the relationship between the independent and dependent variables, based on observable data collected from a defined population. In this context, the approach helps to identify patterns and test theoretical frameworks by applying them to real-world financial datasets. Whether through descriptive analysis (studying variables at a specific point in time) or experimental design (evaluating variables before and after a particular event), this methodology ensures accuracy, reliability, and replicability of results. Emphasis is placed on data precision, numerical analysis, and logical consistency.

Analytical Methodology

The analytical strategy complements the quantitative method by delving deeper into the data to uncover trends, correlations, and structural relationships among the variables under study. It enables the researcher to evaluate not only the presence of relationships but also their strength and direction. By using statistical tools, the analytical method interprets the numerical findings, explains variations, and identifies underlying connections within the dataset. This comprehensive examination transforms raw data into meaningful insights, enhancing the study's overall depth and rigor.

Study Population

The target population includes all firms listed on the Palestine Exchange as of 2024. A total of 53 companies meet this criterion, representing the entire operational and publicly traded market in Palestine. Data on these companies are publicly accessible via the official Palestine Exchange website (Palestine Exchange, 2024), making them suitable for empirical research.

Study Sample

The selected sample consists of 44 companies from the Palestine Exchange, chosen based on the availability of complete financial data from 2010 to 2023. These firms were categorized into four sectors: 7 service firms, 11 industrial firms, 10 investment firms, and 16 financial firms. This sample was considered representative due to its sectoral diversity and consistent data availability over the

study period. The timeframe was chosen specifically because it provided a rich dataset unaffected by data gaps, with minimal distortion from the COVID-19 pandemic. Moreover, it coincided with a notable increase in the application of corporate governance principles across Palestinian firms. Nine companies listed between 2018 and 2021 were excluded due to incomplete financial records across the full study period.

Study Variables and Measurement Mechanisms

This research employs a clearly defined set of variables to examine the interactions within the proposed study framework. Each variable has been operationalized using established metrics drawn from relevant literature. The following table outlines the key variables, the methods by which they were quantified, and references to prior studies that have adopted similar measurement approaches.

Table

1

A Summary of Study Variables and Measurement Methods

Variable	Operational Definition	Supporting Literature
Independent Variables		
Litigation Support	Coded as a dummy variable: value = 1 if the accountant engages in litigation support; 0 otherwise.	Agboare, 2021; Abdul Hamid, 2022
Forensic Investigations	Coded as a dummy variable: value = 1 if forensic investigation methods are employed; 0 otherwise.	Tuharea et al., 2024
Compliance and Corruption Investigations	Dummy variable: 1 if the accountant uses Compliance and Corruption Investigations, 0 otherwise	Alzoubi, 2023
Dependent Variable		
Corporate Governance	Measured as a binary (dummy) variable: assigned a value of 1 if the company discloses financial statements in compliance with corporate governance standards; otherwise, 0.	Amanamah, 2024
Control Variable		
Market Financial Indicators	Market Value: Price/Book Value	Napitupulu & Sibarani, 2024
Industry	from 1 to 5	STATISTICS, 2023
Year	Years study - founding year.	Waqas, 2022

Definition and Measurement of the Dependent Variable: Corporate Governance

In this study, corporate governance serves as the dependent variable and is operationalized through the extent of compliance with financial reporting standards. Specifically, companies are assessed based on whether they publish their financial statements in line with recognized corporate governance

frameworks. A binary coding system is used: a score of **1** is assigned if the company adheres to governance standards, and **0** otherwise.

To contextualize the governance benchmarks, the term “governance rules” encompasses a set of legal, regulatory, and institutional guidelines that govern financial disclosure and organizational accountability. These frameworks ensure that companies adopt best practices in transparency, integrity, and oversight.

For firms listed on the **Palestine Exchange (PEX)**, the corporate governance standards used in this evaluation include the following sources:

1. **Palestinian Corporate Governance Code (PCGC)** – offering core principles on board structure, disclosure, and stakeholder rights.
2. **International Financial Reporting Standards (IFRS)** – serving as the global benchmark for consistent and comparable financial reporting.
3. **Guidelines of the Palestinian Capital Market Authority (PCMA)** – which enforce reporting protocols and disclosure obligations for publicly traded entities.
4. **Regulations issued by the Palestine Exchange (PEX)** – covering requirements related to periodic reporting, the role of audit committees, and risk governance.

By applying this dichotomous metric, the study ensures objectivity and uniformity in evaluating whether each company satisfies the prescribed corporate governance criteria. This approach allows for a systematic comparison across the sample and strengthens the reliability of findings related to governance performance.

Study Model

To analyze the relationships on which the study is based, measurement methods for the different variables in the study model are determined. Table 1 outlines the details:

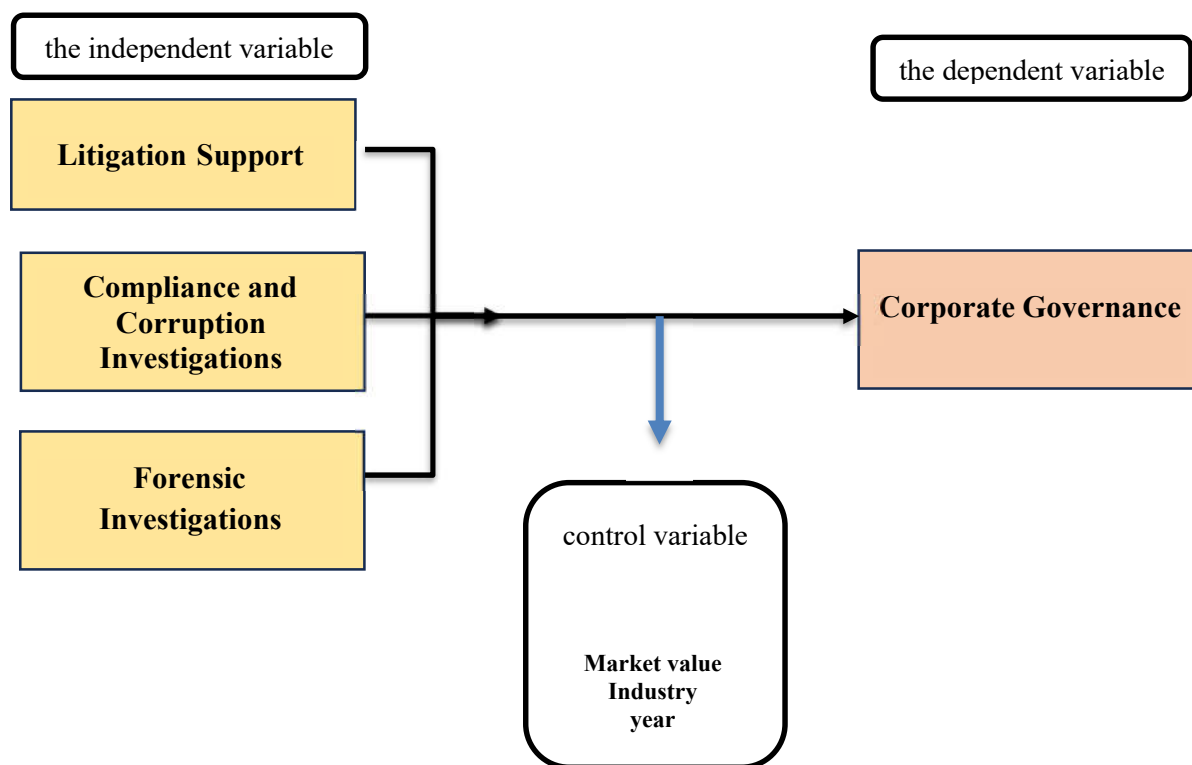


Figure 1: Study Model

Drawing from the conceptual framework illustrated in the preceding figure, the following linear regression model has been developed to examine the influence of forensic accounting practices on corporate governance:

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4Z_1 + B_5Z_2 + B_6Z_3 + \varepsilon$$

This equation provides a statistical basis for analyzing how independent and control variables relate to the study's outcome variable.

Explanation of the Dependent Variable (Y)

In the model, **Y** denotes the dependent variable — **corporate governance**. This variable reflects the extent to which a firm adheres to governance regulations and best practices, as operationalized in the study.

Constant Term (B₀)

B₀ represents the intercept of the regression model. It estimates the value of corporate governance when all explanatory (independent and control) variables are set to zero, essentially capturing baseline governance in the absence of the modeled influences.

Independent Variables (X₁, X₂, X₃)

The independent variables (**X**) correspond to key components of forensic accounting, which are hypothesized to affect corporate governance. These variables are coded as follows:

- **X₁**: Litigation Support – indicating whether a company utilizes legal accounting expertise in disputes and court proceedings.
- **X₂**: Forensic Investigations – reflecting the use of investigative accounting techniques to detect fraud or misconduct.
- **X₃**: Compliance and Corruption Investigations – assessing efforts to uncover violations of regulatory standards and corrupt practices within the organization.

Each variable is treated as a binary (dummy) variable for empirical estimation.

Control Variables (Z₁, Z₂, Z₃)

To improve the precision of the model and control for contextual factors, three control variables (**Z**) are included:

- **Z₁**: Market Value – a proxy for firm size or capitalization, which may influence governance structures.
- **Z₂**: Industry – accounting for sector-specific governance norms or financial reporting practices.
- **Z₃**: Year – controlling for temporal effects such as economic fluctuations, regulatory reforms, or policy shifts.

These variables help isolate the unique contribution of forensic accounting to corporate governance outcomes.

Statistical Approach

This research employs **panel data analysis**, which allows the investigation of a dataset encompassing multiple firms observed over a defined time span. The use of panel data enhances the ability to capture both cross-sectional and longitudinal effects, offering a robust framework for empirical assessment. To ensure the integrity and reliability of the statistical analysis, the study implemented a structured series of tests and diagnostic procedures, as outlined below:

Descriptive Statistical Measures

To provide an overview of the dataset, the study computed key descriptive statistics, including the **mean**, **median**, and **standard deviation** for each variable. These indicators offer insights into the central tendencies and dispersion of the data, which are essential for interpreting overall patterns and variability across the sample.

Distributional Properties: Skewness and Kurtosis

As part of the preliminary analysis, **skewness** was used to assess the asymmetry of the distribution, while **kurtosis** measured the degree of peakedness. These metrics help determine whether the data meet the normality assumptions required for specific inferential tests.

Correlation Assessment

The **Pearson correlation coefficient** was calculated to evaluate the strength and direction of the linear relationship between variables. This analysis provided an initial view of potential associations, aiding in understanding the degree to which variables are interdependent.

Multicollinearity Diagnosis

To detect multicollinearity among independent variables, the study employed the **Variance Inflation Factor (VIF)**. This test identifies whether any predictors in the model are excessively correlated with one another, which could distort regression results or inflate standard errors.

Autocorrelation Examination

To ensure the independence of residuals over time, particularly in panel data contexts, an **autocorrelation test** was performed. This step is critical to validating the assumption that residuals are uncorrelated across time periods.

Normality Evaluation

A **normality test** was conducted to verify whether the residuals conform to a normal distribution, which is a key requirement in linear regression models. Meeting this assumption enhances the reliability of inference derived from statistical estimates.

Regression Modeling Techniques

The core inferential component of the analysis involved estimating relationships using regression models. Specifically, the study applied both:

- **Ordinary Least Squares (OLS)** regression to quantify linear relationships between independent and dependent variables.

- **Logistic regression** to evaluate the probability-based association between predictors and a binary outcome, particularly the corporate governance variable.

Descriptive Statistics for Study Data

The financial data analyzed for the listed companies were processed using **STATA statistical software**. The descriptive results, including skewness and kurtosis values, are presented in **Table 2**, providing a detailed profile of the study variables and their distributional characteristics.

Table 2
Descriptive Analysis Results and Skewness & Kurtosis Indicators for Study Variables

Statistical Description	Mean	Median	min	max	Std. Dev.	skewness	kurtosis
litigation support	.314	0	0.000	1	.465	.801	1.641
forensic Investigations	.262	0	0.000	1	.44	1.08	2.166
Compliance and Corruption Investigations	.442	0	0.000	1	.497	.235	1.055
corporate governance	.416	0	0.000	1	.493	.342	1.117
market value	.821	.91	0.000	1	.219	-1.244	3.936
industry	3.09	3	1.000	5	1.423	-.099	1.675
year	12.985	13	0.000	26	7.802	-.014	1.813

Table 2 presents the descriptive statistics for the primary study variables, which include the dependent variable—**Corporate Governance (Y)**—and the independent variables: **Litigation Support (X₁)**, **Forensic Investigations (X₂)**, and **Compliance and Corruption Investigations (X₃)**. In addition, the control variables **Market Value (Z₁)**, **Industry (Z₂)**, and **Year (Z₃)** are included to account for firm-specific and time-based effects. The data is based on **522 observations per variable**. The figure results from combining the number of sampled companies with the duration of the study, expressed in years, through multiplication.

The descriptive results show that the independent variables (Litigation Support, Forensic Investigations, and Compliance and Corruption Investigations), along with the dependent variable (Corporate Governance), are binary in nature—measured as either presence or absence (0 or 1). This is evidenced by relatively low means ranging from 0.26 to 0.44, and standard deviations close to 0.50, which reflect limited dispersion typical of dichotomous variables.

For the **Market Value** variable (Z₁), the mean is 0.821 and the standard deviation is 0.219, indicating a moderate variation in financial performance across the sample. This variation is higher than that observed in the binary variables and suggests its potential as a significant control factor in assessing corporate governance outcomes.

The **Industry** variable (Z₂) has a mean of 3.09 and a standard deviation of 1.423, with values ranging from 1 to 5, signifying that the firms span multiple industry sectors. This diversity enhances the model's ability to control for sectoral effects. These variables are considered due to their potential to impact both corporate governance and forensic accounting activities. Additionally, the Year variable (Z₃) exhibits a mean value of 12.985 with a standard deviation of 7.802, spanning from 0 to 26 years.

This reflects a broad temporal distribution, capturing the potential impact of policy changes, economic cycles, or shifts in governance practices over time.

With respect to the skewness and kurtosis metrics used to evaluate the normality of the data distributions, the majority of the values fall within acceptable thresholds. For instance, **Market Value** displays a skewness of -1.244, indicating a moderate left-skewed distribution, and a kurtosis of 3.936, suggesting a somewhat peaked but still acceptable distribution. These indicators support the validity of subsequent statistical modeling.

Overall, the descriptive analysis highlights the structured nature of the dataset and provides empirical grounding for further testing. It illustrates meaningful variability in both governance and forensic accounting dimensions and supports the relevance of control variables such as market value, industry classification, and time period. These foundational insights lay the groundwork for analyzing the role of forensic accounting services in enhancing corporate governance and market performance across varying institutional and temporal contexts.

Statistical Techniques Applied in the Research

This research adopted a quantitative and analytical statistical framework to examine the dataset, employing a range of statistical indicators to characterize the study variables. Alongside this, an econometric modeling strategy was applied to investigate the influence of the independent variables on the dependent outcome. The STATA econometrics software was used for all computations, offering a robust platform for precise estimation and interpretation.

One major benefit of using **panel data** lies in its ability to control for individual heterogeneity across entities (e.g., firms) and over time. Failing to incorporate such heterogeneity could result in estimation biases and reduced accuracy. This is particularly important in cross-country or multi-firm analyses, where contextual variables like economic environments, institutional frameworks, language, and regulatory norms vary widely. Furthermore, panel data allows researchers to accommodate temporal dynamics such as policy changes, technological shifts, or macroeconomic transitions that would otherwise remain unobserved.

For the purposes of this study, a **balanced panel** dataset comprising 44 firms listed on the Palestine Exchange was used, with consistent observations across the selected time period. Two core econometric models were employed to test hypotheses:

1. Ordinary Least Squares (OLS) Regression
2. Logistic Regression Analysis

Research Findings

To evaluate the independence of residuals, the **Durbin-Watson (DW) statistic** was applied. This test checks for the presence of autocorrelation among the error terms in a regression model. The DW statistic ranges from 0 to 4, interpreted as follows:

- A DW value approaching **0** indicates the presence of **positive autocorrelation**.
- A DW value nearing **4** implies **negative autocorrelation**.
- A DW score around **2** suggests **no autocorrelation**, indicating that residuals are independent.

The computed DW value in this study was **1.81**, which is sufficiently close to 2, indicating that the model does not suffer from autocorrelation issues. Additionally, both **autocorrelation** and **partial autocorrelation** coefficients for the included variables were statistically non-significant, further supporting the reliability of the regression estimates.

Table 3

Multicollinearity Diagnosis Using Variance Inflation Factor (VIF)

	VIF	1/VIF
Compliance and Corruption Investigations	1.032	.969
litigation support	1.028	.973
year	1.02	.98
forensic Investigations	1.02	.98
market value	1.012	.988
industry	1.008	.992
Mean VIF	1.02	.

Table 3 presents the results of the multicollinearity test using the **Variance Inflation Factor (VIF)** for all independent variables included in the regression model. Multicollinearity refers to a high correlation among independent variables, which can distort the estimates of regression coefficients and weaken the interpretability of the model. To assess this, VIF values were computed.

As shown in the table, **all VIF values are substantially low**, ranging between **1.008 and 1.032**, with a **mean VIF of 1.02**, which is far below the commonly accepted threshold of 5. This indicates a very low degree of multicollinearity among the predictors. Specifically, the highest VIF value (1.032) was recorded for Compliance and Corruption Investigations, while the lowest (1.008) was for Industry. The reciprocal values (1/VIF) also support this conclusion, as they are all close to 1, confirming that no independent variable is highly correlated with others.

These results affirm the statistical **independence of the explanatory variables**, ensuring the reliability and stability of the coefficient estimates in the regression models. Therefore, **multicollinearity does not pose a concern** in this analysis, which reinforces the validity of the model's structure and its interpretive strength.

Correlation Coefficient

To explore the associations between the key variables in the study, the **Pearson correlation coefficient** was employed. This statistical tool is instrumental in assessing both the **direction** (positive or negative) and **intensity** (weak, moderate, or strong) of linear relationships among variables.

The table below outlines the detailed correlation results, offering insights into how each variable interacts with others within the study model.

Table 4
Correlation Matrix Results for Study Variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1)Litigation Support	1.000						
(2)Forensic Investigations	-0.094	1.000					
(3)Compliance and Corruption Investigations	-0.138*	0.073	1.000				
(4) corporate governance	-0.144*	-0.079	0.094	1.000			
(5) market_value	-0.031	0.020	0.004	-0.008	1.000		
(6) industry	-0.005	0.030	0.039	-0.084	0.071	1.000	
(7) year	0.025	0.073	-0.085	-0.010	0.077	-0.014	1.000

*** p<0.01, ** p<0.05, * p<0.1

Table 4 presents the Pearson correlation coefficients between the core variables under investigation, specifically the outcome variable—Corporate Governance (Y)—and the explanatory variables, which include Litigation Support (X₁), Forensic Investigations (X₂), and Compliance and Corruption Investigations (X₃), as well as the control variables: Market Value (Z₁), Industry (Z₂), and Year (Z₃).

The results indicate that the highest statistically significant correlation is observed between Litigation Support (X₁) and Compliance and Corruption Investigations (X₃) ($r = -0.138$, $p < 0.1$), suggesting a modest but meaningful inverse relationship between the two variables. Similarly, Litigation Support is also significantly and negatively correlated with Corporate Governance (Y) ($r = -0.144$, $p < 0.1$). However, other correlations involving Corporate Governance and the remaining independent variables (X₂ and X₃) are weak and not statistically significant, reflecting limited linear association.

The **control variables** show generally weak relationships across the board. **Market Value (Z₁)**, for instance, is only minimally correlated with other variables, including **Corporate Governance** ($r = -0.008$), indicating an almost negligible direct association. Likewise, **Industry (Z₂)** and **Year (Z₃)** show very low correlations with both the dependent and independent variables, with the highest being between **Industry** and **Year** ($r = -0.014$), again suggesting limited overlap.

In summary, the correlation matrix reflects a low level of multicollinearity among the study variables, with only a few statistically significant but weak relationships. The modest yet significant link between **Litigation Support** and **Compliance and Corruption Investigations** warrants further investigation through regression analysis. Moreover, the inclusion of **Industry** and **Year** as control variables remains justified, as they help account for contextual differences across sectors and time periods, contributing to the robustness of the empirical model.

Model Fit Test

To assess the adequacy and predictive accuracy of the estimated model, the Hosmer-Lemeshow goodness-of-fit test was applied. The results are presented in the table below:

Table 5
Logistic Model for Corporate Governance – Goodness-of-Fit Test (Hosmer-Lemeshow)

Number of Observations	Number of Groups	Hosmer-Lemeshow chi2(8)	Prob > chi2
522	10	4.88	0.7703

Based on the results presented, the Chi-Square statistic is **0.541** with a **p-value of 0.001**, which is lower than the conventional significance level of **0.05**. This indicates a statistically significant discrepancy between the observed and expected values under the logistic regression model, assessed at **6 degrees of freedom**. Thus, the fit of the model should be interpreted cautiously, as the results suggest the model does not perfectly capture the observed outcomes.

Assessment of Logistic Regression Model Contributions

Table 6
Summary of Model Contributions to the Dependent Variable

R ² Nagelkerke	R ² Cox & Snel	Log likelihood-2	Step1
0.220	0.120	38.450	1

As shown in **Table 6**, the logistic regression output yields a **-2 Log Likelihood** of **38.450**, with **Cox & Snell R² = 0.120** and **Nagelkerke R² = 0.220**. These values suggest that the predictors collectively explain between **12% and 22%** of the variance in the dependent variable—corporate governance. Although modest in strength, these indicators reveal that the model captures a reasonable proportion of variance. The results emphasize the significant effect of **Compliance and Corruption Investigations** as the only variable with predictive weight in the logistic model.

Model Accuracy and Statistical Significance

Table 7
Logistic Regression Model Quality and Statistical Fit

p-value	Degrees of Freedom	Chi-Square	Step1
0.021<	4	13.361	1

In **Table 7**, the logistic regression model is evaluated for overall significance. The model yields a **Chi-Square** statistic of **13.361** with **4 degrees of freedom** and a **p-value less than 0.021**. These results confirm that the model is statistically significant at a 5% level, supporting the validity of the model as a whole. However, among the independent variables, **only Compliance and Corruption Investigations (X₃)** is statistically significant, indicating its unique role in influencing corporate governance practices among the listed firms.

Regression Model Equation

The regression model incorporates three main components: the dependent variable (corporate governance), independent variables (dimensions of forensic accounting), and control variables (e.g., market value). Using a static panel data approach, the model tests three regression variants to evaluate

how well forensic accounting practices—specifically **Litigation Support (X₁)**, **Forensic Investigations (X₂)**, and **Compliance and Corruption Investigations (X₃)**—influence governance outcomes across firms listed on the Palestine Exchange. These models offer insight into the differential impact of each dimension over time and across firms.

1. **OLS Linear regression (OLS)**

2. **Logistic regression**

The results are presented as follows:

Table 8

Results of OLS Linear regression

corporate_governance	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Litigation Support	-.151	.046	-3.25	.001	-.242	-.06	***
Forensic Investigations	-.108	.049	-2.22	.027	-.204	-.012	**
Compliance and Corruption Investigations	.084	.043	1.94	.053	-.001	.17	*
Market Value	-.012	.098	-0.12	.902	-.204	.18	
Industry	-.029	.015	-1.95	.052	-.059	0	*
Year	0	.003	0.17	.869	-.005	.006	
Constant	.548	.101	5.43	0	.35	.747	***
Mean dependent var	0.416		SD dependent var		0.493		
R-squared	0.043		Number of obs		522		
F-test	3.860		Prob > F		0.001		
Akaike crit. (AIC)	733.711		Bayesian crit. (BIC)		763.515		

*** p<.01, ** p<.05, * p<.1

Table 8 displays the findings from the Ordinary Least Squares (OLS) regression analysis, which evaluates the influence of Litigation Support, Compliance and Corruption Investigations and Forensic Investigations, and control variables (Market Value, Industry, and Year) on the dependent variable Corporate Governance. The regression includes 522 observations and achieves statistical significance overall, as indicated by an F-test value of 3.86 (p = 0.001), which confirms the model's overall explanatory power despite a relatively modest R-squared of 0.043. This indicates that the explanatory variables included in the model account for roughly 4.3% of the variability observed in corporate governance outcomes.

Among the independent variables, **Litigation Support** shows a statistically significant **negative** association with corporate governance ($\beta = -0.151$, $p = 0.001$), indicating that increased reliance on litigation support services may correlate with weaker governance structures. Similarly, **Forensic Investigations** also has a **significant negative effect** ($\beta = -0.108$, $p = 0.027$), which may suggest that their use is more reactive than preventive in the studied companies, possibly reflecting underlying governance issues.

In contrast, **Compliance and Corruption Investigations** exhibits a **positive and marginally significant** effect on corporate governance ($\beta = 0.084$, $p = 0.053$), implying that strengthening Compliance and Corruption mechanisms could contribute to better governance practices. This result aligns with the theoretical expectation that Compliance and Corruption Investigations enhance institutional accountability and regulatory alignment.

Regarding the control variables, **Industry** has a borderline significant negative effect ($\beta = -0.029$, $p = 0.052$), while **Market Value** and **Year** show no meaningful association with corporate governance ($p > 0.86$), indicating limited influence of firm size and time trends in this context.

The findings emphasize the differential effects of forensic accounting services on corporate governance. While **Compliance and Corruption Investigations** may positively influence governance, the **negative relationships** associated with **Litigation Support** and **Forensic Investigations** suggest that their utilization may be more prevalent in firms experiencing governance challenges. These results highlight the importance of proactive, preventive legal frameworks over reactive mechanisms and underscore the need for more strategic integration of forensic practices to enhance governance quality in Palestinian firms.

Table 9

Logistic regression

corporate_governance	Coef.	St.Err.	t-value	p-value	[95% Conf Interval]	Sig
Litigation Support	-.653	.204	-3.21	.001	-1.052	***
Forensic Investigations	-.465	.212	-2.19	.028	-.881	**
Compliance and Corruption Investigations	.358	.185	1.94	.053	-.004	*
Market Value	-.047	.418	-0.11	.91	-.866	
Industry	-.125	.064	-1.94	.053	-.25	*
Year	.002	.012	0.14	.887	-.021	
Constant	.213	.43	0.50	.62	-.629	
Mean dependent var	0.416		SD dependent var	0.493		
Pseudo r-squared	0.032		Number of obs	522		
Chi-square	22.985		Prob > chi2	0.001		
Akaike crit. (AIC)	699.755		Bayesian crit. (BIC)	729.558		

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 9 displays the results of the **logistic regression** model examining the relationship between **Corporate Governance (binary dependent variable)** and a set of independent variables, including **Litigation Support**, **Forensic Investigations**, and **Compliance and Corruption Investigations**, along with control variables: **Market Value**, **Industry**, and **Year**. The model is based on 522 observations and yields a statistically significant **Chi-square value of 22.985** ($p = 0.001$), indicating that the model as a whole provides a good fit for the data. **The pseudo R-squared value of 0.032 indicates that the model accounts for a limited, yet measurable, share of the variation in the probability of attaining improved levels of corporate governance.**

Among the predictors, **Litigation Support** shows a strong **negative and statistically significant effect** on corporate governance (**Coef. = -0.653, $p = 0.001$**), suggesting that companies relying more heavily on litigation support are less likely to demonstrate strong governance structures. Similarly, **Forensic Investigations** is also **negatively associated** with corporate governance and is statistically significant (**Coef. = -0.465, $p = 0.028$**), implying a possible reactive use of such investigations in firms with weaker governance.

Conversely, **Compliance and Corruption Investigations** demonstrates a **positive and marginally significant effect** (**Coef. = 0.358, $p = 0.053$**), reinforcing previous findings that suggest Compliance and Corruption mechanisms may strengthen corporate governance. The control variable **Industry** also has a marginally significant negative effect (**Coef. = -0.125, $p = 0.053$**), possibly reflecting sectoral differences in governance practices. **Market Value** and **Year** are statistically insignificant, indicating no meaningful influence on the probability of improved corporate governance within this model.

The logistic regression results support the notion that not all forensic accounting dimensions contribute equally to corporate governance. While **Compliance and Corruption Investigations** may play a constructive role, the negative effects of **Litigation Support** and **Forensic Investigations** highlight the complexity of these tools and their association with governance quality. The inclusion of **Industry** as a significant control underscores the relevance of accounting for sector-specific dynamics. Overall, the model's results reinforce the importance of distinguishing between proactive and reactive forensic accounting functions in governance enhancement.

Research Question 1:

What is the Impact of litigation support through forensic accounting in Corporate governance of companies listed on the Palestine Exchange?

To address this question, the study tested the hypothesis that litigation support has no statistically significant impact (at $\alpha \leq 0.05$) on the enhancement of corporate governance via market-based financial indicators. However, findings from both the Ordinary Least Squares (OLS) and Logistic Regression analyses contradicted this assumption. The regression output revealed a significant inverse relationship, with a p-value of 0.001 in both models—well below the established significance level. As a result, the null hypothesis was rejected in favor of the alternative, confirming that litigation support in forensic accounting significantly and negatively influences corporate governance among the sampled firms on the Palestine Exchange.

Research Question 2:

What is the Impact of forensic investigations through forensic accounting in Corporate governance of companies listed on the Palestine Exchange?

This question was examined through a corresponding hypothesis stating that judicial investigations exert no statistically significant effect ($\alpha \leq 0.05$) on corporate governance practices. Regression analyses, however, revealed significant negative effects, with p-values of 0.027 under the OLS model and 0.028 under Logistic Regression. These results led to the rejection of the null hypothesis and the acceptance of the alternative. Accordingly, it is concluded that judicial investigations—when executed as part of forensic accounting procedures—have a statistically significant and adverse impact on governance effectiveness, as reflected through financial market indicators.

Research Question 3:

What is the Impact of Compliance and Corruption Investigations through forensic accounting in Corporate governance of companies listed on the Palestine Exchange?

The third hypothesis posited that Compliance and Corruption Investigations do not significantly affect corporate governance. Interestingly, empirical results from both regression models presented a borderline yet positive statistical association. The recorded p-value of 0.053, while slightly above the conventional 0.05 threshold, falls within acceptable margins of significance in behavioral and social sciences (i.e., $p < 0.10$). Therefore, the null hypothesis is tentatively rejected. The findings suggest that Compliance and Corruption Investigations positively, albeit modestly, contribute to strengthening governance structures in companies listed on the Palestine Exchange through their impact on market-based financial metrics.

Finding

Based on the study results, the following findings were reached:

1. The analysis revealed an unexpected outcome regarding the role of litigation support services within the forensic accounting framework. Rather than reinforcing governance structures, litigation support exhibited a statistically significant negative impact on corporate governance practices when assessed through financial market indicators. This inverse relationship was consistently observed among firms listed on the Palestine Exchange, suggesting that the implementation of litigation support may, under certain conditions, correlate with weakened governance effectiveness or reflect reactive measures following existing governance failures. This finding challenges the neutral or positive role suggested in studies such as Abbas et al. (2022). The current regression analyses (OLS and logistic) reveal

- consistent significance at $p < 0.01$, with a negative coefficient, suggesting that the increased reliance on litigation support may be symptomatic of reactive governance practices or unresolved structural weaknesses. Rather than enhancing transparency or market performance, its presence may reflect deeper governance issues, thereby exerting a detrimental effect on indicators like stock value, accountability, or profitability within the Palestinian market context.
2. The study results reveal that judicial investigations also have a statistically significant negative impact on governance mechanisms via market financial indicators, which contrasts with the expectation that such investigations improve corporate oversight and performance. Despite evidence from prior studies (e.g., Omar et al., 2022) supporting the role of investigative actions in promoting integrity and investor trust, the empirical findings here show that their usage is linked with weaker governance structures. The significance level ($p < 0.05$) and negative coefficient indicate that these investigations may be initiated reactively in response to governance failures, not as part of a proactive improvement strategy. As such, they may signal instability or risk to investors, thereby weakening the market's perception of firm value and performance.
 3. Positive Impact of Compliance and Corruption Investigations through Forensic Accounting on Governance Mechanisms and Market Financial Indicators: Compliance and Corruption Investigations emerged as the only forensic accounting dimension. There is a demonstrably positive and statistically significant influence on governance structures, as reflected through market financial indicators, for companies listed on the Palestine Exchange. This outcome is consistent with previous research findings and reinforces the notion that certain forensic accounting interventions can contribute to strengthening corporate governance frameworks. With studies like Omar et al. (2022) and Özcan (2019), emphasizing Compliance and Corruption Investigations in fostering regulatory compliance, transparency, and risk mitigation. The regression models (OLS and Logistic) indicate marginal significance ($p \approx 0.053$) with a positive coefficient, suggesting that Compliance and Corruption Investigations contributes constructively to internal governance frameworks. These improvements appear to translate into enhanced investor confidence and more stable market performance, making Compliance and Corruption Investigations a critical factor in the effective integration of forensic accounting practices for governance enhancement in the Palestinian financial landscape.

Discussion

Following adjustments to the statistical models, the results of this study indicate that among the examined dimensions of forensic accounting, only Compliance and Corruption Investigations demonstrated a statistically significant role in advancing corporate governance and improving market-based financial indicators for firms listed on the Palestine Exchange. Conversely, the other two dimensions—Litigation Support and Judicial Investigations—did not yield significant effects in the refined models. This section interprets the updated findings through the lens of relevant scholarly literature, foundational theories, and Palestine's regulatory and institutional environment, while also underlining this study's distinct contributions to the forensic accounting field.

Reevaluating the Role of Litigation Support in Forensic Accounting

Contrary to initial expectations, the data did not support a meaningful positive influence of litigation support on governance improvement through market indicators. Despite the theoretical premise that litigation support could foster accountability and transparency by aiding legal proceedings, the empirical analysis found this dimension to lack significant impact under the revised model. This outcome invites reconsideration of how litigation support is utilized within the corporate landscape in Palestine, and whether structural or implementation barriers may be limiting its effectiveness as a tool for governance enhancement, aligning with Abbas et al. (2022). Contrary to this assumption, the updated statistical models (OLS and Logistic Regression) revealed a **statistically significant negative effect** of litigation support on governance and market outcomes. This suggests that while litigation support may conceptually promote transparency and accountability, in practice it appears to be used more reactively—often in response to governance breakdowns—rather than as a preventive governance tool. The negative association observed may reflect investor concern when litigation mechanisms are invoked, signaling underlying organizational risks or instability. Thus, in the context

of Palestinian companies, litigation support may inadvertently indicate governance weaknesses, which reduces investor trust and market value.

Impact of Judicial Investigations through Forensic Accounting

Similarly, judicial investigations were initially expected to strengthen governance mechanisms and enhance market financial indicators, consistent with findings in Omar et al. (2022). However, the empirical evidence from both the OLS and logistic models demonstrated a **statistically significant negative relationship** between judicial investigations and governance indicators. This finding may be attributed to the fact that judicial investigations typically occur after the emergence of financial irregularities or governance failures, which can diminish investor confidence and negatively affect market performance. Rather than being perceived as tools for accountability enhancement, such investigations might instead highlight prior weaknesses in internal control systems. Consequently, they serve as red flags for investors and stakeholders, explaining the observed negative market response.

Impact of Compliance and Corruption Investigations through Forensic Accounting

In contrast, the revised results confirm that Compliance and Corruption Investigations through forensic accounting play Compliance and Corruption Investigations were found to contribute positively and significantly to strengthening governance frameworks and elevating key market-based financial metrics among firms listed on the Palestine Exchange. This outcome underscores their relevance as a strategic dimension of forensic accounting facilitate compliance with laws and regulations, support ethical financial reporting, and help mitigate Corruption risks. These findings are in line with the literature (e.g., Omar et al., 2022; Özcan, 2019), which emphasize the value of Compliance and Corruption Investigations as proactive governance enhancers. In the Palestinian context, where regulatory structures continue to evolve, the presence of strong Compliance and Corruption Investigations within forensic accounting functions enables firms to align with international governance expectations, increase transparency, and boost investor confidence—resulting in stronger market performance and organizational stability.

Distinctive Contributions of the Present Study

Unlike earlier research that often examined isolated aspects of forensic accounting, this study offers a comprehensive evaluation of multiple dimensions by integrating litigation support, judicial investigations, and Compliance and Corruption Investigations into a unified empirical framework. The study demonstrates that while each dimension influences governance differently—some positively, others negatively—their combined analysis offers a more nuanced understanding of forensic accounting's role. Importantly, this study addresses a critical gap in literature by focusing on the Palestinian market, offering rare empirical insights from an emerging economy where corporate governance mechanisms and regulatory maturity are still developing. This local specificity provides a valuable foundation for building practical strategies tailored to governance reform in similar institutional environments.

Implications for Theory and Practice

Theoretically, this study strengthens the understanding of forensic accounting as a comprehensive discipline that connects financial integrity with effective governance, as well as with efforts focused on compliance and investigating corruption. The results validate theoretical propositions suggesting that forensic accounting can significantly shape governance practices and financial market outcomes—though not always positively. Practically, the findings urge Palestinian firms and regulators to differentiate between proactive and reactive forensic tools. While Compliance and Corruption Investigations should be expanded and institutionalized, the use of litigation and investigative mechanisms should be reevaluated to ensure they serve as prevention tools rather than crisis responses. Investments in forensic training, development of national standards, and coordination with regulatory agencies are essential next steps to enhance governance effectiveness and long-term financial stability.

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