The Effect of Cultural Values on The Policy of Income Smoothing Applied Research on Sample in Kurdistan Region Industrial Companies

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ABSTRACT

The purpose of this study is to analyze the relationship and effects of six dimensions of cultural value on the income smoothing policy in the industrial sector in region of Kurdistan. This research will show how cultural and economic factors play complementary roles. This study relies on an empirical investigation over the period 2019 aimed at evaluating the relationship between cultural values and income smoothing policy in some industrial companies in the Kurdistan region. Data were collected from seven Iraqi industrial companies based in the Kurdistan Region. A survey was conducted using a quantitative method. The researcher distributed 80 questionnaires to select respondents. Of the total questionnaires distributed, the response rate was 0.775 percent. SPSS software was used to analyze the data collected based on descriptive statistics (Pearson Correlation Coefficient and Coefficient regression). A Multivariate Regression Model computed on Standard OLS Formula has been used to estimate the relationship. This study provided several results and the most notable is the presence of a positive moral relationship between the six dimensions of cultural values on income smoothing policy, as well as the presence of effects of cultural values on income smoothing policies. The findings of this research are intended to inspire administrators and employees who directly influence the behavior of administrators and employees in identifying their strengths and weaknesses. This research has revealed the key role of the six dimensions of cultural values on income smoothing policy in the business settings in the Kurdistan region of Iraq. This was clear taking into account the lower Power Distance Index and additionally, lower Uncertainty Avoidance Index and Femininity, Long Term Orientation, future planning and perseverance, and finally, indulgence.

KEYWORDS: Power Distance, Individualism, Uncertainty Avoidance, Masculinity, Long Term Guidance, Indulgence and income smoothing policy.

1. Introduction

In various countries, further advancements in accounting research have been made to raise understanding of environmental factors. Each of these countries has its own distinct culture of accounting systems and procedures. Despite the fact that term culture is considered to be the most important effective environmental factor in the accounting system of various countries by emphasizing on this assumption that accounting is considered to be any social-executive (technical) activity dealing with human and material resources.

Culture plays a significant role in influencing our work of feeling, thought, and behaving in line with our predictions. Cultures vary from nations and continents. Hofstede's developed the theory of cultural dimensions to explain regional cultural gaps, based on

empirical studies. Through these dimensions, we will understand how mental programming works in national cultures and the reason for cross-cultural social misunderstandings and conflicts. This research studies the impact of individualism, defined as the degree to which individuals are incorporated into groups, using theory and empirical evidence from social psychology to quantify cultural differences between countries (Hofstede, 1980), and egalitarianism, defined as a society's cultural orientation with respect to intolerance for abuses of market and political power (Schwartz, 1994) on income smoothing policy. This work found that income smoothing policy has a major cultural impact. The Malaysian economy is growing fast within the structure of its mix of cultural modernization that is

based on the religious concept (Ogiemwonyi, Osarodion, 2020).

This study aims at examining whether six-dimensional cultural values, Power Distance Index (PDI), Individualism vs Collectivism (IDV), Uncertainty Avoidance Index (UAI), Masculinity Vs Femininity (MAS), Long Term Guidance Vs Short Term Guidance (LTO) and Indulgence vs Restraint (IND), affect and correlate income smoothing policy.

Recently, scholars and researchers have dedicated considerable efforts in providing a convincing definition of 'income smoothing'. Al baaj et al. (2018) argue income smoothing is the most frequently performed and popular form of earnings management. They define it as the the way of showing a reduction of of fluctuations in reported earnings and it is performed so that the company looks stable and not high risk. The number of internal auditors has a significant impact on improving the performance and reducing financial risks (Al-Kake, 2019). On other hand, the manager has to take actions and increase earnings when these are relatively low, and to decrease them when they are relatively high. Corporate governance has become a very important issue during the last few decades among academics and governments (Farhad Al-Kake, Amran Harun, Bestoon Othman, 2019). Foreign direct investment (FDI) act as a scaffold for many countries'economies, protecting them from severe boom-bust cycles that characterize modern capitalist economies (Othman, Al-Kake, Mohd Diah, et al., 2019). The most important factors when analysing the economic growth any country are commercial transactions and foreign direct investments (FDI) (Adl., Nawzad, 2020). The purpose of this study is to examine the influence of cultural values on the income smoothing policy in some Kurdistan region industrial companies. To achieve this purpose the researchers have designed a questionnaire to distribute to all the employees working in the financial sector in the chosen companies. In this study the researchers

applied two variables: one is the dependent six dimension of cultural value, the second one is the independent income smoothing policy one. For this purpose, the cultural dimensions of Hofstede et al., (2010) have been applied to investigate differences in the organizational culture of Iraqi industrial companies. The significance of this study resides in handling the severe competitive environment situation in which the Iraqi industries companies in the Kurdistan Region in Iraq are working and how far this situation reflects on the income smoothing practise. We focused on specific issues of national culture such as power distance, individualism vs collectivism, Uncertainty Avoidance Index, Masculinity vs Femininity, Long Term Orientation vs Short Term Orientation, and Indulgence vs Restraint dimensions (Hofstede et al.'s 2010) to discover how these six dimensions influence the income smoothing policy applied in the Kurdistan region industral companies. Most economies including the one in Kurdistan have increasingly switched towards activity based costing with only a few still using the traditional costing system (Omar & Hasan, 2020). As a result, valid and reliable measures have been adopted in knowledge management procedures which helped organizations as well as researchers in individuating some of the significant factors in varied contexts and specified outcomes of interest (Othman, Al-Kake, Diah, et al., 2019). The study of Gray (1988) identified four accounting value dimensions that can be used to define a country's accounting (sub)culture: professionalism versus statutory control; uniformity versus conformity; conservatism versus optimism, and; secrecy versus transparency. The first two dimensions refer to authority and the enforcement of accounting practice at a country level, while the second ones relate to the measurement and disclosure of accounting information at a country level (Abdullah & Rahman, 2015a and Gray, 1988). The accounting system adopted in the public sector should use the

accrual basis because it produces more useful information for users and investors (Ahmed & Al-Kake, 2019)

2. Literature Review and Hypothesis Development

2.1 Literture review

To the best of our knowledge, this research is the first to use the six dimensions of cultural values in the effect and correlation on income smoothing policy in this specific context. The findings of this study can also serve as a framework for the development of innovative culture principles for future studies. In the contemporary world, business management focuses far more on systematical issues than was previously needed. Moreover, there are more limits and important procedures in the field. These everyday procedures sometimes can be creative (Jaf & Xinping.2011,p 247). Hofstede's Cultural Dimensions Theory is a usual framework used to understand the cultural differences across countries and to deal with different business cultures and their their impact on a business setting.

The aim of Hofstede's Cultural Dimensions Theory, created in 1980, was to determine the different dimensions of a given culture. Hofstede defines culture as "the collective programming of the mind which distinguishes one group from another" (Hofstede, 2001). He identifies culture through six values which are: power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity and longterm orientation vs. short-term orientation and indulgence. Despite some critiques, Hofstede's dimensions had not lost their validity and remain the basis for most researches in accounting and psychology (Kelley, et. al 2006) (Beckmann et. Al 2008); (Doupnik,& Tsakumis, 2004); (Han, et. Al 2010). Thus, most agree on the fact that Hofstede's cultural model has provided considerable operational framework and has revolutionized the studying the relationship between culture and management practices (Leung,et.

Al., 2005). Nevertheless, the information suggests that managers use smoothing income to hide their actions and avoid interventions by outsiders with the purpose to facilitate private benefits consumption (Acharya & Lambrecht, 2015; Fudenberg & Tirole, 1995). In the same way, smoothing income can reduce outside intervention by offering more monitoring, because more recent signals of performance are more informative than less recent signals; therefore, a bad earnings outcome leads to negative consequences for the manager even if the firm had an 'offsetting' good earnings outcome in an earlier period, while an average outcome leads to fewer negative consequences (Fudenberg & Tirole, 1995). Gopalan & Jayaraman (2012) provide evidence that firms with more inside control show a relatively increase in the use of income smoothing than non-insider controlled firms especially in countries with poor investor protection. Sabir et al (2011) argue that "Competitiveness seems to be growing, many businesses have simultaneously sought to achieve a high level of quality, productivity, on time delivery, and flexibility simultaneously. (632)"

2.2 National Culture value

2.2.1 Power distance

According to Hofstede's definition, the power distance is direct result of the acceptance of social the social inequality connected with prestige, wealth and power. (Hofstede 2001, p. 79) The level of the power distance describes "how the culture tolerates and fosters pecking orders, and how actively members try reduce them" (Mead 2003, p. 36) In societies characterized by the tolerance for inequality its members consider natural that people in higher position should enjoy more privileges. On the other hand, low power distance societies are less tolerant of inequality and failure to provide accurate data on any sector, it is considered as an evasion from social responsibility (Pankaj, et al., 2019). In low power distance societies privileges related to social status are not accepted easily and values such as independence are more

valued that obedience to the social statu quo.

2.2.2 Uncertainty Avoidance

Deals with a society's tolerance for ambiguity. It indicates to what extent members of a given culture feel either uncomfortable or comfortable in unforseen situations. These societies try to minimize the possibility of the emergence of such situation by assuming strict behavioral codes, laws and rules, by rejecting opinions contrary to main stream, and by believing in absolute Truth: 'there can only be one Truth and we have it'. According to research, people in uncertainty avoiding countries tend to be more emotional, and tense. The opposite type, uncertainty accepting cultures, are more tolerant of different opinions and they tend fewer rules. From a philosophical and religious point of view they are realist, allowing different currents to flow side by side. People within these cultures are more unemotional and they are not used to express their opinions in public. In Hofstede the Uncertainty Avoidance Index scores are listed for 76 countries. In his study it tends to be higher in East and Central European countries, in Latin countries, in Japan and in German speaking countries, and lower in English speaking, Nordic and Asian countries (Hofstede,et. al., 2010).

2.2.3 Individualism

In individualist societies the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the other hand, collectivist cultures are the ones in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) that continue protecting them in exchange for unquestioning loyalty in opposition other ingroups.

Masculinity consists in those behaviors, languages and commonly associated with males. Masculinity can have both a positive and negative meaning. It can be used to address males' identity, or as a form of distancing from females. Since masculinity/Femininity dimensions behaviors are not the simple product of genetic coding or biological predispositions (Clatterbaugh, 1990; Whitehead & Barrett, 2001), they may be related to accounting choices. Gray's (1988) shows that an emphasis on individual achievement and performance is likely to foster a less conservative approach to accounting measurement. Again, the issue addressed by this dimension is an extremely fundamental one, regarding all societies in the world (Hofstede, 2011).

2.2.4 Masculinity

Consists of those behaviors, languages and practices, existing in specific cultural and organizational locations, which are commonly associated with males and thus culturally defined as not feminine. So masculinity exist as both a positive, in as much as they offer some means of identity significations for males, and as a negative, in as much as they are not the 'Other' (Feminine). Masculinity and male behaviors are not the simple product of genetic coding or biological predispositions (Clatterbaugh, 1990; Whitehead & Barrett, 2001).

Due to the above reasons, the masculinity/femininity dimension of national culture may be related to accounting choices. The study carried out by Gray (1988) shows that an emphasis on individual achievement and performance is likely to foster a less conservative approach to accounting measurement. As mentioned earlier, masculinity refers to a more competitive, achievement and material success oriented society, whereas femininity refers to a more cooperated and modesty oriented society.

2.2.5 Long-term Orientation

Hofstedes and Minkov define long-term orientation as stands for the fostering of virtues oriented toward future rewards, in particular perseverance and thrift. Its opposite pole, short-term orientation, stands for the fostering of values related to the past and present, in particular respect for tradition, preservation of "face," and fulfilling social obligations (Hofstede, Hofstede, &

Minkov, 2010, p. 497). The long-term orientation dimension has been examined little by researchers. This may be partly because it represents "an amalgamation of different cultural traits" whose conceptual ties are loose and difficult to operationalize (Maleki and de Jong, 2014, p.120). It's worth noting that this dimension was originally labeled "Confucian Dynamism". However, Hofstede preferred to re-label this dimension in accordance to the values that it seemed to represent rather than its historical origin, so that it would be a better fit for the other dimension titles (Hofstede, Hofstede, & Minkov, 2010, p. 497). The evaluation of industrial companies is not only based on the profits that they achieved, but also they are evaluated on the the methods of achieving their profits and their social responsibilities (Basariya & Al Kake, 2019).

2.2.6 Indulgence

In the cultural dimensions framework, a culture inclined towards indulgence suggests "a society that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun" (Hofstede, 2011, p. 15). In essence, cultures with high indulgence scores place greater value on seeking happiness, compared to cultures that lean toward restraint. Research related to this dimension reveals an indulgence score of 24 for China, 48 for France, 68 for the U.S., 72 for Ghana, and 80 for Trinidad and Tobago (The Hofstede Centre, n.d.).

2.3 Approach to income smoothing

Income smoothing has been a topic of interest in the accounting and finance literature for decades. In most studies, income smoothing practiced by any firm's management was seen "immoral" because the "cheating" and "misleading" involved. Despite this it has been a topic of interest for many researchers. Initially, the researchers started to discuss and gathering evidence of this activities (Abdullah, 2018). According to Fadaee, Chashmi the income smoothing practice was viewed as "immoral", "cheating" and

"misleading" on the part of the firm's management. Income smoothing has been a topic of interest among many researchers. Initially, the researchers started off with discussions and arguments as well as giving evidence on the existence of income smoothing activities (Fadaee , Chashmi 2016). In the effort to apply this practice, companies may employ a procedure called the "big bath". The purpose is to increase the accrued setbacks showing a bigger loss in the current period followed by a bigger margin of profit in the following one. This is done by facturing future expenses into the current period instead of introducing them in the correct next one. The result of this process called income smoothing, is the reducation of earnings quality because net income does not truly shows the economic operation of the business for given period of time. According to Gaganis and Pasiouras (2016) those firms who show a steady growth rate usually mislead the markets. Their idea was supported by the observation of unsual and approximating risk methods. This shows that there exists a relationship between risk and income variance and that this relationship affects the stakeholders' interpretation of the firm's real risks. Income smoothing consists in balancing the income variability related to some years by changing the income of a bad year with that of a good one. In the same way, income variability may be changed by shifting losses or expenses from time to time. For example, a business can reduce discretionary costs in the current financial year to enhance current earnings and by doing this it will expand the discretionary cost for the following one. Businesses make use of the accounts still to come: bad debts written off, warranty costs, sales returns, allowances, and pension expenses with the purpose of showing approximate quarterly earnings and occasionally increasing losses in the coming year. (Al baaj, et al 2018). As Guillaume & Pierre says "most of the people hold that manipulating incomes reduces the important aspects of financial reports and more so the

accounting principles." (2016) Acharya & Lambrecht (2015) call modifications to improve the financial statements' transparency. In this way stakeholders can base their decision on actual numbers (Abdullah, 2015b). Transparency can be achieved through strict laws that must be binding on accountants and auditors (Al-Kake & Ahmed, 2019 (sabir. et al.,2011,p631).

2.4 Hypothesises

Hypothesis 1 : There is a significant relationship between the six dimensions of cultural values and income smoothing policy applied in the Kurdistan region's industrial companies.

Hypothesis 2: There is a significant effect of the six dimensions of cultural values on the income smoothing policy applied in the Kurdistan region's industrial companies.

3. Data and Methodology

3.1 Study model

Based on the above the study model was developed to measure the impact of the The six dimensions of cultural values (dependent variable) on the Income smoothing policy applied in Kurdistan region's industrial companies (independent variable. Figure No. 1:
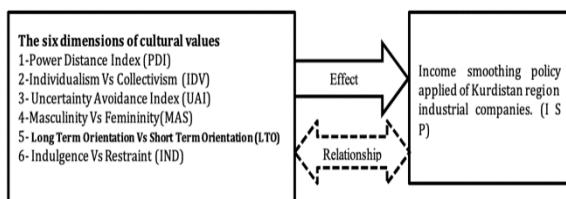

Figure 1: Study model.

Based on the above, the following equation has been formulated to analyze the study model as follows:

$$ISP = \beta_0 + \beta_1((PDI)) + \beta_2(IDV) + \beta_3(UAI) + \beta_4((MAS)) + \beta_5(LTO) + \beta_6(IND) + \varepsilon$$

3.2 Scope of Research

This an empirical study testing carried out using causalities research method to investigate the influence between independent and dependent variables mentioned earlier with the purpose of

analysing the influence of the implementation of the six dimentions of culture on income smoothing policy in the Kurdistan region industrial companies.

3.3 Data Collection

The data for this study was collected through a survey. In order to collect the required information a sampling design was carefully chosen for this specific study. Description Sample of the Study:

4. Results and Discussion

4.1 Descriptive Statistics

Once the survey had been prepared, it was revised and validated by some of the experts specialized in this area.

The questionnaire was designed to measure the relationship and the impact of independent variables on the dependent variables. Here, we propose the deployment of this approach to provide better visibility to the evaluation the six dimensions of cultural value on income smoothing. The main purpose was:

- To examine the relationship and impact six level dimensions of cultural values.
- To examine the usage level of income smoothing policy.
- What impact does the six dimension of cultural values have on the income smoothing policy applied .

4.2 Test of Hypotheses

Hypothesis 1 : There is a significant relationship between six dimensions of cultural values and income smoothing policy applied in Kurdistan region Industrial Companies.

To affirm that the six dimensions of culture value has an impact on income smoothing policy. Pearson's correlations among the various manipulation strategies are provided for the approximately seven firms that are suspected of practising income smoothing policy. In this section, we attribute six dimensions of cultural value to each income smoothing policy on the hypothesis that there is a

direct relationship between six dimensions of cultural values and income smoothing policy. The research reveals that the hypothesis is proven because the significances of each dimension of culture value obtained from the distribution table at 1% level of significance and with 62 degrees of freedom are very high. The response to the questionnaire and the relevant computations are shown in Table 1. In addition, the Pearsons correlations in Table 1 shows that (Power Distance Index (PDI), Individualism vs Collectivism (IDV), Uncertainty Avoidance Index (UAI), Masculinity vs Femininity(MAS), Long Term Orientation vs Short Term Orientation (LTO), Indulgence vs Restraint (IND) and Income smoothing policy are positive correlated with (0.800*, 0.814**, 0.716**, 0.423**, 0.926**, 0.645**) respectively. This might indicate that firms with higher six dimensions of culture value aim apply higher levels of income smoothing policy. In addition to the above, managers can realize income smoothing policy choices by operating decisions. Managers can apply income smoothing policy because they have flexibility in making accounting or operating choices.

Table 1 :Test of the Correlation between six dimensions of culture value and income smoothing policy according to Pearson's Correlation Method

		Power Distance Index	Individualism	Uncertainty Avoidance Index	Masculinity Vs Femininity	LongTerm Orientation	Indulgence Vs Restraint	Income smoothing policy
Power Distance Index	Pearson Correlation	1	0.812**	0.598**	0.367**	0.736**	0.525**	0.800**
	Sig. (2-tailed)		0.000	0.000	0.003	0.000	0.000	**0.000**
	N	62	62	62	62	62	62	62
Individualism	Pearson Correlation	0.812**	1	0.685**	0.374**	0.845**	0.710**	0.814**
	Sig. (2-tailed)	0.000		0.000	0.003	0.000	0.000	**0.000**
	N	62	62	62	62	62	62	62
Uncertainty Avoidance Index	Pearson Correlation	0.598**	0.685**	1	0.463**	0.600**	0.528**	0.716**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000	0.000	**0.000**
	N	62	62	62	62	62	62	62
Masculinity Vs Femininity	Pearson Correlation	0.367**	0.374**	0.463**	1	0.276*	0.596**	0.423**
	Sig. (2-tailed)	0.003	0.003	0.000		0.030	0.000	**0.001**
	N	62	62	62	62	62	62	62
Long Term Orientation	Pearson Correlation	0.736**	0.845**	0.600**	0.276*	1	0.694**	0.926**
	Sig. (2-tailed)	0.000	0.000	0.000	0.030		0.000	**0.000**
	N	62	62	62	62	62	62	62
Indulgence Vs Restraint	Pearson Correlation	0.525**	0.710**	0.528**	0.596**	.694**	1	0.645**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000		**0.000**
	N	62	62	62	62	62	62	62
Income smoothing policy	Pearson Correlation	0.800**	0.814**	0.716**	0.423**	0.926**	0.645**	1
	Sig. (2-tailed)	0.000	0.000	.000	0.001	0.000	0.000	
	N	62	62	62	62	62	62	62
**. Correlation is significant at the 0.01 level (2-tailed).								
*. Correlation is significant at the 0.05 level (2-tailed).								

Hypothesis 2: There is a significant effect between six dimensions of cultural values and income smoothing policy applied in Kurdistan region industrial Companies.

Variables	Coef.		T statistic	Sig.
Cons.	β0	-0.168	-0.790	0.433
1-Power Distance Index (PDI)	β1	0.200	3.388	0.001
2-Individualism Vs Collectivism (IDV)	β2	-0.171	-2.099	0.040
3- Uncertainty Avoidance Index (UAI)	β3	0.181	3.889	0.000
4-Masculinity Vs Femininity(MAS)	β4	0.213	3.390	0.001
5- Long Term Orientation Vs Short Term Orientation (LTO)	β5	0.809	11.891	0.000
6- Indulgence Vs Restraint (IND)	B6	-0.168	-2.039	0.046
Extra Statistics	F = 132.967		Adj. R-sq = 0.936	
	Prof>F = 0.000		Observations =62	

In analyzing the regression Table 2, it was observed the degree of conditional conservatism in the full sample applying primary model. The coefficients β_0 statistically significant and on the other hand, the coefficients β_0 ($\beta_0 = -0.165$, P-value <0.01), show the incorporation of unconditional conservatism into the model.

Pearson's correlations show also that Power Distance Index (PDI) has a significant level 0.001 smaller than the significant standard level 0.05. Coefficient regression for Power Distance Index (PDI) is 0.200 ,($\beta_1 = 0.021$, P-value <0.01) which shows a positive direction to income smoothing policy applied. This describe that Power Distance Index (PDI) of 62

directors has a positive and significant effect on the application of the income smoothing policy. That indicate if Power Distance Index (PDI) change increased by one point, then the value of income smoothing policy applied will increase by 0.200. The result shows that six dimensions of culture value to income smoothing policy applied becomes stronger due to the Power Distance Index (PDI) variable.

In addition to the correlations mentioned earlier, Individualism (IDV) has a significant level 0.040 smaller than the significant standard level 0.05. Coefficient regression for Individualism (IDV) is -0.171($\beta2$ = 0.040, P-value <0.01) which shows a negative direction regarding the application of an income smoothing policy. This describes that Individualism (IDV) has a negative significant effect on the application of income smoothing. That indicates that if Individualism (IDV) change increased by one point, then the income smoothing policy applied will decrease by -0.171. The result shows that six dimentions of culture value to income smoothing policy is stronger due to the Individualism (IDV) variable. the larger the Individualism (IDV) the greater the income smoothing policy applied.

Uncertainty Avoidance Index (UAI) has a significant level 0.000 smaller than the significant standard level 0.05. Coefficient regression for Uncertainty Avoidance Index (UAI) is 0.181 ($\beta3$ = 0.181, P-value <0.01) which shows a positive direction for the application of income smoothing policy. This describes that Uncertainty Avoidance Index (UAI) has positive significant effect on company value. That indicate if Uncertainty Avoidance Index (UAI) change increased by one point, then the firm value will increase by 0.181. The result shows that six dimantions of culture value to income smoothing policy applied is stronger due to the Uncertainty Avoidance Index (UAI). The results of the Uncertainty Avoidance Index (UAI) have a positive influence on the relationship between six dimentions of culture value and income smoothing

policy.

Table 2 also presents insignificant results regarding the variable of Masculinity (MAS). This has a significance level 0.001 which is smaller than the significant standard level 0.05. Coefficient regression for Masculinity (MAS) is 0.213 ($\beta4$ = 0.213, P-value <0.01) shows positive direction for the application of an income smoothing policy. This describes that Masculinity (MAS) has positive effect significant on it. That indicate if Masculinity (MAS) change increased by one point, then the income smoothing policy applied will increase by 0.213. The result shows that the larger the Masculinity (MAS) the greater the possibility of application of an income smoothing policy.

Table 4 deals with Long Term Orientation (LTO). It shows and this variable has a significant culture level 0.000 smaller than the significant standard level 0.05. Coefficient regression for Long Term Orientation (LTO) is 0.809 ($\beta5$ = 0.809, P-value <0.01) which shows positive direction towards the application of a income smoothing policy. This describes that Long Term Orientation (LTO) has a positive effect significant on income smoothing policy. That indicates that if Long Term Orientation (LTO) change increased by one point, then the income smoothing policy applied will increase by 0.809. The result shows that the larger the Long Term Orientation (LTO) the greater the income smoothing policy applied.

It is easy to observe from Table 2 that the Indulgence (IND) has a significant level 0.046 smaller than the significant standard level 0.05. Coefficient regression for Indulgence (IND) is -0.168($\beta6$ = -0.168, P-value <0.01) which shows negative direction to an income smoothing policy. This describes that Indulgence (IND) has a negative effect significant on income smoothing policy. This indicates that if Indulgence (IND) change increased by one point, then the income smoothing policy applied will decrease by -0.168. The result shows that six dimentions of culture value to

income smoothing policy is stronger due to the Indulgence (IND) variable. The larger the Indulgence (IND) the greater the income smoothing policy applied. This is due to the fact that hypothesis 2 is based on the idea that there is a significant effect between six dimensions of cultural values and income smoothing policy while there is no a significant effect between six dimensions of cultural values and income smoothing policy.

In multiple linear regression tests also the coefficient of determination (R2) was also analysed. A Coefficient of determination is used in this study to see the influence of the independent variable and moderating variable on dependent variable. Value of the correlation coefficient (R) shows how much is the correlation or relationship between the independent variables with the dependent variable. The criteria of correlation according to Sarwono (2014: 100) are:

Table 3: Criteria of Corrrelation Coefficient

VALUE	INFORMATION
0	No correlation between variable
> 0 – 0.25	Very weak correlation
> 0.25 – 0.5	Fairly strong correlation
> 0.5 – 0.75	Strong correlation
> 0.75 – 0.99	Very strong correlation
1	Perfectly correlation

Table 4 :Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.967ᵃ	0.936	0.928	0.11972	0.936	132.967	6	55	0.000

a. Predictors: (Constant), LTO6, PDI1, MAS4, UAI3, IND5, IDV2

The results of table 4 show that the value of (F) is (132.967) and the value of (F. sig = (0.000), which indicates that the model is highly statistically significant. Table 4 also shows that the correlation coefficient (R) for 0.967, which means that the

correlation between the dependent variable with the independent variables based on the criteria correlation coefficient value (> 0.75 – 0.99) is a very strong one. Adjusted R Square value or coefficient of determination is equal to 0.928. This table shows that six dimensions of culture value variable and income smoothing policy can explain 92.8% of the income smoothing policy applied. While 7.2% (100%-92.8%) is explained by other variables that are not investigated in this study.

4.3 Discussion and Implications

The purpose of this study was to test the role of six dimension cultural value in the implementing of income smoothing policy in Kurdistan region industrial companies. Based on the purpose, hypotheses were formulated to test that role.

Based on the results of Table 4 above, the regression model can be formulated as follows:

ISP = -0.168+0.200((PDI))-0.171(IDV) +0.181(UAI)+ 0.213((MAS))+0.809(LTO)-0.168 (IND)

From the equation above, it appears that the fixed limit (β0) equals (-0.168), and this means that if the six dimensions of culture value are equal to zero, then the income smoothing policy applied of the research sample will be -(0.168). It is possible to note that the test (t) of the fixed limit (β0 Equivalent to (-0.790), with a significance of (0.000), which is smaller than (0.05), meaning that there is a significant effect of the fixed limit on the dependent variable, which is the income smoothing policy applied.

The mentioned regression equation shows that the unit of increase in Power Distance Index (PDI) led to a decrease in the income smoothing policy applied in the research of 0.200, and the unit of decrease in Individualism vs Collectivism (IDV) led to an decrease in the income smoothing policy applied in the research of -0.171. The unit of increase in Uncertainty Avoidance Index (UAI) led to a decrease in the income smoothing policy applied of the research of 0.181, and the unit of increase in Masculinity vs Femininity(MAS)

led to an decrease in the income smoothing policy applied of 0.213. The unit of increase in Long Term Orientation vs Short Term Orientation (LTO) led to an decrease in the income smoothing policy applied of 0.809. The unit of decrease in Indulgence vs Restraint (IND) led to an decrease in the income smoothing policy applied of -0.168.

5. Conclusion and Implications

- This research aimed at measuring the influence of cultural values in implementing income smoothing police in the Kurdistan region industrial companies in Iraqi with the purpose to report financial statements that are characterised by a high degree of relevance and honesty in the representation of units, and to measure the efficacy and relation of the six dimensions of cultural values in reducing the implement income smoothing policy. A questionnaire has been prepared based on the previous literature, in addition to conducting more special tests to ensure the suitability of the scale. In the light of the results of the distributed questionnaire, it was concluded that there is an effect and relation of the six diminsion of cultural value in reducing the implementing of income smoothing policies.

- This research presents interesting findings about the relationship between the effect of six dimensions of cultural value implemented income smoothing policy.

- The findings of this study also proove that the six dimensions of cultural value ((Power Distance Index (PDI), Individualism vs Collectivism (IDV), Uncertainty Avoidance Index (UAI), Masculinity vs Femininity(MAS), Long Term Orientation vs Short Term Orientation (LTO), Indulgence vs Restraint (IND)) are significantly related with Income smoothing policy. Table 1 shows that the are a positive correlated with 0.800*, 0.814**, 0.716**, 0.423**, 0.926**,0.645**, respectively. This might indicate that firms with higher six

dimensions of culture value aim to apply higher levels of income smoothing policy. In addition to the above, managers because they have flexibility in making accounting or operating choices. The result present the impact level six dimensions of cultural values in the Kurdistan region.

- The result shows that the six dimentions of culture value have distribute between positive and negative effect significant on income smoothing policy applied stronger by Coefficient regression for in which (Power Distance Index (PDI), Masculinity (MAS), Uncertainty Avoidance Index (UAI)and Long Term Orientation (LTO)) they have apositive effect significant on income smoothing policy applied. That indicate if (PDI), (MAS), (UAI) and (LTO) change increased by one point, then the value of income smoothing policy applied will increase by 0.2. The result show that four include: ((PDI), (MAS), (UAI) and (LTO)) dimensions of culture value to income smoothing policy applied are stronger than income smoothing policy applied.

- Besides the Coefficient regression for Individualism (IDV) and Indulgence (IND) which shows negative direction to income smoothing policy applied. That indicate if Individualism (IDV) and Indulgence (IND) increase by one point, then the income smoothing policy applied will decrease of -0.171 and -0.168, respectively. The result shows that two dimentions of culture value (Individualism (IDV) and Indulgence (IND) had a high impact on income smoothing policy.

- The findings of this study in table 4 show that the value of (F) is (132.967) and the value of (F. sig = (0.000), which indicates that the model is highly statistically significant, the correlation coefficient (R) for 0.967, which means that the correlation between the dependent variable with the independent variables is very strong based on the criteria correlation coefficient value (> 0.75 – 0.99).

The adjusted R Square value or coefficient of determination is equal to 0.928. While 7.2% (100%-92.8%) is explained by other variables that are not investigated in this study. Based on the results of Table 4 above, the regression model can be formulated as follows:

ISP = -0.168+0.200((PDI))-0.171(IDV) +0.181(UAI)+ 0.213((MAS))+0.809(LTO)-0.168 (IND)

6. Recommendation

Since this study focuses only on regional-Iraq companies in Kurdistan, future studies should therefore incorporate a broader and more diverse set of samples in companies in Iraq.

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