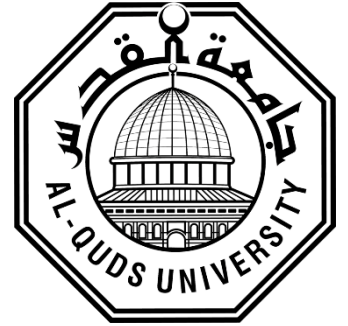


**Deanship of Graduate Studies
Al-Quds University**



**The Influence of Digital Technology on the Quality of Financial
Reporting: An Examination of Insurance Companies Listed on the
Palestine Exchange.**

Rawan Khaleel Alsarkhi

Master Thesis

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The Influence of Digital Technology on the Quality of Financial Reporting: An Examination of Insurance Companies Listed on the Palestine Exchange.

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Dedication

To my beloved parents,

Who instilled ambition in me and supported me with endless love and sacrifices.

To the eternal soul of my beloved husband, Wajdy,

My guiding light, whose love and strength inspire me every day. This work is a tribute to your memory.

To my dear children—AbdElhady, Qassam, Kanz, and Misk,

My greatest blessings, whose love and presence give my life strength and meaning.

To my manager, Mr. Rasem Kamal,

For opening doors to knowledge and inspiration.

To my best friend, Dr. Shorouq Hassan,

For being my constant support and confidante.

To my husband's family,

For their kindness and encouragement.

To my Siblings, and friends, especially Alia,

For their prayers and unwavering support.

And to my homeland, Gaza,

A symbol of resilience and strength.

This work is dedicated to all of you with gratitude, love, and the most profound respect.

Rawan Khaleel Alsarkhi

Declaration

I certify that this thesis submitted for the degree of Master is the result of my own research, except where otherwise acknowledged, and that this thesis – or any part of the same material- has not been submitted for a higher degree to any other university or institution.

Signed:



Rawan Khalil Abdallah Sarkhi

Date: 15/01/2025

Acknowledgment

First and foremost, I express my sincere gratitude to Allah Almighty for giving me the strength and determination to complete this thesis. Especially after the passing of my husband, I am grateful for his support and faith in me. His encouragement and love were my strength throughout my studies, and although he is no longer by my side, his memory continues to inspire and guide me every step of the way.

I would also like to extend my thanks and gratitude to my beloved mother, who, after Allah Almighty, was the most excellent support and helper for me and my children after the passing of my husband. Without her continuous support and sincere prayers, I would not have been able to complete this pathway.

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Rawan Khaleel Alsarkhi

Abstract

This study examines the influence of digital technology on the financial reporting quality of insurance companies listed on the Palestine Stock Exchange. The study adopts a mixed approach that combines quantitative and qualitative approaches, as it included a sample of eight companies listed on the Palestine Stock Exchange from 2019-2023. To achieve the goals of this study, quantitative data derived from annual reports are analyzed using the Partial Least Squares (PLS) technique to assess relationships and test hypotheses. In addition, the study uses the qualitative approach to gain in-depth insights from the review of financial reports.

The study reaches several results, the most important of which are the findings that reveal that digital technology significantly enhances financial reporting quality by improving accuracy, transparency, consistency, and timeliness. The study also shows a strong positive relationship between digital technology and the entrepreneurial ecosystem, highlighting the role of digital innovations in enhancing collaboration and entrepreneurial innovation within the insurance sector. However, the entrepreneurial ecosystem has a statistically insignificant direct impact on financial reporting quality. It fails to mediate the relationship between digital technology and financial reporting quality, highlighting a gap in integrating entrepreneurial activities with financial reporting quality.

In light of these findings, the study recommends adopting comprehensive digital technology initiatives, enhancing stakeholder collaboration, and developing integrated frameworks to improve financial reporting quality in the insurance sector. Given the significant importance of this sector in enhancing the Palestinian GDP and supporting economic growth, including data on its economic contribution in policy discussions is essential. The study recommends exploring advanced technologies to enhance the efficiency of insurance companies, maximizing their contribution to the national economy. It highlights the importance of integrating the entrepreneurial ecosystem into national regulations and fostering partnerships between startups, technology providers, and regulators. Additionally, it calls for frameworks linking digital technology initiatives with entrepreneurial activities to improve financial reporting quality and drive innovation in the insurance sector.

Keywords: Digital technology, financial reporting quality, insurance companies, entrepreneurial ecosystem.

Table of Contents

Dedication	I
Declaration	II
Acknowledgment.....	III
Abstract.....	IV
Table of Contents	V
List of Tables	IX
List of Figures.....	X
Abbreviations	XI
Chapter one: Part one – Introduction.....	1
1.1 Research Background.....	1
1.2 Problem Statement	3
1.3 Main and Specific Questions.....	3
1.3.1 Main question:	3
1.3.2 Specific questions:	3
1.4 Main Goal and Specific Objectives.....	4
1.4.1 Main Goal:	4
1.4.2 Specific Objectives:	4
1.5 Significance and Motivations of the Study	5
1.5.1 Significance of the Study:.....	5
1.5.2 Motivations of the study:	5
1.6 Study Model	6
1.7 Terminology of the study	7
1.8 Outline of the Thesis	7

Chapter one: Part two	8
1.2 The Insurance Sector in Palestine.....	8
1.2.1 Palestinian Insurance Federation (PIF).....	8
1.2.2 Challenges Facing the Insurance Sector in Palestine	9
1.2.3 Insurance Companies Listed on the Palestine Exchange (PEX)	9
Chapter Two: Literature Review	13
2.1 Financial Reporting.....	13
2.1.1 Definition of Financial Reporting.....	13
2.2.2 Quality of Financial Reporting.....	14
2.2.2.1 Accuracy	14
2.2.2.2 Consistency	15
2.2.2.3 Transparency	15
2.2.2.4 Timeliness	15
2.2. Digital Technology.....	16
2.2.1 Definition of Digital Technology	16
2.2.2 Key Aspects of Digital Technology	16
2.2.2.1 Big Data Analytics.....	17
2.2.2.2 Artificial Intelligence (AI)	17
2.2.2.3 Blockchain Technology	17
2.2.3 Challenges Facing Digital Technology	18
2.2.3.1 Cybersecurity Threats	18
2.2.3.2 Skill Gaps and Training Needs	18
2.2.3.3 Time Constraints in Real-Time Reporting.....	19

2.2.4 The Role of Digital Technology in Enhancing Financial Reporting Quality	19
2.2.4.1 Improved Data Accuracy:	20
2.2.4.2 Enhancing Consistency:.....	21
2.2.4.3 Enhancing Transparency:.....	21
2.2.4.4 Enhancing Real-time Processing:	22
2.3 Ecosystem.....	23
2.3.1 Definition of Entrepreneurial Ecosystem	23
2.3.2 The Role of Entrepreneurial Ecosystem in Enhancing Financial Reporting Quality ...	25
Chapter Three: Methodology	29
3.1 Research Approach	29
3.2 Data Collection.....	30
3.3 Description and Measurements of Study Variables	30
3.3.1 Independent Variable: Digital Technology	30
3.3.2 Dependent Variable: Financial Reporting Quality (FRQ).....	31
3.3.3 Mediator: Entrepreneurial Ecosystem	34
3.4 Analytical Techniques.....	35
3.4.1 SmartPLS software is used for PLS analysis.....	35
3.4.2 Reliability and validity are tested:	36
3.4.3 Hypothesis Testing evaluates direct and indirect relationships between variables.	37
3.5 Ethical Considerations.....	37
Chapter Four: Results and Discussion.....	38
4.1 Results	38

4.1.1 Statistical Indicators: Path Coefficients, R-square, Confidence Intervals, T-statistics, and P-Values.....	38
4.1.2 Mediation Analysis Insights	41
4.1.3 Reliability and Validity	42
4.1.4 Indirect, Specific Indirect, and Total Effects.....	44
4.2 Discussion of the Study Results	46
4.3 Summary of the study results	49
4.4 Summary of Hypotheses Testing	50
Chapter Five: Conclusions, Policy and Practical Implications, and Further Research.....	52
5.1 Conclusions	52
5.2 Policy and Practical Implications	53
5.3 Further Research	55
References.....	56

List of Tables

Table 1.1: Financial and Insurance Sector Performance in Palestine (2019-2023).....	8
Table 4.1: Statistical Analysis of Path Relationships Between DT, ESC, and FRQ.....	39
Table 4.2: Reliability and Validity Assessment of Model Constructs.....	42
Table 4.3: Summary of Direct, Indirect, and Total Effects Among Model Constructs.....	45
Table 4.4: Summary of Hypotheses Testing.....	45

List of Figures

Figure 4.1: The Path and Model fit estimation using the bootstrapping procedure.....	41
Figure 4.1: The Path and Model fit estimation using PLS-SEM algorithm.....	44

Abbreviations

DT:	Digital Technology
BDA:	Big Data Analytics
AI:	Artificial Intelligence
BLC:	Blockchain
ML:	Machine Learning
RPA:	Robotic Process Automation
NLP:	Natural Language Processing
DLT:	Distributed Ledger Technology
ESC:	Entrepreneurial Ecosystem
CI:	Collaboration Initiatives
IP:	Innovation Programs
FRQ:	Financial Reporting Quality
ACC:	Accuracy
CON:	Consistency
TIM:	Timeliness
TRA:	Transparency
PLS:	Partial Least Squares
HTMT:	Heterotrait-Monotrait Ratio
AVE:	Average Variance Extracted
PEX:	Palestine Exchange
PIF:	Palestinian Insurance Federation
CMA:	Palestine Capital Market Authority

Chapter one: Part one – Introduction

1.1 Research Background

The idea of insurance dates back hundreds of years, but organizing insurance work within specialized companies was born in the twentieth century. Countries have enacted several laws to regulate and monitor insurance activities due to their significant importance in generating state revenues. Developed nations have worked to provide a suitable environment for insurance, keeping pace with the substantial modern technological advancements and continuous developments in business management by offering successful administrative and financial competencies. Additionally, major insurance companies worldwide have strengthened their market positions by increasing capital or through mergers. Furthermore, that has enabled them to provide high-quality and premium insurance services at competitive prices, aligning with the evolving variables of the economic environment. (Razia & Awwad 2021)

Globally, the insurance sector has undergone a renaissance driven by technological advancements, globalization, and evolving business practices. In developed economies, insurance companies have capitalized on these trends by adopting advanced technologies, enhancing administrative and financial capacities, and strengthening their market positions through mergers and capital increases. In contrast, while influenced by these global shifts, the Palestinian insurance sector faces unique hurdles tied to its nascent status and economic constraints. Its strategic importance highlights the need for targeted efforts to enhance its performance and integration into the broader

economic framework, ensuring its contribution to sustainable economic development (Makkawi & Saadedin, 2021).

In Palestine, the insurance sector has evolved within a complex historical and political context, reflecting the region's unique trajectory. The regulation of insurance activities began during the Ottoman era, with laws such as the 1845 Guarantee Contract Statute. Over subsequent administrations—including the British Mandate, Jordanian rule, and Israeli occupation—the sector experienced multiple legal reforms. However, it was not until the establishment of the Palestinian Authority in 1994, followed by the creation of the Palestine Capital Market Authority (CMA) in 2004 and the enactment of the Insurance Act in 2005, that the sector achieved a structured regulatory framework. Despite this progress, challenges remain, including limited organization and a lack of widespread insurance culture, which have constrained the sector's growth and efficiency (Abdeljawad & Dwaikat, 2022; Jawad & Ayyash, 2019).

In Palestine, the insurance industry is one of the most significant economic sectors. It forms one side of the economic stability triangle: banking and the judiciary. It seeks to control the risks of the national economy by preserving national savings and the lives and property of individuals and institutions while also contributing efficiently to economic progress. The insurance sector in Palestine has witnessed a tangible development since the Palestinian Capital Market Authority assumed the powers of supervision and control over the insurance sector, as this development was not only limited to doubling the size of the insurance portfolio and increasing the amount of compensation paid by insurance companies, but also at the level, nature, and quality of insurance services provided to the public, as well as their diversity and increasing ([pcma.2024](#)).

Several critical elements impact the insurance industry's growth, improving its performance and contributing to financial and economic stability. Corporate governance, legal frameworks, technology integration, and market dynamics are among the issues considered. Adopting digital technologies like big data analytics, artificial intelligence, and blockchain can improve financial reporting quality by increasing accuracy, transparency, consistency, and timeliness. Furthermore, a healthy entrepreneurial environment promotes innovation and allows insurance businesses to adapt to market demands successfully. Chapter Two researches deeper into these significant

qualities, thoroughly examining their significance for tackling obstacles and capitalizing on development prospects in the Palestinian insurance business.

1.2 Problem Statement

Digital technology, through technologies like big data analytics, artificial intelligence, and blockchain, can significantly enhance the quality of financial reporting by improving accuracy, transparency, consistency, and timeliness. However, insurance companies in Palestine face challenges in effectively implementing these technologies, particularly in ensuring data integrity, security, and compliance. Despite its importance, there is limited research on how digital technology addresses specific challenges such as manual data entry errors, inconsistent reporting, and delays in financial information delivery, creating a gap in understanding its impact on financial reporting quality within this context.

This study seeks to bridge this gap by examining the relationships between digital transformation and key aspects of financial reporting quality—accuracy, transparency, consistency, and timeliness—while investigating potential mediating variables. The research explores how these technologies influence reporting quality and tests hypotheses regarding their impact, aiming to provide actionable insights for improving financial practices and leveraging digital transformation in the Palestinian insurance sector.

1.3 Main and Specific Questions

This study is developed to provide answers to the following questions:

1.3.1 Main question:

To what extent do digital technology and the entrepreneurial ecosystem impact the quality of financial reporting in insurance companies?

1.3.2 Specific questions:

Several questions arose from the main question:

1. How does digital technology enhance the quality of financial reporting in insurance companies?
2. How does digital technology contribute to improving the entrepreneurial ecosystem of insurance companies?
3. How can the entrepreneurial ecosystem influence the quality of financial reporting in insurance companies?
4. To what extent does the entrepreneurial ecosystem mediate the relationship between digital technology and the quality of financial reporting in insurance companies?

1.4 Main Goal and Specific Objectives

1.4.1 Main Goal:

The main goal of this study is to investigate the influence of digital technology and the entrepreneurial ecosystem on the quality of financial reporting in insurance companies in Palestine, focusing on understanding how these factors contribute to enhancing accuracy, transparency, consistency, and timeliness.

1.4.2 Specific Objectives:

1. To analyze how digital technology enhances the accuracy of financial reporting by reducing manual data entry errors in insurance companies.
2. To examine how digital technology improves the consistency of financial reporting processes within insurance companies.
3. To investigate how digital technology contributes to providing a clear and transparent record of financial transactions in insurance companies.
4. To assess how digital technology enables the timely delivery of financial information in insurance companies.
5. To explore how the entrepreneurial ecosystem influences insurance companies' financial reporting quality.
6. To measure the relationship between the entrepreneurial ecosystem as a mediator and the impact of digital technology on the financial reporting quality of insurance companies.

1.5 Significance and Motivations of the Study

1.5.1 Significance of the Study:

Theoretical Significance: This study contributes to the existing literature by examining how digital technologies like big data analytics, AI, and blockchain enhance financial reporting quality in insurance companies. It deepens understanding of the relationship between digital transformation, the entrepreneurial ecosystem, and improved financial reporting quality.

Practical Significance: The study provides practical solutions for insurance companies in Palestine, highlighting how digital technologies improve accuracy, transparency, consistency, and timeliness in financial reporting. It also explores the role of the entrepreneurial ecosystem in supporting these improvements, offering recommendations for policymakers and industry practitioners to enhance the sector's financial reporting quality.

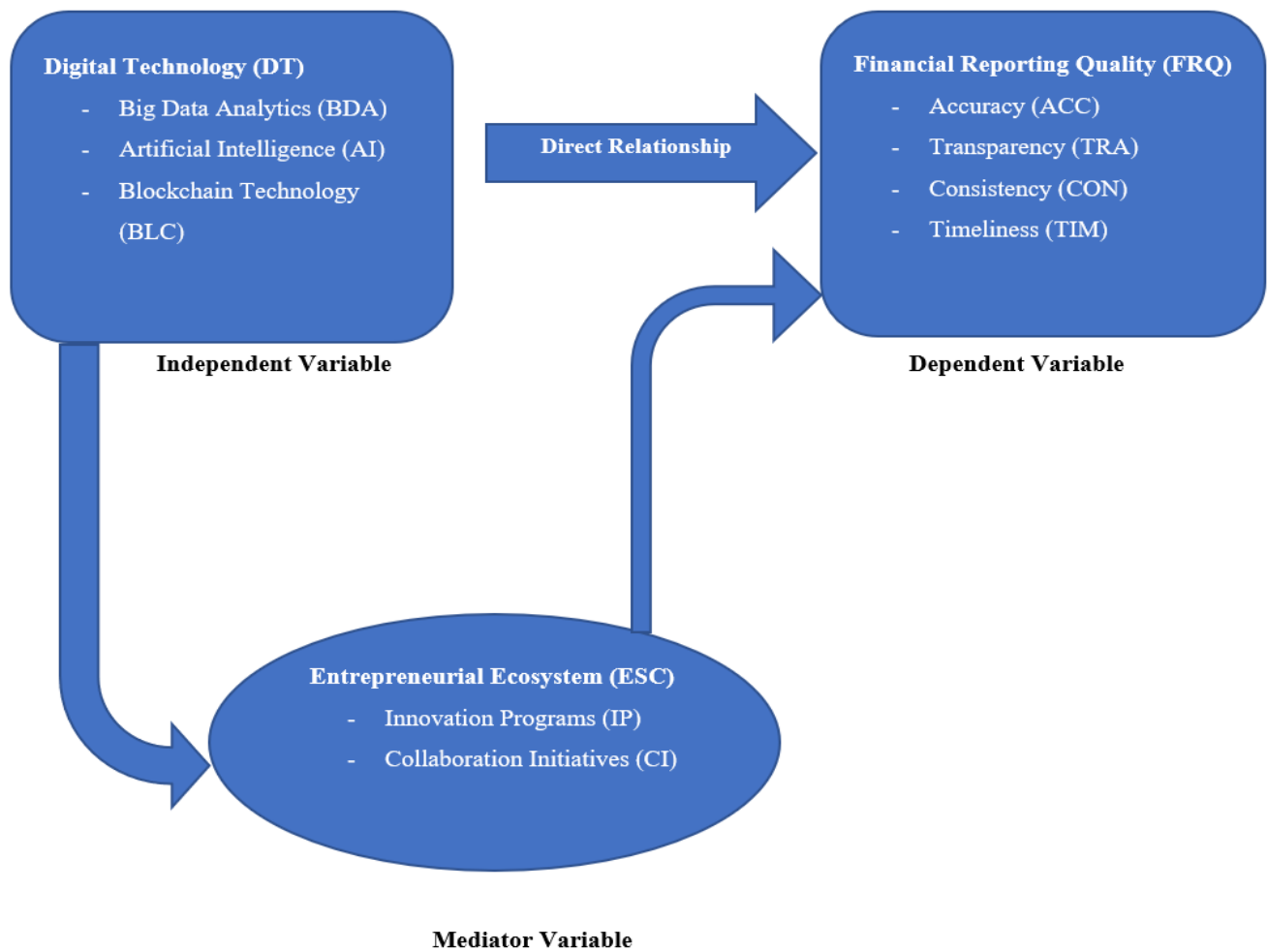
1.5.2 Motivations of the study:

The study motivations can be summarized as follows:

- Adoption of Digital Technologies in Palestine: There is a growing adoption of digital technologies in insurance companies in Palestine, yet limited research exists on how these technologies impact financial reporting.
- Understanding the Role of the Entrepreneurial Ecosystem: The study seeks to address the gap in understanding how the entrepreneurial ecosystem can support the implementation of digital technologies, particularly in enhancing financial reporting.
- Improving Financial Quality: The study aims to provide actionable recommendations to improve financial practices within insurance companies in Palestine, contributing to the sector's overall stability and growth.

1.6 Study Model

The model below shows the relationships between the study variables:



1.7 Terminology of the study

Digital Technology: is a combination of computer hardware and software that assists information systems in input, processing, and output (Hertati & Zarkasyi, 2015).

Financial Reporting Quality: is the degree of accuracy that makes the financial report capable of conveying information on the operations of the Economic Unit to the users of those reports and, in particular, investors in a way that enables them to estimate expected future cash flows, as well as its ability to make a difference to decision-makers (Hasan, 2023).

An entrepreneurial Ecosystem: is a novel framework for understanding increasingly complex and interconnected social processes, where subsystems collaborate to achieve a common goal (Balawi & Ayoub, 2022).

1.8 Outline of the Thesis

The thesis comprises five main chapters. Chapter One introduces the study, providing an overview of the research background, problem statement, objectives, and significance. Chapter Two delves into the literature review, summarizing relevant theories, concepts, and previous studies that form the foundation of the research. Chapter Three outlines the methodology, describing the research design, data collection processes, and analytical techniques utilized. Chapter Four presents the results and discussion, offering a detailed analysis and interpretation of the findings. Finally, Chapter Five concludes the study, summarizing key insights, discussing policy and practical implications, and suggesting avenues for future research.

Chapter one: Part two

1.2 The Insurance Sector in Palestine

1.2.1 Palestinian Insurance Federation (PIF)

The Palestinian Federation of Insurance Companies has operated since the late nineties when it gained its mandate in the Palestinian Insurance Law No. 20 of 2005 by Article 131 of Chapter 15. It is a Palestinian non-profit organization with an independent legal personality seeking to achieve the public interest of the national economy. It is the sole representative of all insurance companies operating in Palestine, where it works to develop the insurance industry, raise the level of insurance awareness among the public, work to protect the interests of its members and achieve cooperation with the relevant official authorities and all those related to the insurance sector locally, regionally and internationally. (pif.org, 2024)

According to the Palestine Monetary Authority (PMA) 's Annual Reports from 2019-2023, shown below in Table (1.1), Palestine's financial and insurance sector has shown consistent growth, with activities increasing from USD 632.2 million in 2019 to USD 748.8 million in 2023, reflecting an 18.44% overall growth rate. Insurance revenues as a percentage of GDP increased from 4.0% to 5.1% during the same period, reflecting the sector's growing importance in the economy. Despite economic and political obstacles, the insurance sector's sustained rise determines its growing importance.

Table 1.1: Financial and Insurance Sector Performance in Palestine (2019-2023)

Year	2019	2020	2021	2022	2023
Financial and Insurance Activities	632.2	639.7	700.1	731.6	748.8
Insurance revenues as a share of GDP	4.0%	4.7%	4.5%	4.7%	5.1%
Growth Rate from 2019-2023	18.44%				

(Prepared by the researcher)

1.2.2 Challenges Facing the Insurance Sector in Palestine

Adopting digital technology in the Palestinian insurance sector presents significant challenges for financial reporting, particularly in achieving accuracy, transparency, consistency, and timeliness. Integrating automated processes, advanced analytics, and systems like big data analytics requires substantial investment and expertise but is essential for minimizing errors, enabling real-time reporting, and standardizing practices. Additionally, companies must navigate regulatory compliance to align their digital processes with financial standards, as non-compliance could result in legal and reputational risks (Razia et al., 2024).

Furthermore, in a competitive market, leveraging digital solutions is critical for improving efficiency, transparency, and accuracy, which are necessary for informed decision-making and building stakeholder trust. Moreover, advanced analytics and automated systems can mitigate fraud risks by enhancing the reliability and transparency of financial reporting. Faith and Kariuki (2024) emphasize that "digital technologies enhance financial information quality, accuracy, and transparency, essential for effective decision-making and accountability."

1.2.3 Insurance Companies Listed on the Palestine Exchange (PEX)

The Palestine Exchange (PEX) is the primary stock exchange in Palestine, where various companies, including those in the insurance sector, are listed. Here are some of the insurance companies that are typically listed on the Palestine Exchange:

1. TRUST

Trust International Insurance Company (Trust Palestine), established in 1994 by Palestinian and Arab businessmen, is part of the Trust International Insurance Group, a leading insurance and reinsurance entity in the Middle East and globally. Operating across Palestine, Trust Palestine

safeguards citizens' properties, develops skilled professionals, and contributes to economic growth and development. ([trustpalestine,2024](#))

2. Al Takaful Insurance Company (TIC)

Al Takaful Insurance Company is considered the first Islamic insurance services provider in Palestine. We provide multiple insurance programs and services that are compliant with Shariah. We serve all sectors to meet all needs with high quality, transparency, flexibility, and highly responsive responses. ([altakaful-ins, 2024](#))

3. National Insurance Company (NIC)

The National Insurance Company was founded in 1992 and began operations on March 1, 1993. The company was established by a group of Palestinian business people and experienced individuals during an early political and economic development stage. They set a clear goal to make national insurance an economic institution built on the national capital and rely on the expertise of the country's citizens, who gained valuable experience through years of work abroad. This institution enjoys the support of generous people who aspire to be self-reliant in building their future and present. After over thirty-one years, national insurance's goal remains to provide the best insurance services to Palestinian people consistently. ([nic-pal, 2024](#))

4. Al-Mashreq (MIC)

Since 1993 and throughout the past years, Al Mashreq Insurance has been recognized for its diverse insurance services and solutions among the Palestinian public. The company has built strategic partnerships, provided career opportunities, and established strong bonds with its agents. The year 2000 marked a turning point in Al Mashreq Insurance's professional and economic history; it was the year when strategic partnerships with Jordan French Insurance Company (JOFICO) and eminent businesspeople were established, ushering the path for more developments in the company's organizational structure and operational strategies. With branches and agents across Palestinian governorates, Al Mashreq Insurance continues to exemplify client-focused services. ([mashreqins, 2024](#))

5. Global United Insurance Company (GUI)

Global United Insurance is a Palestinian public-owned company founded by competent entrepreneurs with extensive insurance and economic experience. The company has branches and agents in Palestine and is devoted to helping to grow the local insurance market. With a defined business strategy, it focuses on providing high-quality services backed up by reinsurance

agreements with top-tier reinsurers and a trained staff of local and international insurance professionals. ([gui, 2024](#))

6. Palestine Insurance Company (PICO)

Established in 1994 with a capital of \$9 million, Palestine Insurance Company operates under license No. 3 from the Palestinian Capital Market Authority. Founded by prominent Palestinian businessmen with global expertise, The company offers various insurance and reinsurance services, including fire, theft, auto, and freight insurance. Over the past 24 years, it has contributed to the Palestinian economy by expanding its operations, investing in economic projects, and creating job opportunities for new graduates and experienced professionals. The company ensures citizens can access insurance services with branches and agents across the West Bank and Gaza Strip. ([pic-pal, 2024](#))

7. Tamkeen Insurance Company (TPIC)

Tamkeen Insurance Company was founded as a public shareholding company in response to the rising demand for Sharia-compliant insurance services in Palestine. Recognizing the need for alternatives to traditional insurance, Tamkeen aspired to serve an important segment of the population seeking Islamic insurance options. Formally authorized by the Palestinian Capital Market Authority in 2018, the company rapidly built a significant dependable balance within the protections advertised, showing its dependability and professionalism. Tamkeen's broad arrangement over the West Bank and Gaza proceeds to assist in advancing the Palestinian insurance industry. ([tamkeen-ins, 2024](#))

8. Al-Ahlia Insurance Company (AIG)

Al-Ahlia Insurance Company, one of Palestine's leading insurance providers, was among the first public shareholding companies listed on the Palestine Exchange in 1997. Established through a strategic initiative by prominent Palestinian and Arab businesspeople, the company began in Gaza under the name "Gaza Al-Ahliya Insurance," quickly becoming a market leader. It later rebranded as "Al-Ahliya Insurance Group" and expanded its network to 22 branches across the West Bank and Gaza Strip. ([ahlia, 2024](#))

These companies play a vital role in the Palestinian economy by providing essential risk management solutions and contributing to the financial stability of individuals and businesses.

The insurance sector in Palestine is evolving, with companies increasingly adopting modern technologies and practices to enhance their services and competitiveness.

Chapter Two: Literature Review

2.1 Financial Reporting

2.1.1 Definition of Financial Reporting

Creating appropriate information support for management decisions at various levels has become increasingly important in international, national, and enterprise digital technology processes. The source of such data is financial reporting, which leads to increased attention from key users (investors, lenders, and other users) to the reliability and quality of financial reporting data. (Liudmyla and Maria, 2022). Several scholars have offered definitions of financial reporting, emphasizing various aspects. For instance, Rammal et al. (2023) defines financial reporting as "the output of accounting processes, providing a structured presentation of an organization's financial performance and position." Essentially, "financial reports are a key component of the accounting system, supplying information to support decision-making at various managerial, executive levels, domestically and internationally." This definition underscores the importance of accuracy, timeliness, transparency, and efficiency in the information provided through financial reporting. Similarly, Faith and Kariuki (2024) highlight that financial reporting provides reliable information that accurately represents an entity's financial position and economic reality at the end of the reporting period. It is crucial for ensuring accountability and transparency in managing public resources, facilitating informed decision-making, and enhancing governmental operations. Higher-quality financial reporting characteristics are accuracy, relevance, understandability, and timely production.

2.2.2 Quality of Financial Reporting

In line with the goals of this study, financial reporting quality is the degree of accuracy that makes the financial report capable of conveying information on the operations of the Economic Unit to the users of those reports and, in particular, investors in a way that enables them to estimate expected future cash flows, as well as its ability to make a difference to decision-makers as described by Hasan (2023). This definition is crucial for understanding how accuracy, consistency, transparency, and timeliness impact decision-making in Insurance companies in Palestine. Additionally, the quality of financial reports focuses on applying accounting standards to provide quality information. Transparently, hence, financial reports' reliability when making decisions discloses all information. Thus, Financial reporting quality includes accuracy, consistency, transparency, and timeliness, which are essential for supporting users' financial decision-making.

2.2.2.1 Accuracy

In financial reporting, accuracy refers to the degree to which financial information correctly reflects the economic phenomena it purports to represent, free from errors or omissions. It ensures that all reported figures are precise and reliable, allowing stakeholders to make informed decisions based on the financial statements. Accuracy is crucial for maintaining the integrity of financial reporting and fostering trust among users, as it directly impacts the credibility of the information presented (Kabwe 2023). Consistent with this perspective, Phornlaphatrachakorn & Kalasindhu (2021) define accuracy as the degree to which financial reporting reflects the actual economic reality of a company's financial position and performance. That includes the precision of reported figures, the reliability of the information provided, and the extent to which financial statements are free from material misstatements. Accurate financial reporting ensures that stakeholders can make informed decisions based on the information presented, enhancing the overall quality of financial reporting for Insurance Companies in Palestine.

2.2.2.2 Consistency

Harb et al. (2024) definition of consistency is particularly relevant here. It emphasizes using the same accounting principles and practices over time, allowing for the comparability of financial statements across periods. In financial reporting, consistency refers to applying the same accounting principles and practices over time, allowing for comparability of financial statements across different periods. That means users can reliably interpret trends and performance once an accounting method is adopted and used consistently unless a change is warranted and disclosed. Consistency enhances the reliability of financial information, making it easier for stakeholders to analyze and compare financial results. (Kabwe, 2023)

2.2.2.3 Transparency

Consistent with previous research by Alhawtmeh (2023), IFRS 17 aims to improve the transparency of financial statements for insurance contracts and enhance comparability by requiring information on risks, performance, and financial position disclosure. Moreover, in financial reporting, transparency means presenting financial information clearly and openly, enabling stakeholders to understand an entity's financial position and performance efficiently. It involves providing comprehensive disclosures that allow users to assess the accuracy and reliability of the financial statements, including the underlying assumptions and accounting policies. Transparency is essential for building trust among investors, regulators, and other stakeholders, as it facilitates informed decision-making and accountability. (Kabwe, 2023).

2.2.2.4 Timeliness

In financial reporting, timeliness refers to the availability of financial information to decision-makers in a timeframe that allows it to influence their decisions. It emphasizes the importance of promptly issuing financial reports, ideally within regulatory deadlines, to ensure users can assess trends and make informed decisions based on current data. Timeliness is crucial for maintaining the relevance of financial information in a dynamic economic environment. (Kabwe, 2023). That aligns with Phornlaphatrachakorn & Kalasindhu (2021), who defines timeliness as a critical aspect

of financial reporting quality. Delays in reporting can lead to outdated information, potentially affecting the decision-making process of investors, creditors, and other stakeholders.

2.2. Digital Technology

2.2.1 Definition of Digital Technology

Digital technology is crucial in modern life, influencing how we communicate, work, and access information. Its continuous evolution drives innovation across various sectors, especially in the service sector. Digital technology has transformed how we live, work, and interact, driving innovation and shaping modern society. So, Hertati and Zarkasyi (2015) define digital technology as a combination of computer hardware and software that assists information systems' input, processing, and output. That includes various components, such as data storage technology and telecommunications technology, which enable communication and coordination within organizations. Yusran (2023) also emphasizes that digital technology is essential for processing transaction data efficiently and presenting financial reports in a timely, complete, and accurate manner. Also, digital technology helps improve productivity and creates a more comfortable working environment, ultimately supporting achieving organizational goals.

2.2.2 Key Aspects of Digital Technology

Digital technology has become a cornerstone for innovation and efficiency across industries, particularly in financial reporting. In the insurance sector, emerging technologies such as Big Data Analytics, Artificial Intelligence (AI), and Blockchain Technology are reshaping how financial data is processed, analyzed, and presented. These technologies improve financial information's accuracy, reliability, and consistency and play a crucial role in enabling companies to meet regulatory requirements, thereby enhancing decision-making for internal and external stakeholders. Below, this study delves into the transformative role of these three key aspects of digital technology in enhancing the quality of financial reporting for insurance companies.

2.2.2.1 Big Data Analytics

We are building on Smith's findings (2018), which emphasize the role of big data analytics in decision-making, enabling real-time reporting, increasing accuracy and reliability, allowing for report customization, integrating with other technologies, and increasing stakeholder engagement. This study argues that big data allows insurance companies to process claims and financial transaction data quickly and accurately. It also improves accuracy and relevance in financial reporting by identifying trends and patterns that inform more precise forecasting and decision-making.

2.2.2.2 Artificial Intelligence (AI)

Artificial Intelligence (AI) has transformed the accounting profession by automating routine tasks such as data entry, validation, and complex calculations. At the same time, machine learning (ML) algorithms enable enhanced risk prediction and resource optimization. Smith (2018) defines AI as a suite of programs or individual programs that can replicate certain facets of human behavior and engagement,' allowing machines to perform functions that typically require human intelligence, such as learning and problem-solving. So, AI is a transformative force in the accounting profession. It automates routine tasks, enhances data analysis, enables real-time reporting, improves risk management, and shifts accountants' roles toward more strategic functions.

2.2.2.3 Blockchain Technology

Blockchain technology offers a secure and immutable ledger for recording transactions and claims, particularly valuable in the insurance sector, where trust and transparency are essential. It also strengthens consistency, as records are permanently stored, and blockchain enhances the consistency and reliability of financial information. Smith (2018) highlights the relevance of blockchain as a decentralized digital ledger technology that records transactions across multiple computers to secure data and maintain its integrity. This capacity for transparent and tamper-proof record-keeping is especially significant for financial transactions, underscoring blockchain's potential to enhance transparency and trust in insurance companies' financial reporting.

By implementing these technologies, insurance companies can significantly elevate the quality of their financial reporting, meeting regulatory requirements while enhancing decision-making for both internal and external stakeholders.

These aspects highlight the transformative impact of digital technology on the quality of insurance companies' financial reporting.

2.2.3 Challenges Facing Digital Technology

Digital technology offers significant benefits to the insurance sector, but implementing it in financial reporting presents challenges that insurance companies must address to maximize its effectiveness. Key obstacles include cybersecurity threats, skill gaps, and time constraints associated with real-time reporting. These challenges can impact financial information's integrity, efficiency, and reliability. Below, this study examines these challenges to understand their implications for financial reporting quality in the insurance sector.

2.2.3.1 Cybersecurity Threats

The insurance sector is a high-value target for cybercriminals. Digitalizing financial reporting increases exposure to cyber risks such as hacking, phishing, and ransomware attacks. A successful cyberattack can compromise the integrity of financial data and hinder the reporting process, resulting in regulatory penalties and customer mistrust. Saleh et al. (2022) emphasize the growing importance of cybersecurity in financial reporting, significantly as reliance on cloud-based and digital solutions increases. Their study highlights the need for accountants and auditors to have advanced knowledge of cybersecurity measures to protect sensitive financial information from breaches, which is essential for preserving data integrity and trust in financial disclosures.

2.2.3.2 Skill Gaps and Training Needs

Digital transformation in the insurance sector demands a workforce skilled in technology and data analytics; thus far, developing these skills poses a significant challenge. As Kaya and Akbulut (2018) highlight, financial reporting and accounting professionals must adapt to the complications

of using and learning new technologies, particularly in areas like big data analytics. They assert that inefficiencies may arise without adequate training and competence, hindering the successful implementation of digital tools in financial reporting. Consistent with Kaya and Akbulut (2018). Similarly, Yusran (2023) underscores the need for continuing updates within government accounting systems to keep pace with digital advancements, underlining the importance of compliance in financial reporting processes. Consistent with Kaya and Akbulut (2018), Smith (2018) also emphasizes that evolving technologies can create skill gaps among accounting professionals, requiring continuous training to ensure they can effectively force these advancements.

2.2.3.3 Time Constraints in Real-Time Reporting

Real-time financial reporting, a goal of many digital technologies, is incredibly challenging in the insurance industry due to the extensive data and complex calculations involved in financial assessments. Balancing real-time access with accuracy and thoroughness is a demanding task. Smith (2018) notes the need for accounting professionals to develop efficient processes and leverage technology effectively to meet the demands of a fast-paced business environment. Addressing these challenges requires collaboration among stakeholders, including governments, businesses, and civil society, to create a secure, equitable, and sustainable digital environment. Addressing these challenges in Palestinian insurance companies requires collaboration among multiple stakeholders. These companies can collaborate to develop cybersecurity policies, support professional training programs, and create infrastructure for secure and efficient digital reporting. Thus, cooperation in creating a safe, accurate, and transparent digital reporting environment may improve the quality of financial reporting for Palestinian insurance businesses.

2.2.4 The Role of Digital Technology in Enhancing Financial Reporting Quality

Adopting advanced digital technologies, such as Big Data analytics, artificial Intelligence, and Blockchain Technology, improves financial reporting quality by enabling faster and more accurate data processing. As Almaleeh (2021) highlighted, digital technology is crucial to understanding various tools and systems that utilize digital data to enhance processes, improve communication,

and facilitate information management. It is also a critical enabler for companies to adapt to changing environments and improve efficiency and effectiveness in their operations.

2.2.4.1 Improved Data Accuracy:

Digital Technology enhances accuracy by minimizing manual data entry and calculations. Automated systems can validate data against predefined rules, reducing the risk of errors and ensuring that financial reports depend on reliable information.

This study aims to comprehensively analyze digital technology's transformative effects on enhancing financial reporting quality. It highlights that digital technology enhances the accuracy of financial reporting by automating processes, enabling real-time data processing, utilizing advanced analytics, standardizing reporting practices, integrating financial systems, and providing error detection and audit trails. These improvements generate reliable and precise financial reports essential for informed decision-making and stakeholder trust.

Building on Smith's (2018) observations that AI tools can automate data analysis and reporting processes, leading to more efficient and accurate financial reporting, Yusran (2023) expands this perspective by highlighting how AI technologies enhance identifying differences and ensuring compliance with reporting standards. In addition to improving data accuracy, automation tools, and AI algorithms streamline repetitive tasks, as Saleh et al. (2022) noted. That allows accountants to shift focus from routine tasks to strategic analysis and decision-making, further enhancing the quality and efficiency of financial reporting. Moreover, Robotic process automation (RPA), a form of AI, handles repetitive tasks like data entry, reconciliation, and compliance checks, significantly reducing human error and improving report accuracy and timeliness and aligns with the accuracy and timeliness objectives discussed by Smith (2018) and Yusran (2023). Together, these AI-driven developments highlight how digital technology is transforming financial reporting. Collectively, these studies illustrate how AI's capabilities in data analysis, anomaly detection, and automation of repetitive tasks emphasize its potential as a pivotal digital technology that enhances the quality, accuracy, and efficiency of financial reporting. That enables insurance companies to derive insights and trends that can inform decision-making and enhance the quality of their financial reporting. By leveraging advanced analytics, insurance companies can ensure their financial data is comprehensive and accurate. Thus, that ensures that decision-makers work

with dependable data, building stakeholder trust and aligning the reports more closely with actual financial realities.

2.2.4.2 Enhancing Consistency:

Digital Technology enhances consistency in financial reporting by providing standardized templates and formats. That ensures that financial data is recorded and presented uniformly across different periods and departments, promoting consistency in reporting information. That aligns with Faith and Kariuki (2024), who confirms the significance of automating data entry and processing tasks. Automated systems reduce the likelihood of human error, which can lead to inconsistencies in financial reports. Automated systems follow predefined rules and workflows, ensuring consistent data handling.

Big Data Analytics plays a crucial role in enhancing the consistency of financial reporting. It enables companies to analyze extensive structured and unstructured data, leading to more consistent and cohesive reporting. Building on the findings of prior studies, including Saleh et al. (2022), it is evident that Big Data Analytics enables companies to analyze vast amounts of structured and unstructured data. This capability enhances the quality of financial reporting by providing deeper insights into financial performance and trends, allowing for more informed decision-making. As several studies have indicated, including those by Smith (2018) and Yusran (2023), the growing importance of data as a business asset means companies must leverage advanced analytics to extract meaningful insights from financial data.

2.2.4.3 Enhancing Transparency:

Digital technology's immediate access ensures that all relevant parties can view financial information, promoting transparency in financial reporting practices. Furthermore, Faith and Kariuki (2024) highlight how technologies like blockchain provide secure and verifiable electronic ledgers that enhance data integrity. By establishing an immutable record of transactions, these technologies address data tampering and fraud concerns, thereby increasing the reliability and transparency of financial reports. Moreover, big data analytics allows organizations to generate

more comprehensive and detailed financial reports. As Faith and Kariuki (2024) suggest, this expanded level of information provides stakeholders with a broader view of the financial situation, enhancing transparency and enabling more informed decision-making.

Both Yusran (2023) and Saleh et al. (2022) emphasize the crucial role of blockchain technology in enhancing the reliability and integrity of financial reporting by providing a secure and transparent ledger for transactions. This technology also facilitates continuous reporting and auditing processes. In alignment with the findings of Yusran (2023) and Saleh et al. (2022), blockchain offers a secure and transparent method for recording transactions. Its decentralized nature boosts the integrity of financial data, simplifying the tracking and verification of transactions—a critical aspect of accurate financial reporting. Furthermore, both Yusran (2023) and Saleh et al. (2022) highlight blockchain's potential to improve the quality of financial reporting. As underscored in both studies, blockchain technology ensures reliability and enables real-time verification by ensuring a transparent and secure transaction record. Additionally, Smith (2018) noted that key elements of blockchain, including immutability, transparency, real-time confirmations, and decentralization, are crucial in fostering reliable financial reporting. That aligns with the perspectives of Yusran (2023) and Saleh et al. (2022), who highlight the technology's significant influence on data integrity and the practice of continuous auditing.

2.2.4.4 Enhancing Real-time Processing:

Digital technologies enable real-time processing of financial data, allowing organizations to generate reports as soon as the data is available. Also, automating financial reporting processes reduces the time required to compile and generate reports. By automating routine tasks such as data entry and reconciliation, organizations can produce financial reports more quickly and efficiently, improving timeliness. Furthermore, integrating various financial systems through digital technology ensures that data flows seamlessly between accounting, budgeting, and forecasting functions. This integration reduces the time spent on data reconciliation and ensures that reports are generated based on the most current information.

This study aligns with and extends the conclusions of Faith and Kariuki (2024), who highlighted that integrating digital technologies into financial reporting processes enhances financial

information quality, accuracy, and transparency, which is essential for effective decision-making and accountability in both the private and public sectors. Similarly, this study aims to understand how digital technologies influence the quality and efficiency of financial reporting processes and how these improvements, in turn, affect insurance companies' financial reporting quality. Building on Rammal et al.'s (2023) study suggests that adopting digital technologies has improved the quality, understandability, reliability, relevance, comparability, and security of financial reports within the organization. For instance, Varzaru's 2022 study indicates that digital technologies significantly influence sustainability accounting and reporting. Complementing this, Nadhim (2023) underscores that financial transparency in insurance companies is essential for building trust, ensuring compliance with regulations, and promoting ethical behavior, collectively contributing to financial markets' overall stability and efficiency. Furthermore, Keramati (2021) emphasizes the critical role of adopting digital technology in financial reporting, improving efficiency and accuracy, and enhancing insurance companies' strategic decision-making capabilities, positioning them better in a competitive market. Thus, this study will reflect the transformative impact of digital technologies on the quality of financial reporting.

Together, these studies create a persuasive case that digital technology is transformative in enhancing financial reporting across several dimensions: accuracy, consistency, transparency, and timeliness. Thus, the hypothesis that **H1: Digital technology plays a crucial role in enhancing the financial reporting of insurance companies** is grounded in a growing body of evidence that links digital transformation with substantial improvements in the quality and utility of financial information. This study aims to investigate this hypothesis further, focusing on the unique context of insurance companies and exploring how these improvements foster better financial reporting practices and decision-making.

2.3 Ecosystem

2.3.1 Definition of Entrepreneurial Ecosystem

Balawi and Ayoub (2022) define the entrepreneurial ecosystem as a novel framework for understanding increasingly complex and interconnected social processes, where subsystems collaborate to achieve a common goal. This perspective aligns with the notion of a digital ecosystem, which Koch et al. (2022) describe as a socio-technical system that connects various

independent providers and consumers for mutual benefit. Both definitions highlight the importance of interdependence within ecosystems. Further expanding, Barykin et al. (2022) describe a digital ecosystem as a self-organizing, stable system based on digital platforms where interaction occurs without rigid structures. That further emphasizes flexibility and adaptability within the ecosystem. This dynamic interplay is consistent with the ideas presented by Balawi and Ayoub (2022), where systems and subsystems interact and adapt to each other in a specific environment.

Lastly, Elrefae et al. (2024) highlight the challenge of information asymmetry among stakeholders to reinforce the concept of a digital ecosystem in financial reporting. This issue is a technical concern and an ethical crisis affecting the broader accounting ecosystem. The digital ecosystem addresses this problem by promoting transparency and knowledge sharing, which are critical elements for enhancing financial reporting quality.

This definition of the entrepreneurial ecosystem sets the foundation for understanding its critical role in enhancing data integration and accuracy and enabling real-time data access and transparency in financial reporting.

- Data Integration and Accuracy

Digital ecosystems play a critical role in enhancing the accuracy and completeness of financial reports by facilitating seamless data integration across multiple platforms. These ecosystems ensure that financial information remains consistently updated and precise through real-time data flows. Pham and Vu (2022) further emphasize that digital ecosystems' impact goes beyond essential data integration, as they significantly improve the overall quality of financial reporting. Ecosystems foster collaboration, promote knowledge sharing, and enhance compliance among stakeholders, all of which contribute to producing high-quality financial information. This collaborative environment allows small and medium-sized enterprises (SMEs) to make more informed decisions, thereby improving the accuracy of their financial reports and supporting their long-term sustainability and growth within the broader entrepreneurial ecosystem. Additionally, the entrepreneurial ecosystem serves as an intermediary for financial reporting by facilitating knowledge transfer and enhancement.

- Real-Time Data Access and Transparency

One of the key advantages of digital ecosystems is their capacity to provide real-time access to financial data, which significantly enhances the transparency of financial reporting. By enabling stakeholders to access up-to-date financial information, these ecosystems contribute to the credibility and trustworthiness of financial reports. As Pham and Vu (2022) emphasize, real-time data sharing facilitates the production of accurate and timely reports, which is particularly important for insurance companies. In this context, regulators, investors, and customers rely on current financial data to evaluate risks, claims, and solvency, ensuring the latest information decisions. This level of transparency improves the accuracy of financial reports, supports better risk management, strengthens stakeholder confidence, and ensures regulatory compliance, ultimately enhancing the overall quality of financial reporting within the insurance industry. Furthermore, Lee and Cho (2022) and Hamdan (2023) emphasize the role of the entrepreneurial ecosystem in supporting ventures and facilitating opportunity realization. Both definitions underscore the significance of creating environments that enable innovation and establishing institutions, which digital ecosystems can help by providing robust platforms for real-time data access and collaboration.

2.3.2 The Role of Entrepreneurial Ecosystem in Enhancing Financial Reporting Quality

Given the literature discussed above, in this study, we will comprehensively analyze the direct and indirect relationships between digital technology, the entrepreneurial ecosystem, and the financial reporting practices of insurance companies. This examination will include exploring how advancements in digital technology influence the operations and strategies within the entrepreneurial ecosystem and how these changes, in turn, affect the financial reporting frameworks adopted by insurance companies. By understanding these interconnected dynamics, we aim to shed light on the implications for the insurance industry and reveal potential opportunities for innovation and growth. Accordingly, this study tests several hypotheses based on the literature review and research objectives.

- Direct Relationships:

1. Digital Technology and the Entrepreneurial Ecosystem

Pham and Vu (2022) highlight in their study that digital technology catalyzes innovation, efficiency, and connectivity within the entrepreneurial ecosystem. It empowers SMEs to adapt to changing market conditions, enhance customer experiences, and drive sustainable growth. Digital technology also directly improves financial reporting practices and the entrepreneurial ecosystem.

2. Digital Technology and Financial Reporting Quality

Digital technology directly influences financial reporting quality by automating and enhancing various stages of the reporting process, leading to improved data accuracy, consistency, transparency, and timeliness. For example, AI-powered analytics and big data applications help reduce human errors in data processing, enabling more accurate financial reporting. Furthermore, Blockchain technology ensures transparency and traceability in transactions, which builds stakeholder confidence in the reported data. These technologies support compliance with financial reporting standards and improve the overall quality of insurance companies' financial reports.

3. Entrepreneurial Ecosystem and Financial Reporting Quality

In a robust entrepreneurial ecosystem, firms can access resources like skilled talent, innovation networks, and capital, which support more effective financial reporting quality. A well-established ecosystem can influence insurance companies' reporting processes by encouraging knowledge sharing and regulatory alignment.

The direct relationship between the entrepreneurial ecosystem and financial reporting quality underscores how a well-developed ecosystem enhances financial reporting quality by providing access to essential resources, skilled talent, and innovation networks. Thus, that aligns with **H2: Digital technology plays a crucial role in improving the entrepreneurial ecosystem of insurance companies.** In turn, this bolstered ecosystem supports **H3: The entrepreneurial ecosystem can boost the quality of insurance companies' financial reporting.** By fostering an environment that promotes knowledge sharing and regulatory alignment, the ecosystem directly contributes to higher standards of financial reporting quality.

- Indirect Relationships: The Entrepreneurial Ecosystem as a Mediator

1. Entrepreneurial Ecosystem as a Channel for Digital Transformation

Stam and Van de Ven's (2021) findings indicate statistically significant positive correlations between the entrepreneurial ecosystem index and the presence of high-growth firms. As the quality of the entrepreneurial ecosystem improves, the likelihood of high-growth firms emerging and thriving also increases. The interrelationships among the ecosystem elements reveal their interdependence, emphasizing the need for a systems perspective to understand how these factors collectively influence entrepreneurial success.

2. Ecosystem Dynamics and Financial Reporting Quality

The entrepreneurial ecosystem indirectly strengthens financial reporting by creating a collaborative environment where insurance firms can access digital technology resources. Stam and Van de Ven's (2021) research suggests that a high-quality ecosystem encourages growth-oriented behavior and nurtures companies more likely to embrace robust reporting standards and innovation. This emphasis on robust reporting standards is crucial, as it amplifies the positive effects of digital technology, fostering improvements in accuracy, consistency, transparency, and timeliness in financial reports. Moreover, that ultimately enhances the transparency of financial statements, aligning them with stakeholder expectations and makers.

3. Combined Impact on Financial Reporting Quality

Digital technology is critical in improving insurance companies' financial reporting quality. The entrepreneurial ecosystem, in turn, plays a crucial role in enabling and accelerating the adoption of these digital tools. This combination streamlines financial reporting processes and reduces redundancies. With a well-established ecosystem, insurance companies can efficiently utilize digital technology advancements to ensure accurate, consistent, transparent, and timely reporting. This interconnected dynamic significantly enhances the quality of financial disclosures and strengthens the reputation and stability of the companies within the ecosystem.

In these indirect relationships, the entrepreneurial ecosystem acts as a bridge that channels digital technology's benefits into tangible improvements in insurance companies' financial reporting

quality. This aligns with **H4: The entrepreneurial ecosystem can serve as a mediator for the financial reporting of insurance companies.**

Chapter Three: Methodology

1.1. Research Approach

This section will discuss the research methods used to achieve our study objectives. This study adopts a quantitative research approach utilizing Partial Least Squares (PLS) to explore the interactions between digital technologies (e.g., big data, artificial intelligence, blockchain), the entrepreneurial ecosystem, and financial reporting quality (measured by accuracy, consistency, transparency, and timeliness). PLS enables the study to assess complex relationships, considering both direct and indirect effects while handling secondary data effectively. This approach ensures the validity and reliability of the findings, aligning with contemporary methods for evaluating digital technology impacts on financial reporting quality. The PLS approach is a statistical method that measures concepts of interest as composites, emphasizing its classification as a composite-based PLS method. Indicators in a measurement model are linearly combined to estimate composite variables. These variables serve as comprehensive representations of the constructs, functioning as valid proxies for the conceptual variables under examination (Hair et al., 2021). Path analysis, a key component, examined the direct and indirect effects of the variables in the model to understand the relationships among them comprehensively.

Furthermore, as Hair et al. (2021) noted in their book, PLS is the method of choice when the research objective is theory development and variance explanation. It achieves this by estimating coefficients such as path model relationships to maximize the R² values of endogenous constructs, thereby meeting the prediction objective.

1.2.Data Collection

This study relies on annual secondary data from the financial reports of Eight insurance-listed companies on the Palestine Exchange (PEX) for 2019-2023. Its dataset encompasses five years, offering a robust basis for analyzing trends and relationships using PLS. These reports were accessed from the PEX website.

1.3.Description and Measurements of Study Variables

This study adopts a quantitative approach to examine the influence of digital technology adoption on financial reporting quality ,focusing on the mediating role of the entrepreneurial ecosystem. The study variables are described and measured as follows:

1.3.1. Independent Variable: Digital Technology

This study examines digital technology as an independent variable that influences financial reporting quality in insurance companies. Following Saunders at al.'s (2019) definition of an independent variable as one that is manipulated or changed to observe its impact on a dependent variable, digital technology is analyzed in terms of its adoption and implementation within financial reporting quality. *As shown below, the focus is on three key components: Big Data Analytics, Artificial Intelligence (AI), and Blockchain Technology.*

The adoption of digital technologies by insurance companies is assessed through the following components, each measured using binary values (0 = not adopted, 1 = adopted):

- *Big Data Analytics* refers to using data analytics tools and platforms to analyze and improve decision-making processes in financial reporting. Adoption is assessed through mentions of data-related initiatives such as predictive analytics, real-time data processing, customer behavior insights, or data-driven decision-making processes. Companies are classified as adopting if they explicitly disclose these activities or tools.

- *Artificial Intelligence (AI)* represents using AI-driven tools or systems (e.g., machine learning for fraud detection or predictive analytics). Adoption is assessed through mentions of data-related initiatives such as predictive analytics, real-time data processing, customer behavior insights, or

data-driven decision-making processes. Companies are classified as adopting if they explicitly disclose these activities or tools. For Artificial Intelligence (AI), the binary measurement focuses on references to AI-driven practices like machine learning (ML), robotic process automation (RPA), natural language processing (NLP), automated data analysis, or AI-powered audits. Companies that report implementing AI technologies in financial processes or audit mechanisms are marked as adopters.

- *Blockchain Technology* indicates blockchain for secure, transparent, immutable financial transactions or data sharing. Adoption is determined by using blockchain-related tools such as distributed ledger technology (DLT), smart contracts, or blockchain-driven innovations like real-time reporting, data integrity improvements, or automated claims processing. Companies reporting blockchain use for enhancing transparency, automating insurance policies, or improving digital security are categorized as adopters.

1.3.2. Dependent Variable: Financial Reporting Quality (FRQ)

According to Saunders et al. (2019), the dependent variable may change in response to changes in other variables; it is the observed outcome or result that occurs from manipulating another variable. In this study, Financial Reporting Quality (FRQ) serves as the dependent variable, as its quality is expected to change depending on the adoption and implementation of digital technologies (Big Data Analytics, Artificial Intelligence, and Blockchain Technology) in insurance companies' financial reporting quality.

The quality of financial reporting is assessed through four key dimensions, each with corresponding measurement indicators:

1. Accuracy: This dimension measures the extent to which the financial reports are free from errors and inaccuracies. It is evaluated by examining audit adjustments and error rates reported in the financial statements. A higher level of accuracy is associated with fewer audit adjustments. Insurance companies' financial reporting accuracy is assessed by evaluating the presence or implementation of Five essential practices. Each practice is assigned a score of 1 if implemented or evident and 0 if not. The total score ranges from 0 to 5, with higher scores indicating greater accuracy.

Accuracy Practices Scale:

1. Reconcile accounts regularly (1 point):

Reconciling accounts, such as bank statements, credit cards, and vendor statements, is essential to identifying discrepancies or errors. This helps identify and rectify mistakes promptly.

2. Keep detailed and organized records (1 point):

Maintaining well-organized records is vital for accurate accounting. Properly categorize and store all financial documents, such as invoices, receipts, and bank statements, to make tracking and verifying transactions easier.

3. Implement internal controls (1 point):

Establishing internal controls, such as segregation of duties, approval processes, and regular audits, helps prevent fraud and maintain accuracy. Moreover, it ensures that multiple people are involved in critical financial processes, reducing the risk of errors or fraudulent activities.

4. Conduct periodic financial reviews (1 point):

Regularly reviewing financial statements and reports helps identify discrepancies or unusual trends. It also allows for timely investigation and correction of errors, ensuring accuracy in the financial records.

5. Invest in training and development (1 point):

Organizations must invest in training and development programs to ensure that accounting personnel possess the necessary knowledge and skills to execute their duties accurately and efficiently.

Scoring Interpretation:

- 0-2 points: Low accuracy

- 3 points: Moderate accuracy

- 4-5 points: High accuracy

This scale can be applied to evaluate each insurance company's financial reporting practices by reviewing their disclosures, internal audit reports, or governance documentation. The higher the score, the better the company's performance in ensuring accuracy in financial reporting.

2. Consistency: This dimension evaluates the stability of financial disclosures over time. It is measured by analyzing variations in similar financial items or disclosures yearly. Fewer variations in the reported figures mark greater consistency. The consistency of insurance companies' financial reporting is assessed by evaluating the presence or implementation of Five essential

practices. Each practice is assigned a score of 1 if implemented or evident and 0 if not. The total score ranges from 0 to 5, with higher scores indicating greater consistency.

Consistency Practices Scale:

1. Standardize Accounting Policies and Procedures (1 point):

Establish clear, uniform policies for recording and reporting financial transactions.

2. Regular Account Reconciliation (1 point):

Perform routine reconciliation of accounts to minimize discrepancies and ensure accurate financial records.

3. Segregate Duties for Internal Controls (1 point):

Distribute roles within financial processes to reduce risks of fraud or errors.

4. Utilize Accounting Software and Automation Tools (1 point):

Leverage technology to automate processes and promote consistent record-keeping.

5. Perform Internal and External Audits (1 point):

Conduct regular audits to confirm compliance with accounting standards and internal policies.

Scoring Interpretation:

- 0-2 points: Low consistency

- 3 points: Moderate consistency

- 4-5 points: High consistency

3. Transparency: Transparency reflects the clarity and completeness of the financial reports. It is assessed through the comprehensiveness and clarity of financial notes, disclosures of accounting policies, and detailed explanations of estimates or contingencies. Insurance companies' financial reporting transparency is assessed by evaluating the presence or implementation of Five essential practices. Each practice is assigned a score of 1 if implemented or evident and 0 if not. The total score ranges from 0 to 5, with higher scores indicating greater transparency.

Transparency Practices Scale:

1. Adhere to Updated Accounting Standards (1 point):

Ensure financial statements comply with current standards (e.g., IFRS or local equivalents), enabling comparability and clarity.

2. Establish Robust Internal Controls (1 point):

Implement strong controls to enhance financial data's reliability and integrity, reducing inaccuracies or omissions risks.

3. Document and Apply Accounting Policies Consistently (1 point):

Maintain and apply uniform policies across financial reports to ensure stakeholders understand the methodologies.

4. Provide Comprehensive Disclosures (1 point):

Offer detailed notes on accounting policies, assumptions, and critical decisions, ensuring all significant aspects of financial reporting are transparent.

5. Adopt Advanced Financial Technology (1 point):

Utilize technology (e.g., automation, AI) to enhance the accuracy, speed, and accessibility of financial information, promoting transparent and real-time reporting.

Scoring Interpretation:

- 0-2 points: Low transparency
- 3 points: Moderate transparency
- 4-5 points: High transparency

4. Timeliness refers to how financial reports are published after the fiscal year-end. It is measured by the speed at which financial information is made available to users after the end of the reporting period. (Mbawuni 2019). This study assessed the timeliness of financial reports by measuring the time lag between the fiscal year-end and the publication of these reports. A shorter time lag signifies better timeliness.

1.3.3. Mediator: Entrepreneurial Ecosystem

The entrepreneurial ecosystem mediates between the independent variable (Digital Technologies) and the dependent variable (Financial Reporting Quality). According to Saunders et al. (2019), a mediator variable transmits the effect between the independent and dependent variables, acting as an intermediary that influences the relationship. In this context, the entrepreneurial ecosystem mediates the influence of digital technology or innovation efforts on financial reporting quality in insurance companies.

To measure the influence of the entrepreneurial ecosystem as a mediator, two key metrics are used:

1. Innovation Programs: Formal innovation programs are a critical indicator of a company's commitment to adopting or leveraging digital technologies to enhance financial reporting or operational efficiency. These programs are measured using a binary scoring system, where a score

of 0 indicates the absence of explicit mentions of innovation programs in company reports, press releases, or official documentation, and a score of 1 indicates their presence. This metric highlights the company's proactive approach to fostering innovation, reflecting its willingness to embrace change and invest in digital transformation initiatives that support better financial reporting practices.

2. Collaboration Initiatives: Collaboration initiatives represent the partnerships or collaborations a company establishes with external entities, such as fintech companies, startups, universities, or industry groups, to drive innovation, improve processes, or promote digital adoption. These initiatives are assessed using a binary scoring system, where a score of 1 is assigned if there is evidence of a formal partnership or collaboration during the assessment period (e.g., documented in reports, agreements, or press releases), and a score of 0 is given in the absence of such evidence. This approach emphasizes the presence or absence of collaborative efforts, providing a straightforward evaluation of the company's engagement in fostering external innovation and knowledge-sharing to enhance operations and financial reporting quality.

1.4. Analytical Techniques

1.4.1. SmartPLS software is used for PLS analysis.

- Path coefficients determine the strength and direction of relationships.

Path coefficients in PLS-SEM measure the strength and direction of relationships between constructs in the structural model, indicating the direct impact of independent variables, such as digital technology, on dependent variables, like financial reporting quality. These coefficients are crucial for determining whether the hypothesized relationships are significant and whether they are positive or negative. According to Hair et al. (2021), path coefficients are central to confirming theoretical assumptions and testing hypotheses, providing valuable insights into the influence of digital technology on financial reporting quality. In the insurance sector in Palestine, we will understand how digital technologies like big data analytics, AI, and blockchain significantly impact reporting accuracy, consistency, transparency, and timeliness, thus validating the model's predictive and explanatory power.

- R-squared values assess the variance explained by independent variables.

R-squared (R^2) values in PLS-SEM represent the proportion of variance in the dependent variable explained by the independent variables in the model, serving as a key metric for evaluating the model's explanatory power. A higher R^2 value indicates that the predictors, such as digital technology adoption, effectively explain variability in the dependent variable, like financial reporting quality. Hair et al. (2021) emphasize R^2 as crucial for assessing a model's predictive relevance and robustness in reflecting real-world phenomena. According to this study, R^2 values provide insight into how well digital technologies, such as big data, AI, and blockchain, account for improved financial reporting quality, including accuracy, transparency, consistency, and timeliness, validating the model's effectiveness.

- Mediation effects are tested using bootstrapping techniques in SmartPLS.

Bootstrapping is a resampling technique used in PLS-SEM to generate confidence intervals for path coefficients and indirect effects, allowing for the testing of their statistical significance. Bootstrapping aims to evaluate mediation effects by examining indirect relationships, thereby determining whether a mediator variable, such as the entrepreneurial ecosystem, channels the impact of an independent variable (e.g., digital technology) on a dependent variable (e.g., financial reporting quality). Hair et al. (2021) highlight that bootstrapping is crucial for robust hypothesis testing in mediation analysis, as it provides reliable statistical results by generating many subsamples. In this study, bootstrapping helps assess how digital technologies, such as big data, AI, and blockchain, influence financial reporting quality indirectly through the entrepreneurial ecosystem, ensuring the accuracy and robustness of the findings.

1.4.2. Reliability and validity are tested:

Reliability testing, including Cronbach's Alpha and Composite Reliability (CR), is critical in ensuring the consistency and robustness of the measurement model in PLS-SEM. Cronbach's Alpha assesses internal consistency by evaluating how well the indicators correlate. In contrast, Composite Reliability (CR) evaluates the overall reliability of a construct, taking into account the factor loadings of its indicators. These metrics ensure that the indicators reliably measure the same construct, confirming the model's reliability. According to Hair et al. (2021), these reliability tests

are essential for establishing the model's validity, ensuring that the constructs are accurately represented by their indicators.

Similarly, Average Variance Extracted (AVE) measures the convergent validity of a construct by quantifying the proportion of variance explained by its indicators compared to the measurement error. An AVE value of 0.5 or higher confirms that the construct is well-represented by its indicators, reinforcing the model's validity. In this study, the context of digital technology's impact on financial reporting quality in Palestinian insurance companies, these reliability and validity tests ensure that constructs like digital technology adoption, financial reporting quality, and entrepreneurial ecosystem are consistently and accurately measured, providing a robust foundation for further analysis and interpretation.

3.4.3 Hypothesis Testing evaluates direct and indirect relationships between variables.

Hypothesis Testing in PLS-SEM tests the significance of direct and indirect relationships between constructs, allowing researchers to validate theoretical assumptions by determining whether the hypothesized relationships hold statistically. In this study, we will study the influence of digital technology on financial reporting quality in Palestinian insurance companies; hypothesis testing plays a critical role in confirming whether digital technologies, such as big data, AI, and blockchain, significantly influence the accuracy, consistency, transparency, and timeliness of financial reports. According to Hair et al. (2021), hypothesis testing is essential for confirming the validity of proposed relationships and understanding the causal mechanisms within the model, thereby providing empirical evidence that supports or challenges the theoretical framework regarding digital technology's role in enhancing financial reporting quality.

3.5 Ethical Considerations

This study complies with ethical guidelines by exclusively using publicly accessible secondary data, such as financial reports and industry publications. No confidential or proprietary information has been utilized. All data sources are properly cited and acknowledged to maintain transparency and respect intellectual property rights. Furthermore, the analysis is conducted impartially to ensure accuracy and fairness when reporting the findings.

Chapter Four: Results and Discussion

1.1.Results

This study investigates the relationships between digital technology, the entrepreneurial ecosystem, and financial reporting quality within insurance companies in Palestine. The study uses Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the proposed hypotheses and examine the strength and significance of these relationships. The results provide insights into digital technology's direct and indirect effects on financial reporting quality and the role of the entrepreneurial ecosystem as a mediator. The following section presents the key results and their interpretation.

1.1.1. Statistical Indicators: Path Coefficients, R-square, Confidence Intervals, T-statistics, and P-Values

Table (4.1) presents the relationships between Digital Technology (DT), Entrepreneurial Ecosystem (ESC), and Financial Reporting Quality (FRQ), along with their respective path coefficients, R-square values, and confidence intervals. The table provides insights into the strength and significance of each relationship, as well as the variance explained by the independent variables in predicting the dependent variables.

Table 4.1: Statistical Analysis of Path Relationships Between DT, ESC, and FRQ.

Relationship	Path Coefficient (O)	T-statistic	P-value	Confidence Interval [2.5% – 97.5%]	R-square	R-square Adjusted
DT → FRQ	1.471	4.695	0.000	[0.773, 2.036]	0.355	0.32
DT → ESC	0.724	6.583	0.000	[0.515, 0.905]	0.455	0.44
ESC → FRQ	-0.261	0.585	0.559	[-1.180, 0.610]		

- Digital Technology → Financial Reporting Quality (DT → FRQ):

Digital Technology (DT) strongly and significantly positively affects Financial Reporting quality (FRQ). The R-square value of 0.355, adjusted to 0.320, indicates that DT and the Entrepreneurial Ecosystem (ESC) explain 35.5% of the variance in FRQ. According to Hair et al. (2021), this R² value reflects a weak to moderate explanatory power, signifying that while DT and ESC contribute meaningfully to FRQ, other factors also play a role. The path coefficient 1.471 highlights a robust positive relationship between DT and FRQ. Hair et al. (2021) mention that this coefficient is close to +1, indicating a strong impact of DT on FRQ. This underscores the critical role that DT plays in transforming financial reporting processes.

The statistical significance of this relationship is confirmed by a T-statistic of 4.695, which exceeds the threshold of 1.96 for a 95% confidence level, and a p-value of 0.000, which is well below the standard significance level of 0.05. These results firmly establish the reliability of the findings, ensuring confidence in the validity of the relationship. The confidence interval [0.773, 2.036] does not include zero, supporting the conclusion that digital technology substantially enhances financial reporting accuracy, transparency, consistency, and timeliness. These results align with prior research highlighting the transfer-active role of digital technology in improving FRQ.

- Digital Technology → Entrepreneurial Ecosystem (DT → ESC):

The results indicate that Digital Technology (DT) significantly and strongly impacts the Entrepreneurial Ecosystem (ESC) within insurance companies in Palestine. The R² value of 0.455 (adjusted R² = 0.440) suggests that DT explains 45.5% of the variance in the ESC. According to

Hair et al. (2021), this represents a weak to moderate variance explanation. While DT has a notable influence, this result also highlights the need to explore additional factors that may contribute to the ESC in the insurance sector.

The path coefficient of 0.724 demonstrates a strong and significant positive relationship between DT and ESC, which is close to +1. This relationship's statistical significance is supported by a T-statistic of 6.583, which exceeds the threshold of 1.96 for 95% confidence, and a p-value of 0.000, well below the significance level of 0.05. Also, the confidence interval [0.515, 0.905] confirms the robustness of the relationship, as it does not include zero. So, these results emphasize the importance of digital solutions in promoting innovation, enhancing entrepreneurial processes, and improving the overall quality of the ecosystem in Palestinian insurance companies.

- Entrepreneurial Ecosystem → Financial Reporting Quality (ESC → FRQ):

The Entrepreneurial Ecosystem (ESC) has a negative and insignificant effect on Financial Reporting Quality (FRQ). The path coefficient of -0.261 reflects a negative relationship between the entrepreneurial ecosystem and financial reporting quality, which is statistically insignificant. The T-statistic of 0.585 and the p-value of 0.559 indicate that the relationship is not significant, and the confidence interval [-1.180, 0.610] includes zero, further supporting the insignificance of this effect. These results suggest that while the entrepreneurial ecosystem may influence other organizational outcomes, it does not have a direct or measurable impact on financial reporting quality. That highlights a potential gap in the current entrepreneurial ecosystem's ability to enhance FRQ, suggesting that further development is needed to improve its impact on financial reporting. Furthermore, the R-square for ESC (0.455) indicates that a significant portion of the variance in the entrepreneurial ecosystem is explained by digital technology; according to Hair et al. (2021), this represents a moderate level of variance explained, which underscores the vital role of digital solutions in shaping the ecosystem, even though its direct effect on financial reporting quality remains limited.

- R-square Values and Overall Model Interpretation:

The R-square value of 0.455 for ESC indicates that digital technology explains a significant portion of the variance in the entrepreneurial ecosystem, supporting the strong positive relationship observed between DT and ESC, according to Hair et al. (2021), where R² values between 0.25 and

0.50 are classified as moderate. This supports the strong positive relationship observed between DT and ESC. The R-square value for FRQ 0.355 shows that DT and the ESC contribute to financial reporting quality. However, their combined explanatory power is limited, with room for additional influencing factors. The lower variance explained in FRQ compared to ESC suggests that other variables not yet considered in this model might be important in shaping financial reporting quality. The lack of significance in the ESC → FRQ path highlights that the entrepreneurial ecosystem's influence on financial reporting quality is minimal.

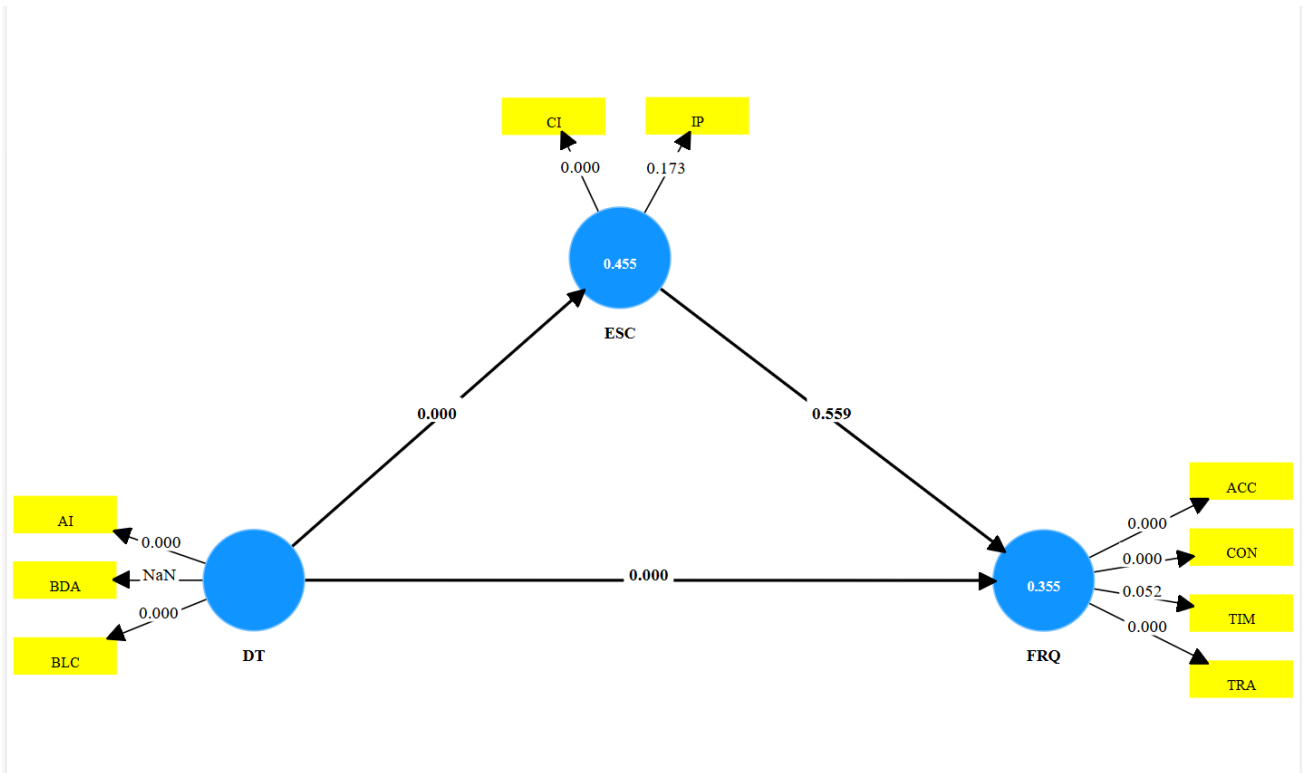


Figure 4.1: The Path and Model fit estimation using the bootstrapping procedure

1.1.2. Mediation Analysis Insights

Mediation analysis reveals that while the direct effect of Digital Technology (DT) on Financial Reporting Quality (FRQ) is significant, the indirect effect through the Entrepreneurial Ecosystem (ESC) is insignificant due to the lack of significance in the ESC → FRQ relationship. Therefore,

the Entrepreneurial Ecosystem (ESC) does not mediate the relationship between Digital Technology (DT) and Financial Reporting Quality (FRQ). Digital Technology directly, firmly, and significantly impacts Financial Reporting Quality.

1.1.3. Reliability and Validity

This study evaluates reliability through Cronbach's Alpha and Composite Reliability (ρ^a and ρ^c) and assesses validity using Convergent Validity (AVE) and Discriminant Validity (HTMT). These measures collectively offer a comprehensive analysis of the strength and accuracy of the constructs within the model.

Table 4.2: Reliability and Validity Assessment of Model Constructs

Construct	Cronbach's Alpha	Composite Reliability (ρ^a)	Composite Reliability (ρ^c)	AVE	HTMT (DT)	HTMT (ESC)	HTMT (FRQ)
DT	0.586	0.654	0.755	0.525	-	1.287	0.848
ESC	0.265	0.586	0.658	0.541	-	-	0.613
FRQ	0.591	0.884	0.788	0.624	-	-	-

- Cronbach's Alpha:

Cronbach's Alpha values expose varying degrees of reliability across the constructs; according to Hair et al. (2021), Cronbach's alpha is used to evaluate the internal consistency reliability of indicators, assuming equal indicator loadings. Furthermore, the recommended value of Cronbach's alpha and composite reliability is above 0.7 to less than 0.95 (Hair et al., 2021). It represents a conservative measure of internal consistency reliability. Digital Technology (DT) scored 0.586, which falls below the acceptable threshold of 0.7 and indicates low reliability. The Entrepreneurial Ecosystem (ESC) showed a very poor reliability score of 0.265, making it unsuitable for interpretation. Similarly, Financial Reporting Quality (FRQ) scored 0.591, reflecting low reliability and highlighting the need for improvement to reach acceptable standards.

- Composite Reliability (rho_a and rho_c):

According to Hair et al. (2021), composite reliability (ρ_c) is a measure of internal consistency reliability that, unlike Cronbach's alpha, does not assume equal indicator loadings. A value above 0.70 is recommended for acceptable reliability, though in exploratory research, a range of 0.60 to 0.70 is also considered acceptable. In this study, the Composite Reliability values (ρ^a and ρ^c) provide insights into the reliability of the constructs. For ρ^a , Digital Technology (DT) scored 0.654, the Entrepreneurial Ecosystem (ESC) scored 0.586, and Financial Reporting Quality (FRQ) scored 0.884, with only FRQ meeting the acceptable threshold of 0.7. Regarding ρ^c , DT achieved 0.755, and FRQ scored 0.788, both exceeding the threshold of 0.7, while ESC fell short with a score of 0.658, indicating insufficient reliability.

- Convergent Validity

According to Basco et al. (2022), convergent validity assesses the extent to which a construct converges to explain the variance of its indicators. The key metric for evaluating convergent validity is the average variance extracted (AVE), the grand mean value of the squared loadings of indicators associated with the construct. An acceptable AVE value is 0.50 or higher, indicating that the construct explains at least 50% of the variance of its indicators. As shown in Table (4.2), the AVE values for all constructs meet the acceptable threshold of 0.5. Digital Technology (DT) scored 0.525, and the Entrepreneurial Ecosystem (ESC) scored 0.541, both meeting the minimum requirement. Financial Reporting Quality (FRQ) demonstrated strong convergent validity with a higher AVE of 0.624. Hence, this indicates that the convergent validity for all the study constructs is validated and acceptable.

- Discriminant Validity

Hair et al. (2021) state that discriminant validity is crucial in structural equation modeling to ensure that constructs are empirically distinct and measure unique concepts. The Heterotrait-Monotrait Ratio (HTMT) is a recommended method for assessing discriminant validity, with thresholds of 0.85 (for conceptually similar constructs) or 0.90 (for more distinct constructs). If the HTMT value exceeds these thresholds, it indicates a potential lack of discriminant validity. This study's discriminant validity, assessed using the Heterotrait-Monotrait Ratio (HTMT), reveals mixed results across the constructs. The threshold for acceptable discriminant validity is typically

< 0.85 or < 0.9. The ESC → DT relationship scored 1.287, exceeding the threshold and indicating a lack of discriminant validity. In contrast, the FRQ → DT relationship scored 0.848, marginally acceptable, while the FRQ → ESC relationship scored 0.613, demonstrating good discriminant validity.

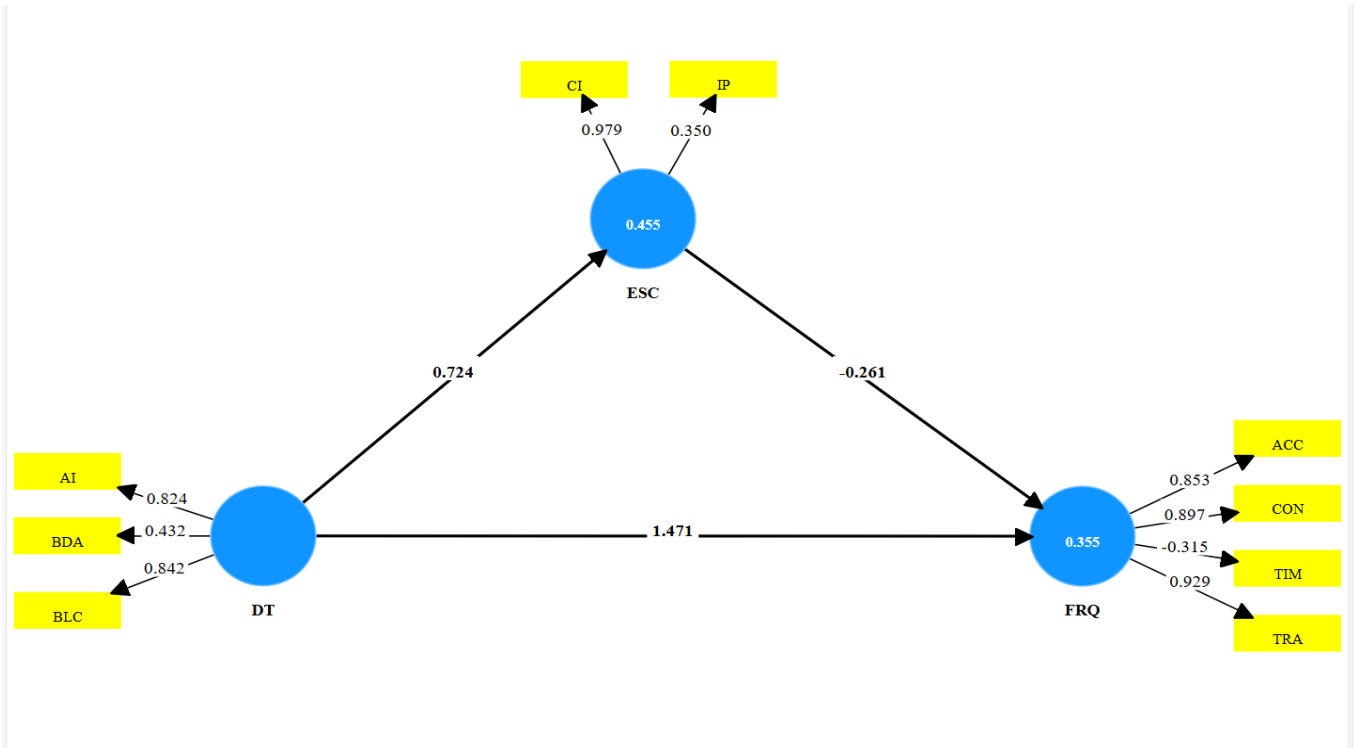


Figure 4.1: The Path and Model fit estimation using PLS-SEM algorithm

1.1.4. Indirect, Specific Indirect, and Total Effects

Analyzing relationships among the constructs provides a comprehensive understanding of the model's direct, indirect, and total effects. These effects highlight the critical role of Digital Technology (DT) in shaping the Entrepreneurial Ecosystem (ESC) and Financial Reporting Quality (FRQ), both directly and indirectly. The table below summarizes this study's indirect, specific indirect, and total effects.

Table 4.3: Summary of Direct, Indirect, and Total Effects Among Model Constructs

Construct	DT	ESC	FRQ	Specific Indirect Effect
Indirect Effects			- 0.189	
Specific Indirect Effects				DT → ESC → FRQ: -0.189
Total Effects		0.724	1.282	
	ESC		- 0.261	
	FRQ			

- Direct Relationships

The direct relationships between the constructs expose significant insights. Digital Technology (DT) has a strong positive effect on the Entrepreneurial Ecosystem (ESC), as evidenced by a path coefficient of 0.724, indicating that adopting digital technologies raises innovation, operational efficiency, and a dynamic entrepreneurial environment. Similarly, DT significantly enhances Financial Reporting Quality (FRQ), with a path coefficient of 1.471, highlighting its transformative role in improving financial reporting accuracy, transparency, consistency, and timeliness. On the contrary, the relationship between ESC and FRQ is weakly negative, with a path coefficient of -0.261. That suggests that while entrepreneurial dynamics may introduce innovation, they also contribute to unpredictability or complexity, negatively impacting financial reporting quality.

- Indirect Relationships

DT → ESC → FRQ

The indirect effect of Digital Technology (DT) on Financial Reporting Quality (FRQ) through the Entrepreneurial Ecosystem (ESC) is -0.189, indicating a negative mediated relationship. Though DT positively influences ESC by fostering innovation and collaboration, the negative relationship

between ESC and FRQ reduces its overall impact. That result suggests potential misalignments between the activities within the entrepreneurial ecosystem and the standards required for high-quality financial reporting.

- Total Effects

The total effect of Digital Technology (DT) on Financial Reporting Quality (FRQ) is 1.282, representing that DT is the most significant driver of FRQ. This significant net positive effect reflects the combined impact of both direct and indirect pathways, emphasizing the essential role of digital technology in enhancing the overall financial reporting quality.

1.2. Discussion of the Study Results

As indicated in the study results, this study investigates the relationships between digital technology, the entrepreneurial ecosystem, and financial reporting quality within insurance companies in Palestine. This section provides an in-depth interpretation of the results in light of the study's hypotheses, supported by empirical findings and theoretical insights.

H1: Digital technology plays a crucial role in enhancing the financial reporting of insurance companies.

The results strongly **support H1**, as evidenced by the significant and positive relationship between Digital Technology (DT) and Financial Reporting Quality (FRQ) (path coefficient = 1.471, $p = 0.000$). This finding demonstrates that adopting advanced digital technology and systems significantly positively impacts improving FRQ. The R-square value of 0.355 indicates that digital technology and other variables account for 35.5% of the variance in FRQ. These results are consistent with previous research, highlighting digitalization's transformative role in financial reporting. For example, Phornlaphatrachakorn & Kalasindhu (2021) showed that digital accounting significantly positively affects both financial reporting quality and accounting information usefulness. Similarly, Faith and Kariuki (2024) identified a strong relationship between big data technology and FRQ, emphasizing its predictive capabilities. Moreover, Rammal et al. (2023) found that digital transformation improves financial reporting practices, enhancing understandability, reliability, and security. Zheng et al. (2023) further confirmed the positive

impact of digital transformation on FRQ, linking improved digital capabilities with higher reporting standards. The consistency between this study's results and the results of prior research may stem from the shared emphasis on how digital technology enhances key aspects of FRQ, including accuracy, transparency, and timeliness.

H2: Digital technology plays a crucial role in improving the entrepreneurial ecosystem of insurance companies.

H2 is **supported** by the significant positive relationship between DT and ESC (path coefficient = 0.724, $p = 0.000$). The R-square value of 0.455 demonstrates that DT accounts for 45.5% of the variance in ESC, underscoring its critical contribution to fostering innovation and collaboration. These findings align with existing literature, which emphasizes the importance of digital infrastructure in shaping competitive and innovative business environments. For instance, Pham and Vu (2022) highlight the catalytic role of digital technology in driving innovation, efficiency, and connectivity, while Lee and Cho (2022) underscore its ability to create dynamic ecosystems that support entrepreneurship and sustainable growth. Similarly, Jabor & Hamdan (2023) point out that digital platforms facilitate collaboration and innovation, enhancing the efficiency of entrepreneurial ecosystems. However, Elrefae et al. (2024) temper this optimistic perspective by directly highlighting the challenges associated with digital ecosystems. They emphasize issues such as information asymmetry and ethical concerns, which may restrict the full realization of the ecosystem's potential despite its benefits. These results collectively suggest that while digital technologies are instrumental in transforming entrepreneurial ecosystems, addressing associated challenges is essential to realize their benefits entirely.

H3: The entrepreneurial ecosystem can boost the quality of insurance companies' financial reporting.

The entrepreneurial ecosystem drives organizational performance improvements, including financial reporting quality. However, the results of this study **don't support** this idea. The relationship between the entrepreneurial ecosystem (ESC) and financial reporting quality (FRQ) was identified as negative and statistically insignificant, with a path coefficient of -0.261 ($p = 0.559$) and a confidence interval of [-1.180, 0.610], which includes zero. These results indicate that the entrepreneurial ecosystem fosters innovation and dynamism but does not directly affect

FRQ significantly. This limited impact could result from the complexities of innovation or inconsistencies between entrepreneurial activities and financial reporting standards. Supporting literature, such as Stam and Van de Ven (2021), establishes a significant positive relationship between the entrepreneurial ecosystem and firm performance, including financial practices. Barykin (2022) highlights the role of digital ecosystems in enhancing transparency and reporting quality. Similarly, Pham and Vu (2022) emphasize how ecosystems foster collaboration and compliance, influencing FRQ. Despite these findings, some studies caution that ecosystems may fail to impact FRQ significantly without adequate integration or resource availability. These conflicting perspectives underline the need for further investigation into the mechanisms through which entrepreneurial ecosystems interact with financial reporting quality.

H4: The entrepreneurial ecosystem can serve as a mediator for the financial reporting of insurance companies.

The entrepreneurial ecosystem's role as a mediator in the financial reporting of insurance companies remains inconclusive based on the mediation analysis conducted. **H4 isn't supported**, as the indirect effect of digital transformation (DT) on financial reporting quality (FRQ) through the entrepreneurial ecosystem (ESC) is negative (-0.189) and statistically insignificant, despite the substantial and significant direct effect of DT on FRQ. This finding suggests that the entrepreneurial ecosystem does not mediate the relationship between DT and FRQ, possibly due to a misalignment in the ESC's capacity to enhance financial reporting quality. The lack of significance in the ESC → FRQ path underscores a gap in integrating ecosystem activities with financial reporting standards. These results indicate a pressing need for targeted initiatives to align ESC activities more effectively with the evolving financial reporting requirements. Supporting literature emphasizes the ecosystem's potential in this context. For example, Stam and Van de Ven (2021) highlight how ecosystem dynamics bridge digital technologies and entrepreneurial success, indirectly influencing financial reporting. Similarly, Pham and Vu (2022) argue that ecosystems facilitate the adoption of digital technologies, thereby improving reporting quality. Hamdan (2023) further identifies the ecosystem's role in providing real-time data access and collaboration platforms, which support enhanced financial reporting quality. However, the absence of robust ecosystem frameworks in specific industries such as service companies may limit this mediating role, indicating a need for more comprehensive studies to address this gap.

This discussion provides critical insights into the study's findings, highlighting the significance of digital technology in improving financial reporting and entrepreneurial ecosystems while identifying gaps in the entrepreneurial ecosystem's role in financial reporting. Further research is needed to address these gaps and explore ways to enhance the integration of ecosystems with financial reporting quality.

1.3. Summary of the study results

This study examined the relationships between digital technology (DT), the entrepreneurial ecosystem (ESC), and financial reporting quality (FRQ) within Palestinian insurance companies. The analysis reveals the following key results:

- Direct Effect of Digital Technology on Financial Reporting Quality:

DT demonstrated a substantial and statistically significant positive effect on FRQ, with a path coefficient of 1.471 and a p-value of 0.000. This indicates that DT is a key driver in enhancing FRQ by improving accuracy, transparency, consistency, and timeliness. The R-square value of 0.355 (adjusted to 0.320) suggests that DT and ESC together explain 35.5% of the variance in FRQ, indicating a moderate explanatory power.

- Digital Technology's Role in Significant the Entrepreneurial Ecosystem:

DT also significantly influenced the ESC, with a path coefficient of 0.724 and a p-value of 0.000. The R-square value of 0.455 (adjusted to 0.440) suggests that DT accounts for 45.5% of the variance in the ESC, highlighting the role of DT in fostering innovation and enhancing entrepreneurial dynamics within the Palestinian insurance sector.

- The Entrepreneurial Ecosystem's Limited Effect on Financial Reporting Quality:

The results showed that the ESC has a weak and statistically insignificant relationship with FRQ, with a negative path coefficient of -0.261 and a p-value of 0.559. That suggests that while the ESC contributes to organizational innovation, it does not directly enhance financial reporting quality in its current form.

- Mediation Analysis:

The analysis revealed that the ESC does not mediate the relationship between DT and FRQ. Although DT significantly influences the ESC, the latter's limited impact on FRQ undermines any mediating role. Consequently, the direct effect of DT on FRQ remains the primary driver of financial reporting improvements.

- Assessments of Reliability and Validity:

Construct reliability results were mixed. FRQ met acceptable reliability and validity thresholds in some measures, while DT and the ESC fell below recommended levels, particularly in Cronbach's Alpha scores. Convergent validity was established for all constructs, as their average variance extracted (AVE) values exceeded the minimum threshold of 0.50. However, the analysis identifies discriminant validity issues between certain constructs, particularly DT and ESC.

- Direct and Total Effects:

The total effect of DT on FRQ was substantial, emphasizing its transformative role in improving FRQ. While the indirect effects through the ESC were adverse (-0.189), the direct effects of DT outweighed these influences, resulting in a total positive impact of 1.282 on FRQ.

In summary, the study underscores the critical role of DT in enhancing FRQ and shaping the ESC. However, the results suggest that the ESC requires further development to have a meaningful impact on financial reporting. These results provide valuable insights for policymakers and practitioners leveraging DT to strengthen FRQ and ESC.

1.4. Summary of Hypotheses Testing

This study has tested four hypotheses to explore the relationships between digital technology (DT), the entrepreneurial ecosystem (ESC), and financial reporting quality (FRQ). These hypotheses aimed to determine the direct and indirect effects of DT and ESC on FRQ and the potential mediating role of ESC. The table (4.4) below summarizes the results of the hypotheses testing and highlights the key results.

Table 4.4: Summary of Hypotheses Testing

Hypotheses	Result	Key Findings
H1	Supported	DT has a strong, significant positive impact on FRQ.
H2	Supported	DT significantly enhances the ESC.
H3	Not Supported	ESC has a negative and insignificant effect on FRQ.
H4	Not Supported	ESC does not mediate the relationship between DT and FRQ.

Chapter Five: Conclusions, Policy and Practical Implications, and Further Research.

1.1. Conclusions

This study investigates the interrelationships between digital technology (DT), the entrepreneurial ecosystem (ESC), and financial reporting quality (FRQ) within the context of insurance companies in Palestine. The results indicate several key findings:

Based on the results of the previous section, digital technology plays an intense and transformative role in enhancing the quality of financial reporting by significantly improving key aspects such as accuracy, transparency, consistency, and timeliness. The study concludes that adopting digital solutions substantially positively impacts financial reporting quality in Palestinian insurance companies, driving advancements in these critical areas.

Based on the study's primary findings, the study concludes a strong positive relationship between digital technology and the entrepreneurial ecosystem, emphasizing the critical role of digital innovations in enhancing collaboration and innovation within entrepreneurial environments. In line with the findings the study, highlights how digital technology significantly contributes to fostering the entrepreneurial ecosystem in insurance companies by promoting innovation and streamlining entrepreneurial processes. That underscores the importance of adopting digital solutions to strengthen and support entrepreneurial activities in the insurance sector.

In this context, the entrepreneurial ecosystem has a limited and statistically insignificant impact on financial reporting quality. While the ecosystem may contribute positively to other organizational dimensions, its direct influence on the quality of financial reporting is weak and potentially misaligned with the standards and quality required for effective reporting. This outcome highlights the need for further exploration to understand the underlying dynamics and potential areas of improvement, which would better align ecosystem activities with financial reporting quality.

However, the entrepreneurial ecosystem does not mediate the relationship between digital technology and financial reporting quality, suggesting a misalignment between entrepreneurial activities and the processes that improve financial reporting quality. This finding highlights the need for greater integration of entrepreneurial dynamics with reporting practices to ensure that the ecosystem effectively supports advancements in financial reporting. Further development and alignment are essential to bridge this gap and fully leverage the entrepreneurial ecosystem's potential in enhancing financial reporting quality.

Moreover, one of the other important conclusions reveals the vital role of digital technology in enhancing financial reporting quality and supporting the entrepreneurial ecosystem while also identifying limitations in the ecosystem's contribution to financial reporting quality. The study underscores the transformative impact of digital technology in improving the accuracy, transparency, consistency, and timeliness of financial reporting and fostering entrepreneurial growth. However, the limited mediating effect of the entrepreneurial ecosystem on financial reporting quality highlights the need for targeted strategies to strengthen its influence. Future research could investigate additional factors or mechanisms to address this gap and further enhance the interplay between these constructs.

1.2. Policy and Practical Implications

This study illuminates several important policy implications for enhancing the quality of financial reporting (FRQ) within the insurance industry. First, policymakers must design and implement comprehensive digital technology initiatives. These projects should focus on adopting new

technologies and incorporate supporting policies and financial incentives that encourage insurance firms to embrace innovative technological solutions. Additionally, fostering collaboration among various stakeholders—including regulatory agencies, technology providers, and insurance companies—will be essential. Such partnerships can lead to a unified and effective strategy for improving FRQ standards across the industry.

Furthermore, by enhancing the insurance industry's regulatory structure, policymakers can increase transparency, efficiency, and competitiveness while promoting innovation in insurance products to meet consumer demands better. Initiatives like educating people about the advantages of insurance and encouraging investments in promising subsectors could help the industry grow even more. By implementing these strategies, the insurance sector can guarantee sustainable development and solidify its position as a major contributor to the Palestinian economy, particularly considering its increasing GDP impact as a crucial service sector. So, policymakers might explore integrating contributions from the entrepreneurial ecosystem into national-level regulatory frameworks. This approach would address current discrepancies and harness the potential of innovative startups and technology-driven solutions, ultimately enhancing the overall quality of financial reporting within the insurance sector. By capitalizing on the strengths of established firms and emerging enterprises, there is an opportunity to drive significant improvements in transparency, accuracy, and reliability in financial statements.

Moreover, developing comprehensive, integrated frameworks that effectively connect digital technology initiatives with the various activities of the entrepreneurial ecosystem could significantly enhance collaborations aimed at improving Financial Reporting Quality (FRQ). These frameworks can be instrumental in implementing advanced solutions such as real-time data-sharing platforms, automated reporting systems, and structured collaborative networks. Such systems would enable seamless connections between the contributions of different ecosystem participants and the specific reporting requirements they must meet. Facilitating this alignment would enhance the overall quality and accuracy of financial reporting.

Furthermore, these integrated approaches aim to elevate reporting standards, stimulate innovation, and encourage a healthy competitive environment within the insurance sector in Palestine. By

fostering stakeholder collaboration, these frameworks can drive forward-thinking practices, leading to a more robust and dynamic industry landscape.

1.3.Further Research

This study identifies significant topics for future research to understand better how digital transformation (DT) and the entrepreneurial environment (ESC) affect financial reporting quality. Investigating the impact of modern digital technologies such as big data analytics, artificial intelligence, and blockchain on improving FRQ dimensions—accuracy, transparency, consistency, and timeliness—is a potential area of research. Examining how these technologies interact with organizational elements like culture, governance, and external influences may offer a more complete picture of their impact.

Future research might also enrich the findings through comparative and longitudinal approaches. Comparative investigations across industries or geographic regions, such as manufacturing or banking, can show sector-specific dynamics and confirm the generalizability of the findings. Meanwhile, a longitudinal or panel study would track the changing effects of DT and ESC over time, providing insights into these constructs' long-term implications and flexibility in improving FRQ.

Finally, investigating additional mediating variables, such as organizational agility or knowledge management, might increase our understanding of how DT and ESC improve FRQ. Qualitative techniques, such as case studies and interviews with key stakeholders, can shed more light on the obstacles and possibilities associated with digital technology implementation. Future research can provide practical insights by addressing these study areas, allowing stakeholders to fully realize the promise of digital transformation and entrepreneurial ecosystems in upgrading financial reporting methods.

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الملخص

تأثير التكنولوجيا الرقمية على جودة التقارير المالية: دراسة لشركات التأمين المدرجة في بورصة فلسطين.

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تناولت هذه الدراسة تأثير التكنولوجيا الرقمية على جودة التقارير المالية لشركات التأمين المدرجة في بورصة فلسطين. اعتمدت الدراسة على منهجية مختلطة تجمع بين الأسلوب الكمي والنوعي، حيث شملت عينة من ثماني شركات مدرجة في بورصة فلسطين خلال الفترة 2019-2023. لتحقيق أهداف الدراسة، تم تحليل البيانات الكمية المستمدة من التقارير السنوية باستخدام تقنية المربعات الصغرى الجزئية (PLS) لتقييم العلاقات واختبار الفرضيات. بالإضافة إلى ذلك، استخدمت الدراسة المنهج النوعي لاستقاء رؤى متعمقة من مراجعة التقارير المالية.

توصلت الدراسة إلى عدة نتائج بارزة، أبرزها أن التكنولوجيا الرقمية تحسن بشكل كبير جودة التقارير المالية من خلال تعزيز الدقة، الشفافية، الاتساق، والتوقيت. كما أظهرت الدراسة وجود علاقة إيجابية قوية بين التكنولوجيا الرقمية والنظام البيئي الريادي، مما يبرز دور الابتكارات الرقمية في تعزيز التعاون والابتكار الريادي داخل قطاع التأمين. ومع ذلك، تبين أن التأثير المباشر للنظام البيئي الريادي على جودة التقارير المالية غير دال إحصائياً، كما أنه لا يتوسط العلاقة بين التكنولوجيا الرقمية وجودة التقارير المالية، مما يشير إلى وجود فجوة في التكامل بين الأنشطة الريادية وجودة التقارير المالية.

في ضوء هذه النتائج، توصي الدراسة بتبني مبادرات شاملة للتكنولوجيا الرقمية، وتعزيز التعاون بين أصحاب المصلحة، وتطوير أطر عمل متكاملة لتحسين جودة التقارير المالية في قطاع التأمين. ونظراً للأهمية الكبيرة لهذا القطاع في تعزيز الناتج المحلي الإجمالي الفلسطيني ودعم النمو الاقتصادي، فإن تضمين البيانات المتعلقة بمساهمته الاقتصادية في مناقشات السياسات يعد أمراً ضرورياً. كما توصي الدراسة باستكشاف التقنيات المتقدمة لتعزيز كفاءة شركات التأمين وزيادة مساهمتها في الاقتصاد الوطني. كما تسلط الضوء على أهمية دمج النظام البيئي الريادي في اللوائح الوطنية وتعزيز الشراكات بين الشركات الناشئة ومقدمي التكنولوجيا والجهات التنظيمية. بالإضافة إلى ذلك، تدعو إلى وضع أطر تربط بين المبادرات التكنولوجية الرقمية والأنشطة الريادية بهدف تحسين جودة التقارير المالية وتعزيز الابتكار في قطاع التأمين.

الكلمات المفتاحية: التكنولوجيا الرقمية، جودة التقارير المالية، شركات التأمين، النظام البيئي الريادي.