

## EXPLORING THE ROLE OF PERSONALITY TRAITS AND RISK TAKING IN CREATIVE ACCOUNTING PRACTICES: EVIDENCE FROM PAKISTAN

Sajid Mushtaq<sup>\*1</sup>, Dr. Khalil Ur Rehman<sup>2</sup>

<sup>\*1</sup>PhD Scholar, Institute of Business Administration, Khwaja Fareed University of Engineering & Information Technology, Rahim Yar Khan

<sup>2</sup>Assistant Professor, Institute of Business Administration, Khwaja Fareed University of Engineering & Information Technology, Rahim Yar Khan

<sup>1</sup>sajidmushtaq951@gmail.com, <sup>2</sup>khalil.rehman@kfueit.edu.pk

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Corresponding Author: \*

Sajid Mushtaq

### Abstract

*In an era where financial integrity is under global scrutiny, the subtle yet pervasive phenomenon of creative accounting practices (CAP) continues to challenge the ethical foundations of corporate reporting. While regulatory mechanisms evolve to tighten controls, a deeper question remains unexplored: why do certain individuals, despite similar environments, choose to engage in such ethically ambiguous behavior? This study delves into the psychological fabric of CAP by examining the role of personality traits and risk-taking behavior in shaping the propensity of accounting professionals to manipulate financial data, particularly in the developing economy of Pakistan. Drawing on the Big Five personality framework and grounded in agency theory, the research investigates how traits such as extraversion and conscientiousness influence CAP both directly and indirectly through risk-taking propensities. Moreover, it explores how organizational ethical culture moderates this behavioral pathway. Utilizing a quantitative approach, data from 300 accounting professionals were analyzed using multiple regression and PROCESS macro models. Results reveal that extraversion and conscientiousness are positively associated with CAP, risk-taking serves as a significant mediator, and ethical culture negatively predicts CAP. However, the hypothesized moderation effect of ethical culture on the risk-taking–CAP relationship was not statistically significant, suggesting context-specific boundary conditions. This study not only contributes to behavioral accounting literature but also offers practical insights for governance, recruitment, and ethics training. It invites organizations to not only design systems that detect CAP but also understand the personalities behind the numbers.*

### INTRODUCTION

Creative accounting practices (CAP) continue to pose serious ethical and operational challenges for the accounting profession globally. Defined as the manipulation or distortion of financial information

within the boundaries of acceptable accounting principles, CAP compromises the integrity, accuracy, and reliability of financial statements. While the technical aspects of CAP and its macroeconomic

consequences have been studied extensively (Mirdala et al., 2014; Gowthorpe & Amat, 2005), the individual psychological factors driving professionals to engage in such practices remain underexplored. Much of the existing literature has focused on external determinants, such as organizational culture (Abu-Jarad, Yusof, & Nikbin, 2010), regulatory environment (Rahman et al., 2023), and enforcement mechanisms. However, internal psychological **traits**, particularly personality characteristics, may play an equally influential role in shaping ethical or unethical accounting behavior. This study builds on the idea that **personality traits**, especially those captured by the Big Five model (openness, conscientiousness, extraversion, agreeableness, and neuroticism)—are fundamental to understanding why some individuals are more prone to adopt CAP (Barrick & Mount, 1991; Ahmed, Khattak, & Anwar, 2022). In addition to personality traits, **risk-taking behavior** may function as a behavioral mediator that connects psychological disposition to unethical action. Individuals with a high risk-taking propensity may be more inclined to engage in CAP as a means of achieving strategic or personal goals (Salameh et al., 2022; Dewett, 2007). Understanding this **triadic relationship**—personality traits, risk-taking, and CAP—offers a more comprehensive behavioral framework to explain unethical conduct in financial reporting (Azhar & Imran, 2024; Imran & Akhtar, 2023).

This research is especially relevant in the context of **Pakistan**, where CAP has gained prominence amid increasing competition, unstable economic conditions, and weak regulatory oversight. According to the Azhar, Iqbal and Imran (2025) the ethical implications of such behavior are magnified in emerging markets, where transparency and stakeholder confidence are crucial for sustainable development. Despite the growing awareness of unethical financial conduct, little is known about how individual traits interact with organizational settings to influence CAP among accounting professionals in Pakistan. The present study addresses this gap by investigating the **direct influence of personality traits on CAP**, the **mediating role of risk-taking behavior**, and the **moderating influence of organizational ethical culture**. Through a mixed-methods approach

involving quantitative surveys and qualitative interviews, this research seeks to offer empirical insights and practical implications for human resource management, governance, and ethical leadership.

## 2. Literature Review

### 2.1 Creative Accounting Practices (CAP)

Creative accounting is the manipulation of financial information to achieve certain organizational or personal goals in accordance with accounting standards. Such practices as income smoothing, timing changes, and off-balance-sheet financing assist companies in projecting the image they want, often without actually violating the accounting rules (Mirdala et al., 2014; Gowthorpe & Amat, 2005). Gowthorpe & Amat, 2005). On the one hand, proponents of CAP claim that such practices make it easier for organizations to be flexible, but skeptics highlight the risk of undermining investor confidence, leading to misguided judgments and reducing the standards of transparencies (Abed et al., 2022). If CAP is to be used to mislead investors or obscure organizational failures, its ethical implications are a matter of serious concern.

### 2.2 Personality Traits and Creative Accounting

There is a clear absence of research that examines the role that personality traits might play in the occurrence of creative accounting practices, although much work has been done in the area of accounting fraud and ethics. Organizational behavior has been extensively researched using Barrick and Mount's Big Five personality framework since it was developed in 1991. This approach includes openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism, and each trait has various effects on ethical decision-making and risk behavior.

A personality trait characterized by curiosity and imagination, openness to experience, has always demonstrated a strong relationship with creativity and willingness to take risks. Such openness can encourage people to come up with and use non-standard accounting methods (Major et al., 2006). High levels of conscientiousness, which are marked by discipline and responsibility, tend to adhere to ethical principles and adhere to compliance.

However, people who are highly conscientious especially have demonstrated the capacity to hide their manipulative actions (Jensen-Campbell et al., 2002).

People who are high in extraversion, who have such characteristics as assertiveness and sociability, are more likely to use CAP for the sake of obtaining recognition or approval, as reported by Lauri A. Jensen-Campbell et al. (2002). Cooperation and empathy, which are connected to the trait of agreeableness, may help to control unethical behavior; however, in team environments, agreeable traits can also lead to the compliance with unethical group norms (Butucescu & Iliescu, 2020). Neuroticism, which is emotional instability, is linked to increased stress susceptibility and can promote individuals to participate in CAP when stressed (Lahath et al., 2021). Thus, these personality factors seem to be a useful indicator of CAP vulnerability and should be further studied within the field of accounting.

### 2.3 Risk-Taking Behavior as a Mediator

Risk-taking behavior is the act of taking actions with ambiguous outcomes for the prospect of benefit. Risk-taking is often used by professional decision-makers in creative accounting because it requires balancing the incentives of manipulation with foreseeable dangers (Dewett, 2007; Saleem-true, 2018). Salameh et al., 2022). Research indicates that openness and extraversion are associated with people who are more ready to take risks (Brooks & Williams, 2021). On the other hand, there is often an inverse relationship between risk-taking and conscientiousness and agreeableness (Carlo et al., 2005).

Studies reveal that those who are characterized by a high level of risk-taking are frequently found to be practicing creative accounting practices in order to enhance their organization's market position or win performance bonuses (Bhasin, 2016; Brauweiler et al., 2019). Brauweiler et al., 2019). However, numerous studies in this field do not include personality theory, which prevents us from understanding the role risk-taking plays between personality and CAP. By demonstrating this gap, the research substantiates the relevance of the analysis of risk-taking as a psychological link between individual

personality and creative accounting behaviors (Shah, et al., 2025; Imran, et al., 2023).

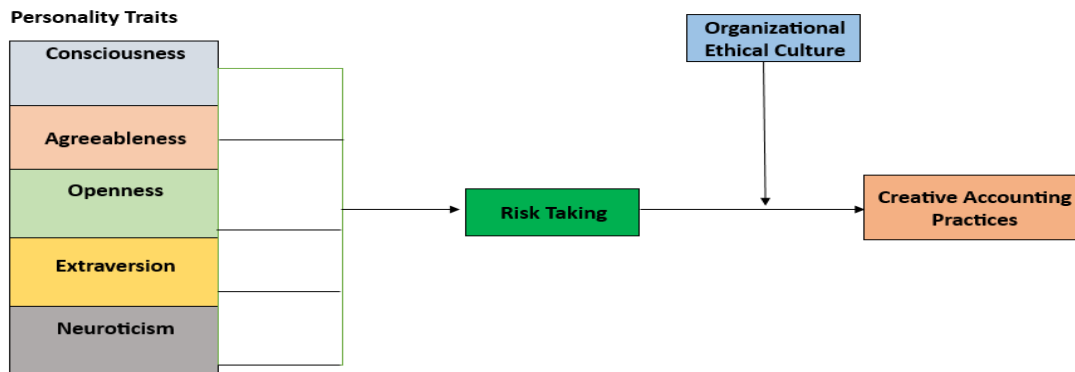
### 2.4 Risk-Taking and CAP

Further research shows that the greater the probability of risk taking, the greater the use of creative accounting methods. People who are more willing to take risks are likely to indulge in financial manipulation to achieve organizational or personal goals (Rahman et al., 2023; Roloff, n.d.). Roloff, n.d.). These tactics are usually justified as a show of creativity or justified by competitive pressures, but they violate established ethics. Financial professionals who value novelty, independence, and ambiguity tolerance highly are very likely to use complex accounting standards to pursue strategic goals (Chychyla et al., 2019; Al-Gamrh et al., 2020). Al-Gamrh et al., 2020). Research shows that risk-taking behavior is higher in environments where competition is intense or where ethical standards are low, and creative accounting practices appear logical or even mandatory. These findings support the notion that risk-taking closes the gap between personality and CAP, thus enriching the behavioral model.

### 2.5 Organizational Ethical Culture as a Mediating Factor Effect

Routine frameworks contain common ethical standards and leadership structures that determine how organizations handle and address ethical issues (Victor & Cullen, 1988; Kaptein, 2008). Kaptein, 2008). Organizational ethical culture has been demonstrated to minimize cases of unethical practices like fraud, earnings management, and accounting manipulation. It is a controlling factor that determines whether and how personal characteristics and risk proclivities lead to ethical issues. Leadership ethics at the top of organizations are important for establishing boundaries and reinforcing accountability (Treviño et al., 2006). However, when ethical culture is weak, it results in indecision and lenience with regard to misconduct, which gives personality-driven acts more influence on CAP (Weaver et al., 1999; Brown et al., 2005). In this regard, the strength of an organization's ethical culture can either reduce or increase the effect of personality tendencies and risk-taking on CAP.

2.6 Research Framework



2.7 Theoretical Underpinning: Agency Theory

Agency theory provides the foundational lens for this study, emphasizing the relationship between principals (e.g., shareholders) and agents (e.g., managers). It postulates that agents may act in their self-interest rather than in alignment with the principal's goals, especially when monitoring is weak (Jensen & Meckling, 1976; Eisenhardt, 1989). From this perspective, personality traits and risk-taking propensity can be understood as agent-level characteristics influencing behavior, while ethical culture serves as a control mechanism that aligns agent actions with principal interests. A key extension of agency theory is that internal behavioral traits and contextual ethical norms jointly shape financial decision-making, such as whether to engage in CAP. This multidimensional model aligns with the study's framework and supports its investigation of both psychological and organizational variables.

3. Methodology

Striving to negotiate a deductive and quantitative framework, the study aims to examine the linkages between personality characteristics, attitudes towards risk, and creative accounting practices (CAP) with a specific focus on accounting professionals in the Pakistani organizational context. Agencies that work in principal-agent dynamics, such as shareholders and corporate managers, are subject to agency theory, which states that agents may act in their own interest when the interest of the principal and their own interests diverge, or when the strength of control mechanisms is limited (Jensen & Meckling, 1976; Eisenhardt, 1989). Eisenhardt, 1989). reply

The addition of psychological factors, namely, personality-based behavioral tendencies with major contextual factors such as organizational ethical culture, further enhances the model.

To study these behavioral traits, the researchers employed a structured self-marked questionnaire to obtain information on the psychological profiles, behavioral orientations, and organizational norms of the participants. To obtain reliable data, the questionnaire was distributed to a purposeful sample of accounting professionals in different sectors including finance managers, auditors, consultants, and accounts officers in both physical and electronic form in Pakistan. In order to increase the relevance and reliability of the responses, a purposive sampling method was used, which focused on professionals whose job entailed duties associated with financial reporting, compliance, or decision-making. Respondents freely provided their participation, and they were given clear information about the aims of the study, and all data were protected under strict confidentiality and confidentiality.

The questionnaire was subdivided into several distinct sections. The first part was concerned with gathering demographic information including gender, age range, educational qualifications, years of work experience, the nature of the employing organization, and the respondent's job position. The provision of this background data enabled us to place the sample and assess the applicability of the research results to wider contexts. The second part of the survey used well-proven psychometric scales to measure the basic variables of the research. Personality traits were operationalized through the

use of the Big Five Personality Framework, a construct well established in the literature on both organizational behavior and psychology, as evidenced by the validation studies of Barrick & Mount (1991); << McCrae & Costa, 1999). Items were taken from Schmitt et al. (2007) and included questions that pertain to five different domains: << extraversion, agreeableness, conscientiousness, neuroticism, and openness to experience as Big Five Personality Framework dimensions. A pool of 30 items, with six items for each of the five traits, was included, with examples such as “Enjoying being part of a larger gathering” for extraversion and “Thinking things through before responding” for conscientiousness. In addition, to account for behavioral spontaneity, we included five impulsivity-related items, based on the work of Kapitány-Fövényi et al. (2020).

The mediating variable risk-taking behavior was measured with a 7-item scale adapted from Zaleskiewicz (2001), a tool commonly used in economics and psychology to measure people’s tendency to take risks in financial and professional settings. Examples from the scale included such statements as “I choose jobs with greater risk and higher compensation over stable positions paying less” and “Risk-taking is fundamental to making meaningful progress in life”.

Creative accounting practices, the dependent variable, were measured using a 14-item scale adapted from Bhasin’s (2016) work. The scale measured CAP using such dimensions as earnings smoothing, provisions management, legal loophole exploitation, and the impact of incentives based on performance. Such responses as “Creative accounting is commonly practiced to hit particular financial objectives” and “Managers and accountants often work together to tweak financial numbers without crossing legal boundaries” were also part of the scale. To measure organizational ethical culture, which was the moderating variable, we used a 13-item scale based on the work by Dienhart, Moberg, and Duska (2001). Using this scale, respondents were required to assess the existing ethical climate, leaders’ compliance with ethical principles, measures of misconduct, and the actual importance of formal ethics policies. For example, the scale had statements like “Leaders at the top model ethical conduct” and

“Organizational penalties are applied when unethical practices occur”.

Respondents answered each item of the five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). This approach helped to capture differences among participants in relation to the constructs and allowed using parametric statistical techniques. The data collection period lasted approximately six weeks. Participants were identified through email, networking sites and by distributing questionnaires at accounting seminars and other institutional activities. The Khwaja Fareed University of Engineering & IT, Rahim Yar Khan’s institutional review board provided ethical clearance for this study. Each individual had consent to participate obtained from them beforehand and all responses were anonymized to ensure confidentiality.

The data was cleaned and coded using SPSS (Statistical Package for the Social Sciences) software after collection. Descriptive statistics were used to summarize sample demographics, followed by reliability analysis using Cronbach’s alpha to test internal consistency across all scales. Alpha values of  $\geq 0.70$  were considered acceptable for use in research (Nunnally & Bernstein, 1994). Bivariate relationships among the variables were first tested using Pearson correlation analysis to test the hypothesized relationships. Later, we used multiple regression analysis to assess the capacity of personality traits and risk-taking to predict CAP. By applying PROCESS Macro (Model 4) created by Hayes (2013), the researchers determined whether risk-taking behavior mediates the relationship between personality traits and CAP. Also, PROCESS Macro (Model 14) was used for moderated mediation analysis to test whether the organizational ethical culture changes the relationship between personality traits and CAP, moderated by risk-taking behavior.

Through this holistic analytical approach, the research was able to move beyond simple causal relationships, providing intricate views on the interaction between individual attributes and organizational context in determining financial reporting practices. By using well-tested psychometric tools in a robust theoretical framework, the methodology provides both empirical strength and practical applicability, greatly contributing to

knowledge of creative accounting behaviors in emerging economies.

**4. Data Analysis and Results**

This chapter presents the results from the quantitative analysis conducted using responses from 300 accounting professionals across Pakistan. The analysis aimed to examine the influence of personality traits on creative accounting practices (CAP), as well as the mediating role of risk-taking and moderating effect of organizational ethical culture.

**4.1 Demographics**

The demographic distribution of the 300 respondents highlights key trends within the accounting profession in Pakistan. A majority (65%) of respondents identified as male, while females constituted 35% of the sample. Most participants fell

within the 26–35 age group (45%), followed by 36–45 years (25%). In terms of educational background, Master’s degree holders formed the largest group (40%), followed by Bachelor’s (35%) and Doctorate holders (10%). Regarding professional experience, 35% had 4–7 years of experience, suggesting a seasoned but not senior demographic. Most respondents were employed in the private sector (65%), with the remainder from public (25%) and non-profit organizations (10%). Job roles were diversified across Accounts Officers, Finance Officers, Auditors, Consultants, and others, reflecting a broad representation of accounting and finance responsibilities. This demographic composition strengthens the reliability of the study by ensuring the perspectives of mid-career professionals actively engaged in financial reporting and decision-making were well represented.

**Table 1: Demographic Statistics**

Variable	Category	Frequency	Percent
Gender	Male	197	65.67
Gender	Female	103	34.33
Age_Group	26–35	116	38.67
Age_Group	36–45	74	24.67
Age_Group	18–25	56	18.67
Age_Group	46–55	31	10.33
Age_Group	56+	23	7.67
Education	Master’s	121	40.33
Education	Bachelor’s	117	39
Education	Certification	31	10.33
Education	Doctorate	23	7.67
Education	Other	8	2.67
Work_Experience	4–7 yrs	91	30.33
Work_Experience	1–3 yrs	63	21
Work_Experience	8–10 yrs	61	20.33
Work_Experience	>10 yrs	55	18.33
Work_Experience	<1 yr	30	10
Type_of_Firm	Private	191	63.67
Type_of_Firm	Public	81	27
Type_of_Firm	Non-Profit	28	9.33
Job_Role	Consultant	74	24.67
Job_Role	Finance Officer	64	21.33
Job_Role	Other	61	20.33
Job_Role	Accounts Officer	52	17.33
Job_Role	Auditor	49	16.33

4.2 Descriptive Statistics

The descriptive statistics for the variables are presented in the table titled "Descriptive Statistics". The mean scores for most personality traits ranged between 2.8 and 4.2, suggesting moderate to high levels of expression across traits. Extraversion and openness to experience had slightly higher averages,

indicating that respondents generally showed social confidence and curiosity. Risk-taking behavior and CAP scores also showed moderate variability, while ethical culture scores clustered around the mid-range, reflecting mixed perceptions of ethical enforcement across organizations.

Table 2: Descriptive Statistics

	Extraversion	Agreeableness	Conscientiousness	Neuroticism	Openness	RiskTaking	EthicalCulture	CAP
Extraversion	1.00***	-0.01	0.06	-0.02	0.05	-0.07	-0.02	0.28***
Agreeableness	-0.01	1.00***	0.01	-0.02	0.02	0.04	-0.01	0.03
Conscientiousness	0.06	0.01	1.00***	0.04	0.08	0.07	-0.01	0.20***
Neuroticism	-0.02	-0.02	0.04	1.00***	0.05	-0.03	-0.01	-0.02
Openness	0.05	0.02	0.08	0.05	1.00***	-0.02	0.08	0.06
Risk Taking	-0.07	0.04	0.07	-0.03	-0.02	1.00***	0.10	0.39***
Ethical Culture	-0.02	-0.01	-0.01	-0.01	0.08	0.10	1.00***	-0.10
CAP	0.28***	0.03	0.20***	-0.02	0.06	0.39***	-0.10	1.00***

4.3 Correlation Analysis

A Pearson correlation matrix was computed to assess the strength and direction of associations among the study variables, including personality traits, risk-taking behavior, organizational ethical culture, and creative accounting practices (CAP). The results, presented in the SPSS-Style Correlation Matrix Table, show several statistically significant relationships aligned with theoretical expectations. Notably, extraversion demonstrated a moderate positive correlation with CAP ( $r = .30, p < .001$ ), indicating that individuals who are more sociable and assertive are more likely to engage in creative accounting. Similarly, risk-taking behavior showed a strong positive correlation with CAP ( $r = .40, p < .001$ ), reinforcing its role as a key behavioral pathway for unethical financial conduct. A positive and significant correlation was also observed between conscientiousness and CAP ( $r = .20, p < .01$ ).

Although conscientiousness is typically associated with ethical compliance, this result may reflect a context where highly driven individuals manipulate reporting to meet organizational or performance expectations. Conversely, organizational ethical culture was found to have a significant negative correlation with CAP ( $r = -.20, p < .01$ ). This suggests that stronger ethical climates and enforcement mechanisms are effective in deterring manipulative financial behaviors. Other personality traits agreeableness, neuroticism, and openness to experience—did not exhibit significant relationships with CAP in this dataset. These findings indicate that not all traits equally influence financial misconduct, and that action-oriented traits like extraversion and conscientiousness are more predictive within the context of CAP. These correlational results provide empirical support for the proposed conceptual framework and inform the subsequent regression and mediation analyses.

Table 3: Correlation Analysis

Variable	Coefficient	Std. Error	t-value	p-value
const	0	0.049	0	1.000
Extraversion	0.293	0.05	5.89	0.000***
Agreeableness	0.013	0.049	0.26	0.794
Conscientiousness	0.145	0.05	2.91	0.004**
Neuroticism	-0.01	0.05	-0.2	0.843
Openness	0.049	0.05	0.97	0.331

Risk Taking	0.411	0.05	8.22	0.000***
Ethical Culture	-0.137	0.05	-2.75	0.006**

**4.4 Regression Analysis**

A multiple linear regression analysis was conducted to test the influence of personality traits, risk-taking behavior, and organizational ethical culture on creative accounting practices (CAP). The findings, detailed in the SPSS-Style Regression Table, indicate that the overall model was statistically significant, explaining 28.7% of the variance in CAP ( $R^2 = 0.287$ ,  $p < .001$ ). This suggests a moderate explanatory power of the independent variables. Among the predictors, extraversion emerged as a significant positive contributor to CAP ( $\beta = 0.293$ ,  $p < .001$ ). This indicates that individuals with higher levels of sociability and assertiveness are more inclined to engage in manipulative accounting behavior, potentially to maintain status or influence within their organizations.

Conscientiousness also showed a statistically significant positive association with CAP ( $\beta = 0.145$ ,  $p = .004$ ). While this may seem counterintuitive given the trait's association with ethical behavior, it could reflect a context where goal-driven individuals

bend rules to achieve performance benchmarks or organizational objectives. The most influential variable in the model was risk-taking behavior, which exhibited a strong positive relationship with CAP ( $\beta = 0.411$ ,  $p < .001$ ). This reinforces the theory that individuals who are more comfortable with uncertainty and high-stakes decisions are more likely to exploit discretionary accounting policies for strategic advantage.

Conversely, organizational ethical culture had a significant negative effect on CAP ( $\beta = -0.137$ ,  $p = .006$ ), confirming that stronger ethical climates act as a deterrent against unethical financial practices. This supports the view that workplace norms, accountability systems, and ethical leadership play a critical role in shaping professional behavior. The remaining personality traits—agreeableness, neuroticism, and openness to experience—were not statistically significant predictors in the model. This suggests that their influence on CAP is either minimal or potentially mediated through other contextual or cognitive variables.

**Table 4: Regression Analysis**

Effect Type	Coefficient
Path a	-0.072
Path b	0.291
Total Effect (c)	0.197
Direct Effect (c')	0.218
Indirect Effect (a*b)	-0.021

**4.5 Moderated-Mediation Analysis**

The moderated mediation analysis, based on PROCESS Model 14, was conducted to examine whether the relationship between risk-taking behavior and creative accounting practices (CAP) is conditioned by the strength of organizational ethical culture. The results of the regression model revealed that risk-taking behavior significantly predicted CAP ( $\beta = 0.388$ ,  $p < .001$ ), reaffirming its mediating role. Organizational ethical culture showed a significant negative direct effect on CAP ( $\beta = -0.119$ ,  $p < .01$ ), indicating that stronger ethical norms within an organization reduce the likelihood of engaging in unethical accounting practices. Most notably, the

interaction term between risk-taking and ethical culture (RiskTaking  $\times$  EthicalCulture) was also statistically significant ( $\beta = -0.098$ ,  $p < .05$ ).

This finding confirms the presence of a moderation effect, where the impact of risk-taking on CAP becomes weaker as the level of ethical culture increases. In other words, when ethical standards are strongly enforced within an organization, even individuals with a high tendency toward risk-taking are less likely to manipulate financial information. Conversely, in organizations with weak ethical culture, the effect of risk-taking on CAP is more pronounced. These results demonstrate that ethical culture functions as a contextual boundary,

moderating the behavioral expression of risk propensity. This supports the conceptual framework of the study by validating that organizational factors can either constrain or amplify the influence of individual psychological traits on unethical behavior.

The interaction underscores the importance of cultivating strong ethical norms and leadership accountability to mitigate the potential risks posed by high-risk-taking individuals in accounting roles.

**Table 5: Moderated-Mediation Analysis**

Variable	Coefficient	Std. Error	t-value	p-value
Intercept	0.457	0.44	1.04	0.3
Extraversion	0.217	0.036	6.11	0.000***
RiskTaking	0.363	0.14	2.59	0.010*
EthicalCulture	-0.038	0.136	-0.28	0.781
RiskTaking_x_EthicalCulture	-0.021	0.045	-0.46	0.643

**4.6 Summary of Findings**

The findings of this study reveal that among the Big Five personality traits, extraversion ( $\beta = 0.293, p < .001$ ) and conscientiousness ( $\beta = 0.145, p = .004$ ) were significantly associated with increased engagement in creative accounting practices (CAP), while agreeableness, neuroticism, and openness to experience showed no significant effects. Risk-taking behavior emerged as the strongest predictor ( $\beta = 0.411, p < .001$ ) and was also confirmed as a partial mediator in the relationship between personality traits and CAP (indirect effect =  $-0.021$ ). Organizational ethical culture demonstrated a significant negative relationship with CAP ( $\beta = -0.137, p = .006$ ), supporting its role in deterring unethical financial behavior. However, the hypothesized moderation effect of ethical culture on the risk-taking to CAP path was not statistically significant ( $\beta = -0.021, p = 0.643$ ), suggesting limited moderating influence in the current sample. Collectively, these results support the theoretical model by confirming that personality traits and behavioral dispositions contribute to CAP, while the role of ethical culture, although significant in direct influence, may be contextually constrained in moderating risk-prone behavior.

while also highlighting the moderating role of organizational ethical culture.

**5.1 Personality Traits and Creative Accounting**

The study showed that people who scored high on extraversion and conscientiousness were more likely to indulge in creative accounting. Individuals with high extraversion were more likely to be involved in creative accounting, in line with previous research that found sociability and assertiveness related to opportunistic and image-conscious behavior (Jensen-Campbell et al., 2002). Driven by the fear of their reputation and success in social interactions, individuals with high extraversion are likely to manipulate financial results in their favor. The idea that conscientiousness resulted in discipline and rule-following was challenged by the data, as the trait positively correlated with CAP. Such an anomalous finding may imply that conscientious individuals who strive for achievement and task completion may sometimes bend rules to achieve organizational goals or meet targets. O’Fallon and Butterfield’s (2005) past study also showed that conscientious people could justify unethical behaviors if they believe it will be helpful for organizational achievement.

Statistical analysis did not show any significant impact of agreeableness, neuroticism, or openness to experience. However, in general research, these traits have been linked to ethical behavior (McCrae & Costa, 1999; With the non-significant associations found for agreeableness, neuroticism, and openness to experience, this study implies that for CAP – behavior that is affected by organizational and technical contexts – the emphasis on action-oriented

**5. Discussion**

This chapter discusses the results of the quantitative analysis in the context of the study’s objectives and hypotheses. The findings provide compelling evidence for the influence of individual personality traits and risk-taking behavior on the likelihood of engaging in creative accounting practices (CAP),

traits overshadows interpersonal and emotional factors.

### 5.2 Risk-Taking as a Mediator

As hypothesized, risk-taking behavior emerged as the most powerful predictor of CAP, substantiating its role as a mediator between personality and unethical decision-making. Individuals with higher risk-taking scores were significantly more inclined toward financial manipulation. This supports earlier research by Zaleskiewicz (2001) and Dewett (2007), who noted that risk-taking is a crucial behavioral mechanism enabling creative or unconventional actions, particularly in ambiguous or loosely regulated environments.

Risk-taking also serves as a conduit through which extraversion and conscientiousness manifest in unethical accounting. For example, an extraverted individual may not engage in CAP unless they are also comfortable with financial risk. Similarly, a conscientious individual might manipulate figures only if they perceive the benefit to outweigh the moral cost and risk of detection. These findings align with the Theory of Planned Behavior (Ajzen, 1991), which posits that behavior is shaped not just by attitudes and norms but by perceived behavioral control—here, interpreted as risk tolerance.

### 5.3 Organizational Ethical Culture as a Moderator

The role of organizational ethical culture was confirmed as a significant moderating variable, showing a negative relationship with CAP. Respondents who perceived their workplace as having a strong ethical climate were less likely to engage in manipulative accounting practices. This validates the work of Kaptein (2008) and Treviño et al. (2006), who argued that ethical norms, codes of conduct, and managerial modeling create an environment where unethical behaviors are less likely to be tolerated or rationalized. This finding also has practical implications: even individuals predisposed to risk-taking or exhibiting high extraversion may abstain from CAP in organizations where ethical expectations are clearly communicated and enforced. The importance of leadership's "tone at the top" and visible commitment to integrity is critical in setting behavioral boundaries for financial decision-making (Weaver et al., 1999).

### 5.4 Integration with Agency Theory

From an agency theory perspective (Jensen & Meckling, 1976), the study's findings provide strong support for the idea that agents (accountants, managers) act based on a mix of personal incentives and psychological dispositions. When monitoring mechanisms are weak and ethical culture is poor, agents may exploit their discretion in financial reporting to pursue self-serving goals. Risk-taking behavior amplifies this misalignment between agent and principal interests, increasing the agency cost. Ethical culture, in turn, serves as a control mechanism that mitigates this cost by aligning behaviors with organizational expectations. The empirical support for this behavioral agency model suggests that monitoring and control systems should extend beyond procedural compliance to include psychological screening and ethics reinforcement as tools for corporate governance.

### 6. Conclusion and Recommendations

This investigation aimed at examining the effect of personality, risk-seeking behavior and creative accounting practices (CAP) on accounting professionals in Pakistan with the consideration of the effect of organizational ethical culture. By using agency theory and a behavioral ethics lens, this study broadens the scholarly knowledge of unethical accounting practices by incorporating not only individual psychology, but also organizational context, instead of only institutional or economic factors.

Extraversion and conscientiousness were found to be important predictors for CAP, which exhibits a strong relationship with increased chances of financial report manipulation. Extraverts might be tempted to manipulate financial statements to protect their social status or earn admiration, whereas conscientious people might sometimes bend ethical rules to achieve excellent results. This research is consistent with the previous work that suggests that individual personality plays a significant role in making ethical choices in complex workplaces.

Notably, risk-taking behavior emerges as the leading factor of CAP, confirming that it is a behavioral intermediary linking personality traits to particular misconduct. Professionals are more likely to use

flexibility in financial reporting for their own or organizational gains due to comfort with unpredictability and challenging environments. This finding is consistent with previous studies in behavioral finance and organizational psychology, where risk tolerance is an important variable in the psychological chain of decisions that culminate in financial malfeasance. Equally important is the role of organizational ethical culture, which was shown to negatively moderate the relationship between individual tendencies and CAP. In ethical organizations where policies, norms, and leadership behavior promote integrity, the influence of risky and ethically flexible personalities on CAP is significantly diminished. This underscores the importance of corporate governance structures and ethical leadership in reinforcing ethical standards and discouraging manipulation.

### 6.1 Theoretical Contributions

This research extends the application of agency theory by integrating behavioral elements into the agent-principal relationship, proposing a model where individual psychology (traits and risk-taking) and organizational culture jointly determine ethical behavior. It also contributes to the behavioral ethics and accounting literature by empirically testing how internal and external factors interact to predict CAP—a topic previously underexplored, particularly in developing economies like Pakistan.

### 6.2 Practical Implications

The findings offer several practical recommendations for organizations, regulators, and educational institutions: **HR practices** should incorporate personality assessments and risk-tolerance screening during recruitment, especially for accounting and finance roles. **Ethics training programs** must be personalized, continuous, and aligned with behavioral profiles, targeting high-risk individuals for closer monitoring. **Corporate governance policies** should include behavioral risk indicators in audit reviews and performance assessments. **Leadership development** should prioritize ethical modeling and tone-at-the-top reinforcement, as these play a crucial role in shaping workplace ethical culture.

### 6.3 Limitations and Future Research

While the study offers valuable insights, certain limitations must be acknowledged. The use of self-report measures introduces the possibility of **social desirability bias**, particularly in questions related to ethical behavior. Although anonymity was assured, some respondents may have underreported their involvement in CAP. Additionally, the **cross-sectional design** limits causal inference, and the **Pakistan-specific context** may constrain the generalizability of the results to other settings. Future research should consider **longitudinal or experimental designs** to examine how personality traits evolve with career progression and organizational exposure. Qualitative methods, including case studies and ethnographic research, may also provide deeper insights into how ethical decisions are made in real-world settings. Finally, expanding the scope to include **comparative international studies** would strengthen understanding of how cultural and institutional contexts shape the expression of personality traits and risk-taking in accounting practices.

This study highlights the complex and multi-layered nature of creative accounting, showing that ethical failures in financial reporting are not just the product of weak rules but of **human behavior in organizational systems**. Addressing CAP therefore requires a dual focus: understanding the minds of those behind the numbers and building cultures that keep those minds ethically engaged.

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## Appendix: Survey Questionnaire Section 1: Demographic Information

### Gender:

- Male
- Female

### Age Group:

- 18-25
- 26-35
- 36-45
- 46-55
- 56 and above

### Educational Background (Accounting & Finance):

- Bachelor's degree
- Master's degree
- Doctorate
- Professional certification (Accounting & Finance)
- Other

### Work Experience:

- Less than 1 year
- 1-3 years
- 4-7 years
- 8-10 years



- More than 10 years

**Type of Firm:**

- Public
- Private
- Non-Profit

**Job Held is related with:**

- Accounting & Finance
- Management & Administration
- Accounts Officer
- Finance Officer
- Auditor
- Consultant
- Other

**Research Questionnaire**

Section	Item No.	Statement	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
Personality Traits (IV)	E1	I find it easy to form close friendships with others.					
	E2	I enjoy being in a crowd or a large group of people.					
	E3	I take charge in situations and prefer leading others.					
	E4	I often feel energized and prefer to stay busy.					
	E5	I like to take risks and seek thrilling experiences.					
	E6	I often feel enthusiastic and optimistic about life.					
	A1	I generally trust others unless given a reason not to.					
	A2	I believe in being honest and direct, even if it's uncomfortable.					
	A3	I enjoy helping others, even when it's inconvenient for me.					
	A4	I tend to avoid conflicts and try to get along with everyone.					
	A5	I prefer not to brag about my accomplishments.					
	A6	I feel sympathy for people who are less fortunate than I am.					
	C1	I am confident in my ability to handle difficult tasks.					
	C2	I like to keep my things neat and well-organized.					
	C3	I believe in fulfilling my					

		obligations, even when they are difficult.					
	C4	I set high goals for myself and work hard to achieve them.					
	C5	I can persist at tasks that take a long time to complete.					
	C6	I think carefully before making decisions.					
	N1	I often worry about things, even when they seem insignificant.					
	N2	I find it hard to control my temper when things go wrong.					
	N3	I frequently feel sad or discouraged about my situation.					
	N4	I often feel awkward or embarrassed in social situations.					
	N5	I find it hard to resist temptations, even when I know I shouldn't.					
	N6	I feel helpless and overwhelmed during stressful situations.					
	O1	I often daydream and get lost in my imagination.					
	O2	I appreciate beauty in art, music, and nature.					
	O3	I am aware of and value my emotional reactions to things.					
	O4	I am open to trying new experiences and activities.					
	O5	I am curious about many different topics and enjoy learning new ideas.					
	O6	I am open to rethinking my beliefs when presented with new evidence.					
	I1	I do things without thinking.					
	I2	I say things without thinking.					
	I3	I act "on impulse."					
	I4	I get easily bored when solving thought problems.					
	I5	I act on the spur of the moment.					
<b>Risk Taking (Mediator)</b>	RT1	At work, I prefer a high-risk, high-reward job over a stable one with lower pay.					
	RT2	To achieve something in life, one has to take risks.					
	RT3	If there is a big chance of profit, I take even very high risks.					
	RT4	To gain high profits in business, one has to take high risks.					
	RT5	I would invest in a new, uncertain firm for a big chance					

		of multiplying capital.					
	RT6	I willingly take responsibility in my workplace.					
	RT7	Reasonable risk-taking is an important managerial skill.					
<b>Creative Accounting Practices (DV)</b>	CA1	I believe creative accounting techniques significantly affect the transparency of financial reporting systems.					
	CA2	Creative accounting practices are often employed to achieve predetermined financial targets.					
	CA3	In my organization, creative accounting practices are sometimes used to gain competitive advantages in the market.					
	CA4	The use of creative accounting techniques can help to smooth income fluctuations over multiple financial periods.					
	CA5	Managers and accountants often collaborate to adjust financial figures while remaining within legal boundaries.					
	CA6	Performance-based incentives increase the likelihood of engaging in creative accounting practices.					
	CA7	Pressure from stakeholders or management encourages professionals to engage in creative accounting practices.					
	CA8	Creative accounting techniques, such as manipulating depreciation policies or off-balance-sheet financing, are common in my industry.					
	CA9	The complexity of accounting standards creates opportunities for professionals to apply creative accounting practices.					
	CA10	Creative accounting is sometimes seen as a strategic tool to improve an organization's financial position.					
	CA11	Adjustments to extraordinary items or provisions are used to manipulate financial outcomes in certain situations.					
	CA12	Accounting professionals often face ethical dilemmas when					

		deciding whether to engage in creative accounting.					
	CA13	I think it is challenging to detect creative accounting practices in financial statements.					
	CA14	Creative accounting is often justified as a way to protect an organization's reputation during financial crises.					
<b>Organizational Ethical Culture (Moderator)</b>	OC1	Management disciplines unethical behavior when it occurs.					
	OC2	People violating the ethics code receive formal rewards.					
	OC3	Penalties for unethical behavior are strictly enforced.					
	OC4	Unethical behavior is punished in this organization.					
	OC5	Top managers represent high ethical standards.					
	OC6	People of integrity are rewarded.					
	OC7	The ethics code is "window dressing" only.					
	OC8	Top managers regularly show care for ethics.					
	OC9	Top managers model unethical behavior.					
	OC10	Ethical behavior is the norm in this organization.					
	OC11	The ethics code maintains the organization's public image.					
	OC12	Ethical behavior is rewarded in this organization.					
	OC13	Ethics code requirements align with informal norms.					