

REVIEW ARTICLE

Corporate social responsibility (CSR) and earnings management: A structured literature review with a focus on contextual factors

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Abstract

The link between corporate social responsibility (CSR) and earnings management represents an attractive empirical research topic in recent years. In view of the heterogeneous research results, the purpose of this structured literature review is to analyze the contextual factors of this complex relationship. We selected 107 quantitative peer-reviewed archival studies on that topic and explain a possible positive and negative link between CSR and earnings management by the moral licensing hypothesis (principal agent theory) and the moral track hypothesis (stakeholder theory). We focus on firm- and country-related moderator effects as contextual factors. Country-specific studies are separated in developed (Anglo-American and Continental European settings) and developing countries (African and Asian settings), code and case law regimes as well as the degree of shareholder protection and legal enforcement. In line with stakeholder theory, we stress that most of the included studies found a negative impact of CSR on earnings management with a focus on CSR performance and accruals-based earnings management. Other measures, for example, CSR reporting, sub-pillars of CSR performance, and real earnings management, are inconclusive due to reduced research activity. We do not find any structural changes between developed and developing countries, case and code law regimes, and regarding the strength of shareholder protection and legal enforcement. However, there are clear indications that corporate and country governance strengthens (weakens) the negative (positive) influence of CSR on earnings management. We stress major limitations of prior research and formulate useful recommendations for future research.

KEYWORDS

agency theory, CSR, CSR performance, CSR reporting, earnings management, financial reporting, stakeholder theory

JEL CLASSIFICATION

M41, M48, Q56

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1 | INTRODUCTION

Since the last financial crisis of 2008–09, stakeholders' increased information demands lead to the voluntary preparation of stand-alone corporate social responsibility (CSR) reports and related CSR performance figures of public interest entities (PIEs) (KPMG, 2022). CSR reports represent a major complement to traditional financial reports and refer to the triple-bottom-line concept or the environmental, social and governance (ESG) concept. Due to increased regulatory and stakeholder pressure, firms inform stakeholders about their economic, environmental, and social firm practices. As financial reporting and CSR reporting are usually unconnected, there exists a risk of information overload. Moreover, CSR reporting is linked with decreased objectivity, leading to the probability of CSR decoupling (e.g., greenwashing behavior) (Mahoney et al., 2013). On the one hand, firms may use CSR reporting and related performance figures as a tool for self-impression management to hide their opportunistic behavior (Sial et al., 2019). On the other hand, executives aim to fulfill the interests of their stakeholders in the best way, leading to a transparent financial and CSR reporting (Shi et al., 2022).

From a regulatory perspective, in contrast to the regulation intensity of financial reporting, CSR reporting is still voluntary in many countries from an international perspective. However, some regimes have already introduced mandatory CSR reporting (e.g., the European Union) or plan to do so (e.g., the USA). This leads to an increased quantity of CSR information, whereas the impact of CSR regulations on CSR reporting quality is still questionable (Sial et al., 2019).

Based on the major interaction between CSR and financial reporting, a great number of studies has analyzed the link between CSR reporting (performance) and earnings management (e.g., Chen et al., 2018). Earnings management can be defined as the use of judgment in financial reporting to alter financial reports to mislead regarding economic performance and to impact outputs that depend on reported accounting figures (Velte, 2019). As many studies found a negative impact of CSR on earnings management, the meta-analysis by Shi et al. (2022) also assumed and documented this overall result. The bibliometric analyses by Kumar et al. (2023) and Santos-Jaén et al. (2021) also illustrate the decreased comparability of prior research on that topic due to diverse CSR and earnings management proxies, regimes, and methods. In our study, we do not intent to conduct a meta-analysis and a bibliometric analysis on that topic. We like to increase our knowledge on the relationship between CSR and EM with the help of a systematic literature review. Velte (2020) and Ehsan et al. (2020) also conducted this approach and found a negative impact of CSR on EM, especially based on CSR performance, in previous studies. Our literature review mainly contributes to these two reviews, as we focus on specific context factors of the link between CSR and earnings management. Ehsan et al. (2020) focused on industry, country, and firm aspects, while their analysis was rather short. Velte (2020) did not concentrate on any moderating variables. First, we are interested in moderator analyses of the relationship between CSR and earnings management. It is assumed that firm and country-related governance factors will moderate this link. Second, we

differentiate between developed (Anglo-American and Continental European settings) and developing countries (African and Asian settings), code and case law countries, and regarding the strength of shareholder protection and legal enforcement. We assume significant differences of the relationship between CSR and earnings management due to related country effects. Countries with effective legal-institutional enforcement and stronger investor rights should force firms to reduce their degree of earnings management and increase CSR awareness. Thus, these country effects should have a major impact on the link between CSR and earnings management. Moreover, as code law regimes are assumed to be more stakeholder oriented (La Porta et al., 2008), firms in code law countries should be more active in CSR in line with stakeholder preferences. To address these country effects is relevant for this research topic and mainly contributes to prior research.

Based on the summary of previous research results, we stress major limitations of included studies and innovative recommendations for future research on this topic.

This literature review is most relevant for researchers, business practice, and regulatory bodies to promote the connections between CSR and financial reporting. We differentiate between CSR reporting and performance as main CSR categories as well as between accruals-based earnings management (AEM), real earnings management (REM) and other proxies of earnings management. AEM relates to accounting policies after the balance sheet dates. It affects abnormal accruals as the difference between annual profits and operational cash flows. Depreciation policies and the calculation of provisions can be classified as major tools for successful AEM. In contrast to this, REM refers to accounting policies before the balance sheet date as real business transactions (e.g., sale and lease back). We also recognize the potential bi-directional relationship between CSR and earnings management (Velte, 2021). Most of our included studies found a negative impact of CSR performance on AEM (e.g., Kim et al., 2012). Other proxies and relationships are either inconclusive or the results are too low in amount. This also relates to sub-pillars of CSR (environmental and social). As moderator effects, there are hints that corporate and country governance weakens (strengthens) the positive (negative) impact of CSR on earnings management. Interestingly, the negative link between CSR and earnings management is not mainly different in developing versus developed countries. This also relates to the separation between case law and code law countries as well as regarding the strength of shareholder protection and legal enforcement in comparing the country-specific countries in our sample. Relying on these major results, we show key limitations and research gaps and guide researchers for innovative research designs.

Our analysis is structured as follows. First, we present a theoretical framework of the link between CSR and earnings management, based on the controversial moral licensing and moral track hypotheses (Section 2). Section 3 deals with the literature review, whereas we start with the deduction of the research framework (Section 3.1), follow with the research design (Section 3.2). The results of the literature review are stressed in Section 4, starting with descriptive analyses (Section 4.1), moderator variables (Section 4.2), the impact of CSR on



earnings management, based on country effects (Section 4.3), the impact of earnings management on CSR, based on country effects (Section 4.4), and the results (Section 4.5). Then, we stress major research gaps and deduce precise recommendations for future researchers to increase our knowledge on the link between CSR and earnings management (Section 5). A summary with the main research results is presented in Section 6.

2 | THEORETICAL FRAMEWORK

2.1 | Moral licensing hypothesis

From a theoretical perspective, the relationship between CSR and earnings management is controversial regarding the direction and the respective sign. We rely on the structure of Shi et al. (2022), separating between the moral licensing and moral track hypotheses. A positive link between CSR and earnings management can be explained by the moral licensing hypothesis. This hypothesis is fundamentally connected with the principal agent theory (Jensen & Meckling, 1976; Ross, 1973). It is assumed that managers like to gain a license from something good they have done (Shi et al., 2022). CSR performance and reporting will be conducted to mask the opportunistic management behavior, which leads to increased earnings management (Scholtens & Kang, 2013). CSR activities solely represent a mechanism of self-impression management to attract stakeholders without a substantial implementation of a sustainability management system and sustainable transformation goals. Information overload and CSR decoupling (e.g., greenwashing) may be the consequences of this opportunistic behavior (Mahoney et al., 2013). As CSR measures are subjective and hard to monitor, information asymmetries and conflict of interests between executive directors and related stakeholder groups are realistic (Jensen & Meckling, 1976; Ross, 1973). CSR performance and reporting can be classified as a major signal to markets (reputation insurance) and may relate to increased stakeholder awareness. Stakeholders are dependent on a reliable financial and CSR reporting (Faisal et al., 2018). Earnings management decreases the information value of financial reporting and thus contrasts the information needs of stakeholders.

2.2 | Moral track hypothesis

In contrast to the moral licensing hypothesis, the moral track hypothesis assumes a negative link between CSR and earnings management (Shi et al., 2022). This hypothesis refers to the stakeholder theory (Freeman, 1984) and concludes that firms will act in the best interests of their stakeholders. Thus, managerial opportunism and agency problems are neglected in this hypothesis. Based on stakeholder theory, firms will implement a substantial sustainability management system, leading to a reduced probability of CSR decoupling and information overflow (Freeman, 1984). In this context, financial and CSR

performance will be jointly monitored by executive directors. Firms should prepare a decision useful financial and CSR reporting in line with stakeholder demands, for example, climate change information (Rahman & Zheng, 2023). Socially responsible firms will do fewer earnings management policies as stakeholders like to be informed about the real financial situation of the firm (Ahmad et al., 2023). Moral track hypothesis is mainly connected with the signaling theory to publish private information about major financial and sustainability aspects of the firm voluntarily (Shi et al., 2022).

2.3 | Dynamic relationships between CSR and earnings management?

In line with the heterogeneous sign of the link between CSR and earnings management, its direction is also questionable. While most included studies analyze the impact of CSR on earnings management (e.g., Fauser, 2019), an inverse or even a bi-directional link is also important to consider (Jian et al., 2023). Strategic and operational decisions on financial and CSR goals as well as related performance and reporting figures are conducted simultaneously in business practice (Bose & Yu, 2023). Consequently, CSR performance (reporting) may have a major impact on financial reporting decisions and vice versa. The first possibility is that firms react to a specific CSR level by increased or decreased financial reporting quality. The second option is that a financial reporting situation pressures executive directors to change their CSR efforts. Both channels can be present simultaneously, leading to potential dynamic relationships between CSR and earnings management (Velte, 2021). The potential dynamic relationship between CSR and earnings management reflects the risks of endogeneity, which should be addressed by advanced regression models. We will control for these endogeneity checks in the descriptive analyses and in the research recommendations.

The next section will introduce our research framework, the research methodology, the sample selection process, and will follow with a descriptive analysis of included studies. Then, we present the impact of CSR on earnings management and vice versa. Then, we concentrate on moderator analyses and summarize the key results.

3 | RESEARCH FRAMEWORK AND RESEARCH DESIGN

3.1 | Research framework

Figure 1 provides an overview of our research framework. Our primary goal is to summarize the archival research on the link between CSR and earnings management. First, we include the studies on the impact of CSR earnings management. Second, we recognize the previous research on the influence of earnings management on CSR, illustrating potential endogeneity concerns (reversed causality). As a main structure of this literature review, CSR is divided in CSR performance

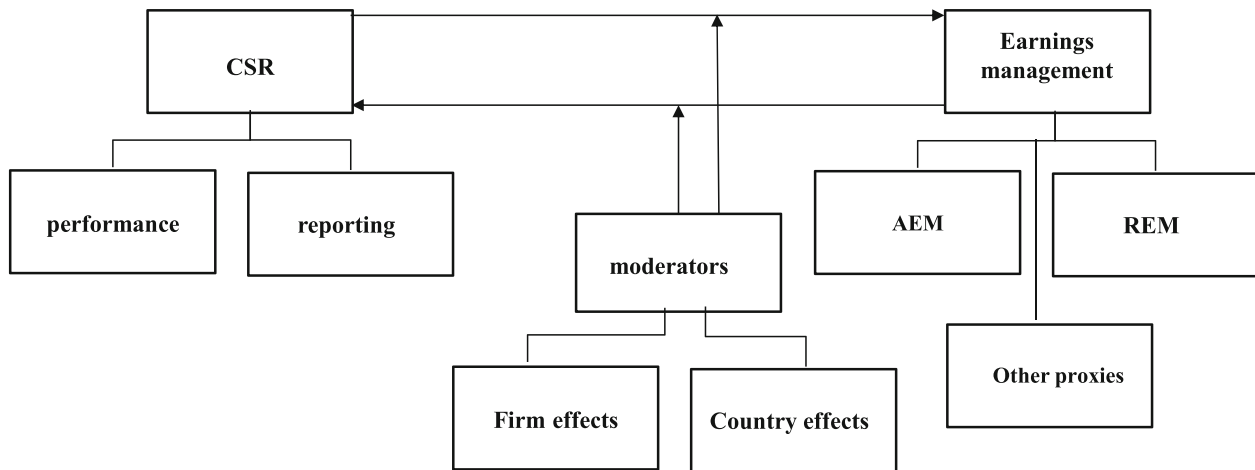


FIGURE 1 Research framework.

and CSR reporting. In this context, we also separate total CSR measures from related sub-pillars, for example, environmental, and social items. CSR performance figures are quantitative measures of CSR activities, which are normally included in external databases, for example, Refinitiv or the former Kinder, Lydenberg, Domini & Do (KLD) database. CSR reporting is the external communication of corporate CSR actions, either in a separate sustainability report or included in the business or management report. Researchers usually conduct content analyses of the CSR reports and use a scoring method in this context. But there are also possibilities to include specific databases for CSR reporting score, for example, the Bloomberg terminal. In line with the prior literature (e.g., Dechow et al., 2010), earnings management can be mainly divided in AEM and REM. Accruals models consider accounting policies in the financial reports after the balance sheet date (e.g., provisions). Abnormal accruals are the difference between annual profits and operational cash flows and relate to increased earnings management and thus reduced earnings quality. In line with the basic model by Jones (1991), many modifications have been conducted during the last decades (e.g., Dechow et al., 1995; Kothari et al., 2005). In contrast to AEM, REM refers to accounting policies before the balance sheet date as real business transactions (e.g., sale and lease back). Roychowdhury (2006) implemented the dominant model of REM as abnormal cash flows from operations, abnormal production costs and abnormal expenses. As a third category, “other proxies” of earnings management are of lower relevance in our review yet. Earnings persistence and predictability models assume that corporations with stable and predictable earnings relate to lower agency conflicts and lead to increased financial reporting quality. Conservatism (Basu, 1997) includes the creditor demand of timely loss recognition in line with the prudence principle to reduce managerial opportunism. Earnings smoothing (Dechow & Dichev, 2002) relates to using accounting methods to level out fluctuations in net income from different reporting periods. The process of earnings smoothing involves moving revenues and expenses from one

accounting period to another. It should lead to decreased financial transparency and thus reduced quality.

Moreover, we focus on moderator analyses in this research topic. We analyze, which firm and country (governance) effects moderate the link between CSR performance (reporting) and earnings management. Corporate and country governance represent the major proxies in this context. In line with agency theory, we assume that governance attributes will weaken (strengthen) the positive (negative) link between CSR and earnings management. Furthermore, in contrast to prior literature reviews, as context factors, we also analyze whether the link between CSR and earnings management is dependent from specific settings. Thus, in line with cross-country settings, we group the country-specific studies in our sample in developing countries (Asian and African settings) and developed countries (Anglo-American and Continental European settings). Moreover, we identify the respective countries of research as case versus code law regimes, based on La Porta et al. (2008), and include the strength of shareholder protection and legal enforcement as additional country effects. We assume that there are major differences between these regimes due to regulatory pressure. Regarding code law regimes, it is assumed that stakeholder awareness and pressure on CSR activities is higher in comparison to case law regimes, which are more shareholder oriented (La Porta et al., 2008). Thus, we expect that the positive (negative) relationship between CSR and earnings management is weaker (stronger) in code law regimes in line with stakeholder preferences. This should relate to the Continental European countries in our literature review (e.g., France, Germany, Italy, and Spain). In case law regimes, the positive (negative) relationship between CSR and earnings management should be stronger (weaker). This should relate to the Anglo-American studies in our literature review (e.g., USA, UK, and Canada). Shareholder protection and legal enforcement are major incentives for managers to decrease their range of accounting policies. We rely on the shareholder protection index by the World Bank and the rule of law index by the World Justice Project (WJP). The World Bank



measures the strength of minority investor protection index.¹ The scores are rather low for the regions “Sub-Saharan Africa” and “East Asia & Pacific” and high for the regions “OECD high income” and “Europe & Central Asia”. The WJP rule of law index includes eight categories (e.g., absence of corruption, criminal justice)² and indicates the highest scores for European countries (e.g., Denmark and Norway) and lowest scores for Cambodia and Venezuela. It is assumed that there is a negative impact of shareholder protection and legal enforcement on earnings management. We expect that the positive (negative) link between CSR and earnings management is weaker (stronger) in countries with stronger shareholder protection and legal enforcement. These regulations may promote both CSR activities and financial reporting quality.

3.2 | Research design

In the following, we explain the research design and the related steps involved in selecting the relevant literature. In this context, we followed the guidelines of Massaro et al. (2016). There are different types of literature reviews (e.g., narrative, research synthesis, systematic and structured literature reviews). As we rely on a structured literature review, we briefly clarify the major differences between structured, systematic, and narrative reviews. In contrast to systematic or narrative reviews, we require a rigid structure in the included papers. This specifically relates to the variety of CSR and earnings management proxies (CSR performance and reporting; AEM versus REM). As we aim to account for archival research and the economic relationships between related proxies, a structured literature review is more useful than other literature reviews, which are more open-ended in terms of structure (Massaro et al., 2016). In the following, we present Massaro et al.'s (2016) 10 steps for developing a structured literature review (see also Farooq et al., 2024). We remain consistent with the literature review protocol presented by these authors.

Step 1 is linked with a literature review protocol, based on several (inter)national databases for the keyword search (Web of Science, Google Scholar, the Social Science Network (SSRN), EBSCO and Science Direct). We use the following keywords: “CSR”, “Corporate Social Responsibility”, “CSR performance”, “CSR reporting”, “CSR disclosure”, “environmental performance”, “social performance”, “environmental reporting”, “social reporting”, and related terms in combination with “earnings management”, “earnings quality”, “financial reporting”, “accruals”, “accruals management”, “accounting policies”, “real earnings management”, “conservatism”, “smoothing”, “persistence”, “predictability”, and “readability”. Step 2 includes the major research questions which we have already addressed before. We start with an initial sample of 167 studies. Step 3 is linked to the type of studies which we like to include in our literature review. We only recognize archival based (quantitative) empirical studies due to

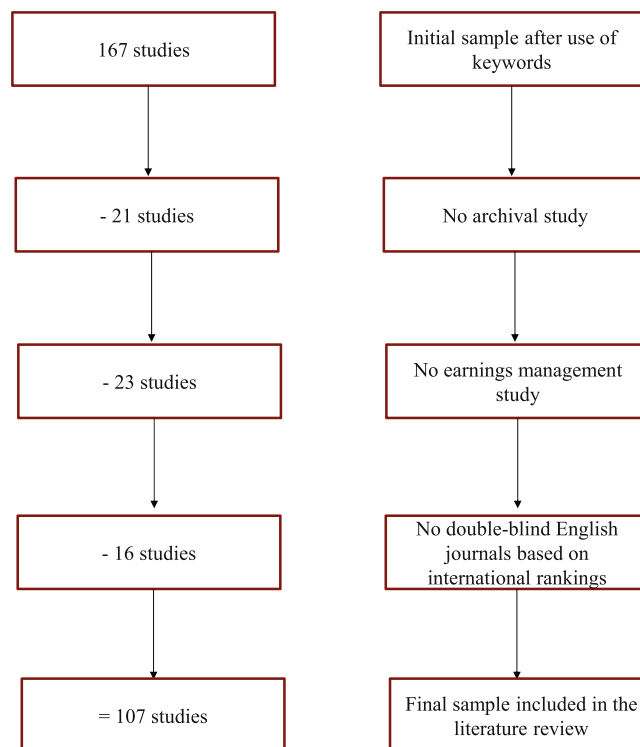


FIGURE 2 Sample selection process.

comparability reasons. Moreover, archival research represents the dominant research method to measure the link between CSR and earnings management. Thus, 21 non-archival studies were excluded. Moreover, we only address studies on earnings management proxies (e.g., AEM, REM and related variables). Some papers have relied on audit proxies as a substitute of financial reporting quality. To increase the comparability of included studies, we delete 23 studies. We also focus on articles published in peer-reviewed journal articles in English language based on international journal rankings. In this context, we refer to well-known international journal rankings (Journal Citation Reports, VHB-Jourqual, SCImago Journal Rank, TI Journal List, Journal Quality List, ABDC Journal Quality List, and Financial Times Research Rank) and exclude any study not included in at least one of these lists. This leads to the exclusion of 16 studies. Consequently, we stress a total of 107 studies as our final sample. Figure 2 illustrates the sample selection process.

Step 4 is based on measuring the papers' impact, based on google scholar. In this context we used the citations in google scholar and recognized that every study has been cited at least once. Moreover, a research framework has to be defined (Step 5). Empirical research on the link between CSR and earnings management relates to a heterogeneity of data, designs, theories, and methods. In view of this diversity, we conduct a structured literature review as an innovative and useful research method for scholars, practitioners, and standard setters to decrease research complexity (Torraco, 2005; Webster & Watson, 2002). We deduce our research objectives as follows: while some literature reviews on this topic already exist (e.g., Ehsan

¹<https://archive.doingbusiness.org/en/data/exploretopics/protecting-minority-investors>.

²<https://worldjusticeproject.org/rule-of-law-index/global>.

et al., 2020; Kumar et al., 2023), we contribute to prior research as follows. We focus on the specific contexts of the link between CSR and earnings management, as formulated in the key research questions:

1. Which firm- and country-related (governance) factors have a moderating impact on the relationship between CSR and earnings management?
2. Do specific country effects based on the comparison of country-specific studies (developing versus developed countries, case versus code law regimes, strength of shareholder protection and legal enforcement) have an impact on the relationship between CSR and earnings management?

Based on the summary of previous research results, we stress major limitations of included studies and innovative recommendations for future research on this topic.

We did not use a statistical software (Step 6), as we did not deal with big data sets. Instead, we conduct a manual review. Step 7 is based on testing the literature review to ensure validity. We read each paper, code them in accordance with the selected (sub-)constructs and previously developed framework (Step 8). Using vote-counting methodology (Light & Smith, 1971), we measured the significant findings and their indicators. Significant positive coefficients are marked with a (+), negative coefficients with a (−), and insignificant results with a (±). The total amount of significant positive, negative, and insignificant results was collected.

Step 9 relates to the development of insights and critique through dataset analysis. In this context, we code the metadata (researchers/authors, journals, research methods and theories). The coding of themes (using the research framework) was aimed at addressing the two research questions. We tabulate findings and use them to develop major insights to enrich existing literature. In this context, we see a restricted validity of regression models due to endogeneity concerns. Moreover, included CSR measures lack comparability and are often linked with subjective scoring methods. Moreover, developing of future research questions (Step 10) will be presented in chapter 5.

4 | RESULTS OF THE LITERATURE REVIEW

4.1 | Descriptive analyses

Table 1 provides an overview of the studies per publication year (Panel A), country (Panel B), journal (Panel C), CSR variables (Panel D), and earnings management variables (Panel E). Panel A stresses a significant increase in studies over the last two years, while first studies were published twenty years ago. The increased awareness on this research topic may be explained with higher regulatory initiatives on corporate sustainability reporting and performance during recent years. Most of the included studies recognize Asian countries (41 studies) in line with Anglo-American and cross-country settings (26 studies each). In view of specific country effects in Asian countries (developing economies, increased state ownership) and in the USA (great importance of equity markets and listing status), these regimes are

TABLE 1 Count of cited published papers.

Panel A: By publication year

Total: 107	<ul style="list-style-type: none"> • 2023: 16 • 2022: 16 • 2021: 4 • 2020: 12 • 2019: 18 • 2018: 9 • 2017: 4 • 2016: 4 • 2015: 8 • 2014: 1 • 2013: 3 • 2012: 1 • 2011: 4 • 2010: 2 • 2009: 1 • 2008: 2 • 2004: 1 • 2003: 1
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Panel B: by region

Total: 107	<ul style="list-style-type: none"> • Cross-Country: 26 • Anglo-American: 26 • Asian countries: 41 • African countries: 4 • Continental European countries: 10
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Panel C: by journal

Total: 107	<i>Finance, Tax & Accounting Journals (46):</i> <ul style="list-style-type: none"> • Abacus: 1 • Accounting Forum: 1 • Accounting Research Journal: 2 • Advances in Accounting, incorporating Advances in International Accounting: 1 • Advances in Accounting: 1 • Asian Journal of Accounting Research: 1 • Asia-Pacific Journal of Accounting & Economics: 2 • Australian Accounting Review: 2 • Cogent Economics & Finance: 1 • Emerging Markets, Finance and Trade: 2 • Finance Research Letters: 1 • Global Finance Journal: 1 • International Journal of Accounting & Information Management: 3 • International Management and Financial Innovations: 1 • Journal of Accounting and Public Policy: 1 • Journal of Accounting in Emerging Economies: 1 • Journal of Applied Accounting Research: 1 • Journal of Corporate Accounting & Finance: 1 • Journal of Financial Reporting and Accounting: 3 • Journal of Financial Services Research: 1 • Journal of International Accounting Research: 1 • Journal of International Accounting, Auditing and Taxation: 1 • Journal of Modern Accounting and Auditing: 1 • <i>Managerial Auditing Journal</i>: 5 • Pacific-Basin Finance Journal: 1 • Procedia Economics and Finance: 1 • Review of Finance and Accounting: 1 • Review of Quantitative Finance and Accounting: 1 • Spanish Accounting Review: 2 • Studies in Economics and Finance: 1 • The Accounting Review: 1 • The British Accounting Review: 1 • The International Journal of Accounting: 1
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(Continues)



TABLE 1 (Continued)

Management, economics, and sustainability journals (61):

- Advances in Environmental Accounting & Management: 1
- Business Research Quarterly: 1
- Business Strategy and the Environment: 2
- Canadian Journal of Administrative Sciences: 1
- Corporate Governance: 1
- Corporate Governance: An international review: 2
- *Corporate Social Responsibility and Environmental Management*: 10
- Emerging Markets Review: 1
- Environmental Science and Pollution Research: 1
- Heliyon: 1
- International Journal of Business Governance and Ethics: 1
- International Journal of Business Innovation and Research: 1
- International Journal of Disclosure and Governance: 3
- Journal of Asia Business Studies: 1
- *Journal of Business Ethics*: 7
- Journal of Business Research: 1
- Journal of Cleaner Production: 2
- Journal of Environmental Law and Policy: 1
- Journal of Family Business Management: 1
- Journal of Global Responsibility: 3
- Kybernetes: 1
- Management Decision: 1
- Managerial and Decision Economics: 1
- Review of Managerial Science: 1
- Social Responsibility Journal: 2
- Sustainability Accounting, Management and Policy Journal: 1
- Sustainability: 11
- Total Quality Management & Business Excellence: 1

Panel D: by CSR variable

Total: 107 As independent variable (97):

- CSR performance: 69
- CSR reporting: 28

As dependent variable (10):

- CSR performance: 7
- CSR reporting: 3

Panel E: by earnings quality variable

Total: As dependent variable (140):

- 156^a
 - Accruals-based earnings management: 77
 - Real earnings management: 35
 - Other proxies: 28

As independent variable (16):

- Accruals-based earnings management: 9
- Real earnings management: 4
- Other proxies: 3

Panel F: by endogeneity checks (e.g., propensity score matching (PSM), difference-in-difference-approach, generalized method of moments (GMM))

Total: 107

- Yes: 49
- No: 58

^aMany studies include more than one variable.

interesting for researchers. Panel C stresses the great heterogeneity of the publication outlets, whereas management, economics, and sustainability journals are dominant (61 studies). The best-known journals are *Corporate Social Responsibility and Environmental Management*

(10 studies) and *Journal of Business Ethics* (7 studies). Thus, sustainability researchers have analyzed the link between CSR and earnings management to a greater extent during recent years. While the link between CSR and earnings management may be bi-directional, most studies concentrated on the impact of CSR on earnings management, using CSR as an independent variable (97 studies). Thus, most researchers assume that CSR will be the driver of accounting policies and they do not measure an inverse relationship. A possible explanation may be the easier econometric procedure. CSR performance represents the most prominent proxy (69 studies), as Panel D indicates. This may be explained by the easy selection of CSR performance from external databases in comparison to CSR reporting attributes. In line with this, Panel E illustrates that earnings management was mainly used as the dependent variable (140 studies), while AEM is dominantly included (77 studies). As AEM was massively used as a substitute for earnings management in other research topics, this dominance in our literature review fits well to related studies. We already noted the potential dynamic relationship between CSR and earnings management, leading to endogeneity concerns. Panel F summarizes whether included studies have relied on endogeneity checks by advanced regression models (e.g., propensity score matching (PSM), two stage least squares (2SLS) together with instrumental variable (IV), and difference-in-difference approaches). We note that most included studies (57) did not include endogeneity checks. This leads to a limited validity of research results, which we will mention later in the limitations and research recommendations.

Due to the great complexity of CSR and earnings management proxies, we present an overview of the main proxies in Table 2.

4.2 | Moderator variables

4.2.1 | Moderators of the link between CSR and earnings management

In view of the heterogeneous results of the literature review, we extend our context-specific analysis by the inclusion of moderator variables. Archival research on CSR performance (reporting) and earnings management has included a great volume of moderator variables during the last years (e.g., Sial et al., 2019). In this context, we differentiate between firm and country attributes.

Most *firm-related* moderator variables in this literature review include *corporate governance* issues (Song, 2022). In line with (stakeholder) agency-theory, corporate governance is a major mechanism to promote increased CSR efforts and financial reporting quality (Shleifer & Vishny, 1997). Thus, it is assumed that strong corporate governance should strengthen (weaken) a negative (positive) link between CSR and earnings management (Yoon et al., 2019). Corporate governance proxies can be mainly structured in board composition and ownership structure (Shleifer & Vishny, 1997). Relying on CSR performance, the negative impact on earnings management is strengthened by corporate governance performance (Cho & Chun, 2015), CEO power (Miladi & Chouaibi, 2022), board gender diversity (Sial et al., 2019), CEO/CFO gender, audit committee

TABLE 2 Included variables of the literature review.

CSR performance & reporting variables	Financial reporting quality variables
<p>CSR performance:</p> <ul style="list-style-type: none"> Total measures ES or E, S, based on external databases Spending/expenses Inclusion in FTSEGood Global index; listing in the 100 Best Corporate Citizens by Business Ethics Magazine; CR Magazine Listing; listing in the ethical commitment index Environmental subpillars: <ul style="list-style-type: none"> Air pollution Carbon performance Emissions reduction, innovation and resource use performance (Refinitiv) Product strategies, pollution, recycling, climate, other environment Social subpillars: <ul style="list-style-type: none"> Code of ethics quality, society and human rights Employee performance; Employee relations, community, human rights, diversity Community, staff training and welfare expenses Human rights, labor relations and conditions, fairness of practices, consumers, community involvement 	<ul style="list-style-type: none"> Accruals-based earnings management (based on different models) Real earnings management
<p>CSR reporting:</p> <ul style="list-style-type: none"> ES or E, S quality and quantity, based on self-created scores GRI (dummy; score) Reporting tone Decoupling Environmental subpillars: <ul style="list-style-type: none"> Carbon reporting (CDP score; CDP dummy) Social subpillars: <ul style="list-style-type: none"> Anti-corruption reporting (score) Community, health and education, customer, workforce (self-created score) Employee relationship (score) 	<p>Other proxies:</p> <ul style="list-style-type: none"> Earnings smoothing Earnings persistence and predictability Earnings transparency Accounting conservatism Earnings announcement tone Financial reporting quality index; readability index (Fog; Reading Ease) Abnormal loan loss provisions; loan loss provisions and realized securities gains and losses Unexpected earnings Small positive profit or loss Avoidance; earnings losses/decreases avoidance

gender and a critical mass of female directors (Toukabri & Kateb, 2023), board independence (Sial et al., 2019) and audit committee activity (Song, 2022).

Regarding ownership structure and CSR performance, the negative (positive) influence on earnings management is more pronounced (weakened) by state ownership (Chen et al., 2020; Li & Xia, 2018; Liu & Lee, 2019; Rezaee et al., 2020), family ownership (López-González et al., 2019; Rahman & Zheng, 2023), Yoon et al., 2019; Brahem et al., 2022), foreign ownership (Ahmad et al., 2023), and (long-term) institutional ownership (Chulkov & Wang, 2023; Pan & Zhao, 2022). Moderator effects of subpillars of CSR performance are of very low relevance. Corporate governance performance (Litt et al., 2013), gender diversity on the board and on the audit committee, female CEOs/CFOs, a critical mass of female directors (Toukabri & Kateb, 2023) and non-state ownership (Jiang et al., 2022) also strengthen the negative link between environmental (social) performance and earnings management. However, few studies also found that corporate governance attributes also strengthen (weaken) a positive (negative) link between CSR and earnings management. This relates to board size and ownership concentration (Buertey et al., 2020), domestic controlling shareholder and founder ownership (Ahmad et al., 2023), state ownership (Cheng & Kung, 2016; Pan & Zhao, 2022), and non-family ownership (Borralho et al., 2022).

Other firm attributes with a similar moderator effect of CSR performance and earnings management include environmental sensitive industries (Yoon et al., 2019), regulated sectors (Fauser, 2019), CDP participation (Scholtens & Kang, 2013), lower agency conflicts, customer awareness and no financial constraints (Chulkov & Wang, 2023), marketization (Rezaee et al., 2020), analyst coverage (Pan & Zhao, 2022; Wang et al., 2018), and big four audits (Pan & Zhao, 2022). Based on environmental performance, similar moderator effects are stressed for firm size, financial performance (Litt et al., 2013), and environmental sensitive industries (Jiang et al., 2022; Litt et al., 2013). However, an opposite moderator effect of regulated sectors (Prior et al., 2008), and young firms (Pan & Zhao, 2022), was also reported.

In comparison to CSR performance, we know very little about moderator effects of the link between CSR reporting and earnings management. Family ownership (Kumala and Siregar, 2021) and export-oriented industries dominated by powerful stakeholders (Muttakin et al., 2015) strengthen (weaken) the negative (positive) impact of CSR reporting on earnings management. Similar results, relying on environmental reporting, were stated for manager competencies (Shang & Chi, 2023), board independence, institutional ownership and state ownership (Xi & Xiao, 2022), and included firms of the emission trade system (Luo & Wu, 2019). Salem et al. (2023) focused on social reporting and found a similar moderator effect of audit committee independence and expertise. However, an inverse moderator effect was found for state ownership (Garanina & Kim, 2023), audit fees (Al-Shaer, 2020) and family firms (Gavana et al., 2017).

In comparison to firm attributes, *country-related* moderator effects are of lower relevance yet in archival research on the link between CSR outputs and earnings management. Most studies found that *country governance* strengthens (weakens) the negative (positive) impact of CSR performance on earnings management. In detail, this



relates to investor protection (Chen et al., 2018; Garcia-Sanchez & Garcia-Meca, 2017; Joubert, 2019; Martinez-Ferrero et al., 2016; Martinez-Ferrero, Gallego-Alvarez, & Garcia-Sanchez, 2015; Martinez-Ferrero, Garcia-Sanchez, & Cuadrado-Ballesteros, 2015), legal enforcement (Bozzolan et al., 2015; Chih et al., 2008; Scholtens & Kang, 2013), antidirector rights and inflation (Scholtens & Kang, 2013), civil law and credit rights (Pathak & Das Gupta, 2022), bank regulation (Garcia-Sanchez & Garcia-Meca, 2017), as well as country-related corporate governance performance (Joubert, 2019) and CSR performance (Martinez-Ferrero et al., 2016; Martinez-Ferrero, Gallego-Alvarez, & Garcia-Sanchez, 2015; Martinez-Ferrero, Garcia-Sanchez, & Cuadrado-Ballesteros, 2015). Few studies referred to environmental reporting and stressed a similar moderator effect of code law, collectivism, corporate governance index (Luo & Wu, 2019), political costs (Patten & Trompeter, 2003), and environmental uncertainty (Shang & Chi, 2023). However, an inverse moderator effect of Anglo-Saxon countries (Prior et al., 2008) and coordinated market economies (Kyaw et al., 2017) on the link between CSR performance and earnings management was stressed.

4.2.2 | Moderators of the link between earnings management and CSR

Due to the low number of studies on the (inverse) relationship between earnings management and CSR, we know very little on specific moderator effects. On the one hand, corporate governance performance (Dissanayake et al., 2023), CSR assurance, lower financial demands, and information disclosure environment (Li et al., 2023) weaken the positive relationship between earnings management and CSR outputs. On the other hand, non-family ownership, non-state ownership (Jian et al., 2023), financial underperformance (Jian et al., 2023), shareholder pressure (Anagnostopoulou et al., 2021), chaebol firms, ownership concentration (Choi et al., 2013), and board gender diversity (Adeneye et al., 2024) lead to an inverse moderator effect. Relying on country effects, macroeconomic conditions strengthen the positive impact of earnings management on CSR (Anagnostopoulou et al., 2021), whereas an opposite effect was found for country-related CSR performance (Martinez-Ferrero & Garcia-Sanchez, 2015).

4.3 | The impact of CSR on earnings management, based on country effects

As already stressed, most included studies have analyzed the impact of CSR on earnings management and neglected the opposite relationship. Few studies analyzed and found a bi-directional link (e.g., Martinez-Ferrero, Gallego-Alvarez, & Garcia-Sanchez, 2015; Martinez-Ferrero, Garcia-Sanchez, & Cuadrado-Ballesteros, 2015; Prior et al., 2008). While CSR performance was dominantly used, only few researchers included either environmental or social performance as well as CSR reporting proxies. In the following, we differentiate between the three categories of AEM, REM, and other earnings management proxies on the one hand and CSR performance and reporting (and related sub-

pillars) on the other hand. Moreover, we structure in developing (Africa, Asia) versus developed regimes (Anglo-America, Continental Europe) in comparison to cross-country studies to analyze the specific contexts of the link between CSR and earnings management.

4.3.1 | CSR performance

Most studies included in our literature review stressed a *negative* impact of CSR performance on AEM (47 studies) and REM (17 studies). Focusing on AEM, this relates to cross-country studies (e.g., Chih et al., 2008), Anglo-American (e.g., Kim et al., 2012) and Continental European settings as developed countries (e.g., Ben Amar & Chakroun, 2018) as well as developing settings (Asia, e.g., Chen et al., 2020). Moreover, few studies also found a negative impact of environmental performance (e.g., Velte, 2021) and social performance (Chen et al., 2018) on AEM. In comparison to AEM, REM has been included to a lower extent. There are also indications that CSR performance leads to lower REM in cross-country (e.g., Bozzolan et al., 2015), Anglo-American (e.g., Hong & Andersen, 2011), and Asian settings (Chen et al., 2020). We only notice one study on sub-pillars of CSR performance in this context: Jiang et al. (2022) found a positive impact of air pollution on REM in Asian countries. In comparison to AEM and REM as inverse measures of earnings quality, other proxies of earnings management also stressed higher readability (e.g., Bajaj et al., 2023), conservatism (e.g., Guo et al., 2020), persistence and predictability (e.g., Laksmana & Yang, 2009) as well as informativeness (Riahi-Beljaoui, 2004) and decreased earnings smoothing (Scholtens & Kang, 2013).

In contrast to this, we also notice some studies which stated a *positive* impact of CSR performance on AEM (14 studies) and REM (6 studies). Relying on AEM, this relates to cross-country (e.g., Prior et al., 2008), Anglo-American (e.g., Gargouri et al., 2010), Asian (Rahman & Zheng, 2023), and African settings (e.g., Mohamed et al., 2020). While some studies documented a positive impact of environmental performance (e.g., Lemma et al., 2020) and social performance (Gargouri et al., 2010) on REM, we know very little on this topic. A positive impact of CSR performance (Ahmad et al., 2023; Fauser, 2019; Zhang et al., 2021), environmental performance (e.g., Velte, 2021) and social performance (Ahmad et al., 2023) on REM was rarely found. As other proxies of earnings management, CSR performance leads to higher tone (Lu et al., 2019), earnings smoothness (Laksmana & Yang, 2009) as well as lower persistence and predictability (Garcia-Sanchez and Garcia-Meca, 2017), conservatism (Pan & Zhao, 2022), and transparency (Park & Ha, 2020).

In line with the low number of positive links between CSR performance and earnings management, studies with *insignificant* impacts of CSR performance on either AEM (10 studies) and REM (6 studies) are of low relevance. Referring to AEM, CSR performance (e.g., Laksmana & Yang, 2009), environmental performance (Kyaw et al., 2017) and social performance (Ahmad et al., 2023) are unrelated. Based on REM, there are also some insignificant results of the influence of CSR performance (e.g., Liu et al., 2017), as well as environmental and social performance (Velte, 2019).

4.3.2 | CSR reporting

In comparison to CSR performance, prior researchers recognized CSR reporting to a low extent. Restricted data availability and quality aspects may be major reasons for this reduced research attraction. Thus, prior research results are rather inconclusive. While we notice a small tendency of a negative impact of CSR performance on AEM (17 studies), others documented a positive (10 studies) or an insignificant impact (4 studies). In this context, CSR reporting decreases AEM in cross-country (e.g., Martinez-Ferrero, Gallego-Alvarez, & Garcia-Sanchez, 2015; Martinez-Ferrero, Garcia-Sanchez, & Cuadrado-Ballesteros, 2015), Anglo-American (Almahrog et al., 2018), and Asian settings (e.g., Khuong et al., 2023). In contrast to this, CSR reporting also leads to higher AEM in cross country (e.g., Rezaee & Tuo, 2019), Asian (e.g., Muttakin et al., 2015), African (Siueia & Wang, 2019), and Continental European settings (Gavana et al., 2017). Some researchers also stated a negative impact of environmental reporting (e.g., Luo & Wu, 2019) and social reporting (e.g., Ehsan et al., 2020) on AEM. Insignificant results are neglectable (e.g., Al-Shaer, 2020). Inconclusive results also relate to REM, as few positive (5 studies), negative (7 studies) and insignificant impacts of CSR reporting (3 studies) were found. Table 3 summarizes the results of the studies which analyzed the impact of CSR performance (reporting) on earnings management.

4.4 | The impact of earnings management on CSR, based on country effects

4.4.1 | CSR performance

As already mentioned, very few researchers analyzed the (inverse) impact of earnings management on CSR performance (reporting). Moreover, research results are inconclusive, as either a positive influence of AEM (5 studies) or a negative impact (5 studies) on CSR performance was found. This also relates to REM, whereas some studies stressed either a positive impact on CSR performance (4 studies) or a negative one (3 studies). As an example, a recent Anglo-American study (Bose & Yu, 2023) stressed a negative impact of AEM and REM on CSR performance as well as environmental and social performance. Insignificant results were not documented in our literature review. As other proxies of earnings management, only one study, based on the Anglo-American context (Anagnostopoulou et al., 2021), recognized conservatism and found a negative influence on CSR performance.

4.4.2 | CSR reporting

We know very little about the impact of earnings management on CSR reporting. Only three studies recognized this research topic yet. Li et al. (2023), based on Asian countries, found a positive impact of AEM and REM on CSR reporting. In contrast to this, a cross-country study (Martinez-Ferrero, Gallego-Alvarez, & Garcia-Sanchez, 2015; Martinez-Ferrero, Garcia-Sanchez, & Cuadrado-Ballesteros, 2015) stressed that AEM and conservatism lead to lower CSR reporting. An

Asian study (Rahmawati & Dianita, 2011) reported an insignificant impact of AEM on CSR reporting. Sub-pillars of CSR reporting were not addressed yet. Table 4 presents an overview on studies which analyzed the impact of earnings management on CSR performance (reporting)

4.5 | Results

In line with stakeholder theory and prior literature reviews (Ehsan et al., 2020; Velte, 2020), CSR and earnings management are *negatively* related, especially CSR performance and AEM. Thus, we do not find major supportive results for management opportunism to mask low financial reporting. The negative link between CSR performance and AEM is not dependent on specific regimes, as cross-country studies, developed and developing countries found similar results. We also separate between code and case law countries based on the classification by La Porta et al. (2008). Code law regimes are assumed to be more stakeholder oriented and thus more active in CSR issues. Firms should feel increased stakeholder pressure to include proper management systems, which should lead to better CSR outputs and financial reporting quality. However, we do not find major differences in the relationship between CSR and earnings management. This is not in line with our theoretical arguments that code law regimes should weaken (strengthen) the positive (negative) relationship between CSR and earnings management. A possible argument may be that firm characteristics may be more important than country effects in related studies. Moreover, the strength of shareholder protection and legal enforcement do not have a major impact on the relationship between CSR and earnings management in our literature review. This is also not in line with our theoretical remarks that countries with increased shareholder protection and legal enforcement will strengthen (weaken) the negative (positive) relationship between CSR and earnings management. Regulatory initiatives on increased shareholder rights and legal enforcement strength should be connected with regulatory pressure for firms to implement solid CSR practices and financial reporting quality. This may be explained by the reduced comparability of country-specific studies in our sample. Another reason may be that shareholder protection and legal enforcement may be related to both reduced earnings management and CSR activities, which does not lead to a significant moderator effect in the end.

In comparison to overall CSR outputs, we know rather little on sub-pillars on CSR performance (reporting), and the inverse relationship between earnings management and CSR. A bi-directional link was also rarely included in prior research. This also relates to the inverse impact of earnings management on CSR. In line with our categorization of CSR and earnings management proxies as well as different regimes, we analyze the effect of moderator variables. In line with agency theory, we found that corporate governance attributes, for example, board composition and ownership structure, which lead to increased monitoring of executive directors, strengthen (weaken) the negative (positive) impact of CSR performance on earnings management. By tendency, country-related governance proxies show a similar moderator effect as regulatory pressure. Consequently, the

TABLE 3 Main results of studies on the impact of CSR performance (reporting) on earnings management.

Accruals-based earnings management (AEM)	Real earnings management (REM)	Other proxies
CSR performance (total)		
<p>+ Cross-country: López-González et al. (2019); Prior et al. (2008) (bidirectional); Mutuc et al. (2019); Kyaw et al. (2017)</p> <p>Anglo-American: Gargouri et al. (2010); Hong and Andersen (2011); Riahi-Belkaoui (2004)</p> <p>Asian countries: Rahman and Zheng (2023; nonfamily firms)</p> <p>African countries: Mohmed et al. (2020); Buertey et al. (2020)</p>	<p>Cross-country: Fauser (2019; material and non-material)</p> <p>Asian countries: Zhang et al. (2021); Ahmad et al. (2023) (by domestic controlling shareholder and founder ownership)</p>	<p>Anglo-American: Bajaj et al. (2023) (readability); Guo et al. (2020) (conservatism); Laksmna and Yang (2009) (persistence, predictability, smoothness); Lu et al. (2019) (tone); Miladi and Chouaibi (2022) (loan loss provisions; realized security gains and losses; bidirectional); Riahi-Belkaoui (2004) (informativeness)</p> <p>Asian countries: Cheng and Kung (2016); Shen et al. (2021) (conservatism); Rezaee et al. (2020) (persistence; predictability); Choi and Pae (2011) (conservatism; accuracy)</p> <p>Continental Europe: Bacha and Ajina (2020) (readability); Brahem et al. (2022) (persistence; predictability)</p>
<p>– Cross-country: Chih et al. (2008); Bozzolan et al. (2015) (less negative than REM); Garcia-Sanchez et al. (2020); Joubert (2019); Martinez-Ferrero, Gallego-Alvarez, and Garcia-Sanchez (2015); Martinez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2015) (bidirectional); Martinez-Ferrero et al. (2016); Pathak and Das Gupta (2022); Nguyen (2022); Scholtens and Kang (2013); Alsaadi et al. (2017); Fauser (2019; material); Gaio et al. (2022)</p> <p>Anglo-American: Kim et al. (2012); Timbate and Park (2018); Toukabri and Kateb (bidirectional)</p> <p>Asian countries: Chen et al. (2020); Kim et al. (2019); Li and Xia (2018); Liu and Lee (2019); Rezaee et al. (2020); Sial et al. (2019); Zhang et al. (2021); Choi and Pae (2011); Song (2022); Yoon et al. (2019); Ehsan et al. (2020) (bidirectional)</p> <p>Continental Europe: Ben Amar and Chakroun (2018); Brahem et al. (2022); Velte (2019) (bidirectional); Grimaldi et al. (2020); Gras-Gil et al. (2016); Palacios-Manzano et al. (2021)</p>	<p>Cross-country: Bozzolan et al. (2015); Mutuc et al. (2019); Nguyen (2022); Chouaibi and Zouari (2022); Gaio et al. (2022)</p> <p>Anglo-American: Hong and Andersen (2011); Kim et al. (2012); Timbate and Park (2018)</p> <p>Asian countries: Chen et al. (2020); Kim et al. (2019); Liu and Lee (2019); Rezaee et al. (2020); Sial et al. (2019); Cho and Chun (2015); Yoon et al. (2019); Ehsan et al. (2020) (bidirectional)</p>	<p>Cross country: Garcia-Sanchez and Garcia-Meca (2017) (persistence; predictability)</p> <p>Chih et al. (2008); Scholtens and Kang (2013) (smoothing)</p> <p>Chih et al. (2008) (loss avoidance)</p> <p>Anglo-American: Kolsi et al. (2023) (loan loss provision); Chulkov and Wang (2023) (unexpected earnings)</p> <p>Asian countries: Pan and Zhao (2022) (conservatism after mandatory reporting); Park and Ha (2020) (transparency)</p> <p>Continental Europe: Brahem et al. (2022) (smoothing)</p>
<p>± Anglo-American: Laksmna and Yang (2009); Liu et al. (2017)</p> <p>Asian countries: Ahmad et al. (2023)</p>	<p>Cross-country: Garcia-Sanchez et al. (2020)</p> <p>Anglo-American: Liu et al. (2017)</p> <p>Asian countries: Rahman and Zheng (2023)</p> <p>Continental Europe: Velte (2019)</p>	<p>Anglo-American: Kolsi et al. (2023) (small positive profit or loss avoidance); Grougiou et al. (2014) (loan loss provisions and realized securities gains and losses), but the other way round positive link</p>
Environmental		
<p>+ Anglo-American: Gargouri et al. (2010)</p> <p>African countries: Lemma et al. (2020; carbon)</p> <p>Continental Europe: Borralho et al. (2022)</p>	<p>Cross-country: Velte (2021; carbon)</p> <p>Asian countries: Ahmad et al. (2023)</p>	<p>Anglo-American: Bajaj et al. (2023) (readability); Guo et al. (2020) (conservatism); Heltzer (2011) (smoothing and environmental concerns)</p>
<p>– Cross-country: Pathak and Das Gupta (2022); Velte (2021) (carbon)</p> <p>Anglo-American: Kim et al. (2012); Toukabri and Kateb (bidirectional)</p> <p>Asian countries: Jiang et al. (2022); air pollution; Yang and Tang (2022); air pollution; income decreasing.</p> <p>Continental Europe: Ben Amar and Chakroun (2018); Velte (2019); (bidirectional).</p>	<p>Asian countries: Jiang et al. (2022; air pollution)</p>	

TABLE 3 (Continued)

	Accruals-based earnings management (AEM)	Real earnings management (REM)	Other proxies
	± Cross-country: Kyaw et al. (2017) Anglo-American: Heltzer (2011); Litt et al. (2013) Asian countries: Ahmad et al. (2023)	Continental Europe: Velte (2019)	Anglo-American: Kolsi et al. (2023) (abnormal loan loss provision; small positive profit or loss avoidance)
Social			
	+ Anglo-American: Gargouri et al. (2010)	Asian countries: Ahmad et al. (2023)	Anglo-American: Bajaj et al. (2023) (readability); Guo et al. (2020) (conservatism)
	– Cross-country: Chen et al. (2018); Pathak and Das Gupta (2022) Anglo-American: Kim et al. (2012); Toukabri and Kateb (bidirectional) Continental Europe: Ben Amar and Chakroun (2018); Borralho et al. (2022); Velte (2019)		Anglo-American: Kolsi et al. (2023) (abnormal loan loss provision; small positive profit or loss avoidance)
	± Cross-country: Kyaw et al. (2017) Asian countries: Ahmad et al. (2023)	Continental Europe: Velte (2019)	
CSR reporting (total)			
	+ Cross-country: Garcia-Sanchez et al. (2020) (decoupling); Rezaee and Tuo (2019) Asian countries: Muttakin et al. (2015); Zhang et al. (2021); Habbash and Haddad (2020); Kolsi and Attayah (2018) African countries: Siueia and Wang (2019) Continental Europe: Gavana et al. (2017) (family firms)	Cross-country: Garcia-Sanchez et al. (2020) (decoupling) Asian countries: Zhang et al. (2021); Khuong et al. (2023) (bidirectional)	Cross-country: Martinez-Ferrero, Gallego-Alvarez, and Garcia-Sanchez (2015), Martinez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2015) (conservatism; accruals quality; bidirectional) Asian countries: Garanina and Kim (2023); Kolsi and Attayah (2018) (smoothing); Khuong et al. (2022) (persistence)
	– Cross-country: Martinez-Ferrero, Gallego-Alvarez, and Garcia-Sanchez (2015), Martinez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2015) Anglo-American: Almahrog et al. (2018) Asian countries: Wang et al. (2018); Kumala and Siregar (2021); Ehsan et al. (2020) (bidirectional); Khuong et al. (2023) (bidirectional)	Asian countries: Faisal et al. (2018); Ehsan et al. (2022) (bidirectional).	Anglo-American: Al-Shaer (2020) (financial reporting quality) Asian countries: Wang et al. (2018) (smoothing)
	± Cross-country: Gonzalez-Sanchez et al. (2023) (around seasons equity offerings) Anglo-American: Al-Shaer (2020) Asian countries: Ibrahim et al. (2015)	Cross-country: Gonzalez-Sanchez et al. (2023) (around seasons equity offerings) Anglo-American: Al-Shaer (2020) Asian countries: Mohammadi and Saeidi (2022); Kolsi and Attayah (2018)	
Environmental			
	+ African countries: Siueia and Wang (2019)	Asian countries: Khuong et al. (2023) (bidirectional)	Asian countries: Xi and Xiao (2022) (conservatism); Alipour et al. (2019) (persistence) Continental Europe: Pereira et al. (2023) (persistence)
	– Cross-country: Luo and Wu (2019) (carbon) Anglo-American: Patten and Trompeter (2003) (negative accruals) Asian countries: Shang and Chi (2023); stronger by hard reporting); Xi and Xiao (2022); Alipour et al. (2019); Gerged et al. (2018); Ehsan et al. (2020) (bidirectional); Khuong et al. (2023) (bidirectional)	Cross-country: Luo and Wu (2019) (carbon) Asian countries: Shang and Chi (2023); Xi and Xiao (2022); Ehsan et al. (2020) (bidirectional).	
	± Anglo-American: Sun et al. (2010)		

(Continues)



TABLE 3 (Continued)

Accruals-based earnings management (AEM)	Real earnings management (REM)	Other proxies
Social		
+ African countries: Siueia and Wang (2019)	Asian countries: Khuong et al. (2023) (bidirectional)	
– Anglo-American: Salem et al. (2023) (anti-corruption) Asian countries: Ehsan et al. (2020) (bidirectional); Khuong et al. (2023) (bidirectional)	Asian countries: Ehsan et al. (2020) (bidirectional)	

TABLE 4 Main results of studies on the impact of earnings management on CSR performance (reporting).

Accruals-based earnings management	Real earnings management	Other proxies
CSR performance (total)		
+ Cross country: Martinez-Ferrero and Garcia-Sanchez (2015) Asian countries: Jian et al. (2023); Dissanayake et al. (2023)	Cross country: Martinez-Ferrero and Garcia-Sanchez (2015) Asian countries: Dissanayake et al. (2023)	
– Asian countries: Choi et al. (2013) Anglo-American: Adeneye et al. (2024); Bose and Yu (2023)	Anglo-American: Bose and Yu (2023)	Anglo-American: Anagnostopoulou et al. (2021) (conservatism)
Environmental		
+ Cross country: Martinez-Ferrero and Garcia-Sanchez (2015)	Cross country: Martinez-Ferrero and Garcia-Sanchez (2015)	
– Anglo-American: Adeneye et al. (2024); Bose and Yu (2023)	Anglo-American: Bose and Yu (2023)	
Social		
+ Cross country: Martinez-Ferrero and Garcia-Sanchez (2015)	Cross country: Martinez-Ferrero and Garcia-Sanchez (2015)	
– Anglo-American: Adeneye et al. (2024); Bose and Yu (2023)	Anglo-American: Bose and Yu (2023)	
CSR reporting (total)		
+ Asian countries: Li et al. (2023)	Asian countries: Li et al. (2023)	
– Cross country: Martinez-Ferrero, Gallego-Alvarez, and Garcia-Sanchez (2015), Martinez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2015)		Cross country: Martinez-Ferrero, Gallego-Alvarez, and Garcia-Sanchez (2015), Martinez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2015) (conservatism)
± Asian countries: Rahmawati and Dianita (2011)		

relationship between CSR and earnings management is context specific and depends on a strong corporate and country governance setting. Figure 3 illustrates the major results of our literature review.

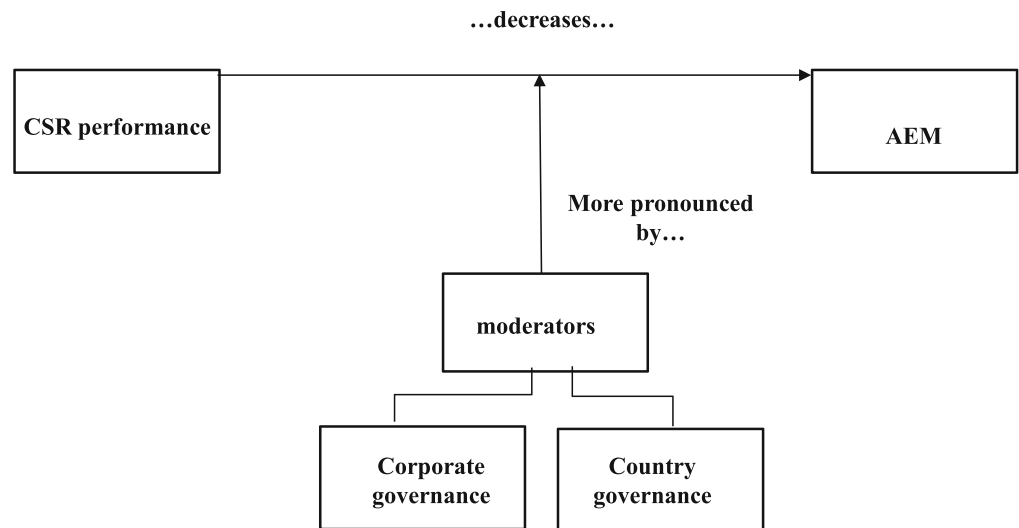
In the next section, we stress major research gaps in previous studies and present selective research recommendations. In more detail, we propose extended CSR and financial reporting measures to increase the validity of future studies. We also show innovative possibilities for future moderator analyses and refer to endogeneity concerns.

5 | DISCUSSION OF RESULTS

5.1 | Extended CSR and financial reporting measures

Due to the focus on the impact of CSR performance on AEM and the lower attraction of other CSR and earnings management proxies, prior research is limited and includes major research gaps. The few included studies which have addressed CSR reporting

FIGURE 3 Major results of the literature review.



dominantly use manual content analyses via coding or scoring methods of CSR reports (Velte, 2023). Manual textual analyses are conducted by the help of reporting indices for measuring the extent of reporting where scores were computed manually for each firm (e.g., Salem et al., 2023). These analyses are found to be difficult, complex, and time-consuming. Moreover, they lack robustness and big volumes, and they are biased due to the perception of researchers (Chakraborty & Bhattacharjee, 2022). The growth in unstructured data and the mass of qualitative and forward-looking information in CSR reports also stresses the limited validity of manual content analyses. During recent years, the literature stresses the urgent need to use automated or computerized text analyses (ATA) (Chakraborty & Bhattacharjee, 2022). The most prominent tools of ATA for content analyses are linked to the dictionary-based approach and machine learning. Major examples of machine learning are, among others, natural language processing, robot learning and data analytics. With the help of ATA, there are great opportunities to conduct readability analyses, tone analyses, similarity analyses (boilerplates) and topic analyses of CSR reporting. While ATA of sustainability reporting has reached great attraction during recent years (Velte, 2023) and several firm determinants and consequences have been analyzed (e.g., Hummel & Szekely, 2022), we do not find any study on the relationship between CSR reporting, based on ATA, and earnings management. Researchers are invited to deduce this major research gap, as it increases our knowledge on the interplay between CSR and earnings management and the validity of related research.

A second major research gap is linked with *CSR decoupling*. CSR decoupling can be defined as the difference between external CSR efforts (reporting/“talk”) and internal CSR actions (performance/“walk”) (Sauerwald & Su, 2019; Walker & Wan, 2012). In comparison to the absolute level (CSR decoupling), greenwashing as a positive difference and brownwashing as a negative difference can

be stated. In line with agency theory (Jensen & Meckling, 1976; Ross, 1973), CSR decoupling leads to information asymmetries and conflict of interests between managers and stakeholders. As we also mentioned the lack of objectivity in CSR reports, CSR decoupling can mainly impact both CSR and financial reporting (Sauerwald & Su, 2019). Three main categories of measurements of CSR decoupling can be found in prior research. The first strategy refers to one external CSR database, especially Refinitiv, and the comparison between external CSR actions and internal CSR actions (Hawn & Ioannou, 2016). Others include two databases to measure the gap between CSR reporting (e.g., based on Bloomberg) and CSR performance (e.g., based on Refinitiv). Finally, manual content analyses or ATA of CSR reports are matched with CSR performance measures, based on external databases (Velte, 2023). During the last decade, several researchers have addressed various firm- and country-specific determinants of CSR decoupling and its consequences for firm value (e.g., Sauerwald & Su, 2019). However, we only note one study (Garcia-Sanchez et al., 2020) on the impact of CSR decoupling on AEM and REM in our literature review. Future studies should also address CSR decoupling as a complement or substitution of single CSR performance or CSR reporting proxies and analyze the relationship between CSR decoupling and earnings management. In detail, the impact of greenwashing (brownwashing) on earnings management should be reflected.

In line with our recommendations on CSR measures, we also question the validity of included proxies of *earnings management* in our literature review. The dominant use of AEM must be questioned, as it is linked with a great variety of modifications of the classical Jones (1991), leading to a low comparability of included studies (Luo & Wu, 2019). As financial reporting quality cannot be measured directly, AEM and other related proxies only represent substitute measures as surrogates. AEM only addresses a very limited part of accounting policies of the management (Velte, 2021). While the



combined use of AEM and REM is useful, future researchers should include extended measures of financial reporting quality. Our recommendations to use ATA of CSR reporting can be also transferred to financial reports. We only identify two studies (Bacha & Ajina, 2020; Bajaj et al., 2023) in this context with this approach. The researchers addressed financial reporting readability, based on Bog, Gunning Fog and Flesch Reading readability indices. Future research designs should also rely on readability scores and include ATA of financial reports to conduct similarity and topic analyses, for example, regarding risk reporting.

5.2 | Extension of moderator effects

In view of the complexity of the relationship between CSR and earnings management, the inclusion of moderator effects is extremely necessary to include contextual factors (Faisal et al., 2018). While we stress an increased awareness of moderator analyses during the last years on the link between CSR and earnings management, many research gaps can be stressed. Regarding firm attributes, we know very little about the impact of *sustainable board characteristics* as a potential moderator of the link between CSR and earnings management (Velte, 2021). Expect for board gender diversity (Sial et al., 2019; Toukabri & Kateb, 2023), other characteristics of sustainable board governance are neglected. In detail, sustainability-related executive compensation, and institutionalized sustainability board expertise via Chief Sustainability Officers (CSOs) or sustainability board committees represent a useful research design. While an increased number of studies has analyzed the impact of sustainable board governance on CSR performance and reporting, the moderating effect on the link between CSR and earnings management is neglected. As a major board committee, *audit committees* are responsible for the monitoring of financial and CSR reports. While studies have recognized the impact of audit committee attributes on either financial reporting or CSR reporting, we only identify two studies which include audit committee activity (Song, 2022) and gender (Toukabri & Kateb, 2023) as moderator variables. Future research should include the moderator effect of audit committee characteristics, for example, busyness, financial and sustainability expertise, and educational aspects, to recognize the impact of audit committees on financial and CSR reporting. Referring to the *ownership structure*, we know very little about the moderator effect of institutional ownership on the relationship between CSR and earnings management (e.g., Chulkov & Wang, 2023; Pan & Zhao, 2022). While classical agency theory assumes homogeneity within institutional investors (Shleifer & Vishny, 1997), a separation of specific types and characteristics of institutional investors is necessary. During recent years, researchers focused on sustainable institutional investors with a signature of the UN Principles for Responsible Investment (PRIs) and found a positive impact on CSR performance (e.g., Kordsachia et al., 2022). However, the moderating effect of these investors on the impact of CSR on earnings management is not addressed.

5.3 | Endogeneity concerns

We have already stressed that the direction of the link between CSR and earnings management may be dynamic and bi-directional. Thus, we have addressed both the influence of CSR on earnings management and the impact of earnings management on CSR in our literature review. While most researchers focused on the impact of CSR on earnings management, reversed causality may be realistic. Consequently, empirical research on this relationship relates to massive endogeneity problems, for example, omitted variable bias and reverse causality (Wintoki et al., 2012). We already stressed that most studies in our literature review did not include proper endogeneity tests (see Section 4.1). These studies solely measured correlation but not causality (Lu et al., 2019). While most papers assumed and analyzed the influence of CSR on earnings management, an inverse or even a bi-directional relationship may be also realistic. Researchers recommend including proper causality tests by quasi-natural experiments, based on the difference-in-difference approach, two-stage least squares (2SLS) models and instrumental variables (Wintoki et al., 2012). Moreover, dynamic panel regressions (GMM) are useful to address reversed causality issues. We recognize a major shift to include endogeneity tests during recent years. However, only one advanced regression model, for example, GMM, was normally used as a robustness test (Yang & Tang, 2022). However, the difference-in-difference approach was rarely implemented (e.g., Rezaee & Tuo, 2019) in our literature review. This approach is extremely useful to address exogenous shocks, for example, regulatory changes. Future research should address, among others, whether financial or sustainability regulations have an impact on the link between CSR and earnings management. This would lead to an evidence-based regulation, for example, based on the ambitious EU Green Deal project.

6 | SUMMARY

Over the last decade, stakeholders increasingly demand a reliable financial and CSR reporting of PIEs. CSR reports and related performance measures represent a major signal to financial markets and other stakeholder groups. As stand-alone CSR reports are still voluntary in many regimes, decision-useful of the data is questionable (Lemma et al., 2020). On the one hand, CSR efforts may be classified as symbolic tools for self-impression management (Mahoney et al., 2013). On the other hand, firms may implement a substantial sustainability management system, which also requires sound CSR performance and reporting processes (Scholtens & Kang, 2013). Due to the connectivity between financial reporting and CSR, we address the relationship between CSR and earnings management in this study. While there are some literature reviews on this topic (e.g., Ehsan et al., 2020; Velte, 2020), we conduct the first study on different regimes and moderator effects as contextual factors of this controversial relationship. Country-specific studies were differentiated in developing and developed countries, case versus code law regimes, and regarding the strength of shareholder protection and legal

enforcement. Based on 107 archival studies and in line with the moral track hypothesis, we find that CSR and earnings management are negatively related, especially CSR performance and AEM. However, research on sub-pillars of CSR performance, CSR reporting, and other financial reporting attributes is either inconclusive or too low in amount. Interestingly, the negative impact of CSR on earnings management is evident in developed and developing regimes. Regarding moderator analyses, in line with the agency theory, there are indications that corporate and country governance strengthens (weakens) the negative (positive) impact of CSR on earnings management. Interestingly, we do not find any country effects based on developing and developed countries, case versus code law regimes, and based on the strength of shareholder protection and legal enforcement as a comparison of country-specific studies in our sample.

Our literature review makes key contributions to the prior research. We stress the major research gaps and limitations of prior studies. First, this relates to the CSR and financial reporting measures. We recommend including ATA of CSR reports and financial reports to increase the validity of research on that topic. Furthermore, the relationship between CSR decoupling (green- versus brownwashing) should be addressed in future research designs. Second, moderator analyses should include, among others, sustainable board governance attributes, audit committees and sustainable institutional investors. Third, endogeneity concerns should be properly addressed by quasi-neutral experiments, for example, the difference-in-difference approaches, to realize valid research results.

Our study is not just necessary for researchers, but also for standard setters and business practice. This is because we show that successful CSR strategies may increase financial reporting quality in line with stakeholders' interest. Top management should be motivated to integrate financial and CSR reporting processes to realize synergies and decrease the risks of greenwashing and information overload. Second, CSR and finance/accounting departments should coordinate their work, leading to the implementation of interdisciplinary teams. The integrated reporting and the related integrated thinking process could be a possible outcome of this strategy (Velte, 2021). Increased use of IT processes, for example, based on ATA, is not only important for financial analysts, but also for the preparation of the reports itself. Artificial intelligence (AI) or block chain technology can lead to increased possibilities of an integrated data selection and analyses (Velte, 2023). Innovations in digital transformation and increased stakeholder pressure should lead to greater sensitivity of top managers to prepare solid financial and CSR reports with quantitative key performance indicators.

Finally, we stress the limitations of our study. As a key limitation of our study, our vote counting approach is linked to limited validity, as we only analyzed the number of significances and did not take sample or effect sizes into account. These restrictions might be overcome by a quantitative meta-analysis, but our moderator variables are too heterogeneous to conduct an overall meta-analysis now. As quantitative meta-analysis has been embraced increasingly as a useful research method in corporate governance studies in recent years, we expect to see more research activity concerning the effect of

CSR on earnings management in the future, along with meta-analyses to gain importance in statistically summarizing existing research and increasing the quality of research results on potential moderator effects.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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