CORPORATE SUSTAINABILITY DISCLOSURES AND EARNINGS MANAGEMENT: A CONTINENTAL SYSTEMATIC LITERATURE REVIEW

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ABSTRACT

This study analysed forty-one research studies on corporate sustainability reporting (SR) and earnings management (EM) identified through a systematic literature review (SLR) done using Scopus, Web of Science, and Google Scholar. Additionally, it groups these chosen studies into four subcategories: studies by continent, studies by country, studies by direction, and studies by the nature of the relationship (positive, negative, or none). It also identified the underlying theories supporting the findings of these studies. This review highlights a significant research imbalance, with researchers concentrating on studies heavily in Asia, particularly Indonesia. North American researchers, exclusively from the US, conduct limited studies, while European researchers perform few and dispersed studies. Researchers give Africa moderate representation but significantly underrepresent South America. Methodologically, US researchers focus solely on the impact of disclosures on earnings management, while European, African, and Asian researchers explore this relationship bidirectionally. Despite the high volume of Asian studies, particularly in Indonesia, researchers find no clear or consistent relationship between disclosures and earnings management. The outcomes of studies in Africa and Europe likewise produced inconsistent findings. More research is necessary to completely comprehend the complex relationships between these variables in diverse contexts and regions, as the findings are not definitive.

Keywords: Corporate sustainability reporting, earnings management, systematic literature review.

1. INTRODUCTION

In the last five decades, corporate disclosure practices have evolved from financial reporting to sustainability reporting (Nayak & Kayarkatte, 2021). It began as a voluntary practice, but with the advent of regulations concerning sustainability due to global pacts and commitments, corporations followed compulsory sustainability reporting requirements (Nayak & Kayarkatte, 2021). According to the United Nations Environment Programme, corporate reporting practices have existed for 500 years. Before the 1970s, these practices were primarily focused on financial aspects (Islam, S. M. M., 2017). However, a significant shift occurred in the 1970s when European and US companies began to report on social factors. By the 1990s, environmental reporting had also gained importance (Islam, S. M. M., 2017). After the Brundtland Report in 1987 and the United Nations Conference on Environment and Development in 1992, sustainability development emerged, significantly influencing present-day sustainability reporting. Over the years, different names have emerged for Sustainability Reporting, such as Sustainability Accounting, Triple Bottom Line Reporting, ESG Reporting, Social and Environmental Accounting, Non-Financial Disclosure and Integrated Accounting, Business Responsibility Reporting, Green Accounting, and Corporate Citizenship (Nayak & Kayarkatte, 2021). Pallenberg et al. (2006) state that sustainability reporting reports credible and relevant corporate environmental, social, and economic performance.

Public disclosures are the first significant source of information for a corporate organisation's stakeholders. The absence of these reporting practices creates information asymmetry, which leads to type 1 and type 2 agency problems and hinders stakeholders' decision-making (Islam, S. M. M., 2017). In the past, many infamous corporate scandals worldwide have shaken investors' and other stakeholders' confidence. Thus, the credibility and reliability of corporate disclosures are fundamental issues. Ghaleb et al. (2021) state that earnings management (EM) or manipulation was the primary factor behind these corporate scandals. Earnings management is an act of earnings manipulation where the managers knowingly alter the financial reports to deceive the stakeholders (Healy & Wahlen, 1999). Studies show that earnings management is pervasive, and corporations undertake it due to various motivations (Singh et al., 2016). Such as performance-linked managerial compensation (Jenson & Meckling, 1976), meeting analysts' expectations (Evans & Sridhar, 1996), concealing private information (Demski, 1998), managing regulatory and compliance costs, raising funds from the market, avoiding debt obligations and incentivising management (Healy & Wahlen, 1999). Companies use corporate social responsibility (CSR) disclosure commitment to shape their public image and legitimacy (Gavana et al., 2017). Wang et al. (2008) highlighted how Enron deceived the stakeholders by publicly presenting the glorious and ethical view through its CSR reports. Studies by Hong and Anderson (2011), Brahmana et al. (2018), and Anh (2022) have found a strong positive relationship between corporate disclosures and earnings management. As a result, businesses' compliance with mandatory disclosures or sustainable practices does not guarantee the quality of their financial reports.

Through a systematic literature analysis, this study aims to fully identify and analyse the substantial body of research about the complex relationship between corporate sustainability reporting and earnings management. Additionally, it seeks to group these chosen studies into four subcategories: studies by continent, studies by country, studies by direction, and studies by the nature of the relationship (positive, negative, or none) between corporate sustainability reporting and earnings management. It also attempts to classify the results of these chosen studies according to the academic theories underpinning their conclusions. The following research questions serve as a roadmap for this paper's examination to implement the study's objectives. RQ1 What is the direction and nature of the relationship between corporate sustainability reporting and earnings management? RQ2 How do corporate sustainability reporting and earnings management relationships vary across geographical regions? RQ3 What theoretical frameworks support the relationship between corporate sustainability reporting and earnings management? RQ4 How do the findings of this research paper facilitate academicians and policymakers?

2. RESEARCH METHODOLOGY

The present study is a systematic literature review, a rigorous and comprehensive process initiated in 2023. However, the entire process was revisited, and the final sample was based on the studies available until 18 May 2024. Following the PRISMA guidelines, this systematic literature review followed seven working steps: choosing the research questions, selecting the databases, specifying the search criterion, applying screening/inclusion and exclusion criteria, eligibility and final selection, reviewing, and synthesising the results.

2.1.Selecting the databases

The review was based on three databases: Scopus, Web of Science, and Google Scholar. The vast database Scopus indexes millions of academic records from various topics and offers advanced search capabilities and author and institution biographies. With 1,60,000 conference papers and over 12,000 high-impact journals, Web of Science is a trustworthy source for academic research. Furthermore, Google Scholar is a valuable tool for this research because it is a free internet search engine that indexes academic literature.

2.2.Search criteria

The relevant research papers were selected using keywords. The search strings used to identify the research papers are presented in Table -1.

Table 1: Search String for SLR

Database	Search string/keywords
Scopus	TITLE-ABS-KEY ("Earning* management*" OR "Accounting* Quality*" OR "Accruals*-Based* Earning* Management*" OR "Real* earning* Management*" AND "Corporate* sustainability* Report*" OR "Corporate* sustainability* disclosure*" OR "Corporate* economic* disclosure*" OR " Corporate economic report*" OR "Corporate* social* responsibility* report*" OR " Corporate* social* disclosure*" OR " Corporate* environment* disclosure*" OR " Corporate* environment* report*" OR "Triple-bottom line report*" OR " Triple-bottom line disclosure*")
Web of Science	(ALL= (Earning management OR accounting quality OR accruals quality OR real earning management)) AND ALL= (Corporate sustainability disclosure OR Corporate sustainability report OR Corporate economic disclosure OR Corporate economic report OR Corporate social disclosure OR Corporate social report OR Corporate environment report OR Corporate environment disclosure)
Google Scholar	Earnings management and corporate sustainability reporting

Source: Author's Compilation

2.3 **Screening: Inclusion and Exclusion (I&E) criterion**

In the screening phase of this review, specific inclusion and exclusion criteria were followed. Table 2 provides a detailed view of the inclusion and exclusion criteria used in three databases. In general, business, management, business finance, and social sciences are included under the subject category, articles under document type, journal publications, and publications in English. Further, Table 3 represents the search results pre and post-inclusion and exclusion (I&E) criteria.

Table 2: Inclusion and Exclusion Criteria

Criterion	Included	Excluded
Scopus		
Subject categories	Business management and accounting (15) Social science (3) Economics. Econometrics and finance (12)	Environment Science (3) Energy (1)
Document Type	Articles (16)	Conference review (1)
Source type	Journal (16)	Conference proceedings (1)
Web of Science		
Document Type	Articles (1975)	Early access (103) Review article (82) Proceeding paper (25) Editorial material (6) Book chapters (2) Correction (1) Retracted publication (1)
Web of Science categories	Business finance (1092) Management (461) Business (404)	Economics (329) Green Sustainable science technology (317) Environment sciences (273) Ethics (74) All other categories (404)
Citation topic	Management (830)	Economics (1090) Sustainability Science (11) All other categories (88)
Language	English (2057)	Spanish (3) Korean (1)

		French (2)	Portuguese (1)
Open Access	All Open access (775)	Gold (311) Gold hybrid (176) Free to read (39)	Green published (154) Green submitted (194)
Google Scholar			
Year	1980*- 2024	Before 1980	

Source: *Author's Compilation*

Note: * 1980 was selected because sustainability reporting was initiated in this decade.

Table: -3 Search results Pre and Post (I&E) criterion.

Databases	**No. of search results**	
	Pre I & E	**Post I & E**
Scopus	17	16
Web of Science	2064	156
Google Scholar	2,27000	95650

Source: *Author's Compilation*

2.3.Screening and Selection of Papers

In this next phase, papers were screened and selected if they meet the eligibility criteria, i.e., papers must discuss the relationship between corporate sustainability disclosures or reporting, such as environmental, social responsibility, and economic reporting, and the earnings management concept, which can be about accrual or real earning management. In the first round, papers were screened only by reading the Title and abstract. In the second round, the papers were read in full. Nine papers were not freely available, resulting in differences between first and second-round results. Table 4 provides results post-screening.

Table: -4 Results post-screening stage

	Scopus results	**Web of Science results**	**Google Scholar results**	**Total results**

Initial sample	16	156	95650	95822
Post First round	11	04	35	50
Post Second round	10	04	27	41

Source: *Author's Compilation*

3. RESULTS

This study analysed forty-one final sample studies addressing the research questions, each offering a unique and intriguing perspective. These sample studies represent five continents. Specifically, the sample includes four from North America (USA), one from South America (Brazil), five from Europe (three from the UK, one from Switzerland, and one from Italy), six from Africa (two from South Africa, two from Nigeria, one from Egypt, and one from East Africa); and twenty-four from Asia (two from Bangladesh, two from Malaysia, one from Saudi Arabia, one from Kuwait, three from Jordan, nine from Indonesia, one from the Gulf countries, one from China, two from Vietnam, one from Pakistan, and one from Malaysia, Thailand and Indonesia). Further, only one study covers twenty-five countries from the multi-continent.

The study found a unidirectional relationship between corporate sustainability reporting and earnings management in forty studies. Thirty-two studies examined the impact of corporate sustainability disclosures on earnings management, and eight examined the vice-versa relationship. Only a single study found a bidirectional relationship.

Following is a geographical analysis of the sample studies' results regarding the nature and direction of the relationship between corporate sustainability disclosures and earnings management.

3.1. North America

This study found four research papers from the North American continent, all based in the United States of America (USA). Table 5 provides a summarised view of sample studies from North America depicting the direction and nature of the relationship along with the independent variables (IV) and dependent variables (DV). The study found that, due to the small number of studies, there was no conclusive evidence for US firms about the nature of the relationship. However, the topic is of significant importance as it has been observed that these four studies based on US firms examined the impact of corporate sustainability disclosures on earnings management. Section 3.1.1 gives a detailed discussion. Notably, there was not a single study examining the reverse relationship.

Table:- 5 Sample studies: North America

Continent (No. of countries)		North America (1)		
Country (No. of studies)		USA (4)		
Direction of relationship		Uni-directional		
Nature of relationship (No. of studies)		**Negative (1)**	**Positive (1)**	**Mixed (2)**
Variables				
IV	**DV**			
Social responsibility disclosures	Discretionary accruals	Hong and Anderson (2011)	-----	Yip et al. (2011)
Social responsibility disclosures	Real EM	Hong and Anderson (2011)	-----	-----
Environmental disclosures	Discretionary accruals	-----	Patten and Trompeter, (2003)	-----
Sustainability disclosures	Discretionary accruals	----	-----	Rezaee & Tuo, (2019)

Source: Author's Compilation

3.1.1. Relationship between corporate sustainability reporting and earnings management

Patten and Trompeter (2003) stated that corporations with lower levels of environmental disclosure indulge more in negative earnings management than firms with higher levels of disclosure, and this positive relationship is due to political pressures. Hong and Anderson

(2011) found a negative relationship between corporate social responsibility disclosures and earnings management due to the corporate manager's external and internal ethical commitment. Yip et al. (2011) found a negative relationship between corporate social responsibility disclosures and earnings management for the oil and gas industry following higher political pressures or surveillance. In contrast, they found a positive relationship in the food industry with fewer regulations. Rezaee and Tuo (2019) studied the impact of quantity and quality of sustainability disclosures on earnings quality measured as innate and discretionary. They found that merely increasing the number of disclosures without paying recourse to the quality of these disclosures will lead to worse discretionary earning quality. Thus, corporations with higher disclosure quality represented improved discretionary earning quality, which means less earnings management.

3.2.South America

This SLR found only one study based in Brazil. Similar to US firms, this study examined only the impact of corporate economic disclosures on earnings management and not vice-versa. Consoni et al. (2017), based on Brazilian non-financial listed companies from 2005 to 2012, found no relationship between voluntary economic disclosures and earnings management.

3.3.Europe

This study found five research papers from the European continent: three from the UK, one from Switzerland and one from Italy. Table 6 provides a summarised view of European sample studies depicting the direction and nature of the relationship along with the independent variables (IV) and dependent variables (DV). Unlike North America and South America, European studies examined the impact of corporate sustainability disclosures on earnings management and of earnings management on corporate sustainability disclosures. A detailed discussion is provided in sections 3.3.1 and 3.3.2.

Table:- 6 Sample studies: Europe

Continent (No. of countries)	Europe (3)		
Country (No. of studies)	UK (3)	Switzerland (1)	Italy (1)
Direction of relationship	Uni-directional		

Nature of relationship (No of studies)		Negative (2)	No (1)	Negative (1)	Positive (1)
Variables					
IV	**DV**				
Accruals EM	Social responsibility disclosures	-----	Sun et al. (2010)	-----	-----
Accruals EM	Environment disclosures	-----	-----	-----	Gavana et al. (2017)
Voluntary disclosures	Discretionary accruals	-----	-----	Lapointe-Antunes et al. (2006)	-----
Social responsibility disclosures	Discretionary accruals	Almahrog et al. (2018)	-----	-----	-----
Sustainability disclosures	Real EM	Al-Shaer, (2020)	-----	-----	-----

Source: Author's Compilation

3.3.1. Relationship between corporate sustainability reporting and earnings management

Lapointe-Antunes et al. (2006), in a study on Switzerland's SPI index-listed non-financial companies, found that income smoothing is lower incorporated in companies with higher voluntary disclosures. Similarly, Almahrog et al. (2018) on the UK's FTSE-listed non-financial companies also stated that the external commitment of corporate managers to corporate social responsibility disclosures reduces accruals-earning management. These results are further substantiated by AL-Shaer (2020), wherein UK firms making sustainability disclosures showed a negative relationship with real-earnings management.

3.3.2. Relationship between earnings management and corporate sustainability reporting

Two studies, one based in the UK, by Sun et al. (2010) found no significant relationship between corporate environment disclosures and earnings management. Another study by

Gavana et al. (2017) based on Italian non-financial companies found that corporates indulge more in earnings management in family firms. They also found a positive relationship between earnings management and corporate social responsibility disclosures, especially when family firms indulge in downward earnings management.

Thus, no conclusive evidence could be drawn from European studies substantiating the need for additional research to indicate the relationship.

3.4. Africa

Further, this study found that there were six studies based in Africa, with two from South Africa, two from Nigeria, one from Egypt and one from East Africa covering Uganda, Tanzania, Kenya and Rwanda) Table 7 provides a summarised view of African sample studies depicting the direction and nature of the relationship along with the independent variables (IV) and dependent variables (DV). In Africa also, similar to European studies, the vice-versa relationship between corporate sustainability disclosures and earnings management was observed. Sections 3.4.1 and 3.4.2. provides thorough discussion.

Table:- 7 Sample studies: Africa

Continent (No. of Countries)		**Africa (4)**				
Country (No. of studies)		**South Africa (2)**		**Nigeria (2)**	**Egypt (1)**	**East Africa (1)**
Direction of relationship		Uni-directional				
Nature of relationship (No. of studies)		**No (1)**	**Negative (1)**	**Positive (1)**	**Positive (1)**	**Negative (1)**
Variables						
IV	**DV**					
Social Responsibility Disclosure	Discretionary accruals	Jordaan et al. (2018)	-----	-----	Abdelfattah & Elfeky (2021)	-----
Social Responsibility Disclosure	Real EM	Jordaan et al. (2018)	-----	-----	-----	-----

Voluntary Disclosure	Loan loss provision	----	Salem et al. (2020)	-----	------	-----
Sustainability disclosures	Discretionary accruals	----	-----	-----	-----	Githaiga, P.N. (2024)
Environment disclosures	Earning quality	----	-----	Nangih et al. (2022)	-----	------
Accruals EM	Sustainability disclosures	----	------	Philomena et al. (2022)	------	------

Source: Author's Compilation

3.4.1. Relationship between corporate sustainability reporting and earnings management

This section contained five studies. Salem et al. (2020) and Jordaan et al. (2018) concentrated on South African firms. Jordaan et al. (2018) discovered no connection between accruals, real earnings management, and corporate social responsibility disclosures. However, Salem et al. (2020) found that banks listed on the MENA stock exchange had a negative impact on voluntary disclosures on earnings management.

Additionally, Abdelfattah and Elfeky's (2021) analysis of businesses listed on the Egyptian ESG100 index between 2012 and 2017 revealed a favourable correlation between earnings management and corporate social responsibility disclosure.

Another study by Nangih et al. (2022) found a significant positive relationship between corporate environment disclosures and earnings quality, signifying that Nigerian consumer goods listed firms do not indulge in disclosure practices to hide their earnings management. Lastly, Githaiga, P.N. (2024) conducted a study on 71 companies listed on the Nairobi Securities Exchange (NSE), the Uganda Securities Exchange (USE), the Dar es Salaam Stock Exchange (DSE) and the Rwanda Stock Exchange (RSE), revealed a significant negative relationship between sustainability reports and earnings management, upholding the earnings quality.

3.4.2. Relationship between earnings management and corporate sustainability reporting

Only one study, by Philomena et al. (2022) on Nigerian listed non-financial companies, found a positive impact of accruals earning management on corporate sustainability reporting practices.

A thorough examination of these studies found either no or a negative relationship between disclosures and earnings management in two South African companies-based studies. Similarly, in an East African-based study, there was a negative relationship between disclosures and earnings management. In contrast, there were contrasting results in both Nigerian studies, with one study finding a positive impact of disclosure on earnings quality, which refers to the reliability and relevance of reported earnings, and another finding a positive impact of earnings management on disclosures. Further, in Egypt, there was a single study wherein researchers found the positive impact of disclosures on earnings management. Thus, for existing African studies, disclosures had a negative impact on earnings management, depicting lower earnings management

3.5. Asia

The SLR found that twenty-four studies were from Asia, ten from Indonesia, three from Malaysia and Jordan, two from Bangladesh and Vietnam, and one from Saudi Arabia, Kuwait, China, Thailand, and Pakistan. Additionally, one study was based on Gulf countries. Table 8 provides a summarised view of Asian sample studies depicting the direction and nature of the relationship along with the independent variables (IV) and dependent variables (DV). Similar to Europe and Africa, Asian studies also examined the vice-versa relationship between corporate sustainability disclosures and earnings management. Sections 3.5.1 and 3.5.2 offer a detailed explanation.

3.5.1. Relationship between earnings management and corporate sustainability reporting

In most of the studies, i.e., nine out of nineteen, researchers found a significant negative relationship (Gerged et al., 2020; Ghaleb et al., 2021; Gerged et al., 2023; Xi & Xiao, 2022; Jannah & Faturohman, 2019; Kumala & Siregar, 2020; Ika et al., 2022; Indy et al., 2022; Alodat et al., 2024), whereas in five studies a significant positive relationship (Brahmana et al.,2018; Setiawan et al., 2019; Habbash & Haddad, 2020; Rahman & Basiruddin, 2020; Anh, 2022), in three mixed relationships (Muttakin et al., 2015; Ani, M. K. A., 2021); Fadilah et al., 2022), further in study by Ariana et al., (2022) insignificant positive relationship and study by Karina & Karina & Soenarno, (2022) insignificant negative relationship found between corporate sustainability reporting and earnings management.

3.5.2. Relationship between earnings management and corporate sustainability reporting

Four studies were included in this section. Ibrahima et al. (2015) studied Malaysian corporations and found an insignificant negative relation between earnings management and corporate sustainability reporting practices. Hoang et al. (2019) studied Vietnamese-listed non-financial firms from 2005 to 2011. They found a positive relationship between earnings quality and corporate social disclosures, which had a negative impact on earnings management.

On the other hand, a study by ST Dwiarso et al. (2019) on Indonesian manufacturing companies revealed a positive impact of EM on corporate environment disclosures. Similarly, another study by Helda et al. (2022) on an Indonesian basis and chemical sector firms revealed a positive relation between earnings management and corporate social responsibility disclosures, depicting the agency conflict and using disclosures as a legitimate tool to build reputation and trust in the market.

A detailed country-wise analysis of these studies revealed that in Indonesia, four studies regarding the impact of corporate sustainability disclosure on earnings management found negative relationships, one positive relationship, one mixed, one insignificant positive, and one insignificant negative relationship. Similarly, when EM impacts corporate sustainability disclosure, two studies found a positive impact on Indonesian firms. With the maximum number of Asian studies from Indonesia, i.e. ten, no conclusive result could be drawn about the nature of the relationship. Similarly, there was no conclusive evidence about the nature of relationships in Bangladesh for the impact of corporate sustainability disclosures on earnings management; researchers found positive relationships in one and mixed relationships in another. Similarly, in the Malaysian studies, researchers found only one study in which corporate disclosures positively impact earnings management. Further, in two Malaysian studies, researchers found an insignificant negative impact when disclosures impact earnings management and when EM impacts disclosures. Thus, there is no conclusive evidence. A single study found a positive impact on Saudi Arabian firms, while different studies on China, Jordan, and Kuwait found a negative relationship. Additionally, researchers found an insignificant negative relationship in Thailand and a mixed relationship in Gulf countries. Furthermore, a contrasting relationship was found in Vietnam, with one study stating that disclosures increase earnings management, while another stated that increased earning quality increases social responsibility disclosures.

3.5.3. Bi-directional relationship

In addition, Ehsan et al. (2022) is the only study that studied the bi-directional relationship between CSR and EM. They found a bi-directional relationship through the Durbin–Wu–Hausman test of endogeneity. This study measured corporate social responsibility in disclosure and monetary ratio, whereas earnings management was measured in accruals and real earnings management. The results revealed a positive effect of CSR (both measures) on accrual EM, whereas negative on real EM. EM has a significant negative effect (both accrual and real) on CSR disclosure. On the other hand, accrual EM has a positive, and real EM has a negative effect on the CSR monetary ratio. Thus, the overall study represented a negative relationship for the 400 listed non-financial companies of Pakistan for 2009-2018 and an asymmetric relationship for each measure of EM.

3.6. Multi-continent

Only one study Martínez-Ferrero et al. (2013) conducted a multi-continent study covering 25 countries: the USA, the UK, Ireland, Canada, Australia, Germany, Holland, Luxembourg, Austria, Denmark, Norway, Finland, Sweden, Switzerland, France, Italy, Spain, Belgium, Portugal, Greece, Japan, China, Hong Kong Administrative Region, Singapore, and Korea. They found a significant positive relationship between financial reporting quality and sustainability information for 747 non-financial international listed companies. Herein, Financial reporting quality is measured using three proxies: Earnings management using accruals, degree of accounting conservatism, and accruals quality.

4. THEORIES INTERPRETING THE RESULTS

After a thorough reading of the sample studies of this SLR, it has been identified that six main theories justify the relationship in these studies. These are agency theory and its ethical and managerial opportunism hypotheses, stakeholders' theory, legitimacy theory, signalling theory, institutional theory, and political cost theory.

4.1.Agency theory

Results of studies by Hong and Anderson (2011), Almahrog et al. (2018), Kumala and Siregar (2020), and Ghaleb et al. (2021) support the ethical perspective hypothesis of agency theory. Their results signify that managers' representations of higher corporate social responsibility disclosures stem from their internal ethical commitment regarding its negative

Table:- 8 Sample studies: Asia

Continent (No. of countries)		**Asia (10+)**														
Country (No. of Studies)		Indonesia (10)			Bangladesh (2)		Malaysia (3)		Saudi Arabia (1)	Kuwait (1)	Jordan (3)	China (1)	Vietnam (2)	Thailand (1)	Gulf countries (1)	Pakistan (1)
Direction of Relationship		Uni-directional														Bi-directional
Nature of relationship		Negative	Positive	Mixed	Positive	Mixed	Positive	Negative	Positive	Negative	Negative	negative	positive	negative	Mixed	Mixed
IV	**DV**															
Social Responsibility Disclosure	Discretionary accruals	Jannah and Faturohman, (2019); Kumala and			Rahman & Basiruddin (2020)	Muttakin et al. (2015)			Habbash and Haddad (2020)				Anh, (2022)		Ani, M. K. A. (2021)	

		Siregar, (2020)														
Social Responsibility Disclosure	Real-EM	Ika et al. (2022)									Ghaleb et al. (2021)					
Social Responsibility Disclosure	Accounting based		Setiawan et al. (2019)													
Social Responsibility Disclosure	EM		**Ariana et al**. (2022)													
Environment Disclosu	Beneish M-score						Brahmana et									

re							al.(2018)									
Environment Disclosure	Discretionary accruals									Gerged et al. (2020)	Gerged et al. (2023)	Xi and Xiao, (2022)				
Environment Disclosure	Real-EM											Xi and Xiao, (2022)				
Sustainability disclosures	EM	Indy et al. (2022)														
Sustainability	Discretionary	**Karina and**		Fadilah				Karina and			Alodat et			Karina and		

disclosures	accruals	**Soenarno (2022)**		et al. (2022)				Soenarno (2022)			al. (2024)			Soenarno (2022)		
Accruals - EM	Sustainability Disclosure							Ibrahima et al. (2015)								
Accruals - EM	Social Responsibility Disclosure		ST Dwiarso et al. (2019); Helda et al. (2022)													Ehsan et al. (2022)

Real EM	Social Responsibility Disclosure															Ehsan et al. (2022)
Earnings quality	Social responsibility disclosure												Hoang et al. (2019)			

Source: Author's Compilation

Impact on earnings management. This perspective is further supported by the results of studies such as Gerged et al. (2020), Gerged et al. (2023), and Xi & Xiao (2022).

On the other hand, there are studies whose results are supported by the managerial opportunistic hypothesis of agency theory. These studies are by Habbash and Haddad (2020), Rahman and Basiruddin (2020), Abdelfattah and Elfeky (2021), Anh (2022) and Helda et al. (2022). Their results highlight that managers use social responsibility disclosures due to agency conflicts to hide their opportunistic behaviours or earnings management. ST Dwiarso et al. (2019) state that due to type-I agency problems, managers indulge in upward earnings management and use environment disclosures to overcome information asymmetry.

4.2. Stakeholder theory

Results of studies by Al-Shaer (2020) and Indy et al. (2022) support the myopia avoidance hypothesis of stakeholder theory. Al-Shaer's (2020) results show that corporations' higher level of sustainability reporting indicates their commitment to quality in general; thus, these firms will not compromise by manipulating their earnings. Similarly, Indy et al. (2022) stated that managers' concern for presenting transparent information to their stakeholders led them to not indulge in earnings management. Ika et al. (2022) stated that Indonesian manufacturing firms committed to social responsibility disclosures avoid earnings management. This theory is also supported by Hoang et al. (2019) for their study results depicting the positive impact of earning quality on corporate social responsibility disclosures.

On the contrary, a study by Setiawan et al. (2019) stated that managers use disclosures to boost stakeholders' confidence by indulging in higher corporate social responsibility disclosures and earnings management.

4.3. *Legitimacy theory*

Xi and Xiao (2022) stated that highly polluting firms engage in higher environmental disclosures and lower accrual and real-earnings management to overcome political and market pressures. This view is also supported by Al-Shaer (2020) and Nangih et al. (2022). On the contrary, studies by Gavana et al. (2017) and Helda et al. (2022) represent disclosures as a tool to legitimise its operations. Gavana et al. (2017) stated that family firms in Italy expropriate earnings to achieve their succession objectives, overcome type-II agency conflict, and resort to higher corporate social responsibility disclosures to legitimise their activities.

4.4.Signalling theory

Salem et al. (2020) revealed that banks make quality voluntary disclosures to reduce information asymmetry and signal their commitment towards performance quality.

4.5.Institutional theory

Brahmana et al. (2018) stated that institutional pressures explain the positive relationship between environmental disclosure and earnings management.

4.5.Political cost theory

Patten and Trompeter's (2003) study found that corporations' indulgence in negative discretionary accruals depends on the level of environmental disclosure and political scrutiny. When a major environmental incident such as the Bhopal gas tragedy happens, it influences all other corporations making lower environmental disclosures to indulge in higher negative discretionary accruals to overcome political scrutiny.

5. FINDINGS, RELEVANCE & FUTURE DIRECTIONS

A notable regional concentration of research on the subject is revealed by this study, with Asia contributing twenty-four studies, by far the most. With ten of these research, Indonesia is a focal point in Asia. While other Asian nations like Malaysia, Jordan, Bangladesh, and Vietnam contributed multiple studies, others, such as Saudi Arabia, Kuwait, China, Thailand, and Pakistan, only had one study each. In North America, all four identified studies originated from the USA, highlighting its dominance in research within that continent despite the overall low number of North American studies. European research, though limited, is more dispersed, spanning the UK, Switzerland, and Italy. With six studies covering many nations and even a regional study including East Africa, Africa has a moderate presence. With just one paper from Brazil, South America is noticeably underrepresented, which should raise questions about the global balance of research. This SLR revealed a strong research interest in Asia, while other regions, particularly South America, are comparatively less explored.

Further, this research revealed distinct geographical trends in the direction of the relationship. Four US studies only look at the impact of disclosures on earnings management, neglecting the opposite effect. Conversely, European and African research (five and six studies, respectively), along with the dominant Asian research (twenty-four studies), also explores the reverse relationship. However, the limited number of African studies restricts conclusive findings for the continent. While Asia boasts the most research, indicating a strong regional focus, the US research adopts a more limited, unidirectional perspective than the comprehensive two-way exploration prevalent in Europe, Africa, and Asia.

A complicated and frequently contradictory picture of the relationship between corporate disclosures and earnings management is presented in this review. Due to a lack of studies, US research is unclear. European results are conflicting; some research, especially from Switzerland and the UK, points to a negative correlation (less manipulation due to greater transparency). In contrast, others show no or even a positive link. African research also presents a mixed bag, with some studies indicating a negative relationship and others, particularly in Nigeria and Egypt, suggesting a positive one. Asian studies, while numerous, are equally inconsistent. Despite most studies (24), Indonesia shows no clear trend. There are also a variety of mixed, inconsequential, positive, and negative interactions in other Asian nations. The absence of clear-cut direction and impact of the relationship between corporate sustainability disclosures and earnings management substantiate the requirement of further studies to reveal and

This research has fourfold benefits. First, it addresses the gap in existing literature by providing a comprehensive continent-wide systematic literature review. Second, analysing whether there is a negative, positive, or no relationship between sustainability reporting and earnings management highlights the corporate ideology regarding their disclosure practices and whether they use them to hide their manipulative practices or as a transparency mechanism. Third, classifying the findings of these studies according to their theoretical basis shows how applicable the academic ideas are in the practical world. Fourth, policymakers and company executives can better understand the significance of incorporating sustainability into corporate initiatives for ethical governance and enhanced financial reporting by knowing how corporate sustainability affects financial practices.

The findings of this study highlight multiple research gaps in existing literature, which pave the way for future research. First, nearly all the studies explore the unidirectional relationship between corporate sustainability disclosures and earnings management. Future studies could focus on the bi-directional relationship by examining the impact of earnings management on corporate sustainability disclosures, which will help us better understand this relationship.

Second, future researchers could focus on comparative continent-wide studies, presenting how different cultural and regulatory environments influence this relationship. Third, as most of the studies were based in Indonesia (Asia continent), further research could be conducted there by considering the role of specific factors in this relationship. Further, the impact of a changing regulatory environment could also be assessed. Additionally, studies can examine this relationship industry-wise. In addition to this, future researchers could follow a mixed methodology in terms of both quantitative and qualitative analysis techniques. Further, this context has been studied little in other continents, with only four studies in North America, one in South America, five in Europe, and six in Africa. Taking this review as a base, researchers could explore the untapped countries to substantiate the literature further and give more valid justification for the nature of the relationship.

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