An inquiry into the Relationship between Earnings' Management, Corporate Social Responsibility and Corporate Governance

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Abstract
This study investigates the firm's Corporate Social Responsibility (CSR) from the perspective of Earnings' Management (EM) and role of Corporate Governance (CG) in this relationship. Current study adopted a systematic review approach to investigate this overarching idea. Systematic review findings revealed that by and large negative relationship between CSR and EM is more dominant which highlighted the notion that CSR oriented firms are less intended to engage in EM practices. However, evidence of positive relationship between CSR and EM was also provided by some studies and concluded that CSR is used by mangers to mask their EM practice. In addition, studies found the significant moderating role of CG between CSR and EM relationship, though evidence was very limited. Moreover, although the research on CSR-EM is very limited, yet it produced mixed results due to the important neglecting factors like lack of sufficient theoretical support, use of different types of EM and varying approaches of measuring CSR. Findings revealed that mostly studies used Accrual type of earnings' management but use of real activities based EM type is very rare. Measuring approaches of CSR also varied across the sample of selected studies. Most of studies used social indices approach to measure CSR and very few followed the content analysis approach especially in developing context.
Keywords: Corporate Social Responsibility, Corporate Governance and Earnings' Management, Systematic Review, Accrual, Real.

The amplified awareness of CSR has resulted in it becoming a buzzword in corporate management and put the business leaders under great pressure to address above mentioned issues and serve the interests of all stakeholders while maximizing their economic performance (Rodriguez-Fernandez, 2016).Much of the existing debate on CSR has typically focused on its relationship with financial performance of firm and voluminous studies tended to show the positive association between them (Kakakhel, Ilyas, Iqbal, & Afeef, 2015; Rehman, Baloch, & Sethi, 2015). However, appearances of recent unprecedented accounting scams and scandals in big giants of the business world like Enron, Xerox, Enron, Anglo Irish Bank, Toshiba etc. have asserted that firm's insiders use their discretions while reporting financial information and mislead outside stakeholders. This process is called Earnings' Management. Healy and Wahlen (1999, p. 6) defined earnings management as: "Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either