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Does Corporate Social Responsibility Engagement Reduce Earnings Management? Evidence from Cambodian-Listed Companies

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ABSTRACT

This research aims to explore the influence of ethics on financial reporting quality by investigating the correlation between corporate social responsibility (CSR) and accrual-based earnings management (AEM) within a sample of Cambodian non-financial listed companies over the nine years from 2014 to 2022. The study reveals that the level of involvement in AEM is lower in Cambodian firms, which have a higher tendency to engage in charitable activities. The study's findings hold significant implications as they contribute to a deeper understanding of financial reporting practices and CSR initiatives, which may interest stakeholders, including investors, regulatory bodies, and scholars interested in ethical business practices. Furthermore, it offers valuable insights into the ongoing debate surrounding the impact of ethics on the quality of financial reporting, particularly within emerging economies.

Keywords: Corporate social responsibility; Earnings management; Absolute value of discretionary accruals

INTRODUCTION

The topic of financial reporting quality and ethical standards has sparked significant discussion among scholars beyond the business realm (Schwartz, 2004). This study investigates the influence of an anticipated ethical standard, corporate social responsibility (CSR), on financial reporting practices. CSR encompasses various interpretations but generally involves businesses fulfilling their responsibilities to the communities in which they operate (Carroll, 1979).

This study examines the connection between moral principles and financial reporting by juxtaposing two contrasting perspectives—ethical responsibility and opportunistic conduct. On one side, businesses benefit from operating truthfully, reliably, and ethically. Consequently, they strive to uphold stringent ethical norms (Jones, 1995; Garriga & Melé, 2004). Similarly, Kim et al. (2012) state that companies that allocate resources and efforts toward establishing and executing moral initiatives for stakeholder benefit are inclined to produce transparent and credible financial reports.

On the contrary, managers might employ moral principles strategically to veil their opportunistic behavior, aiming to shape stakeholders' perceptions of the organization (Hemingway & Maclagan, 2004; Merkl-Davies et al., 2011). Consequently, a company might utilize moral conduct as a signal to foster the impression of transparency, thereby evading scrutiny from interested parties. This approach aids businesses in legitimizing their activities within society (Merkl-Davies & Brennan, 2007). Consequently, empirical research on the correlation between ethics and earnings quality has yielded varied outcomes in practice.

Chih et al. (2008) and Prior et al. (2008) suggest that companies with a higher tendency to engage in CSR activities are more engaged in aggressive earnings manipulation. However, Hong and Andersen (2011) and Kim et al. (2012) demonstrate that such companies generate high-quality earnings. None of the prior research has explored this issue within Cambodian companies. As far as the researcher knows, this study represents one of the initial practical inquiries, delving into the influence of CSR involvement on earnings management (EM) within the Cambodian context.

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We employ the absolute value of discretionary accruals (ABDA) driven by the modified Jones model as a proxy of AEM across a sample of 8 Cambodian non-financial listed companies during a nine-year period from 2014 to 2022 and found that the firm's engagement in CSR activities positively affects the quality of reported earnings.

This study enriches the literature in several ways. First, it is one of the pioneering studies exploring the relationship between CSR involvement and earnings management (EM) among Cambodian-listed companies. Secondly, its exclusive focus on a single country enables a comprehensive investigation into the influence of ethical standards on earnings quality. This research also offers numerous contributions to Cambodian society. It explains to investors and regulatory agencies why Cambodian companies participate in CSR activities and how this engagement influences the quality of reported earnings. Furthermore, it enables policymakers to draw insights from the behavioral patterns of Cambodian businesses toward promoting accurate reporting practices.

LITERATURE REVIEW

Over the past two decades, global societies have shown growing concern regarding the social and environmental consequences of corporate activities and outcomes. Numerous governments have encouraged businesses to embrace CSR as a feasible corporate approach.

Carroll (1979) stated that the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at any given point in time. According to this widely embraced definition, CSR entails four distinct responsibilities: the economic duty of profit generation, the legal obligation to comply with regulations, the ethical responsibility of conducting moral and rational actions, and lastly, the discretionary responsibility of being a responsible member of society by allocating resources wisely.

According to Garriga and Melé (2004), CSR theories can be divided into four types, each focusing on four fundamental aspects of the regular connection between businesses and the communities in which they operate. First, political theories (Donaldson & Dunfee, 1994; Matten & Crane, 2005) emphasize the impact of businesses on the political system of the country or region in which they operate. When studying the connection between a corporation and society, such theories focus on the company's social power, and they show that companies seek mechanisms to formalize the company's intent to improve the community. Second, integrative theories (Carroll, 1979; Wood, 1991) contend that society is vital to a company's survival and success. Accordingly, companies should integrate social demands into their strategies and operations to engage with society to gain legitimacy and enhance their well-being. Therefore, companies utilize CSR to achieve social approval, garner societal recognition, and legitimize their actions.

Third, ethical theories (Donaldson & Preston, 1995; Phillips et al., 2003) posit that the relationship between an organization and society is grounded in ethical norms. It is suggested that a company consider CSR an ethical obligation and advocate that this perception should be recognized, prioritizing the commitment to the community over other interests. Finally, instrumental theories (Friedman, 1970; Jensen, 2002) argue that businesses are primarily seen as vehicles for wealth generation, and CSR is regarded as a strategic approach to enhance the company's prosperity.

Managers are encouraged to uphold truthfulness, reliability, and morality in their operations, as advocated by political, integrative, and ethical theories, which emphasize considerable ethical conduct. In contrast, instrumental theories propose that managers may leverage CSR as a strategic tool to enhance shareholder wealth and maximize profits driven by self-interest (Garriga & Melé, 2004; Matten & Crane, 2005). This suggests that managers are driven to participate in CSR initiatives not only by ethical responsibilities but also by managers' opportunism. Consequently, the motivations behind businesses' involvement in CSR initiatives remain elusive, and these incentives may influence the association between CSR and the quality of financial reports.

According to political, integrative, and ethical theories, delivering high-quality earnings information is inherently connected to participating in CSR practices because both aim to meet the demands of stakeholders. Several studies prove that firms with a higher tendency to engage in CSR activities provide high-quality financial reports. For example, Gelb and Strawser (2001) utilized the Council on Economic

Priorities (CEP) rankings for nonbanking US companies from 1989 to 1992. They demonstrated that companies more involved in CSR activities tend to produce more informative and comprehensive financial reports.

Chih et al. (2008) analyzed data from companies in 46 countries included in the FTSE Global Index from 1993 to 2002. They employed three proxies for earnings management (EM): earnings smoothing, earnings aggressiveness, and earnings loss avoidance. Their findings indicated that an increase in CSR is associated with a decrease in earnings smoothness, an increase in earnings aggressiveness, and a reduction in earnings loss avoidance.

Within the US context, Laksmana and Yang (2009) discovered that firms with high CSR ratings exhibit smoother, more predictable, and more sustainable earnings. They utilized corporate citizenship as a metric for CSR, drawing from a sample of U.S.-listed corporations in 2001 and 2002. Similarly, Calegari et al. (2010) found that CSR enhances the quality of earnings. Their analysis was based on a sample of US companies from 1991 to 2008.

In the context of South Korea, Choi and Pae (2011) utilized the ethical commitment index of Korean companies to illustrate that firms demonstrating a higher ethical commitment are less prone to engage in accrual-based earnings management. Likewise, Choi et al. (2013) used the Korea Economic Justice Institute (KEJI) index to measure CSR and observed a negative correlation between CSR ranking and the extent of AEM. This research was conducted on a sample of non-financial South Korean listed enterprises over seven years between 2002 and 2008.

Hong and Andersen (2011) and Kim et al. (2012) expanded the investigation on the relationship between CSR and EM by incorporating Real Earnings Management (REM). Both studies utilized Kinder Lydenburg and Domini (KLD) data as a metric for CSR and examined a sample of US companies. They found that companies committed to CSR are less likely to be involved in REM and/or aggressive AEM.

According to data from 139 companies across 10 Asian nations during six years from 2004 to 2009, Scholtens and Kang (2013) reported that CSR enterprises demonstrate reduced participation in EM. In the same way, Bozzolan et al. (2015) utilized EIRIS data to investigate whether CSR orientation influences the selection of alternative EM strategies among 1141 publicly traded companies across 24 countries from 2003 to 2009. The modified cross-sectional Jones model was employed to assess AEM, while a comprehensive measure encompassing multiple variables served as a proxy for REM. They indicated that companies with strong CSR inclination are less inclined to engage in REM than AEM.

Gras-Gil et al. (2016) investigated the relationship between CSR and EM within a sample of non-financial Spanish companies from 2005 to 2012. Their findings revealed that CSR initiatives were negatively associated with EM. Furthermore, Alsaadi et al. (2017) presented global findings suggesting that firms with a strong commitment to CSR exhibited a reduced inclination to manipulate their earnings. The study encompassed companies from 10 European Union nations from 2003 to 2013. They gauged AEM using the adjusted Jones model, while data from the Thomson Reuters ASSET4 database served as a measure of CSR involvement.

Gu et al. (2017), employing a comprehensive assessment of corporate social performance among Japanese enterprises, discovered a positive correlation between CSR involvement and the quality of earnings. Similarly, Chen et al. (2020) evaluated the association between CSR and EM within a sample of companies listed on the Shanghai and Shenzhen stock exchanges between 2010 and 2019. Their findings indicate that corporations involved in CSR endeavors prioritize their corporate image, thereby steering clear of EM practices.

Rezaee et al. (2020) investigated the relationship between CSR and the quality of earnings by employing CSR ranking data sourced from Rankins and four metrics to assess earnings quality: absolute value of discretionary accruals, real activities management, earnings persistence, and the ability of earnings to forecast future cash flows. Their study, conducted on a sample of 2580 Chinese listed firms spanning fiscal years 2009–2015, revealed that firms with higher CSR ratings exhibit lower propensity for EM. Additionally, their earnings were more persistent and better predictors of future cash flows.

Gonçalves et al. (2021) examined the connection between EM and CSR among 568 listed companies in the European Union from 2010 to 2018. They employed discretionary accruals, based on the

Modified Jones model, to gauge EM. CSR was represented by the Combined Environmental, Social, and Governance Score retrieved from the ASSET4 database. Their findings revealed an inverse correlation between EM and CSR, indicating that managers in socially responsible companies exhibit more ethical conduct, resulting in superior financial reporting quality.

Across a sample comprising 100 of Spain's most reputable enterprises, Palacios-Manzano et al. (2021) identified a negative impact of CSR activities on EM over six years spanning from 2011 to 2015. Moreover, Ehsan et al. (2022) investigated the link between CSR and EM within 160 nonfinancial firms in Pakistan between 2009 and 2018. They utilized CSR disclosure indices and CSR monetary spending ratio, examining both AEM and REM. Their findings suggested a negative association between CSR and EM, supporting that a long-term perspective primarily influences firms' dedication to CSR.

Gaio et al. (2022) investigated the relationship between EM and CSR, as well as whether the trade-off between AEM and REM is moderated by a company's CSR emphasis, using a dataset comprising 308 listed firms from the European Union (EU) between 2013 and 2019. They proposed a negative association between EM and CSR, aligning with the notion that CSR actions are linked with more ethical behavior. Furthermore, the orientation towards CSR significantly mitigates REM, implying that managers employ less REM to safeguard the company's durable profitability.

More recently, Diem (2023) conducted a study using a dataset comprising 418 companies from Vietnam listed on the stock exchanges of Ho Chi Minh City and Hanoi from 2016 to 2020. The aim was to assess the influence of CSR on EM. Information on CSR was gathered based on the criteria mandated for disclosure according to Circular 96 of the Ministry of Finance. The study utilized discretionary accruals estimated by the Modified Jones Model (Dechow et al., 1995) as a proxy for EM. The findings indicated that CSR exerted a negative effect on EM.

On the other hand, instrumental theories suggest that managers' self-interest may drive them to utilize CSR as a strategic tool to boost shareholder value and improve profits. Additionally, it may be used as a shield to conceal management's involvement in unethical conduct, such as AEM. Many support this argument. For instance, Prior et al. (2008) provide international validation of a positive correlation between CSR and AEM across a sample of 593 enterprises from 26 countries by employing data collected from the SiRi ProTM database between 2002 and 2004.

Amidu et al. (2016) examined the association between AEM and CSR among a sample of non-financial businesses listed on the Ghana Stock Exchange (GSE) and non-listed firms identified in the Ghana Revenue Authority (GRA) database from 2010 to 2013. They assessed AEM using discretionary accruals and measured CSR through expert evaluation, pollution control performance, and analysis of annual reports and other company publications. The results suggest that Ghanaian companies might employ CSR activities as a façade for engaging in opportunistic behaviors such as AEM.

Uyagu and Dabor (2017) examined the influence of CSR on EM within Nigerian manufacturing enterprises, revealing a positive association between the two variables. Similarly, Jordaan et al. (2018) found that South African enterprises listed on the Socially Responsible Investment (SRI) index tended to involve AEM practices.

Ruwanti et al. (2019) explored this subject using a dataset comprising manufacturing enterprises in Indonesia spanning from 2014 to 2017. Their investigation revealed that companies allocating funds to CSR initiatives are more inclined to engage in EM. Buertey et al. (2020) explored the correlation between CSR and EM within a sample of non-financial institutions listed on the Johannesburg Stock Exchange over the research period spanning from 2012 to 2015. Their findings revealed a significant positive relationship between CSR and EM, indicating the opportunistic managerial use of CSR initiatives. They gauged CSR performance using ratings from CSRHub, a globally recognized CSR rating institution. Additionally, they estimated the level of discretionary accruals as a proxy for EM, utilizing the cross-sectional model developed by Kothari et al. (2005).

Bansal and Kumar (2021) explored the impact of compulsory CSR expenditure regulations in India on EM among a group of firms listed on the Bombay Stock Exchange over five years following the legislation, from the fiscal year ending March 2015 to the fiscal year ending March 2019. Their findings revealed that companies manipulate accounting measures to avoid violating the mandatory CSR threshold.

Notably, studies investigating this topic in Cambodia have yet to be conducted. This observation suggests a potential gap in research that could be addressed by examining the relationship between CSR and EM within Cambodian-listed companies. Such research could offer valuable insights into the dynamics of CSR practices and their impact on financial reporting strategies in the Cambodian business context.

Acknowledging the importance of ethical business practices, CSR efforts in Cambodia have gained significant attention. Many companies in the country have initiated CSR projects that have had notable positive impacts on local communities. These initiatives cover various activities, including environmental conservation projects and transformative programs in education and healthcare.

Based on the existing discussions and the gap in research regarding the motivations for Cambodian firms to engage in CSR activities, the paper aims to investigate whether companies participating in CSR activities in Cambodia are more or less likely to engage in AEM. The study proposes the following alternative hypotheses:
H1: Cambodian companies that actively engage in CSR activities are less likely to engage in AEM.
H2: Cambodian companies that actively engage in CSR activities are more likely to engage in AEM.

The first hypothesis is based on the premise that CSR engagement reflects a commitment to ethical practices and transparency, which may extend to financial reporting quality. The second hypothesis suggests that CSR activities might serve as a smokescreen for companies to camouflage their financial manipulations, exploiting the positive image associated with CSR to mask dubious financial practices. These alternative hypotheses represent conflicting perspectives on the relationship between CSR engagement and AEM within Cambodian firms. The study aims to explore and ascertain the dominant viewpoint through empirical analysis and evidence gathered from Cambodian business contexts.

RESEARCH METHODOLOGY

Data and Sample

We retrieved the accounting data for study variables from companies' financial reports. The study's sample involves all nonfinancial Cambodian companies listed on the Cambodian Securities Exchange (CSX) from 2014 to 2022. In line with preceding research, financial firms are omitted due to their exceptional disclosure practices since they are subjected to diverse reporting requirements that make evaluating discretionary accruals problematic (Hong & Andersen, 2011; Kim et al., 2012). There are eight non-financial companies listed on the CSX during the study period. Table 1 illustrates the company name, the year of listing on CSX, and the number of available reports for each company since being listed.

Table 1: Details of companies listed on the Cambodia Securities Exchange

Company name	Year of listing	Number of available reports
JS LAND PLC	2022	1
DBD Engineering Plc.	2021	2
Pestech (Cambodia) Plc.	2020	3
Sihanoukville Autonomous Port	2017	6
Phnom Penh SEZ Plc.	2016	7
Phnom Penh Autonomous Port	2015	8
Grand Twins International (Cambodia) Plc.	2014	9
Phnom Penh Water Supply Authority	2012	9
Total		**45**

As depicted in Table 1, the ultimate sample consisted of 45 company-year observations. Table 2 delineates all observations categorized by year.

Table 2: Sample distribution by industry and year

Sample distribution by year		
Year	Complete sample	
	N	%
2014	2	4.44
2015	3	6.67
2016	4	8.89
2017	5	11.11
2018	5	11.11
2019	5	11.11
2020	6	13.33

2021	7	15.56
2022	8	17.78
Total	**45**	**100**

Variables Measurement

The absolute value of discretionary accruals (ABDA), determined using the modified Jones model (1995), functioned as a proxy for AEM. While there are various approaches to gauge AEM, the modified Jones model is regarded as the most reliable. It has been recognized as a robust model capable of identifying EM by assessing unexpected accruals more accurately than other models. A greater absolute discretionary value signifies a greater EM endeavor (Mojtahedi, 2013). This study relies on this model to quantify the extent of AEM, as it has been extensively utilized in prior research.

To ascertain the absolute value of discretionary accruals, the total current accrual for a company i in year t (TCAi,t) is first calculated as follows:

$$TCA_{i,t} = \Delta CA_{i,t} - \Delta cash_{i,t} - \Delta CL_{i,t} + \Delta STDebt_{i,t} - DEP_{i,t} \quad (1)$$

Where:
ΔCAi,t= change in current assets
ΔCashi,t= change in cash and cash equivalent
ΔCLi,t= change in current liabilities
ΔSTDebti,t= change in short-term debt
DEPi,t = Depreciation and amortization expense for company i in year t.

An ordinary least squares (OLS) method was then utilized to conduct the following regression for the entire sample companies:

$$\frac{TCA_{i,t}}{TA_{i,t-1}} = \alpha_0 + \alpha_1 \left(\frac{1}{TA_{i,t-1}}\right) + \beta_1 \left(\frac{\Delta REV_{i,t}}{TA_{i,t-1}}\right) + \beta_2 \left(\frac{PPE_{i,t}}{TA_{i,t-1}}\right) + \varepsilon_{i,t} \quad (2)$$

Where:
TAi,t-1= Lagged value of total assets for company i.
ΔREVi,t= change in net revenues
ΔRECi,t= change in net receivables
PPEi,t = Property, plant, and equipment for company i in year t.

Thirdly, the calculation of the value of the non-discretionary accruals (NDACi,t) for every firm was carried out using the estimates of α0, α1, and α2 in the following manner:

$$NDAC_{i,t} = \hat{\alpha}_0 + \hat{\alpha}_1 \left(\frac{1}{TA_{i,t-1}}\right) + \hat{\beta}_1 \left(\frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{TA_{i,t-1}}\right) + \hat{\beta}_2 \left(\frac{PPE_{i,t}}{TA_{i,t-1}}\right) \quad (3)$$

Fourthly, the estimation of discretionary accruals (DACi,t) value was conducted as the residuals of the preceding regression, depicted as follows:

$$DAC_{i,t} = \frac{TCA_{i,t}}{TA_{i,t-1}} - NDAC_{i,t} \quad (4)$$

Finally, ABDA was determined by the absolute value of DACi,t. A higher ABDA indicates a higher level of engaging in AEM practices.

In line with previous studies (Lev et al., 2010; Ramzan et al., 2021; Vo et al., 2023), the level of CSR involvement is assessed by determining the proportion of charitable donations to pre-tax net profit. In terms of control variables, this paper included firm characteristics identified in the literature as associated with AEM, aiming to address the issue of interrelated omitted variables. Firm size (SIZE) serves as a representation of political costs. Previous research has identified a relationship between SIZE and AEM, although the connection remains ambiguous, with earlier studies yielding mixed results (Pincus & Rajgopal, 2002; Roychowdhury, 2006). Dechow et al. (1995) asserted that AEM is affected by the firm's financial performance; hence, the firm's financial performance is another control variable utilized in this investigation.

Leverage (LEV) was included to account for incentives related to debt contracts for AEM. Companies nearing a breach of debt covenants are more motivated to employ AEM (Klein, 2002). Moreover, prior studies have indicated that firms with better growth prospects are more inclined to manage their earnings to meet earnings targets (Skinner & Sloan, 2002). Consequently, firm growth is incorporated into the study regression model.

Regarding Board characteristics, three of these attributes, which are Board size (BSIZE), Board independence (BIND), and Board gender (BGEN), are included in the research regression model. When the number of members on the board increases, it becomes increasingly challenging for them to effectively communicate with each other. Therefore, the effectiveness of the Board's function diminishes with a higher number of members on the board. Dechow et al. (1996) discovered that firms involved in EM tend to have larger Board sizes than those not involved in such practice.

Independent directors, as highlighted by Fama and Jensen (1983), are detached from management, enabling them to oversee management more effectively. Additionally, Beasley (1996) indicates that such directors on the board reduce the likelihood of financial fraud. Women demonstrate lower propensities for engaging in unethical conduct, deterring managerial opportunism (Zalata et al., 2019). Consequently, including women on boards increases the likelihood of curbing immoral rituals like EM. Arun et al. (2015) also discovered that UK companies with more female board members exhibit improved earnings quality. Table 3 shows the measurement of the research variables.

Table 3: Measurement of the study variables

Variable	Abbreviation	Measurement
Dependent variable		
Earnings management	ABDA	The absolute value of discretionary accruals calculated through the modified Jones model.
Independent variable		
CSR engagement	CSR	The ratio of charitable donations to pretax net income.
Control variables		
Firm size	SIZE	Natural log of total revenue.
Firm performance	ROE	The ratio of net income to total equity.
Leverage	LEV	The ratio of total debt to total equity.
Firm growth	GROWTH	The revenue growth rate.
Board size	BSIZE	Natural log of the number of Board members.
Board independence	BIND	The proportion of independent directors to the total number of Board of Directors.
Board gender	BGEN	The proportion of female directors to the total number of Board of Directors.

Empirical model

After collecting data, a regression equation is analyzed to test the research hypothesis, which is as follows:

$$ABDA_{i,t} = \alpha_0 + \alpha_1 CSR_{i,t} + \alpha_2 SIZE_{i,t} + \alpha_3 ROE_{i,t} + \alpha_4 LEV_{i,t} + \alpha_5 GROWTH_{i,t} + \alpha_6 BSIZE_{i,t} + \alpha_7 BIND_{i,t} + \alpha_8 BGEN_{i,t} + \varepsilon_i$$

Where:

$ABDA_{i,t}$= The absolute value of discretionary accruals calculated through the modified Jones model.

$CSR_{i,t}$= The ratio of charitable donations to pretax net income.

$SIZE_{i,t}$ = The natural logarithm of total revenue.

$ROE_{i,t}$= The ratio of net income to total equity.

$LEV_{i,t}$ = The ratio of total debt to total equity.

$GROWTH_{i,t}$= Revenue growth rate.

$BSIZE_{i,t}$ = Natural log of the number of board members.

$BIND_{i,t}$ = The proportion of independent directors to the total number of board of directors.

$BGEN_{i,t}$ = The proportion of female directors to the total number of board of directors.

STUDY FINDINGS

Descriptive Statistics

The descriptive statistics of research variables are shown in Table 4. The findings reveal that Cambodian listed companies' engagement level does not differ considerably, as ABDA ranges between 0 and 0.366, while its average and standard deviation are 0.046 and 0.078, respectively. Conversely, there is significant variance in the extent of the involvement of the sample companies in philanthropic activities, as the minimum and maximum values of CSR are -0.254 and 0.653, respectively.

Regarding firm characteristics, the average, standard deviation, minimum, and maximum values of FSIZE, ROE, LEV, and GROWTH demonstrate a big difference in the size, financial performance, leverage, and growth of sample companies. Regarding the size of board members, the mean of BSIZE is 0.061, the lowest value of this variable is 1.386, and the highest value is 2.197, illustrating that the board of directors of most Cambodian listed companies contains seven members. There are at least four members and at most nine members on the board of these companies.

It was also noticed that the minimum value of each BIND and BGEN is 0, indicating that some Cambodian listed companies do not have an independent or female member on their board. In addition, the maximum values of these two variables are 0.163 and 0.097, respectively, exemplifying that the percentage of independent directors on the board of most Cambodian listed companies does not exceed 20% of the total number of board of directors, while the ratio of female directors on these companies is not higher than 10%.

Table 4: Descriptive Statistics

	N	AVERAGE	STD	MIN	MAX
ABDA	45	0.0462	0.0778	0	0.3657
CSR	45	0.2357	0.2371	-0.2541	0.6532
FSIZE	45	18.553	2.9189	0	20.3461
ROE	45	0.0611	0.1381	-0.6358	0.54
LEV	45	1.4404	2.9742	0.1139	13.5248
GROWTH	45	0.0951	0.3726	-1	1.5588
BSIZE	45	1.8586	0.1963	1.3863	2.1972
BIND	45	0.1625	0.0777	0	0.2857
BGEN	45	0.0968	0.098	0	0.4

Pairwise Correlation

As shown in Table 5, pairwise correlation is utilized to understand the relationships among research variables and assess the potential for multicollinearity. Multicollinearity may arise if the coefficient value exceeds 0.8 (Gujarati, 1995). All coefficient values in this study are below 0.80. The largest coefficient, 0.613, is between BGEN and LEV. Hence, multicollinearity is not a significant concern in this investigation.

This table shows that CSR exhibits a consistent and negative relationship with ABDA, suggesting that firms emphasizing CSR are less likely to engage in AEM. Both ROE and BSIZE also show strong negative correlations with ABDA, while BIND and BGEN demonstrate significant positive associations with ABDA. This implies that firms with more robust financial performance, larger board sizes, fewer independent directors, or a lower proportion of female directors tend to avoid AEM practices.

Table 5: Correlation Matrix

	ABDA	CSR	FSIZE	ROE	LEV	GROWTH	BSIZE	BIND	BGEN
ABDA	1								
CSR	-0.3044**	1							
FSIZE	-0.1616	0.1391	1						
ROE	-0.4283***	0.0211	0.2119	1					
LEV	-0.0857	0.2099	-0.0391	0.3146**	1				
GROWTH	0.13	-0.3436**	0.2341	0.384***	-0.0975	1			
BSIZE	-0.2801*	-0.2246	-0.5297***	0.1927	0.1315	-0.0547	1		
BIND	0.5292***	0.1786	-0.0414	-0.1499	0.1173	-0.0518	-0.2286	1	
BGEN	0.4211***	0.05	0.056	-0.4836***	-0.6125***	0.0262	-0.4935***	0.3981***	1

*, **, and *** indicate the level of significance at 0.1, 0.05, and 0.01, respectively

Multivariate Regression Analysis

We utilize panel regression analysis to explore the impact of CSR, alongside control variables, on AEM represented by ABDA. Firstly, a Hausman test is conducted to determine the suitability of random and fixed-effect models. The results in Table 6 indicate that the fixed-effect model is more appropriate, supported by its p-value lower than 0.01.

Table 6: Hausman Test

chi2(14)	41.3
Prob>chi2	0.0000

The regression results detailing the relationship between CSR and ABDA are presented in Table 7. The R-squared value stands at 0.024, suggesting that the variables considered in this model can account for 2% of the ABDA. Additionally, the estimated CSR coefficient was determined to be negative (-0.0385352) and highly significant ($p < 0.01$). This outcome validates hypothesis 1a, indicating that firms with elevated CSR involvement are less prone to earnings manipulation or the use of AEM strategies.

Regarding control variables, solely GROWTH exhibits a notable association with ABDA. The determined

GROWTH coefficient was positively significant (0.0265047, $p < 0.05$), aligning with Skinner and Sloan (2002), who identified a correlation between business expansion and AEM. This indicates that firms with greater prospects for growth are prone to misrepresenting their earnings.

Table 7: The regression results of CSR on AEM

	ABDA
	Fixed effect
	Coef
	t-stat
CSR	-0.0385352***
FSIZE	-0.0058868
ROE	0.0179205
LEV	-0.0087373
GROWTH	0.0265047**
BSIZE	0.0475076
BIND	-0.0882862
BGEN	-0.0679442
Constant	0.0865391
F	5.44
	0.0003
R	0.0236

*, **, and *** indicate the level of significance at 0.1, 0.05, and 0.01, respectively

These results uphold political, integrative, and ethical CSR theories, suggesting that managers of Cambodian-listed companies prioritize honesty, reliability, and ethical conduct in their endeavors, with ethical motivations serving as the primary impetus for their CSR activities. They are also consistent with prior empirical findings by Alsaadi et al. (2017), Chih et al. (2008), Diem (2023), Hong and Andersen (2011), and Kim et al. (2012), which assert that engaging in societal endeavors positively influences the integrity of financial disclosures.

CONCLUSION

This study investigates the relationship between CSR and AEM using data from non-financial companies listed in the CSX over nine years from 2014 to 2022. After controlling for firm-specific characteristics, the findings indicated that companies with extensive CSR engagement produce higher-quality reports, affirming those ethical considerations guide CSR. These endeavors address stakeholder expectations and diminish the incidence of AEM practices.

One limitation of this paper is that the CSR measure derived from financial statements might not fully encapsulate the true essence of CSR involvement, potentially impacting the accuracy of CSR measurement. Despite this constraint, the study holds significance as there is a paucity of scholarly research on this subject, especially concerning Cambodian businesses.

The results of this study offer valuable insights for regulatory bodies, standard-setters, investors, and scholars interested in business ethics, shedding light on financial reporting, ethical principles, and CSR strategies. This understanding aids in deciphering managerial motivations behind CSR involvement and its effects on deterring EM. Subsequent research could delve into real earnings management, which has enduring implications for a company's sustainability. It is also valid to examine in the future the moderating effect of corporate governance attributes, industry profile, customer sensitivity to social issues, and activist scrutiny in the relationship between CSR and EM in Cambodia.

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