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Corporate Social Responsibility and Accrual-Based Earnings Management: Evidence from Nigeria

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Abstract

This study examines the effect of corporate social responsibility (CSR) on accrual based-earnings management (AEM) nexus. We employed the use of panel least square analysis to test twenty (20) manufacturing companies quoted on the Nigerian Stock Exchange (NSE) for a period of seven (7) years (2013-2019). The study used corporate social responsibility as the independent variable, earnings management as the dependent variable and firm characteristics variables as the control variable. In utilizing the econometric models unreceptive to endogeneity, our result shows that corporate social responsibility has a positive and significant relationship with accrual based-earnings management. In addition, the study finds that firm size and leverage both have a negative and insignificant relationship with accrual based-earning management while profitability has a positive but insignificant relationship with accrual based-earnings management in Nigeria. The results show that more socially responsible firms have higher quality accruals. This suggests that manufacturing firms in Nigeria are likely to engage more in earnings management while increasing their corporate social responsibility. Hence, managers in manufacturing companies in Nigeria, have a tendency to take advantage of corporate social responsibility practices according to the environment they find themselves in.

Keywords: *Earnings management, corporate social responsibility, firm size, firm profitability, leverage*

1. Introduction

The term earnings management has gained a lot of awareness in financial accounting research as a result of the knowledge of various scandals. Some of these scandals include Parmalat, Enron, and WorldCom. The managerial practice leading to this financial scandal has helped to develop and implement corporate governance methods that limits the opportunistic behaviour of managers and advance the integrity of financial statements (Gras-Gil, Manzano, & Fernandez, 2016). The room for doubt and mistrust in stakeholders and the market has been created in the business environment. In a bid for companies to elude themselves of such scandals, they voluntarily committed to business methods that are socially responsible and demonstrate excellent business behaviour through good environmental responsiveness and moral behaviour because they have realised that making profit is

not the only means of survival in the market (Ameer, 2013; Martinez, Banerjee, & Garcia, 2016).

Examining the relationship of earnings manipulation and a socially responsible method of business still remains a debatably topic, in view of the fact that the outcome on this connection remains open to doubt. Prior studies such as Chih, Shen, and Kang (2008), are still undecided on the positive or negative impact corporate social responsibility (CSR) has on a company's reporting quality. To this end, the argument by Shleifer (2004) is that, consequential to a predominantly less practiced earnings management (EM), companies have to be steadfast to been socially accountable in their business activities because having to manage earnings misinforms all the company's stakeholders and investors (Gras, *et al*, 2016; Prior, Surroca, & Tribo, 2008).

In Nigeria, extant literature on corporate social responsibility (CSR) and accrual based-earnings management (AEM) is both expansive and diverse. A few of these studies investigated this relationship on accrual-based earnings management (AEM) and some others compared the effect between accrual – based and real earnings management (REM) (Hong & Andersen, 2011; Kim, Park, & Wier, 2012; Bozzolan, Fabrizi, Mallin, & Michelon, 2015). However, to a larger extent this relationship between corporate social responsibility and earnings management is unexplored and inconclusive.

Furthermore, the impact of CSR and EM is given less importance to the emerging economy of Nigeria. It would be improper to generalise from the results of studies conducted in advanced markets of Western and Asian countries owing to the fact that they have favourable policies governing their economy. The practise of CSR is not as vigorous as those in the advanced markets, and its efficiency and counteractive reactions in cases of financial failures are unsurpassed. In this nexus, this study centres on the manufacturing sector taking into consideration these differences while examining the impact of CSR on EM

In the light of the forgoing the aim of this study is to examine the effect of CSR on AEM on manufacturing companies in Nigeria. The remaining part of this study is arranged as follows. In the second section, we showed a review of prior studied for the variables used in this study, developed the hypotheses and also reviewed germane theories. Section three focused on the data and methodology. The outcome of our investigation and a discussion of the findings are contained in the fourth section, and in section five, we concluded.

2. Review of Literature on Variables and Hypotheses Development

Empirical works examining the link between the dependent and independent variables are of importance here. With this categorization made, it was possible to create the models of CSR and AEM of manufacturing firms in Nigeria.

2.1 Earnings Management

Earnings management (EM) remains a debatable issue when it has to do with the unethical behaviours of companies that have led to various corporate failures (Uwuigbe, Daramola, & Anjlaoluwa, 2014; Schipper, 1989). EM has to do with the deliberate manoeuvring of financial information to either mislead investors on the core economic position of an establishment or to achieve some contractual remuneration that rely mainly on accounting records (Uwuigbe, Fagbemi, & Anusiem 2012). Hence, managers can take advantage of the fact that they are in charge of the firm for personal gains and at the expense of stakeholders (Uwuigbe, 2013). According to Leuz, Nanda, and Wysocki, (2002), EM is the modification of a firms' report of the economic performance either to give the wrong impression about some stakeholders or to manipulate contractual outcomes.

According to Maahjoub and Miloudi (2015); Ghazali, Shafie, and Mohd-Sanusi (2015) EM is one of the widely used methods by mangers to achieve a numbers of goals and objectives by the manipulation of accounting data. Consequently this reveals the opportunistic behaviour of managers because this managerial practice was birthed by the positive accounting theory. Matteo (2018) posit that EM emerged from the standpoint of information asymmetry involving business partners and executives. In

agreement with the said definitions, the aims of EM are for executive to strongly mediate in the financial reporting process in order to achieve personal gain or for the organizations advantage. Understanding this definitions view point, one must incorporate the affiliation stakeholders have with the corporation internally and externally and CSR as it concerns resolutions and actions taken by organizations on the grounds that they are surpass the organizations technical interest or direct economic.

2.2   Corporate social responsibility and Earnings management

According to Akindele (2011) corporate social responsibility (CSR) is the process of examining the level of commitment a company has to the general public. It a means of suggesting strategies on how those commitments can be met. He also stressed that CSR is an instrument by which the advantages to a company for accomplishing those commitments can be recognized. The long standing theme for the survival of business professionals in continuously changing societal and environmental surroundings is to have a good relationship with the society (Suto & Takehara, 2019). However, CSR moderates firms' EM and this is conditioned by the legal system (Scholtens & Kang, 2013).

One of the basic objectives of CSR is to make a meaningful contribution to the general public as well as to the firm. A socially responsible firm can be identified from the preparation of their financial report (Malik, 2015). Supporting the above definition is the stakeholder theory or the long-term hypothesis. In any case, CSR is meant to positively impact on the firm's reputation, ethics, and relationships with stakeholders and financial performance (Garcia-Sanchez, & Garcia-Meca, 2016). However, CSR is strongly of the opinion that financial information's are clear and of great integrity, capable of guiding its user to take useful decisions (Salweski, & Zulch, 2014).

Previous studies have shown in their studies that CSR can be used in other ways other than an entirely ethical and responsible way. Power (2014) in his argument posits that CSR is only used as a self-defensive strategy and considered an instrument to control character threat. In line with this, Hemingway and Maclagan (2004) state that adopting CSR by firms is a conscious attempt to mask the result of company malfeasance. The study of Jordain, De Klerk and De Villiers (2018) posits that CSR companies in South Africa from the perspective of CSR performance and disclosures against both real and accrual –based earnings management, are more likely to engage in EM through income increasing discretionary accruals when it has to do with CSR performance and engage less in income decreasing discretionary accruals with regards to CSR disclosures. This implies that managers, who increase their earnings, do so to prevent the avoidable enquiry of stakeholders, while managers who have the means to create more CSR disclosures to decrease information irregularity will also be less prone to control earnings. In agreement with the above study, Buertey, Sun, Lee, and Hwang (2020), investigated the relationship between CSR and EM and how corporate governance mechanisms reduce the relationship. From their findings, there is a positive significant relationship between CSR and EM. This highlights the opportunistic use of CSR explained within the agency theoretical framework. Inclusive in the result was that boar size and block ownership significantly moderates the CSR and AEM nexus.

Similarly, Gargouri, Francoeur, and Shabou (2010) showed that firms in Canada that put more emphasis on their accountability to the environs and their workforce emerge to be more involved in EM. The motive for this was given that due to the cost involved in the investments, it is possible that the performance of the firm could diminish without the use of EM. Also, it was revealed in the works of Hoi, Wu, and Zhang (2013) that tax avoidance practices are more aggressive in firms that are engaged in excessive CSR activities. Also, from the study of Hall and Stammerjohan (1996), they posited that oil companies were more likely to engage in EM when they were facing a lawsuit that may perhaps lead to a possible dent to their repute. The aim of these companies was to reduce their earnings and face slight damage, since their reduced earnings links to a poorer capability to pay. Consequently, it could be argued that firms facing situations like this could use the investments of CSR as a form of real EM, intended at reducing their proceeds. However, having to disclose their CSR performance, firms can divert the public's attention from their unethical behaviour that has led to the likelihood of a damaged image in the first place. Kyaw, Olugbode, and Petracci (2017) posit that

socially responsible firms who have high domination roles in synchronized market economy are more likely to engage in earnings management. This suggests that, countries in institutional locations facilitate implied activities of CSR in firm strategy.

In addition, Salewski, and Zulch (2014) states that from his results, he has been able to provide evidence that without doubt CSR accompanies high quality earnings for Europeans firms. CSR is used by firms to avoid a negative reputation by masking their use of discretionary accounting practices on the cost of capital (Martinez, et al. 2016). Hence, it's difficult for the market to verify if CSR is used as a short-run image improving tool or as a long-run ethical strategy. From the works of Kim, Udawatte, and Yin (2019), Chinese firms enhanced CSR, generally decreases when they are engaged in AEM but state controlled firms operating in a more developed economy tend to engage more in REM. Also, Palacios- Manzano, Gras-Gil, and Santos- Jaen (2021) argued that, CSR brings about lucidity and lessens that tendency towards the numerous prospects for EM; hence their findings showed that socially responsible firms are leaning towards promoting a long-term relationship with stakeholders rather than maximize their short term profit. Prior studies like, Jimenez, Surroca, and Tribo (2008) have warned that utilizing CSR can be notable in impacting on the financial state of a firm or being included in an executive plan resolute on pulling efforts together from stakeholders while the firm is actually involved in disreputable deeds; such as the unethical form of EM. Overall, these actions of CSR reporting are contained in the opportunistic financial reporting hypothesis as posited by Kang & Kim (2011), who predicted that the outcome of the CSR results is as a result of EM for the reason that executives behave opportunistically and CSR is used for selfishness interest.

On the contrary, Kumala and Siregar (2020) examined the association of CSR, family ownership and EM of Indonesian companies, and suggested that there is a negative relationship between corporate social responsibility disclosure (CSRD) and EM. Also, Maglio, Rey, Agliata, and Lombardi (2020), in their study on the discovery of the association between EM and gender diversity as a proxy for corporate social performance (CSP) on non-small-medium sized enterprises in the context of CSR reveal that the presence of women on the board of directors brings about the reduced espousal of EM practices. In addition, Garcia-Sanchez and Garcia-Meca (2016) states that in line with the agency cost theory, CSR has a negative influence when it has to do with EM and the quality of earnings because this practices aids managers in an opportunistic way to conceal corporate misconduct. In support of this finding is the study of Hickman, Iyer, and Jadiyappa (2021). From their results, it was revealed that there is a negative relationship between CSR and EM. Similarly, Liu, Shi, Wilson, and Wu (2017), stressed that the in between CSR performance and family involvement s the primary driver of the relationship between CSR performance and EM documented in previous research because their results showed that CSR performance is not significantly linked to accrual or real EM behaviour after the effects of the involvement of family is accounted for. We thus hypothesize that:

H_1: There is no significant relationship between corporate social responsibility and earnings management.

2.3 Control Variables

The control variables used for this study include: firm size (FIRSIZ), firm profitability (FIRPRO), and leverage (LEV).

2.3.1 Firm Size

Firms differ from one to another and it's of ought most importance that the impact of the size of a firm on the quality of reported information be considered. Becker, DeFond, Jiambalvo and Subramanyam (2008) submit that just as corporate governance is influenced by the firm size; the level of EM is also affected. Unlike smaller firms, bigger firms have more political cost due to the investor scrutiny and high analyst following. This political cost state intervention (such as regulations, legislations) and the retribution from customers and unions could also result in opportunity cost (this means to abandon

profitable investments). Consequential to this, managers seeks to embraces various methods of accounting that could help stall the reporting of income to reduce the political cost (Missonier, 2014). Contrary to this opinion, Lobo and Zhou (2016), Rahman and Scapens (1998) faults the political cost theory and suggest that the reason why bigger firms practice earnings management is due to the complexity of their operations making it harder for overstatement to be detected by users, while Astami and Tower (2006) also discovered that there is no evidence indicating a link that supports that size impacts on accounting policy options in the Asian Pacific regions and Saudi Arabia respectively.

2.3.2 Firm Profitability

Firm profitability as supported by the disclosure theories signifies a positive impact on reporting quality. Several studies (such as Astami and Tower, 2016; Bushman and Smith, 2011; Sweeney, 2014) argue that there has been an implicit and explicit use of company profitability to stabilize the company's position and even increase the compensation levels of mangers. Also, Astami and Tower (2006) believe that managers choose favourable procedures in accounting that move the showed earnings of upcoming periods to present period in order to inflate the companies reported profits. However, some studies like Kim, Park, and Wier (2012), Bekiris and Duokakis (2011), and DeAngelo, DeAngelo, and Skinner (1994) are of a different opinion and posits that profitability and earnings management have a negative relationship. They believe that managers manipulate the reports to cover poor performance, avoid reporting losses and decline in earnings.

2.3.3 Leverage

Prior studies have associated the choice of accounting policy to debt covenant because it has been seen to be stand on reported accounting figures and a contravention of this covenant compel a cost on the company. Studies of like opinion are Abdullah, Parvez, Karim, and Tooheen (2015); Bowen (2002), Herrmann, Inoue, and Thomas (2003). Financial leverage is seen to have positive impact absolute abnormal accruals for companies engaged in discretionary accruals to evade debt covenant contravention (Beatty & Weber, 2003; Bekiris & Duokakis, 2011).

2.4 Underpinning Theories

The theoretical background for the empirical determination of the impact of CSR on earnings management was laid by the agency (Jensen, & Meckling, 1976) and stakeholder's theory.

2.4.1 Agency Theory

The agency theory stresses on the reality of problems in the company. This is known as agency problem. This problem usually exists between managers and shareholders as a result of division of control and ownership in the organization. This could lead to an embed impact and the confiscation of shareholders' riches by managers. Apart from the above problem, another problem that could also come up is the one between minority and controlling shareholders. Ultimately, these two problems tilt towards the confiscation of shareholders earnings and graduates in the direction of the manoeuvring of statement of financial position and EM practices. This is the reason external auditors have been employed to play a monitoring role in ensuring the reliability of the financial statement, restrain opportunistic EM and plummeting agency conflict between the shareholders and management (Abid, Shaique, & Anwar ul Haq, 2018).

2.4.2 Stakeholders Theory

Extending from the agency theory emerged the stakeholder's theory. The theory states that each unit has to do with the relations of the principals and their agents. Such connections will have to do with

the interface of every person with a stake in the affairs of the unit: creditors, the host community, government, bankers and others. With this, Ndubisi, Okeke and Chinyere (2017) explained that there is a higher demand of information on the unit which therefore puts a higher demand on the auditors to certify the representativeness of the financial statements.

3. Methodology

This section contains the methodology used for the study. It consists of the population and sample, the measurement of variables, the regression model and the method of data analysis.

3.1 Population and Sample

The target population for this study consist of 20 manufacturing firms listed on the Nigerian Stock Exchange as at 31st December, 2019. The period ranges from 2013 through to 2019, resulting in 160 firm-years observation. The choice of listed manufacturing firms is anchored on the fact that from finance literature, the major objective of a firm is to make the most of the shareholders wealth. Hence, it is imperative to note that listed firms would engage in earnings management. The problem elucidated by the agency theory is revealed in listed firms because it is easy to clearly see the division of ownership from control. Manufacturing firms that have been included in this sample must be listed in the NSE between 2013 through to 2019 to ensure the data is available for the period considered and must also provide all relevant information necessary for the analysis.

3.2 Measurement of Variables

3.2.1 Dependent Variable

The dependent variable which is earnings management (EM) is measured by accrual earnings (Ndubisi, et al., 2017).

3.2.2 Independent Variable

The in independent variable for this study is corporate social responsibility (CSR) and it is measured by the CSR disclosures (CSRD) (Duke II & Kankpang, 2013).

3.2.3 Control Variables

They comprise; firm size, firm profitability and leverage. Firm size (FIRSIZ) is measured by natural log of total assets (Astami, &Tower, 2016; Lobo, & Zhou, 2016; Rahman, & Scapens, 1998); firm profitability (FIRPRO) is measured by profit after tax (Astami, &Tower, 2016; Bekiris, & Duokakis, 2011; Bushman, & Smith, 2011); and leverage (LEV) is measured by total debt divided by total equity (Abid, et al., 2018; Bekiris, & Duokakis, 2011; and Bowen, 2002).

Table 1: Corporate Social Responsibility Disclosure (CSRD)

	CSR Disclosures
1	Environmental care
2	Education
3	Health care
4	Peripheral development
5	Housing
6	Village adoption
7	Community involvement
8	Employment
9	Rural sports
10	Welfare

Source: Researcher's compilation, 2021

3.3 Regression Model

Our empirical analysis involves examining the relationship between corporate social responsibility and earnings management using multiple regression analysis through the panel least square method of estimation.

EM: f (Corporate Social Responsibility)

The econometric models drawn from the above functional equations for the hypothesis including five firm characteristics variables used as control variables are stated below:

$EM_{it} = \beta_0 + \beta_1 CSRD_{it} + \beta_2 FIRSIZ_{it} + \beta_3 FIRPRO_{it} + \beta_4 LEV_{it} + e_{it}$

Where: EM= Earnings management (Accrual Earnings [AE]), CSRD= Corporate social responsibility disclosures, *Control Variables*=FIRSIZ= Firm size, FIRPRO= Firm profitability, LEV= Leverage, β_0=constant, β^1 - β^4=coefficient, and e_{it} =error term

3.4 Method of Data analysis

The method of data analysis adopted for this study is the multiple regressions. We used the Panel Least square estimation technique to examine the relationship between corporate social responsibilities on earnings management in the manufacturing sector. This regression technique is used to study the straight line relationship between the dependent and independent variable. With the lease square regression technique, the estimates are selected so as to minimize the sum of the squared residuals.

4. Presentation and Discussion of Regression Results.

4.1 Descriptive Statistics

This subsection provides the descriptive statistics which gives us a better understanding of the data obtained for this study.

Table 1: Descriptive Statistic

	AE	CSRD	FIRSIZ	FIRPRO	LEV
Mean	13285150	723.7500	7.588558	0.668009	1.912653
Median	19985732	700.0000	7.739335	0.186333	0.298481
Maximum	1.02E+09	1100.000	10.80250	29.55226	73.34072
Minimum	-2.22E+09	0.000000	5.043823	-29.53294	-3.178107
Std. Dev.	3.05E+0.8	243.01824	0.773567	6.063416	8.283175
Skewness	-3.522697	-0.776883	0.255953	0.794058	6.663999
Kurtosis	27.25660	3.334840	4.648993	18.54623	50.89997
Jarque-Bera	4253.467	16.84204	19.87483	1628.049	16480.29
Probability	0.000000	0.000220	0.000048	0.000000	0.000000
Sum	2.13E+09	115800.0	1214.169	106.8814	306.0245
Sum Sq. Dev.	1.48E+19	9389750.0	95.14654	5845.637	10909.15
Observation	160	160	160	160	160

Variables definition: EM= Earnings management (AE); CSRD= CSR disclosures (CSRD); FIRSIZ= natural log of total assets; FIRPRO= profit after tax; LEV= total debt divided by total equity.

Source: Researchers compilation (2021) (Eviews, 9.0)

As observed from table 1, the descriptive statistics for the variables examined are reported. The dependent variable earnings management (EM) which has a mean value of 13285150 and a median value of 19985732 with a maximum and minimum value of 1.02E+09 and -2.22E+09 respectively. The

median and the mean values are quite apart from each other. The standard deviation of 3.05 is quite low and suggests that earnings management over the years exhibits low deviation from the mean. This implies that there is a low level of operating efficiency such that can engender earnings management in Nigeria. The explanatory variable and the control results indicate that the mean values for CSRD, FIRSIZ, FIRPRO and LEV are 723.75, 7.59, 0.67 and 1.91 respectively.

Based on the results on the table, reading from the Jarque-bera and the corresponding probabilities, all the variables probabilities are > 0.05, thus we accept the null hypothesis that all the variables do follow the normal distribution testing at the 5% level of significance. This means all the variables are normally distributed. Testing for the asymmetry of the variables, the coefficients of skewness indicates that all the variables are skewed within the bounds of normality.

4.2 Correlation Results

In an attempt to examine the association between the dependent, independent and control variables the correlation matrix was utilized. The table below shows the coefficient of correlation of the variables at 1%, 5%, and 10%level for two-tailed test. We were primarily interested in the correlation between corporate social responsibility disclosure (CSRD) and the control variables- firm size (FIRSIZ), firm profitability (FIRPRO) and leverage (LEV) on earnings management (EM) measured by accrual earnings (AE) for manufacturing firms in Nigeria.

Table 2: Correlation coefficients of the dependent and independent variables.

Probability	AE	CSRD	FIRSIZ	FIRPRO	LEV
AE	1.000000				

CSRD	0.326421	1.000000			
	4.340814	-----			
	0.0000	-----			
FIRSIZ	0.012586	0.089394	1.000000		
	0.158213	1.128178	-----		
	0.8745	0.2610	-----		
FIRPRO	0.021690	-0.009081	0.061985	1.000000	
	0.272708	-0.114145	0.780642	-----	
	0.7854	0.9093	0.4362	-----	
LEV	0.005453	0.186196	0.139474	0.108055	1.000000
	0.068541	2.382111	1.770466	1.366225	-----
	0.9454	0.0184	0.0786	0.1738	-----

Variables definition: EM= Earnings management (AE); CSRD= CSR disclosures (CSRD); FIRSIZ= natural log of total assets; FIRPRO= profit after tax; LEV= total debt divided by total equity.

Source: Researchers compilation (2021) (Eviews, 9.0)

From the results, we observed AE was positively correlated with CSRD (0.326), FIRSIZ (0.012), FIRPRO (0.021) and LEV (0.005). However, the results showed a strong relationship with earnings management. The table shows the coefficient of correlation of the variables at 1% and 5% level for two-tailed test. A closer look at the coefficients results in the matrix revealed that to a large extent all the variables coefficients are not more than 0.90. This shows that in our model there is the absence multicollinearity. When there is multicollinearity between illustrative variables, the results may give signs that could be incorrect or unlikely magnitudes, in the approximate model coefficients, and the bias of the standard errors of the coefficients.

Overall, the results showed a strong relationship with earnings management, thus giving us a strong background for our hypothesis and measure.

4.3   Regression Results and Discussion of Findings

To examine the effect of corporate social responsibility on earnings management in manufacturing companies quoted on the NSE, multiple regression analysis was performed employing the Panel Least Square method of estimation.

Table 3: Panel Regression Technique Results

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	-1.55E+08	2.62E+08	-0.591053	0.5554
CSRD	849693.5	88182.75	9.635597	0.0000
FIRSIZ	-57638776	29505030	-1.953524	0.0526
FIRPRO	798669.1	10332270	0.077299	0.9385
LEV	-300685	2.6158380	-0.488254	0.6261
AR(1)	0.379523	0.0298322	2.77866	0.0000
SIGMASQ	5.00E+16	3.62E+151	3.78772	0.0000
R-squared	0.458584	Mean dependent var		13285150
Adjusted R-squared	0.437352	S.D. dependent var		3.05E+08
S.E. of regression	2.29e+08	Akaike info criterion		41.37917
Sum squared resid	7.99E+18	Schwarz criterion		41.51371
Log likelihood	-3303.333	Hannan-Quinn criter.		41.43380
F-statistic	21.59871	Durbin-Watson stat		1.866344
Prob (F-statistic)	0.000000			
Inverted AR Roots			6	8

Variables definition: EM= Earnings management (AE); CSRD= CSR disclosures (CSRD); FIRSIZ= natural log of total assets; FIRPRO= profit after tax; LEV= total debt divided by total equity.

Source: Researchers compilation (2021) (Eviews, 9.0)

In the table three above, which comprise of one dependent variable (EM), one independent variable corporate social responsibility disclosure (CSRD) and three control variables which are firm size (FIRSIZ), firm profitability (FIRPRO) and firm financial leverage (LEV). The adjusted R-squared shows that the model explains up to 44% systematic variation in the value of the dependent variable. The adjusted R-squared is used because it makes adjustment for the degree of freedom. The coefficient of CSRD of 849693.5 shows a positive relationship with the dependent variable and a probability of 0.000 which is significant at level of 1%. The coefficient of FIRSIZ of -57638776 shows a negative relationship with the dependent variable and statistically significant at 5% level of significance because the Gussett student statistics p-value is 0.05 is significant. Also, the coefficient of FIRPRO of 798669.1 shows a positive and statistically insignificant relationship with earnings management because the p-value of 0.94 is not significant at 5% conventional level. Lastly, the coefficient of firm financial leverage of -3006852 shows a negative relationship with earnings management and a probability of 0.63 which is not significant at 5% level of significance.

From the results, we found that corporate social responsibility (CSRD) significantly affects earnings management in Nigeria quoted manufacturing firms in Nigeria because the p-value is less than 0.05. This research result indicates that we reject the null hypothesis at 5% level of confidence which state that there is no relationship between corporate social responsibility and earnings management in Nigeria. This implies that a unit increase in the value of CSRD will lead to about 9.64 unit increase in earnings management and vice versa. We observe that more socially responsible firms have higher quality accruals. This suggests that manufacturing firms in Nigeria are likely to engage more in earnings management while increasing their corporate social responsibility. Hence, managers in manufacturing companies in Nigeria, have a tendency to take advantage of corporate

social responsibility practices according to the environment they find themselves in. This result is in tandem with the results of study of Gargouri, Francoeur, &Shabou (2010); García-Sánchez,& García-Meca, (2017); Jordaan, De Klerk, & De Viliers, (2018); Kim, Udawatte, & Yin, (2019); Palacios-Manzano,Gras-Gil, & Santos-Jaen, (2021) and contravenes the finding of Kumala, & Siregar (2020).

Also, firm size (FIRSIZ) significantly affects earnings management in Nigeria quoted manufacturing firms in Nigeria because the p-value is less than 0.05. This research result indicates that we reject the null hypothesis at 5% level of confidence which state that there is no relationship between firm size and earnings management in Nigeria. This implies that a unit increase in the value of firm size will lead to about 1.95 unit decrease in earnings management and vice versa. This result is in tandem with the results of study of Hall & Stammerjohan (2007); Salewski & Zulch (2014).

The regression coefficient, firm profitability (FIRPRO) does not significantly affect earnings management of quoted manufacturing firms in Nigeria because the p-value is greater than 0.05. This research result indicates that we do not reject the null hypothesis at 5% level of confidence which state that there is no relationship between firm profitability and earnings management in Nigeria. This implies that a unit increase in the value of firm profitability will lead to about 0.08 unit decrease in earnings management and vice versa. This result is in tandem with the results of study of Kim, et al. (2012); Becker, et al. (2008).

Lastly, for the control variable firm leverage (LEV), we observed that leverage does not significantly affect earnings management of manufacturing firms in Nigeria because the p-value is greater than 0.05.This research result indicates that we do not reject the null hypothesis at 5% level of confidence which state that there is no relationship between leverage and earnings management in Nigeria. This implies that a unit increase in the value of leverage will lead to about 0.49 units decrease in earnings management and vice versa. This result is in tandem with the results of study of Bekiris, & Duokakis (2011); Bowen (2002).

5. Conclusion

The aim of this research study is to determine the effect of corporate social responsibility on earnings management in Nigeria companies within the period of 2010 to 2017 for 20 manufacturing firms in Nigeria. The preliminary analysis of the data was evaluated using descriptive and correlation analyses. The regression analysis was conducted using the panel least squares method. The empirical results show that corporate social responsibility was significantly related to earnings management in Nigeria companies and when controlled with some firm characteristics variables, firm size was significantly related to earnings management, while firm profitability and leverage were not significantly related to earnings management in Nigerian companies.

In terms of relationship, firm size and leverage exhibited a negative relationship with earnings management while corporate social responsibility and firm profitability exhibited a positive relationship with earnings management in Nigerian companies. This study expands existing literature on the relationship between firm characteristic and corporate social responsibility on earnings management with emphasis on Nigerian manufacturing companies. This study therefore recommends that management should take cognisance of corporate social responsibility since it affects the value of earnings management of a firm. Also there should be proper management of debt to total assets in the firm since it has a role to play in the firm's value and growth. In line with the findings, we therefore recommend that financial managers should be conscious of excessive long term debt when raising finance but they should source more of equity.

However, this study has been limited by the sample whose data covers only six (6) years from the Nigerian stock exchange market. Besides, we considered and made use of only three firm's characteristics variables as our control variables. However, for further research we therefore recommend that other firm attributes or characteristics that were not used in this study be considered.

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