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The Interaction between Environmental Accounting Practices and Earnings Management

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Abstract
This article examines the behavior of managers in the phenomenon of earnings management by discretionary accruals. More specifically, this article analyzes the impact of agency problem practice, focusing on the effect of corporate social responsibility in reducing or increasing earnings management. Indeed, according to the agency theory, we suggest that directors act in their own interests when there is an agency problem, reserving an accumulation of discretionary spending to maximize their bonuses. In addition, we expect the high commitment by companies in social responsibility activities mitigates agency problem. However, the empirical results are not consistent with our theoretical research framework. We found on the one hand that CSR activities do not encourage the accounting manipulations, and on the other hand, discretionary accrual is not positively related to CSR.
Keywords: Earnings Management, corporate social disclosure, Stakeholders, Agency theory

JEL Classification: M14; M41; M48; L21

1. Introduction

Accounting earnings are one of the evaluation information corporate performances that attract most of the attention of shareholders and other stakeholders. Indeed, accounting information facilitates not only to differentiate the better-performing firms from poor performers, but also to help efficient resource distribution and the decision (Healy and Wahlen, 1999). Though, in practice, owing to information asymmetry and flawed auditing, managers may implement some discretion in determining profits as a raison of the inducement from capital markets, contractual measures, and regulatory reflections (Healy and Wahlen, 1999). Therefore causes reporting to appear either greater or less than they really are and in conclusion damaging the value of financial reports as a technical of communication between companies and external stakeholders.

As of traditional perspective, the separation of ownership and control in large companies, with information asymmetry, provides as opportunistic actions of the managers, who can have inverse intentions from the owner. In this context, accounting profit, through which managers advance their own interests at the expense of the company and the shareholders, thus, this behavior is considered as an agency problem. As a consequence of the inexact financial information disclosed by managers, shareholders can make non–optimal financial and operational decisions, which represent the agency costs produce or created by earnings manipulation.

Indeed, in a second section, attention is focused on the consequences of social disclosure in general; the third section examines the contributions of social disclosure to investors. Thus, the empirical study is set at the fourth section. While the fifth section discusses the approach and the empirical results. In the last section we present our conclusions.

2. Review of literature

2.1. The impact of corporate responsibility disclosure

The definition of CSR was determinate by of Bowen (1953), since he initially affirmed that it is the liability of companies to understand the objectives and the values of our society in prosecute a policy, choice of decision and following the directives of action. Carroll (1979) abets to the progress of CSR by explicatory its mechanism. He clarifies CSR as the social responsibilities of companies compassing the economic, lawful, moral and other discretionary needs that the societies have on firms. According to Branco and Rodrigues (2006), CSR necessitate firms voluntarily, somewhat than lawfully, incorporate economic, social, and environmental anxiety in their operations and in the relations with stakeholders, and then advanced the means in this triple bottom line (Elkington, 1994; Dyllick and Hockerts, 2002; Collison et al., 2003).

In this context and to highlight the importance of corporate social responsibility we consider in what follows the legitimacy of business. Thus, legitimacy is a situation or state that is present when an entity's value technique is similar with the value system of the larger social system of which the entity is part (Lindblom, 1994). Legitimacy is defined as a resource that is essential for organizational continued existence. When a difference, actual or potential, exists between the two values systems, particularly, if the firm does not function within the standards and expectations of the society, there is a danger to its legitimacy.

The works of research that elucidate firms' incentives to employ in CSR practices habitually rely on legitimacy theory. Ullmann (1985) innovatively associated legitimacy theory to dominant stakeholders. In the course of CSR activities, companies attain the license to operate (Porter and Kramer, 2006), that is to say, it is the governments, communities and others give companies the implicit or explicit authorization to do business.

To be exact, engaging in socially responsible activities, the companies not merely enhances stakeholder satisfaction and confidence, other than also profited from the special advantages on its reputability and branding among stakeholders. Practice and disclosure of corporate social responsibility improved reputation with stakeholder (Orlitzky et al., 2003). This positive image will in turn assist firms to found community ties and build reputation capital, therefore, gaining trust and support from diverse groups of stakeholders. Through the enhanced interaction with shareholders, suppliers, creditors and other groups, the company obtains the performance (Cohen, 2009), enjoys the economic benefits through augmented revenues and condensed costs, and finally attains the positive relationship between its social responsibility and the financial competitively (Salama, 2005; Callan and Thomas, 2009).

Stakeholders are groups that have a stake in a company, they can be considered to be external to the organization, or internal. Indeed, the deviation of a concentration on shareholders to focus on groups of stakeholders of the company is one of the factors motivating the practices of social responsibility activities.

In this context, disclosure of environmental and social information plays an important role in the strategies of non-financial disclosure of companies. Thus, these societal accounting practices are a way to develop ethical relationships with the Company.

2.2. Earnings management and political costs

According to Gray et al. (1995), the corporate social responsibility and the environmental and social disclosure information are considered legitimate contribution made by the organization. However, due to the imperfect social audit in the business world, leaders are encouraged to take discretionary measures on accounting earnings to maximize their profits.

In the same line, the previous works researches are focused on examining the relationship between corporate social responsibility and financial performance. Indeed, these studies argue that the financial performance of company is positively related to corporate social responsibility (McGuire et al., 1988; Salama, 2005).

The agency conflicts exist when managers manipulates in opportunistic manner the accounting results in their favor, hence the disclosure of social information is a means to protect their jobs. Thus, the voluntary disclosure is also used to divert attention of the shareholders of the oversight of performance management. In this context, it seems that the managers involved in the practice of earnings management are motivated to behave in a proactive manner, seeking to satisfy shareholders and various stakeholder groups who take action to ensure overall performance. Indeed, the voluntary disclosure in annual reports such as social information is deemed necessary to report the responsibility of the company and its awareness of environmental and social issues of stakeholders.

Managers have entrenchments strategies. One of these strategies is to seek the support of stakeholders in a way to focus their efforts to favor the entrenched leader. This strategy benefits from the decrease in pressure from stakeholders. However, to achieve their object, the managers can engage in practices social to create and manage relationships with stakeholders in the company to improve the social performance of the company.

Thus, social performance involves the commitment of the company in social responsibility activities such as the adoption of management practices of human resources, achieving good levels of environmental performance through recycling, reducing pollution, and participation in the achievement of the community (Williams et al., 2006).

In the same sense, Prior et al. (2008) suggest that managers choose the uses measures of discretionary earnings management in order to transmit favorable or unfavorable information to the capital markets on the future prospects of the company. However, the manipulation of earnings may indicate to investors the possibility of improving results and future cash flows. Due to information asymmetry, companies use financial information to signal to investors that they hold favorable information. Thus, managers are encouraged to voluntarily disclose additional accounting information as a signal to attract investors, and to improve the reputation of the company especially when they attempt to engage in earnings management.

However, employees are a group of stakeholders involved in the practice of earnings management. Thus, D'Souza et al. (2007) studies the relationship between earnings management and the personnel expenses, and they find that the managers choose to reduce benefits disclosed during periods of contract negotiations labor with syndicates. Indeed, disclosure of accounting figures which do not reflect the true financial position of a company can lead to a lack of confidence and integrity of leaders, and leads to a degradation of the sincerity of the company in the financial markets. Thus, serious consequences for the Company as a whole are expected.

As management decisions results have direct repercussions on stakeholders, the director is also considered an agent of stakeholders and not only promoting the interests of shareholders (Hill and Jones, 1992; Jones, 1995). Moreover, the adoption of the perspective of stakeholders does not consider the company as a set of bilateral relations between shareholders and managers, but as a multilateral set of relationships between the various stakeholders. In addition, each party has its own interests which are usually in conflict with the interests of other members. Certainly one of the most significant conflicts of interest that occur between directors and stakeholders is due to the agency problem (Hill and Jones, 19992), which sometimes prevents stakeholders to maximize their utilities.

The Directors monitor the process of decision-making in the company; they use their powers for its own interests, which cause significant harm to stakeholders. In this context, the “stakeholders” tend to formulate an strategic action to prevent earnings management. As a response of earnings management, the stakeholders penalize opportunistic behavior of managers (Rowley and Berman, 2000).

In this context, the complementary measures that can reduce managerial discretion are: activism unionization of employees, loss of customer confidence, legal action by regulators, and the risk of loss trading partners (Castelo and Lima, 2006). Thus, the media amplify the effect of these actions contributing to the reduction of earnings management. Indeed, several studies have shown that the media were influenced by corporate social accounting practices (Bansal, 2005).

Consequently, the increase in media coverage reinforces the political visibility of the company, which causes public attention and strict control. The threat of negative media publicity has two effects on the practice of earnings management. Thus, advertising generates a painful pressure for companies to engage in sustainable development, which threatens the image degradation of the company. However, such advertising encourages stakeholders to put pressure on managers to change their opportunistic practices. Indeed, stakeholders formulates specific actions against the results management, and shareholders demand a proactive way of compensation for the losses they have suffered (Zahra et al., 2005). In addition, some companies are beginning to develop in-house programs that allow employees to disclose their concerns discreetly, social and operational accounting issues (Murdock, 2003).

3. Development of Hypotheses and Methodology

3.1. Development of Hypotheses

The hypothesis that examines the impact of environmental disclosure on earnings management is based on the stakeholder instrumental theory and assumes that corporate social performance positively influences financial performance when the needs and expectations of stakeholders increased. Several mechanisms prove this relationship have been proposed such as improving the reputation of the company, the business risk reduction, high support of regulators, investment in financial markets. Thus, according to this hypothesis, firms with high levels of social performance are characterized by improved financial performance and therefore do not choose to manipulate their accounting results. As a result, socially responsible companies and they disclose environmental information is less likely to manage their accounting results.

Conversely, social performance poor can harm the reputation the company by increasing its cost of capital and adversely affect its financial performance. The latter situation encourages the managers to manage their accounting earnings upward to hide the poor financial performance. Indeed, the review literature examining the relationship between financial performance and management results show a rising trend of earnings management for firms with poor financial results, thus, social and environmental disclosure confirmed earnings management increase for firms with poor accounting results (Balsam, Haw and Lilien, 1995; Pfeiffer, 1998; Shabou and Boulila Taktak, 2002; Guetat, 1989; Chalayer and Dumontier, 1996; Mard, 2004).

In the same way other research works analyzed the relationship between CSR and earnings management (Richardson and Welker, 2001; Margolis and Walsh, 2003; Messner, 2009; Blomgren, 2011) and they find that a high level of CSR is positively associated with the quality of the disclosure of accounting information (Laux and Leuz, 2009, Carnegie and Napier, 2010).

Thus, according to Liu and Lu (2007) and Huang et al.(2008) improved accounting practices and societal and environmental disclosure reduce the agency costs. According to the stakeholder instrumental theory can reduce agency costs by encourage social initiatives that affect relationships with stakeholders (Jones, 1995). The underlying reason is that corporate social responsibility will hide the information poor accounting results and therefore, to make any accounting manipulation (Chih et al., 2008). Earnings management is considered an act of irresponsibility and incompatible with performance of CSR and disclosure of environmental information. In conclusion, we assume that CSR increases transparency and promotes stakeholder engagement, therefore, are reduced the opportunities or incentives to manage for results.

The analysis above demonstrate that companies with good practices on CSR will be engaged less significantly in earnings management, indicating that the social and environmental performance of companies is inversely related to the manipulation of results. As a result, we develop the following hypothesis:

Hypothesis 1: The practice of corporate social responsibility (CSR) reduces the magnitude of earnings management.

In addition, we examine a different vision of the relationship between CSR practices and performance management; as a result, we believe that companies that are engaged in earnings management may be more active in social practices and environmental disclosure. This view can be interpreted in two manners.

On the one hand, companies can use socially responsible actions as a strategy to manage for results. The study of Petrovits (2006) confirms that companies pay contributions to humanitarian foundations for achieves an earnings best. Thus, managers who are rooted and experienced may be able to achieve both higher accounting results and in addition they communicate their they are engaged in CSR activities, while arguing their practices by the positive relationship between financial performance and the social performance (deMaCarty, 2009).

Indeed, Chih et al. (2008) found that most companies engaged in CSR activities are characterized by aggressiveness and changes in profits from one year to another.

In addition, managers assess risks to be eliminated due their poor performance, even if they have not contributed to the poor results. Thus, anticipating this possibility, leaders opt for several forms of entrenchment (Walsh and Seward, 1990). Among these forms, the common shares with limited voting rights, the purchase of blocks of shares from potential buyers without shareholder approval, specific acquisitions, divestitures, performance management, and engagement in CSR activities.

In the same line, for managers who are interested by short term performance of company , corporate social disclosure is a technical satisfactory for the good reputation of the company and improved relations with stakeholders (McGuire et al., 1998). Accordingly, an increase in profits in the financial markets is expected (Salama, 2005). On the one hand, the commitment to CSR activities enables the specific way to evaluation of the risk by investors, which facilitates access to external financing at the lowest cost of equity. However, in order to attract investors and shareholders, the firm increases the transparency of financial and social information disclosed. On the other hand, managers who are involved in earnings management actions there disclose social information's in order to pursue their own interests.

However, director performs social objectives for favorable coverage in the media, legitimacy of the actions of the company in the community, and increased chances of marketing. This strategic use of CSR doubts the effectiveness of the implementation of corporate social responsibility as a governance mechanism. This view differs from the expectations of stakeholders. Indeed, the participation of stakeholders in corporate life as a means of enhancing the perceived legitimacy, improving collaboration in the board of directors, and support of control. Thus, all of these techniques contribute to the transparency of information disclosed by the company (Pagano and Volpin, 2009).

As stakeholders are attracted CSR activities, deliberate management actions on earnings management will be hidden. Thus, the following hypothesis is tested:

Hypothesis 2: The extent of earnings management increases the scope of corporate social responsibility (CSR); CSR is used to hide the results management.

3.2. Data description

Sites "EDGARSCAN" and SEC "Securities and Exchange Commission" are the fundamental sources of data collection. We chose a study period from 1997 to 2008 and we have selected a group of companies disclosing social information on a obligatory basis. Data on social disclosure are manually extracted from annual reports and self reports (environmental reports, sustainability reports published by companies). Indeed, of these reports we have drawn manually the information about social and environmental disclosures, financial data are derived from balance sheets and income statements available on the same sites. From that list, we eliminated all firms which have no financial and social disclosure for a year of our study period; we included in our sample the regulated sectors. Thus, our final sample consists of 682 U.S. firms with complete data for the period of the study.

3.3. Measurement of variables

The Supports our sample of empirical study of analyzes corporate social and environmental disclosure are the annual report, the environmental report and report of sustainability. Thus, the firms in our sample are American companies that are part of the scope of the SEC (Securities and Exchange Commission), we analyze the one hand, the 10-K report, where are disclosed financial statements of firms (Balance sheet, Income statement, Statement of Cash Flows, Statement of Stockholders Equity and Notes to Financial Statements, Statement of movement in equity) at chapter 1. On the other hand, we examine chapters 3 and 7 where are presented and disseminated the environmental and social information and the sustainable development report. Thus, the information social information are constituted thereby facilitating and helps us with the distribution of firms our sample into separate groups according to the number of reports submitted each year and we indicate, in a second step we define the criteria for classifying this information.

- **Dependent variable: Corporate Social Disclosure (CSD)**

The social information (dependent variable) is measured as follows:

• The score 3 is given if the firm discloses the social information in three reports (social and environmental information in the notes to the financial statements at annual management report, an environmental report regardless of the mandatory information contained in the notes to the financial statements and a report on sustainable development): This is group 3.

• The score 2 are given if the firm discloses two reports: this is group 2.

• The score 1 is given if the firm discloses the social information in the notes to the financial statements, only in the annual management report: this is group 1.

- **Earnings Management: EM**

Like the majority of previous research, we use the discretionary accruals as a measure of earnings management (Bartov et al., 2000; Frankel et al., 2002; Klein and Reynolds, 2002; and Francis, 2000). The model we use is that advanced by Dechow et al. (2003), which is that of an improved version of Dechow et al. (1995).

The model of Dechow et al. (2003) is:

$$ACCTOT_{i,t} = \alpha + \beta_1(\Delta CA_{i,t} - (1\text{-}k)\, \Delta CR_{i,t}) + \beta_2\, IMMCORP_{i,t} + \beta_3\, ACCTOT_{i,t-1} + \beta_4\, GCA_{i,t} + \varepsilon_{it}$$

Total accruals can be determined by two methods. The first is the direct method where the state of cash flows represents accruals is the difference between net income before extraordinary items and operating cash flows. The second is an indirect method or of the balance sheet that the accruals are defined by the change in current assets minus the change in cash, the change in current liabilities and depreciation and provisions.

However, normal accruals dependent:

* IMMCORP: level of gross fixed assets with depreciation.

* ($\Delta CA_{i,t}$ - (1-k) $\Delta CR_{i,t}$) is the variation of sales on credit that is equal to the difference between the change in total revenue (ΔCA) and non-discretionary portion of sales total credit (ΔCR). This part is captured by the coefficient "k" represents the expected change in receivables for a given change in sales. "k" is determined using the following regression:

$$\Delta CRi,\ t = \alpha + k\ \Delta CAi,\ t + \varepsilon_{it}$$

*$ACCTOT_{i,t-1}$: represents the total accruals delayed which are incorporated to capture previous inversion accruals. This variable was also used by Pae (2005) as an indicator of reversal of accruals.

* $GCA_{i,t}$: the future sales growth as a company that is growing and anticipates future sales, tends to increase its stocks. The accruals that drive future sales are not discretionary because they provide information about future prospects of the firm.

It should be noted that all variables are standardized by assets delayed (actift-1) and all models are estimated by year.

Residuals of this regression are the discretionary accruals (ACCDISC: DA), which is our measure of earnings management.

$$ACCDISC_{i,t} = ACCTOT_{i,t} - [+(\Delta CA_{i,t} - (1\text{-}k)\, \Delta CR_{i,t}) + IMMCORP_{i,t} + ACCTOT_{i,t-1} + GCA_{i,t}]$$

It should be emphasized that we used method for estimation the model of Dechow et al. (2003) is the ordinary least squares.

- **Control Variables**

Given that corporate social and environmental disclosure is not the only factor that influences the earnings management in our search, we incorporate the firm size; profitability and leverage which are control variables, given that these variables may influence the results management, as indicated by previous studies (Xie et al., 2003. Weintrop and Press, 1990). We follow the guidelines outlined by Prior et al. (2008) and Chih et al. (2008). Thus, size of the company is measured by total assets; debt to equity ratio is used to measure the effect of a firm lever because it is an indicator of the financial structure of the company. Profitability is measured using a variable indicating the accounting return on assets.

- **Method**

Our researches hypotheses examine companies engaged in management result have more incentives to undertake initiatives for social responsibility (CSR): such as social and environmental disclosure (CSD) corporate. To explain (CSD) and study the expected positive relationship, we use the following ordinary least squares (OLS) regression with robust standard errors on a cross-sectional analysis.

We test our two hypotheses; we rely on two models to explain the earnings management and CSR. Thus, in order to test the hypothesis 1 and explain the effect of CSR on performance management, we are basing this regression:

Model 1:

$$\mathbf{EM_{it} = \beta_0+\beta_1}\ \boldsymbol{SCORE_{it}}\mathbf{+ \beta_2SIZE_{it}+ \beta_3ROA_{it}+ \beta_4LEV_{it}+}\ \boldsymbol{e_{it}} \qquad \mathbf{(1)}$$

Hypothesis 1 is confirmed if $\beta_1$est negative and significant.

The second model is designed to test the hypothesis 2 and study the effect of earnings management on CSR. The same control variables are used to test this hypothesis. Thus, the regression equation is:

Model 2:

$$\boldsymbol{SCORE_{it}}\mathbf{ = \alpha_0+\alpha_1\ EM_{it} +\alpha_2SIZE_{it}+ \alpha_3ROA_{it}+ \alpha_4LEV_{it}+}\ \boldsymbol{e_{it}} \qquad \mathbf{(2)}$$

Hypothesis 2 is supported if α_1 is positive and significant.

Where:

EM (DA): absolute performance adjusted DA.

Size (SIZE): Ln total assets.

Leverage (LEV): debt-to-equity ratio.

Profitability (ROA): return on total assets.

e_{it}: error term. The indices i and t correspond to the company and the period of the study.

4. Results

4.1. Descriptive statistics

The descriptive statistics testing the relationship between the corporate social disclosure, earnings management and the firm characteristics are presented in Table 1.

Table 1: Descriptive Statistics

Variables	Mean	SD	Max	Min
CSD	2.012	1,384	3	1
EM	0.086	0.175	1.526	0.0008
SIZE	20.264	2.296	10.181	27.497
ROA	0.061	0.127	1.603	-2.181
LEV	0.264	0.204	0	0.290

Examination of the descriptive statistics reveals that on average the firms in our sample are of different sizes (Ln Assets is 20.2645) volatility is quite high (2.296), the difference between the maximum (27.4971) and minimum (10.8159) is considerable, which explains the importance of firm size in explaining the practice of social disclosure.

The debt level is average is 26.4%. This result implies that firms in our sample that disclose the social information have important surplus funds which can be exploited by managers for their own interests. Indeed, these flows can cause significant risks to shareholders including the risk of accounting manipulation. We also note that average ratio of return on equity, which measures the performance part of the business and growth opportunities is 6,1%.

On the hand, we note that the majority of firms in our sample is characterized by good corporate social and environmental disclosure, thus, we find that companies analyzed disclose the average two reports of social and environmental information's (2,012). On the other hand, accruals discretionary proxy for earnings management (EM) has a mean value of about 0.086, which is comparable with the results of previous studies.

4.2. Correlation analysis

We need to study the correlations between the independent variables. This is to verify that the explanatory variables are independent of each other. Thus, we must ensure that the explanatory variables are not strongly correlated. The correlation matrix between the variables is given in Table 2.

Table 2: Correlation matrix

	CSD	EM	SIZE	ROA	LEV
CSD	1				
EM	-00.490	1			
SIZE	0.0526	0.0358	1		
ROA	-0.0280	-0.009	0.094	1	
LEV	-0.053	0.207	-0.062	0.094	1

Table 2 analyzes the correlation between variables. Thus, we find that discretionary accruals approximating earnings management are negatively correlated with changes in the corporate social and environmental disclosure. The positive relationship between firm size and CSR activities is similar to the works of previous research. Large companies should most disclose social information due to accountability and their visibility to the public.

The return on total assets shows a strong correlation with the social disclosure which confirms the argument that it is important to examine the performance of companies in the evaluation of earnings management.

4.3. *OLS Regression Analysis*

Multiple regression examination by Ordinary Least Squares (OLS) longitudinal panel regression with robust standard error is engaged to test the developed research hypotheses. Such multivariate study supposed to analysis the association between corporate environmental and social disclosure and earnings management for US companies.

4.3.1. The test results on hypothesis 1

Empirical results of the Ordinary Least Squares (OLS) regression of earnings management and corporate environmental and social disclosure are exposed in Table 3.

At Table 3, we examine the impact of practices of the activities of corporate social responsibility on earnings management with the aim to know if CSR helps control the manipulation of earnings (Hypothesis 1). Thus, in the regression estimates, EM is considered as the dependent variable, while CSR and other control variables are treated as independent variables.

We note from the regression results that CSR is not related to the earnings manipulation measured by discretionary accruals and the value of its probability is 0.341. This result does not confirm our hypothesis which considers that CSR will have a negative effect EM.

However, the control variables measuring the return on assets, size, and debt are significantly correlated with the earnings management. Accordingly, these variables reduce the level of the EM.

It should be noted that the ROA, with a coefficient of - 0.54, is the variable that has the greatest influence on earnings management. In this context, if the company has a good financial performance, it does not engage in actions of accounting manipulation. Second, firm size has an impact significant negative impact on EM level (-0.13). It implies that large firms are required to disclose their information more often, and thus they are less likely to manipulate the results.

In addition, the level of coefficient of debt on earnings management is negative and significant negative is explained by the fact that more leveraged firms engage less in activities of earnings management, probably because of their close monitoring by creditors and other stakeholders.

Table 3: Regression estimates of CSR on EM

Variable	**EM**	
	Coeff.	**p-value**
Intercept	4.38	0.341
CSD	0.078	0.26
SIZE	-0.131**	0.089
ROA	-0.548***	0.0017
DEBT	-0.012***	0.0081
Adjusted R^2 (%)	22.36	

CSD: Corporate Social Disclosure, SIZE: measure of Size, ROA: return of assets, DEBT: Leverage; ***$p \leq 0.01$, **$p \leq 0.05$, and *$p \leq 0.10$.

4.3.1. The test results on hypothesis 2

To test whether the extent of earnings management increases the extent of CSR as a strategy to conceal this illegal activity (hypothesis 2), we regress the CSR index as the dependent variable, while other measures, including EM as independent variables. The results the second hypothesis are examined in Table 4.

The results show that earnings management has no impact on the practice of social responsibility activities (p = 0.613), which did not confirm the second hypothesis. In other words, earnings management by firms in our sample the sample does not lead that increased activity of CSR as a management device to reduce the pressure of stakeholders and divert their attention to a social practical.

analysis of Table 4 shows that the measurement of return of assets reduced the earnings management practices , this finding is justified by the positive and significant relationship with corporate social responsibility (p = 0.000). Thus, we confirm the hypothesis that the good financial performance strengthens and supports the practice of social responsibility activities.

Second, firm size is positively related to the corporate social responsibility , this conclusion is coherent with the works of previous research confirming that large firms seeks to eliminate pressures of external groups by their activities social responsibility and sustainable development. In addition, the debt is characterized by a negative sign (-0.512) showing a significant impact on the disclosure of social information, which indicates that when companies are faced with high debt, they will give less importance for practical of social responsibility activities. In conclusion, hypothesis 2 should be rejected.

Table 4: Regression estimates of EM on CSR

Variable	**CSD**	
	Coeff.	**p-value**
Intercept	-3.219	0.613
EM	0.208	0.260
SIZE	0.431**	0.016
ROA	0.354***	0.000
DEBT	-0.512***	0.000
Adjusted R^2 (%)	15.46	

CSD: Corporate Social Disclosure, EM: Earnings Management, SIZE: measure of Size, ROA: return of assets, DEBT: Leverage; $^{***}p \leq 0.01$, $^{**}p \leq 0.05$, and $^{*}p \leq 0.10$.

5. Conclusion

We investigated the relationship between social disclosure and management practices results. Thus, we uphold the assertion that managers manipulate earnings in order to obtain personal benefits, and through this practice, they damage the interests of stakeholders. However, as stakeholders exert pressure on the business decisions, the managers reduced the negative impacts of their actions through the compensation of these groups through corporate social disclosure. Consequently, the manager can get the support of various stakeholders. The projection of an image of concern for social responsibility activities enables the company to curb management practices results by managers. Therefore, we assumed a positive association between management practices and social disclosure. Accordingly, I propose two hypotheses to express the interaction between the two factors.

However, the empirical results are not consistent with our theoretical research framework. We found on the one hand that CSR activities do not encourage the accounting manipulations, and on the other hand, discretionary accrual is not positively related to CSR. Finally, our two assumptions of research are not confirmed.

Corporate social disclosure is a component of the company's activities in the field of social responsibility, and this responsibility is a subset of the organization's values and culture. Thus, these analyzes motivate us to identify the relationship between cultural values and the corporate social disclosure. These cultural dimensions in their laps affect the managerial practices of corporate governance. Therefore, we examine in the next paper the next question:

Is that cultural and good governance practices values influence the practices of social reporting?

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