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Financial Accounting Practices and the External Environment:
A Systematic Literature Review and Empirical Studies

By

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Abstract

This thesis consists of three studies that focus on Financial Accounting Practices (FAPs) and External Environmental Factors (EEFs) and the relationship that exists between these two elements. The first study provides a systematic literature review (SLR) of FAPs and EEFs, while the relationship between the extent of accounting disclosure (EAD), crime rate (CR), and national culture (NC) is considered in the second study. The third and final study focuses on the link between corporate social responsibility (CSR), religiosity (RLG), and NC. In examining all of the above, this thesis demonstrates how and why a country's EEFs can influence and/or be influenced by FAPs.

The first study comprehensively reviews the existing literature to explore the different themes within FAPs and EEFs. Using a SLR methodology, the researcher has developed a theoretical and empirical framework that clarifies the causal processes underlying the relationship between FAPs and EEFs. The review has produced 371 articles written between 1941 and 2018. The main findings indicate that a large number of existing studies draw on single rather than multi-theoretical perspectives, as well as focusing on firm-level rather than country-level. Finally, it outlines future opportunities to enrich current understanding of the FAPs–EEFs nexus.

The second study aims to investigate the relationship between: (i) EAD and CR; (ii) CR and NC; and (ii) determine the moderating effect of NC on the EAD–CR nexus. A multi-theoretical framework based on the agency, social and strain theories have been employed in developing this study's hypotheses. Based on an international sample of 142 countries from 2012 to 2018, the results of this study have shown a significant negative influence of CR on EAD. Furthermore, the results have highlighted that NC dimensions are likely to affect the link between EAD and CR.

The final study aims to explore the relationship between: (i) CSR and RLG; (ii) CSR and NC, and (iii) ascertain the moderating effect of NC dimensions on CSR–RLG nexus. Accordingly, research hypotheses have been developed based on a multi-theoretical framework, including agency, social contract and virtue theories. Based on an international sample of 79 countries from 2010 to 2017, the results of this study have shown a significant positive influence of RLG on CSR. In addition, it has provided some evidence that NC dimensions affect the CSR–RLG nexus.

Finally, the results of these studies are robust across different statistical techniques and alternative measurements. The results have important implications for accounting standards-setters, corporate decision-makers, practitioners, regulators and governments.

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Research Thesis: Declaration of Authorship

Print name:	**Abdullah Abdulrazag A Alhamoud**

Title of thesis:	**Financial Accounting Practices and External Environment: A Systematic Literature Review and Empirical Studies**

I declare that this thesis and the work presented in it are my own and has been generated by me as the result of my own original research.

I confirm that:

1. This work was done wholly or mainly while in candidature for a research degree at this University;
2. Where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated;
3. Where I have consulted the published work of others, this is always clearly attributed;
4. Where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work;
5. I have acknowledged all main sources of help;
6. Where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself;
7. None of this work has been published before submission.

Signature:		Date:	26/12/2019

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List of Abbreviations

AAA	American Accounting Association
ABS	Association of Business Schools (The Academic Journal Guide)
AD	Accounting Disclosure
AICPA	American Institute of Certified Public Accountants
CEO	Chief Executive Officer
CG	Corporate Governance
CR	Crime Rate
CSER	Corporate Social and Environmental Responsibility
CSIR	Corporate Social Irresponsibility
CSR	Corporate Social Responsibility
EAD	Extent of Accounting Disclosure
EEFs	External Environment Factors
ESG	Environmental, Social and Governance
FAPs	Financial Accounting Practices
FBI	Federal Bureau of Investigation
GDP	Gross Domestic Product
GLM	Generalized Linear Model
GRI	Government Restrictions Index
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISCT	Integrative Social Contracts Theory
MRA	Multiresolution Analysis
NC	National Culture
OLS	Ordinary Least Squares
PRC	Pew Research Center
REM	Real Earnings Management
RLG	Religiosity
SLR	Systematic Literature Review
WGI	Worldwide Governance Indicators

Chapter 1 Thesis Introduction

1.1 Financial Accounting Practices and External Environmental Factors

Recent decades have seen a growth in research about how external environmental factors (EEFs) such as law, governments, culture, religiosity, finance, law, legal, crime, corruption, economics, ethics, society, political reforms, trade and globalisation amongst others, have influenced or are themselves influenced by financial accounting practices (FAPs). The term financial accounting practice is broad and refers to the routine manner in which the day-to-day financial activities of business organisations are gathered and recorded. However, it encompasses organisational FAPs amongst others, which sheds light on the organisation-building nature of accounting and the way in which it mediates the relationships between the organisation and its stakeholders (Hopwood, 2000). Given their size and scope, FAPs should ideally be consistent and dealt with homogeneously so as to produce consistently reliable financial statements.

FAPs are oriented to meet the needs of day-to-day financial activities. These are determined by factors that can be specified in different countries. In addition, countries' characteristics play a prominent role in supporting the EEFs which can influence FAPs. Hence, FAPs have different characteristics influenced by different external and internal environment factors. In the accounting literature, environmental factors are considered one of the major factors which impact FAPs. Roberts *et al.* (2005) conclude that accounting rules and practices are affected by a large number of different environmental factors. Baker and Barbu (2007) state that the differentiation in legal systems and economics cause differences in FAPs. Nobes (1998) indicates that factors such as the political system, religion and the stage of development are more relevant external factors, which can explain the reasons for international differences in FAPs. The findings of Hassabelnaby *et al.* (2003) indicate that the political environment and the level of the economy are positively associated with accounting development. Moreover, Azeita *et al.* (2019) mention that creative financial accounting practices have a direct benefit on the corporate management or corporation itself. Given the interdependence and interplay of environmental factors with FAPs, they have been influenced by each other in different cultures. The effects of various EEFs on FAPs and vice versa is an area that clearly merits further research and investigation, especially at the country level.

1.2 Thesis Aim and Objectives

Given the broad range of issues that FAPs can impact or be influenced by, this thesis seeks to adopt one overarching aim alongside three sub-aims, all of which will be developed during this thesis. The primary aim is to examine the influence of FAPs on EEFs and vice versa. Within this broad aim, three sub-aims have been developed and are addressed in the three separate studies that form this thesis. A number of research questions have been used to address each study in the thesis. The first study, which relies on using the systematic literature review (SLR) technique, extends current understanding of both the existing theoretical and empirical evidence on how FAPs influences and/or are influenced by EEFs. It also identifies the potential limitations and weaknesses of previous studies in order to propose areas for future research. The main aim of the second study is to examine the effect of crime rate (CR) across all countries on the extent of accounting disclosure (EAD), as well as exploring the link between CR and national culture (NC). The other element of this study involves investigating the moderating effect of NC on the EAD-CR nexus. The third study seeks to empirically indicate the relationship between religiosity (RLG) and corporate social responsibility (CSR) and the relationship between CSR and NC. It also aims to examine the extent to which the six dimensions of NC can affect the link between CSR and RLG. By addressing these objectives, it is hoped that these studies will make a valuable contribution to the existing body of accounting literature.

1.3 First Study

The first study employs the SLR approach (theoretical and empirical) to examine existing accounting literature linking FAPs and EEFs by focusing on EEFs such as culture, religion, law, finance, crime, corruption, corporate social responsibility, auditing, taxation, corporate performance, government, accountability and corporate ownership structure. It is hoped this approach will strengthen the existing body of accounting literature in a number of ways. Firstly, the main aim of this review is to explore different themes within FAPs and EEFs and to strengthen the cognizance of the existence of the EEFs, particularly those influencing or being influenced by FAPs. Secondly, analysing the current accounting literature and some of its limitations should also help shape the agenda for potential future research. Thirdly, an in-depth review of this kind could assist policymakers in their efforts to understand the influence of FAPs on societies. In terms of selecting relevant accounting literature, exclusion and inclusion criteria such as keywords, search strings and specific databases have helped identify relevant articles for review.

A number of researchers have found that EEFs shape or are shaped by some FAPs (La Porta *et al.*, 1997; La Porta *et al.*, 1998; La Porta *et al.*, 1999a; La Porta *et al.*, 1999b; La Porta *et al.*, 2000a; La Porta *et al.*, 2002; Stulz and Williamson, 2003; McGuire *et al.*, 2011; Nurunnabi, 2015a). However, research in this area appears to be somewhat limited, which is surprising given the significance of the relationship. This study has therefore been spread across different disciplines such as accounting, economics, finance, politics, and sociology to investigate these links and influences. Given the sheer scope and impact of the interplay between EEFs and FAPs and on many different areas, it can be argued that this might undermine the ability of many countries to develop their infrastructures, provide public services and achieve planned economic growth rates.

In accounting literature, EEFs are considered to be from among the major influences on FAPs, while also being influenced by FAPs. Roberts *et al.* (2005) state that a significant number of factors influence practices of accounting; these include politics, economics, law, taxation, corporate financing, accounting profession and religion. In many countries multiculturalism, societal behaviour and legal economic systems can produce a different effect on the application of FAPs (Baker and Barbu, 2007). Nobes (1998) and Gray (1988) have explored the causes of cross-country differences in FAPs, citing the political system and religion, law, economics, corporate performance and national culture. Nobes and Gray have also classified environmental factors into different themes, including finance, economic, legal, tax, political, religiosity, ownership, government, accountability, national culture, crime rate and corruption.

There is also an argument which has suggested that many writers and researchers write about FAPs to serve their own objectives (Shotter, 1999). FAPs occupy a prominent place in developed and developing countries' culture to exchange the modern accounting techniques which are explained briefly by the many contingency factors, which include both internal and external elements (Amara and Benelifa, 2017).

In the last four decades, there has been much discussion about bringing change to FAPs. In 1987, Johnson argued that no such changes came into financial accounting practices until the start of the twentieth century (Johnson and Kaplan, 1987). On the other hand, it has been argued that there is no single standard set of FAPs that can be applied to all organisations (Otley, 1980). Most organisations have their own accounting management practices. However, FAPs help an organisation survive in the competitive, ever-changing world because they offer a significant competitive advantage for management companies. This supports motivational attitudes and promotes the necessary cultural values for the achievement of strategic goals.

After a comprehensive review of the existing academic literature on the relationship and interplay between FAPs and EEFs, the main findings have revealed evidence of a strong link among different FAPs and various EEFs (La Porta *et al.*, 1997; La Porta *et al.*, 1998; La Porta *et al.*, 1999a; La Porta *et al.*, 1999b; La Porta *et al.*, 2000a; La Porta *et al.*, 2002; Stulz and Williamson, 2003; McGuire *et al.*, 2011; Nurunnabi, 2015a). Secondly, the influence of accounting disclosure on societies is significant and should not be underestimated. Several studies have found an impact of NC on accounting disclosure (AD) and transparency (Wong, 1988; Perera and Mathews, 1990; Cooke, 1992; Gray and Vint, 1995; Singleton and Globerman, 2002; Archambault and Archambault, 2003; Askary *et al.*, 2008; Schneider and Samkin, 2008; Hooghiemstra *et al.*, 2015; Maali and Al-Attar, 2017).

An additional issue to consider is the impact and interplay between NC and its link with corruption and crime levels. It is also true to say that the level of RLG does affect the behaviour and actions of some corporate managers, which in turn shapes some FAPs, particularly in terms of social responsibility. A number of researchers have found a strong relationship between RLG and CSR (Ramasamy *et al.*, 2010; Jamali and Sdiani, 2013; Kauanui, 2013; Chatjuthamard-Kitsabunnarat *et al.*, 2014; Schouten *et al.*, 2014; Hasan *et al.*, 2017b).

Given the underlying nature and principles of the accountancy profession itself, its links with economics cannot be ignored. The commonalities between the two mean that national economic culture can, directly and indirectly, influence FAPs. A direct consequence of this is the manner in which corporations have been pushed towards greater social responsibility due to new, tougher regulations, which have sought to make them more accountable. However, social responsibility may not have been entirely extended to the boardroom, as a distinct lack of accountability from some directors has been observed; a factor which may have contributed to the instances of negative behaviour from some corporate managers. Perhaps the transparency of governments can engender greater accountability and promote good governance, both of which may trickle down in affecting and changing the behaviour of corporate managers. This point may be difficult to achieve given the pressures that exist at government level, particularly with the real threat of negative influences such as corruption. Corruption at government level has demonstrated a weakening or partial erosion of corporate governance, which consequently influences the level of FAPs practised, promoted and developed into a nation. Corruption can also play a key role in the decision-making process of FAPs specifically in CSR. Many studies have indicated the influence of corruption on FAPs (Meon and Sekkat, 2005; Rossouw, 2005; Wu, 2005; Rodriguez *et al.*, 2006; Du, 2008; Sevüktekin *et al.*, 2010; Judge *et al.*, 2011; Dela Rama, 2012; Donadelli *et al.*, 2014; Ruohan, 2016; Lewellyn and Bao, 2017; Qian *et al.*, 2018; Tian and Zhang, 2018; Tong *et al.*, 2018; Yi *et al.*, 2018).

Finally, it is worth noting that the scope and serious nature of corruption means that its impact can be felt at various levels: economically, politically and socially. According to numerous studies, a criminal environment exerts a significant influence on corporate performance and influences the manner in which corporations behave (Hoover, 1961; Uecker *et al.*, 1981; Krivo and Peterson, 2000; Lehman and Okcabol, 2005; Compin, 2008; Curtis, 2008b, 2008a; Narayan *et al.*, 2010; Lehman and Thorne, 2015; Mazzi *et al.*, 2018). Therefore, in countries with a high level of safety from criminality, the productivity and performance of companies tends to fare better. Consequently, it is clear that sound corporate governance underpinned by sound FAPs can have a strong influence on reducing crime rate in general.

Overall, the first study is useful at the practical, theoretical and managerial level, as it can add some value to the current accounting literature in two important ways: Firstly, it provides a new systematic literature review linking EEFs and FAPs. Secondly, this study will contribute to the body of research at a country level in terms of determining with what probability EEFs affect or are affected by different FAPs.

1.4 Second Study

The second study of this thesis empirically examines the link between the extent of accounting disclosure (EAD) and crime rate (CR), as well as the moderating influences of the six dimensions of national culture (NC) on this relationship. In order to achieve this, the study seeks to answer the following three central research questions: (i) What is the relationship between EAD and CR? (ii) What is the relationship between CR and NC? and (iii) Can the six dimensions of NC moderate the relationship between EAD and CR?

While striving to find answers to these core questions, this study explores whether the countries' distinct characteristics might affect these issues. To this end, it employs a multi-theoretical framework in developing the hypotheses and interpreting the findings. This framework includes insights from agency theory (Jensen and Meckling, 1976; Eisenhardt, 1985; Urquiza *et al.*, 2010), social theory (Shaw and McKay, 1942; Callinicos, 1999), and strain theory (Merton, 1938; Agnew *et al.*, 1996).

Social mechanisms influence the conventions that define the roles that people occupy, including that of agent and principal, as well as how they interact with one another in the same society (Wiseman *et al.*, 2012). Within these mechanisms, a variety of societal aspects can be identified that appear to play a role in how agents and principals see themselves and their interests, as well as the nature of the problems that are likely to arise from their interactions. However, high crime rates in societies are expected to affect the behaviour of individuals, including that of corporate managers.

Strain theory has also been extensively used to study the issue of crime. According to Zhang *et al.* (2011), the strain theory of deviance has been used for over a century in sociological considerations of crime. Strain theory of deviance is based on the formulation that, when people are treated badly, they may engage in crime (Zhang *et al.*, 2011). A number of studies have applied strain theory in investigating the relationship between accounting practice and corruption or crime (Mishina *et al.*, 2010; Cooper *et al.*, 2013). However, many recent studies applying strain theory including Mishina *et al.* (2010), have found that corporations performing well above their competitors ultimately still engage in illegal activities, such as corruption, because of a combination of hubris and outsized performance expectations.

Agency theory provides a different viewpoint, in that it determines a relationship as a contract between one or more persons in society. From an agency theory perspective, shareholders expect a high level of disclosure from the board of directors, as they have been selected to represent their interests (Davidson *et al.*, 1996). However, any managerial misconduct, which may influence some social issues, pertaining to the use of corporate resources may affect their reputation and future career prospects (Conyon and He, 2011). Social theory, in contrast, differs from this view as it postulates that a person's physical and social environments are essentially responsible for their behaviour, contributing to and making a criminal. Furthermore, individuals may have acquired criminality by way of the cultural approval that exists within their neighbourhoods. Moreover, as the community in which corporate managers live may affect their behaviours, this will affect their decisions, whether consciously or subconsciously at the level of disclosure or otherwise.

In addition, it can be inferred that NC dimensions will have moderated influences on the EAD-CR nexus. According to agency theory, it is expected that corporate managers, based on personal interests, will affect the level of disclosure. However, according to the theory of society, as members of the community, managers are influenced by social behaviour as well as by pressure from the society in which they live, thus supporting the theory of stress. Based on these arguments and the varied theoretical framework discussed above, strain and social theories with agency theory can contribute towards the investigation into the relationship between EAD and CR. In addition, the residential location of any person has a more significant effect than the characteristics of that person when he is conducting criminal activities.

Therefore, this study will use agency theory combined with social and strain theories to investigate the relationship between EAD and CR and will consider whether NC moderates that link. This study also expects that the characteristics of corporate managers living in different cultures with a high level of CR might negatively affect EAD. It is expected that whenever CRs increase in a society, the level of accounting disclosure will decline. In addition, the second study expects that cultural values influence managers' behaviour and therefore affect the relationship between CR and EAD.

Prior empirical literature in accounting disclosure has shown inconclusive results on the impact of disclosure (Bayou and Reinstein, 2001; Jensen *et al.*, 2010; Khalil *et al.*, 2015; Elmagrhi *et al.*, 2016; Agyei-Mensah, 2017; Blankespoor *et al.*, 2019; De Souza *et al.*, 2019; Pavlopoulos *et al.*, 2019). In addition, prior literature has shown inconclusive results for the effects of NC dimensions on EAD and CR (Parsons, 1960; Mueller and Clarke, 1998; Thompson and Yurkutat, 1999; Brodbeck *et al.*, 2000; Yaconi, 2002; Brockner, 2003; Spence *et al.*, 2003; Sporer, 2004; Basabe and Ros, 2005; Askary *et al.*, 2008; Mazzi *et al.*, 2018; Bui and Farrington, 2019; Yamen, 2019). In organisation management, accounting plays an essential role in the management process. It helps to provide fundamental information to the business such as planning, evaluating, controlling and decision-making. Corporate managers take accounting information from management accounting and perform activities based on that (Sunarni, 2015). Disclosing accounting information is highly important for decision-making in a company, creating awareness among organisations that emphasise the provision of meaningful information for effective decision-making.

The arguments on accounting disclosure and financial reporting practice, and the contentious debates in accounting societies, the business community and academia, suggest that accounting disclosure must be of some significance. However, as CRs have an increasingly global range in different countries, this issue likely has a strong influence on the level of accounting disclosure across the globe in economic terms, and therefore also in terms of social wellbeing.

In addition, it has been argued that the level of culture has a strong impact on the behaviour of corporate managers. Furthermore, when corporate managers live in a society with a high CR, their behaviour is negatively affected (Agyei-Mensah, 2017; Mazzi *et al.*, 2018). Therefore, if managers are left to their own devices, they may manipulate financial statements in a variety of ways, such as inflating earnings, speculating with company securities, padding up company books with non-existent inventory, deceiving the auditors and manipulating inventory counts and values (Bayou and Reinstein, 2001). Accordingly, the multitude of criminal and accounting abuses, including overstating earnings, manipulating employee investments and hiding debt from financial statements, can all lead to companies eventually losing their values (Lehman and Okcabol, 2005).

Although fraud, corruption and criminal activity take many forms, many researchers (Baritz, 1961; Kolko, 1963; Hurst, 1970; McCraw, 1975; Hunt, 2002) have illustrated the intersection of social, political and economic issues, or the intersection of crime and accounting. These themes will also be discussed in the second study. Accordingly, three hypotheses were developed to test the link between EAD, CR and the six dimensions of NC. These hypotheses were formulated based on an international sample, which covered 142 countries for the period 2012 to 2018. Different statistical techniques, including Ordinary Least Squares (OLS) regression analysis, were used to examine the relationship between these elements. Additionally, to alleviate the issues of potential endogeneity, probability of normality and variance, this study also used fixed-effect regression, lagged effect and generalized linear model (GLM) regression models.

The investigation of these hypotheses has revealed a negative influence of CR on EAD. Furthermore, investigations have found that dimensions of NC associated with country crime levels drive this strong connection. There is also evidence of the moderating effect of NC dimensions, particularly masculinity and uncertainty avoidance, on the EAD-CR nexus. Overall, the investigation shows some evidence of the potential effects of country characteristics and levels of culture on the behaviour of corporate managers, which in turn affects their performance and decisions, whether at the accounting disclosure level or otherwise.

1.5 Third Study

The third study in this thesis investigates the associations among corporate social responsibility (CSR), religiosity (RLG) and national culture (NC). Moreover, it investigates the moderating effects of the dimensions of NC on the link between CSR and RLG. Accordingly, this study will attempt to answer the following three research questions; (i) What is the relationship between RLG and CSR?; (ii) What is the relationship between CSR and NC?; and (iii) Can dimensions of NC moderate the relationship between RLG and CSR? To answer these questions, a multi-theoretical framework will be used to develop the hypotheses and interpret the results. This theoretical framework includes insights from agency, social contract and virtue theories. Agency theory suggests that corporate managers will direct their decisions towards their own benefits, being influenced by social norms and cultural values (Baiman, 1982; Fama and Jensen, 1983; Freitas *et al.*, 2002; Magill and Quinzii, 2002; Mahoney and Thorne, 2005; Fishbach and Shah, 2006; Cianci *et al.*, 2014). Thus, managers are expected to engage in CSR when they think they will get a benefit from engaging in it. However, RLG might lead managers to engage in CSR activities more than others (Weaver and Agle, 2002;

Graafland and Schouten, 2007; Hilary and Hui, 2009; Chatjuthamard-Kitsabunnarat *et al.*, 2014; Frynas and Stephens, 2015; Rupp and Mallory, 2015).

From another perspective, social mechanisms affect the conventions defining the roles that the agent and principal perform, as well as how they interact with one another in the same community (Wiseman *et al.*, 2012). Therefore, corporate managers' actions and behaviour are formed by social mechanisms. In contrast, the principles and virtues of managers who have been affected by RLG have a significant influence on determining CSR levels. RLG is an aspect of society that appears to play a role in how agents and principals see themselves and their interests.

Social contract theory is an agreement between a person's ethics and corporate obligations with another person within a society. Donaldson and Dunfee (1999) have developed the social contract theory as a model for managers to make decisions in an ethical context. Companies that adopt the concept of social contract describe their participation as part of their contract with their societies (Moir, 2001). Donaldson (1982) argues that an implicit social contract exists between business and society and this contract implies some indirect obligations of business towards society. However, according to social contract theory, culture has a strong influence on corporate managers' actions and behaviour. This, therefore, affects managers' decisions regarding CSR. Moreover, from an agency theory perspective, managers' interests affect the CSR level. However, any managerial misconduct, which may be influenced by some social issues, involving the use of corporate resources may affect their reputation and career prospects (Conyon and He, 2011).

Accordingly, people's physical and social environments are fundamentally responsible for their behaviours, contributing to CSR. Given the mixed theoretical framework discussed above, as well as the arguments they pose, virtue and agency theory can contribute toward the investigation into the relationship between CSR and RLG. This study will, therefore, use virtue and social contract theories, combined with agency theory, to investigate the relationship between CSR and RLG, and consider whether NC moderates this relationship.

Previous empirical literature on the association between CSR and RLG has produced mixed results (Ramasamy *et al.*, 2010; Jamali and Sdiani, 2013; Kauanui, 2013; Chatjuthamard-Kitsabunnarat *et al.*, 2014; Schouten *et al.*, 2014; Hasan *et al.*, 2017b; Butt *et al.*, 2019; Cui *et al.*, 2019; Farooq *et al.*, 2019). Moreover, the tendency of companies to contribute to CSR has begun to increase in recent years. However, this raises questions regarding whether companies view engaging in CSR as part of their duty towards society or as a burden that reduces the value for shareholders. In this regard, a considerable number of larger companies claim that they are socially responsible; this is evidenced by the CSR reports they produce showing how responsible they are toward their societies (Dagiliene and Gokiene, 2011). Accordingly, much attention has been paid to corporations' motivation for engaging in this behaviour, with a particular focus on the religiosity of executives and their behaviour.

One view is that managers avoid engaging in CSR in order to maximise profits for shareholders. This is based on insights from agency theory and the optimal contracting approach, where linking managers' wealth to firm value might lead them to decrease participating in CSR behaviour in order to maximise the firm's profits and hence their own wealth. The other view is that the religious community supports managers to contribute more toward CSR (Weaver and Agle, 2002; Graafland and Schouten, 2007; Hilary and Hui, 2009). This is based on social contract theory, which has been explained in various research (Donaldson, 1982; Gray *et al.*, 1996; Donaldson and Dunfee, 1999; Moir, 2001). In addition, the virtue of having religious managers in place means they are more likely to think about society and contribute more to CSR practices. This supports the concept of virtue theory, which states that virtue ethics grounds moral values in the personality structure and as such provides the necessary motivational element, which other deontological paradigms lack (Solomon, 1992; Arjoon, 2000; van Oudenhoven *et al.*, 2012; Grcic, 2013). Thus, virtue ethics provide motivation, which can encourage the managers of corporations to contribute to CSR.

RLG is known to have a significant influence on corporate managers' behaviour and attitude. Therefore, it is not surprising to note that RLG has been widely investigated in the last decade. A number of studies have explored the effect of RLG on corporate decision-makers' (Ibrahim *et al.*, 2008; El Ghoul *et al.*, 2012), attitudes towards co-workers (Bozeman and Murdock, 2007), corporate ethics (Wisker and Rosinaite, 2016), orientation of marketing (Hari Adi and Adawiyah, 2018) and on economic growth (Barro and McCleary, 2003; Campante and Yanagizawa-Drott, 2015). In addition, several recent studies have also examined the influence of religiosity on corporate managers' attitudes towards environmental behaviours and CSR (Ramasamy *et al.*, 2010; Jamali and Sdiani, 2013; Schouten *et al.*, 2014; Cui *et al.*, 2015a; Hari Adi and Adawiyah, 2018; Yang and Huang, 2018).

While most of these studies show a positive relationship between RLG and decision-making, including participating in CSR, there are very few studies that indicate otherwise. These conflicting results may be attributed to some of the study samples selected or the place where studies were applied. Some studies were applied to a small group of participants only, which led to different or conflicting results. It has also been suggested that the conflicting findings from RLG studies could be the result of several methodological issues (Weaver and Agle, 2002).

Since RLG is known to have a significant effect on personal behaviour and the ethics of corporations (Wisker and Rosinaite, 2016), the third study of this thesis considers whether CSR practices are guided by the RLG of the business owners and managers. It takes into account cultural differences and country characteristics and represents the main aim of this study. If CSR practices are guided by the RLG of business owners and managers, how do these values and beliefs affect the organisational system of the business? More specifically, in attempting to highlight the literature gap and achieve its objectives, this study seeks to answer the following research questions: (i) What is the relationship between RLG and CSR? (ii) What is the relationship between CSR and NC?; (iii) Can NC moderate the relationship between RLG and CSR? By addressing these questions, it is hoped that this study will make a valuable contribution to the existing body of accounting literature.

Accordingly, three hypotheses were developed to address the associations between CSR, RLG and the dimensions of NC. These hypotheses were tested using the OLS and GLM regression analyses models based on an international sample of 79 countries for the period 2010 to 2017. The results of this study show no significant positive influence of RLG on CSR. However, a significant association between the dimensions of NC and CSR has been found. The results indicate that the dimensions of NC moderate the relationship between RLG and CSR.

1.6 Thesis Structure

This chapter introduces the motivation behind the three studies, their methodology and provides the main hypotheses, which are based on the theories used in each study as well as previous studies. The remaining chapters of this thesis will be structured as follows (as is shown in Figure 1 below); Chapter Two explores the relationship between FAPs and EEFs as a systematic literature review and suggests an agenda for future research in these fields. Chapter Three seeks to empirically investigate the relationship between CR and EAD, as well as exploring the moderating effect of the six dimensions of NC on that relationship. Chapter Four seeks to empirically investigate the relationship between CSR and RLG. In addition, it discusses the moderating impact of the dimensions of NC on this link. The final chapter will present a summary of this thesis and each study. It will also present the implications and contributions of this thesis, concluding with the limitations as well as highlighting areas for future research.

Thesis Structure

Chapter One
Thesis Introduction

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Chapter Two
Financial Accounting Practices and External Environment: A systematic literature Review and Research Agenda

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Chapter Three
Accounting Disclosure, Crime Rate and National Culture

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Corporate Social Responsibility, Religiosity and National Culture

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Figure 1: Thesis Structure

Chapter 2 Study One: FAPs and EEFs: A Systematic Literature Review and Research Agenda

Abstract

This study provides an up-to-date and comprehensive systematic literature review (SLR) of the existing research on financial accounting practices (FAPs) and external environmental factors (EEFs). The aim is to synthesise and extend current understanding of both the existing (i) theoretical (i.e., corporate governance, accounting, social, cultural, economic, legal and political) perspectives and (ii) empirical evidence on how FAPs (a) influences and/or (b) are influenced by EEFs. It achieves this by adopting a SLR approach to analyse/review one of the largest SLR datasets to be employed to-date, consisting of 371 mixed articles, qualitative and quantitative, relating to both empirical and theoretical studies conducted in different countries from more than 18 disciplines (e.g., accounting, management, public sector, marketing, business and economics) from 1941 to 2018 and published in 144 top-ranked journals. This study's findings are as follows: First, a large number of existing studies are descriptive and/or they draw on single rather than multi-theoretical perspectives. Second, existing studies have focused on firm-level rather than country-level antecedents of the relationship between FAPs and EEFs. Third, observable methodological limitations include the dearth of qualitative, mixed-methods and cross-cultural/country studies. Finally, this study outlines opportunities for future research designed to enrich the understanding of the relationship between FAPs and EEFs.

Keywords; *Accounting, Financial Accounting Practices, Systematic Literature Review, External Environmental Factors.*

2.1 Introduction

The past 40 years has witnessed steady growth in research concerning how elements of external environment factors (EEFs) such as law; culture; finance; corruption; economic; social; political reforms; trade and globalisation amongst others, have influenced or are influenced by financial accounting practices (FAPs). A number of studies have found that EEFs shape or are shaped by FAPs (La Porta *et al.*, 1997; La Porta *et al.*, 1998; La Porta *et al.*, 1999a; La Porta *et al.*, 1999b; La Porta *et al.*, 2000a; La Porta *et al.*, 2002; Stulz and Williamson, 2003; McGuire *et al.*, 2011; Nurunnabi, 2015a). However, given the significance of this relationship, it is apparent that work in this area is quite limited at present. Due to its multidisciplinary nature, this literature review is spread across different disciplines such as accounting, economics, finance, politics and sociology.

This review suggests that the only work of note to have examined the relationship between FAPs and EEFs is that of Doupnik and Salter (1995). The authors studied the relationship between FAPs and a set of environmental factors such as legal and educational systems. Based on their model, the authors have found significant explanatory power in discriminating across countries. However, their analysis was limited as it failed to fully consider other dimensions such as religiosity, political orientations, etc. and it should be noted that this review was conducted back in 1995.

Nevertheless, there are a number of important questions that need to be addressed. For example: Do EEFs affect FAPs? Do EEFs affect FAPs? Do FAPs influence EEFs, which are associated with the performance of companies? Are there any theoretical reasons that may explain the influence of EEFs on FAPs? Is it important to take into account EEFs when setting up corporate business policy or dealing with the external factors? Finally, what are the main EEFs that affect or are affected by FAPs? Consequently, the main objective of this paper is to contribute to the extant accounting literature by addressing the above questions via an up-to-date and comprehensive systematic literature review (SLR) of the existing research as it pertains to the relationship between EEFs and FAPs.

Therefore, this review seeks to provide an SLR (theoretical and empirical) of existing literature linking FAPs and EEFs focusing on EEFs such as culture, religion, law finance, crime, corruption, corporate social responsibility, auditing, taxation, corporate performance, government, accountability and corporate ownership structure. By using this review framework, the researcher hope to strengthen the existing body of literature in a number of ways. Firstly, the review aims to strengthen the cognizance of the existence of the EEFs, particularly those influencing or being influenced by FAPs. Secondly, by analysing the current literature and its limitations, this should also help shape the agenda for potential future research avenues. Thirdly, this type of in-depth review could assist policymakers in their efforts to understand the impact of FAPs on societies. In terms of selecting relevant literature, exclusion and inclusion criteria such as keywords, search strings and specific databases, have led to relevant articles for review being identified.

In the following sections of this study, some of the more prominent definitions of FAPs are provided and discussed, followed by an outline of this review's scope and methodology. This is followed by some details highlighting the mapping techniques used during the review. A number of salient theories found from those articles reviewed are considered, with the literature review of FAPs and EEFs making up the next section. The concluding part of this chapter outlines the limitations of the articles reviewed and presents a future research agenda.

2.1.1 Meaning of Accounting, Financial Accounting Practices and External Environment

In order to provide a conceptual basis for this review, it is useful to begin with an elucidation of accounting and accounting, financial accounting practices and the external environment. In 1941, The American Institute of Certified Public Accountants defined accounting as the art of recording, classifying, and summarising in a significant manner and in terms of money, transactions and events, which are, in part at least, of financial character, and interpreting the results thereof (AICPA, 1941). In addition, in 1966, the American Accounting Association defined accounting as, "the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of information" (AAA, 1966). Moreover, in 1970 the Accounting Principles Board of American Institute of Certified Public Accountants (AICPA) also emphasised that the functions of accounting are to provide quantitative financial information about economic entities, which are useful in economic decision-making. Therefore, accounting can be defined as the process of identifying, measuring, recording and communicating the economic information relating to the events of an organisation to the interested users of such information, in order to make decisions.

It is important to make a distinction at this stage. 'Financial accounting practices' refers to the routine manner in which the day-to-day financial activities of business organisations are gathered and recorded. This term is broad, encompassing organisational FAPs and financial FAPs amongst others, the latter of which casts light on the organisation-building nature of accounting and the way in which it mediates the relationships between the organisation and its stakeholders (Hopwood, 2000). FAPs include activities such as auditing, taxation, corporate governance, CSR, financial and non-financial reporting, etc. Given their size and scope, FAPs should ideally be consistent and dealt with homogeneously, so as to produce consistently reliable financial statements.

External environment factors (EEFs) consist of the factors that happen outside the business, which will affect the main internal functions of the business and possibly the objectives of the business and its strategies (Zinovieva *et al.*, 2016). Defined simply, EEFs are the things outside a business that can have an impact on its success. Therefore, a business should act or react with these factors in order to ensure the continued flow of its operations. EEFs can be broken down into two main types; micro and macro environment (Hipp and Roussell, 2013; Pindiche and Ionita, 2013). While the micro-environment consists of the factors that directly influence the corporate's operation, the macro-environment consists of general factors that corporations or businesses typically have no control over. However, the success of the corporation or business depends on their ability to adapt to these EEFs (Amin and Cohendet, 1999). Each type of external environment has different factors (e.g. economic, cultural, law and political factors). Economic factors include macroeconomic factors, legal and external regulations, cultural issues (religion, etc.), ethical issues (corruption, etc.) and social issues (crime, etc.). This study analyses the theoretical perspectives and empirical evidence of previous studies linked to examining FAPs and EEFs.

2.1.2 Scope of the Review and Methodology

This literature review uses the SLR method, as outlined by Tranfield *et al.* (2003) and adopted by many authors, such as Lopez-Duarte *et al.* (2016) and Christoffersen (2013). A number of different databases were used in this study, including Web of Science, Business Source Premier and Scopus database. The main criteria for selecting these databases was based on the source's reputation in terms of coverage size of various social sciences research and global reach of publications, as well as the quality of publication, factors which have been used by a number of previous studies. Consequently, this study used combinations of the following keywords; accounting practices, crime, corruption, disclosure, transparency, taxation, economic reforms, finance, corporate governance, financial performance, culture, religion, IFRS, politics, corporate social responsibility, firm performance, ownership, auditing, executive compensation and law in order to identify empirical and theoretical articles published in academic journals.

This study also compared a previous literature review on this subject by Doupnik and Salter (1995) with the preliminary sample of studies to ensure that no key subject of EEFs was overlooked. However, due to the difficulties with estimating the quality of the business studies' Tranfield *et al.*

(2003), this study instead chose to consider the quality of the journals themselves. The Academic Journal Guide (Association of Business Schools) ABS (2015) was used to identify empirical and theoretical studies published in academic journals on ABS. These processes were conducted following the methodology of (Gherhes *et al.*, 2016; Mingers and Yang, 2017). This means unranked articles have been excluded, by identification through the Academic Journal Guide 2015 list. Finally, since this review seeks to investigate the relationship between FAPs and EEFs specifically, articles which examine some FAPs but did not link them to EEFs were excluded (Gomez-Biscarri and Lopez-Espinosa, 2008; Kabir *et al.*, 2016; Anifowose *et al.*, 2017; He *et al.*, 2017; Howieson, 2017).

Applying these criteria resulted in this final study sample, consisting of 371 mixed articles (Appendix A), qualitative and quantitative studies, both empirical and theoretical studies, conducted in different countries from more than 18 disciplines (e.g., accounting, management, public sector, marketing, business and economics) from 1941 to 2018 and published in 144 top-ranking journals. Chart 1 outlines the number of studies screened and excluded before arriving at the final sample. Moreover, Chart 3 shows the number of studies included in this SLR by year of publication, from 1941 to 2018.

2.1.3 Mapping the Field of Research

During this review, the researcher conducted a general search using three databases, employing search strings with specific criteria, which yielded 6636 articles. Using only ABS (2015), this was further narrowed down to 1209 articles; all of which were scanned and screened. Once reviewed for their relevance, this was narrowed down to the final total of 371 articles selected, as shown in (Chart 1). These were published in 144 journals (Appendix A), dated from 1941 to 2018.

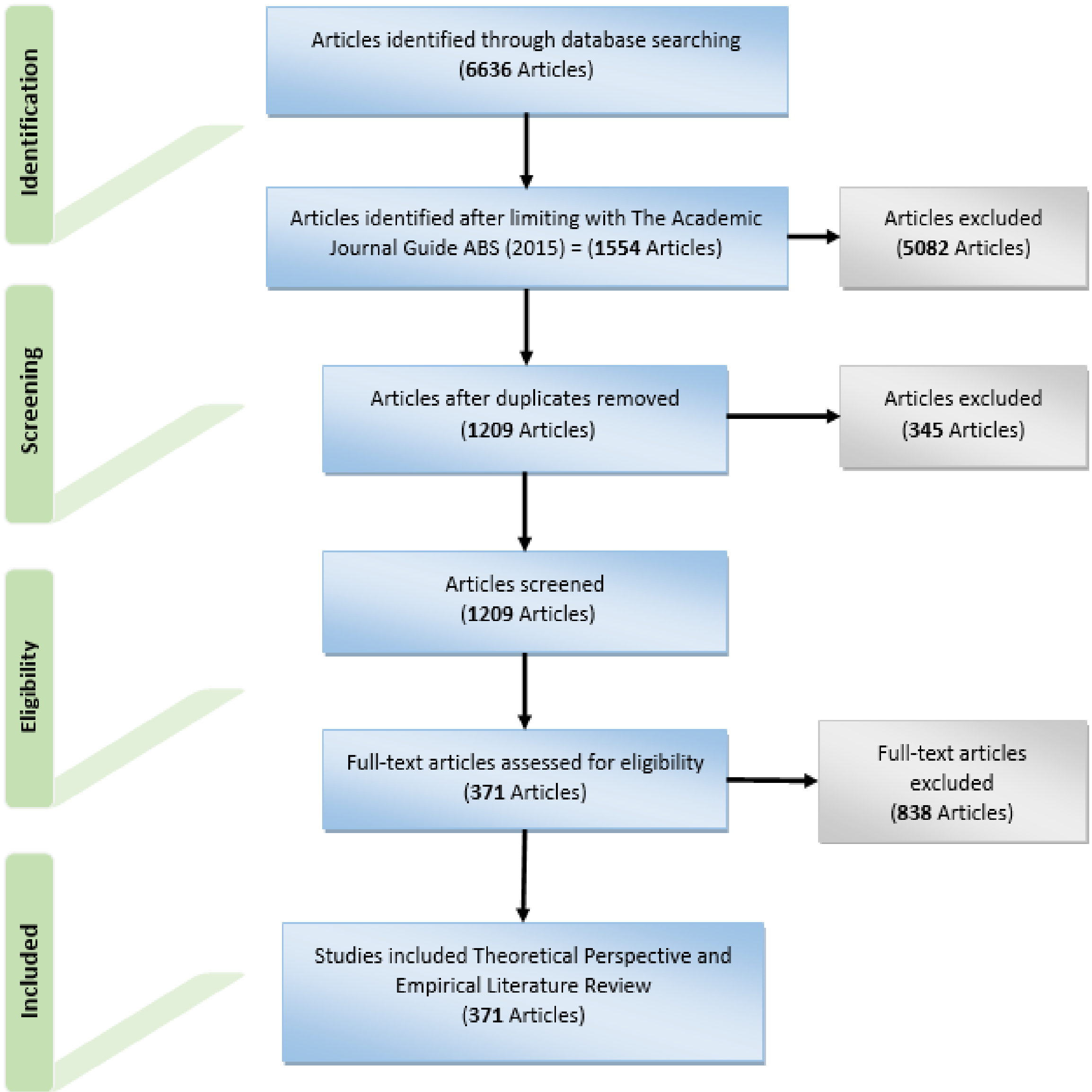

Chart 1: Stages of Articles Identified, Included and Excluded
(Moher *et al.*, 2009)

The journal articles selected were spread over a number of journals such as; accounting, general management, ethics and social responsibility, finance, economics, econometrics and statistics journals, international business and area studies social science journals, public sector and health care journals etc. (see Chart 2 and Appendix A).

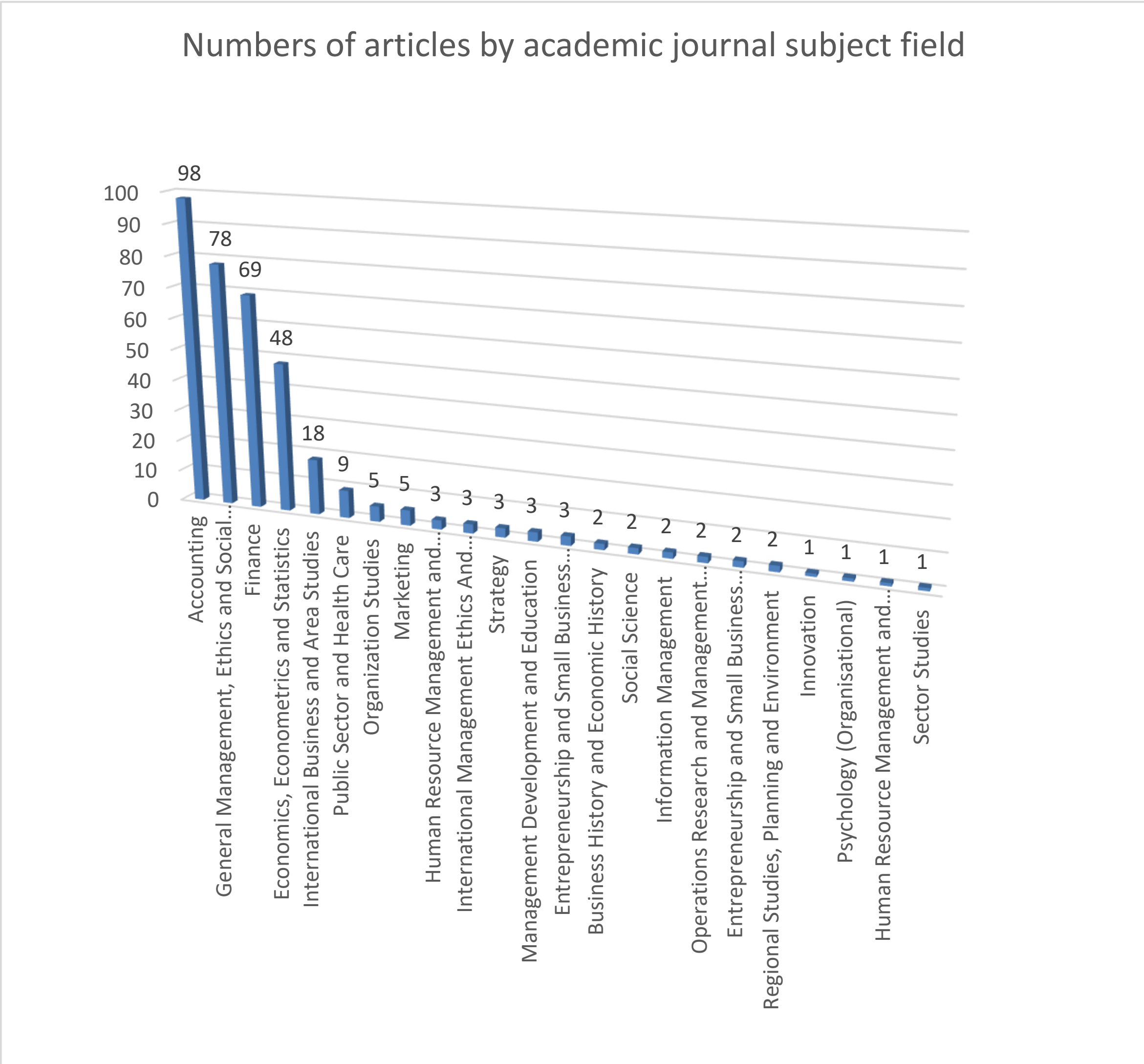

Chart 2: Number of Articles by Academic Journal Subject Field

The distribution of the articles by journal subject field and a breakdown by the journal is shown in Appendix A. The number of journal articles published annually, which were covered in this review are shown in Chart 3 (below).

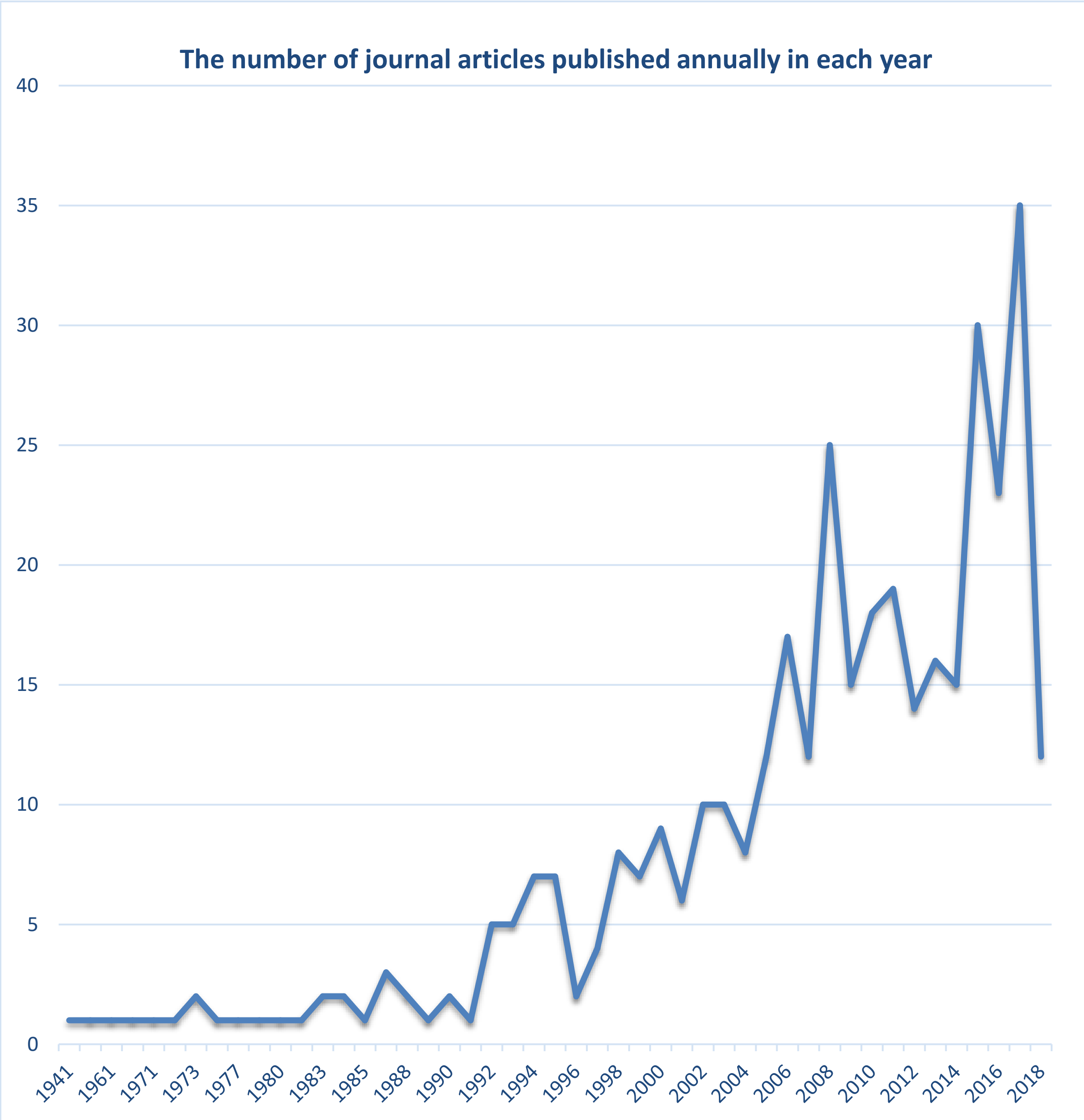

Chart 3: Number of Journal Articles Published Annually Each Year

2.1.4 Summary of SLR Findings:

Various theoretical perspectives on FAPs were reviewed, which focused on how studies adopt or adapt different theories to explain the influence of EEFs on FAPs. In this review, 26 theories were found used as the main theory in the studies reviewed (Figure 3). However, the majority of studies focused on agency, legitimacy and institutional, followed by stakeholders' theory. The rest of the theories have only been used in a small number of studies. The theoretical framework has been divided into four parts (Figure 3), as seen below. Corporate governance and accounting theories (73 studies) demonstrate how the country and firm-level perspectives primarily explain the differences in FAPs and the relationship between them. Furthermore, sociological, behavioural and cultural theories (28 studies) primarily explain the differences in corporate managers' behaviour and the influence that these differences have on corporate performances. Economic, legal and political theories (68 studies) show the country and firm-level perspectives, as well as how government policies and different economies can impact FAPs. Thus, these theories explain the country and firm-level perspectives of FAPs influence and/or how it is influenced by EEFs (see Appendix C).

As Chart 3 shows, the SLR results suggest that overall there has been a significant increase in studies that address different types of issues relating to the relationship between FAPs and EEFs published between 2008 and 2018, compared to those published between 1941 and 2007. This perhaps reflects the general rising interest among researchers investigating the potential role of EEFs in improving corporate performance and FAPs.

Appendix A shows the distribution of the sampled studies by discipline and indicates that most studies were published in four main disciplines: (i) accounting (98 studies, 26.42%), (ii) general management, ethics and social responsibility (78 studies, 21.02%), and (iii) finance (69 studies, 18.60%), followed by (iv) economics, econometrics and statistics (48 studies, 12.94%) disciplines. However, this review shows that a greater number of studies in these disciplines employ data from a single country. Furthermore, most of the studies are conducted in developed countries, such as the US, the UK, Australia, with the larger number of developing countries being overlooked. In addition, most of the studies have been applied to only one country (for instance, the U.S., the UK, Korea, Japan, Brazil), and whilst this does not indicate insufficient samples since most have reasons for being selected, it does make it difficult to generalise and apply the results elsewhere due to certain factors such as cultural and religious differences, amongst others.

In addition, it can be surmised that the empirical evidence in these studies has several limitations, such as the small numbers of countries analysed. Many studies have also been conducted in developed countries or developing countries only. In addition, there are insufficient international studies linking FAPs and EEFs using a cross-country method. Moreover, developing countries are not homogeneous in culture, market structure, political climate or economy (Rossouw, 2005). Therefore, using multiple countries or worldwide samples to introduce different variables in studying some FAPs could yield better results.

Despite the use of the combined methods of qualitative and quantitative research in accounting studies, it remains an area that has been infrequently studied. This review observed, in the empirical articles in this review (Appendix B), a lack of qualitative or mix-method studies. More than half of the reviewed studies selected applied a quantitative methodology (Gray and Vint, 1995; Chen, 2003; Wu, 2005; Lemma, 2015; Maali and Al-Attar, 2017), while some used the qualitative method (Greckhamer, 2011; Combs *et al.*, 2013; Nurunnabi, 2014; Barsoum and Refaat, 2015). However, it was noted that few studies the applied mix-method approach (Buhr, 1998; Azofra and Santamaría, 2011). Although the qualitative approach is best when exploring a subject about which little is known in advance, if one wishes to understand the meanings, motives, reasons, patterns etc. then quantitative methods are best when systematically comparing data in, generalising to the whole population, cross-country studies, or testing theories with hypotheses.

By focusing on empirical and theoretical studies, the remainder of this review will consider the results of such studies, providing a context for understanding the issues examined and thereby evaluating the contributions of the literature.

2.1.5 Research Organisation

As is shown in Figure 2 below, this study is organised into five sections. Section 2.1 introduces the research, articulating the meaning of accounting, financial accounting practices and external environment factors, the review methodology, mapping the field of research and the summary of SLR findings. This section concludes with a brief outline of the way in which this research is organised. Section 2.2 seeks to discuss the theoretical perspective on FAPs and EEFs, including corporate governance and accounting theories, sociological, behavioural and culture theories and economic, legal and political theories. Section 2.3 reviews and highlights the implications of EEFs on different financial accounting practices. Section 2.4 discusses the limitations of studies reviewed and a future research agenda, which will consider; sampling, content, methodology and theories.

The final section, 2.5, presents a summary of the findings from the literature review and the implications of this research.

Study One Structure

Section 2.1 Introduction
Meaning, Scope of the Review, Methodology and Mapping

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Section 2.2 Theoretical Perspective
Corporate Governance, Sociological, Economic Theories

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Section 2.3 Literature Review
External Environment Factors and Financial Accounting Practices

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Section 2.4 limitations and Future Research Agenda
Sampling, Content, Methodology Theories

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Section 2.5 Conclusion
Summary of Systematic Literature Review Findings

Figure 2: Study One Structure

2.2 Theoretical Perspective of FAPs and EEFs

This section aims to present a theoretical and conceptual framework (Figure 3). The framework presented below is based on the findings presented in the reviewed literature, which will also be used for this review's research design and analysis.

Theoretical Framework

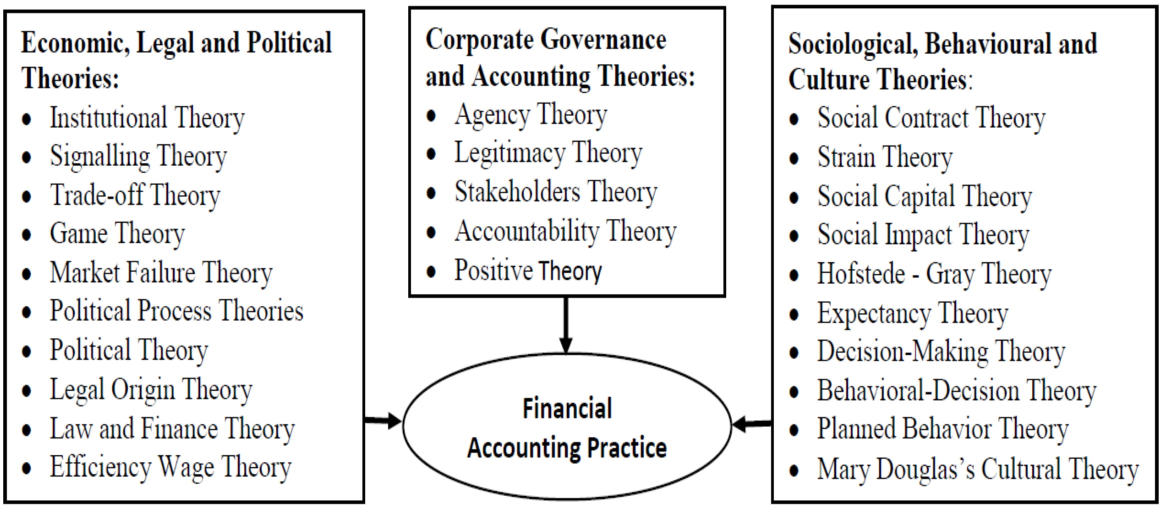

Figure 3: Theoretical Framework

Given the scope and size of this investigation, it is clear this field has been subject to major analysis. Several researchers have applied a number of different theories in their empirical studies to explain the influence of FAPs on EEFs and vice versa, including agency theory, legitimacy theory, social contract theory, structural strain theory, institutional theory, social capital theory and game theory sections (Appendix C). These will be elucidated upon in the following sections.

2.2.1 Corporate Governance and Accounting Theories

2.2.1.1 Agency Theory

The issue of agency was identified in 1976 by Jensen and Meckling and relies on the association between ownership and control in companies characterized by dispersed ownership (Jensen and Meckling, 1976; Yi *et al.*, 2018), or between minority shareholders and majority shareholders in organisations with a block-holder who owns the majority of shares and has the power to take decisions (Shleifer and Vishny, 1986; La Porta *et al.*, 1999b). Agency theory explores an agency relationship as a contract under which one or more persons (principals) engage another person (agent) to do some practice on their behalf which includes some action or decision-making authority to the agent (Jensen and Meckling, 1976). Agency theory claims conflicts are expected to grow between the principal and agent when there is incomplete financial information (Urquiza *et al.* (2010), and can also be affected by the national environments firms operate in (Filatotchev and Allcock, 2010; Rodriguez Bolivar *et al.*, 2013).

Due to the differing interests of both parties, these issues can be ameliorated somewhat by providing more information or increasing the level of disclosure (Ross, 1973; Fama, 1980; Safieddine, 2009). To illustrate the importance of agency theory, Pinkowitz *et al.* (2006) have stated that the relationship between dividends and firm value is weaker in countries with stronger investor protection. The study of La Porta *et al.* (2000b) has suggested that the agency approach can have some relevance in helping to understand dividend policies. From another perspective, Quttainah *et al.* (2017) have provided strong evidence that religious supervisory boards influence corporate boards' performance and thus relieve agency problems and agency costs.

Agency costs can be influenced by organisational size and the complexity of contracts involved (Perez, 2004). Larger organisations are expected to disclose more information in order to reduce agency costs. Furthermore, agency theory holds that the application of disparate FAPs between companies and investors can have negative consequences, which can be mitigated to an extent by greater disclosure (Naser *et al.*, 2006; Urquiza *et al.*, 2010), as does the use of strong monitoring devices (Agyei-Mensah, 2017).

Stiglitz (2002) has pointed out that agency problems have a marked influence on economic behaviour influencing some FAPs. Whilst this may be an issue in the aforementioned studies, it is clear that in terms of corruption-influenced FAPs at least, agency theory has played a key role in shaping the academic debate and will continue to do so (Donadelli *et al.*, 2014). In addition, Ramdani and van Witteloostuijn (2012) have predicted that when an organisation's owner is acting as a manager he is more likely to engage in bribery. Some of these negative aspects can be partially mitigated by the presence of audit committees and corporate governance committees (Alhares *et al.*, 2018). Chen (2011) and Dittmar *et al.* (2003) have highlighted how internal agency problems could be minimised by reinforcing strong country laws and greater control of corruption. Judge (2011) has argued that universal theories such as agency theory are insufficient given substantial firm heterogeneity within a national context.

Hooghiemstra *et al.* (2015) have relied on agency theory to explain how cost-benefit influences managers to make their decisions regarding disclosure level. In terms of ownership, Galve-Gorriz and Hernandez-Trasobares (2015) have mentioned that when a high concentration of ownership and shareholder asymmetry are involved, majority shareholders may pursue their own interests, thus harming owners' interests and causing shareholders agency problems; a view also echoed by Gonzalez and Garcia-Meca (2014) whose study on Latin America firms with large family shareholdings has highlighted similar issues. In conclusion, agency theory's universal appeal in the accounting literature is demonstrated by the number of studies that make up this review (approximately 20%).

2.2.1.2 Legitimacy Theory

Although a wide variety of theoretical perspectives have been used to investigate the link between FAPs and EEFs, legitimacy theory has been used in a significant proportion of studies (23 in total). Legitimacy Theory has been delineated in a number of ways, with its broad concept linked to corporations who seek to gain legitimacy by using social and environmental reporting. Tilt (1994) argues that legitimacy theory relates to the behaviour of companies in response to the demands of different interests and work in order to legitimise their actions. According to Shocker and Sethi (1973), legitimacy theory is based on the concept of a contract between a corporation and its stakeholders, and on the premise that corporations get their legitimacy by disclosing the information confirmed in corporation reports.

Legitimacy theory has been credited as one of the more probable explanations for the increase in FAPs since the early 1980s. Deegan and Rankin (1996) have stated that organisations would disclose more information, as one of the FAPs, to the users of the accounts to justify or legitimise the organisations' continued operations within that society. Deegan *et al.* (2002) have provided evidence that managers disclose more information to legitimise the status of their organisations within society; a view also echoed by Milne and Patten (2002). Moreover, Agyei-Mensah (2017) has stated that one important way for corporations to legitimise their activities is to disclose forward-looking information to the public. Therefore, firms in Botswana, as a less corrupt country, disclose more accounting information (Agyei-Mensah, 2017).

In terms of the social aspect of legitimacy theory, it has been used to study the relationships between FAPs, companies and their environment (Parsons, 1960; Maurer, 1971; Scheiber, 1972; Goddard and Juma Assad, 2006; Archel *et al.*, 2009; Hossain *et al.*, 2015; Khan *et al.*, 2015; Du *et al.*, 2016). Parsons (1960) has defined legitimacy as, "the appraisal of action in terms of shared or common values in the context of the involvement of the action in the social society". However, it has been argued that FAPs represent a response to society's expectations of corporate behaviour. Maurer (1971) has stated that legitimization is the process by which organisations justify their right to exist. Once the societal element is involved, CSR also comes into play as highlighted by Hossain *et al.* (2015), who have used legitimacy theory, as their findings indicate managers see CSR reporting as a social obligation. This view is echoed by Khan *et al.* (2015), where the authors have found that multinational corporations gain legitimacy by implementing and showing commitment to CSR initiatives and programs. RLG also seems to have a mediating effect on CSR, as noted by (Du *et al.*, 2016).

2.2.1.3 Stakeholder Theory

Stakeholder theory also has been used to combine the interests of managers or corporate management and stakeholders' interests linked with EEFs. A number of studies have been devoted to examining the link between FAPs and EEFs through the lens of stakeholder theory (Freeman, 1994; Donaldson and Preston, 1995; John and Senbet, 1998; Pava, 1998; Ali Aribi and Arun, 2015; Wu *et al.*, 2016). Adeyemi (2010) has mentioned that an organisation is a system of stakeholders operating within the larger system of the host society, and that the purpose of the organisation is to create value or wealth for its stakeholders. Ali Aribi and Arun (2015) have utilized stakeholder theory to analyse CSR in Islamic financial institutions that are responding to the welfare needs of society. Their study has highlighted how Shari'ah principles seek lawful transactions and prevent interest in business transactions.

In terms of the key organisational objectives, Pava (1998) has stated that for US firms, maximisation of shareholders' profits is no longer the main purpose; rather the rights of the organisation's shareholders with a legitimate interest in the organisation are just as critical. This view has been labelled stakeholder theory. From another perspective, the study of Wu *et al.* (2016)

has demonstrated how organisations located in counties with higher levels of religiosity display higher sources of CSR. Finally, there is an inference that powerful stakeholders can exert pressure on management and force them to disclose more information (Naser *et al.*, 2006).

2.2.1.4 Accountability Theory

Accountability theory has been widely used in management and accounting studies (Frink and Klimoski, 2004). Moreover, it has been argued that companies discharge accountability to stakeholders by providing more information, which the stakeholders need (Hossain *et al.*, 2015). The authors have argued that stakeholders have the right to know about information or activities, which may directly or indirectly impact their interests. They have used accountability theory and legitimacy theory to investigate the motivations of managers in corporate social and environmental responsibility (CSER) reports, arguing that they play a significant role, as they are ultimately responsible for corporate performance and accountability, including CSER. Accountability refers to the obligation to provide information regarding the actions for which one is held responsible (Naser *et al.*, 2006; Rowe and Guthrie, 2010). Gray *et al.* (2009) have noted that a corporation's ethics of accountability is a matter of trustworthy relationships between corporations and their societies. In terms of disclosure, Othman and Zeghal (2010) have found that differences in corporate social disclosure correlate with firm size, measured by the firm's market capitalisation, business risk and corporate growth. This lends partial support to agency theory, political economy theory, legitimacy theory, stakeholder theory, as well as accountability theory.

2.2.1.5 Positive Theory

Positive theory has also been used to study how certain FAPs link with EEFs (Watts and Zimmerman, 1978; Baron, 2008; Attig and Brockman, 2017). Watts and Zimmerman (1978) have stated that certain external factors such as taxes, regulation and political are expected to influence a corporation's cash flow, and in turn, are affected by financial accounting practices. Moreover, Baron (2008) provides a positive theory of CSR in which corporate managers allocate resources, including social expenditures, through the firm's form. Furthermore, based on the positive theory, Attig and Brockman (2017) have provided evidence that the prosocial attitudes of local residents play a significant role in determining an organisation's engagement with CSR.

2.2.2 Sociological, Behavioural and Culture Theories

2.2.2.1 Social Contract Theory

The SLR indicates that a number of articles have employed social contract theory in their studies (Goolsby and Hunt, 1992; Robertson and Anderson, 1993; Donaldson and Dunfee, 1994; Dunfee *et al.*, 1999; Spicer *et al.*, 2004; Robertson, 2009; Ma *et al.*, 2012). Historically, social contract theory has adopted a macro perspective on ethics, to investigate the influence of ethical issues on certain FAPs. The application of this has been increased by downshifting the level of analysis to the institutional or organisational level and incorporating local context within their contract framework (Ma *et al.*, 2012). Meanwhile, researchers have also attempted to explore how business ethics theories can be applied in an international context, due to the effects of globalisation. The Donaldson and Dunfee (1994) study has discussed multinational corporations' social responsibility in the global context based on the analysis of ethical values managers use in decision making by these companies.

This ethical element also embraces or enhances socially responsible behaviour, where organisations should ensure good practices because it is the morally right thing to do. Donaldson and Dunfee (1994) have proposed the Integrative Social Contract Theory (ISCT), which provides a balanced and realistic approach to ethical decision-making, obliging managers to consider organisations' ethical obligations to respect local community norms, without violating global standard principles. It can provide a promising standard approach to FAPs (Spicer *et al.*, 2004). Dunfee *et al.* (1999) have suggested a symbiotic relationship between Integrative Social Contract Theory (ISCT) and business, such that ISCT complements frameworks for ethical decision making in providing greater clarity regarding judgments about some of the difficult issues in business ethics, such as corruption and bribery.

2.2.2.2 Strain Theory

Strain theory of deviance has been present for over a century in sociological considerations of crimes. Moreover, General Strain Theory of deviance is based on the formulation that, when people are treated badly they may engage in crime (Zhang *et al.*, 2011). The same author has suggested that this theory is based on Durkheim's theory of anomie. Some of the studies featured in this review applied strain theory in investigating the relationship between FAPs and EEFs, (Mishina *et al.*, 2010; Cooper *et al.*, 2013). They have argued that the causes of accounting fraud were rooted in individual behaviour. The literature seems to point towards groups or individuals who feel they are excluded and strong performing corporations, both of whom may end up engaging in some form of fraud or illegal activity, however with differing motives (Mishina *et al.*, 2010).

2.2.2.3 Social Capital and Social Impact Theories

Social Capital Theory proposes that intra-firm networks such as business group companies, which are collections of corporates restricted together in some formal or informal ways, are social capital that can facilitate value creation (Dela Rama, 2012). Hasan *et al.* (2017a) suggest that social capital in the U.S provides environmental influences constraining corporate tax avoidance of companies headquartered in U.S counties; an argument based on the conventions of social capital theory. On the other hand, drawing on social identity and social impact theory, Salaber (2013) has investigated the impact of religious preferences on corporate performance, highlighting how religion has a significant effect on the share price of corporations and corporation’s social responsibility.

2.2.2.4 Hofstede - Gray Theory

Hofstede-Gray theory represents a theoretical paradigm that has been used to address the questions of the relevance of FAPs to different cultures. Hofstede's theory relates to the literature of cross-cultural psychology and is not concerned with accounting per se (Baydoun and Willett, 1995). However, Gray's theory extends Hofstede's theory, as it attempts to use Hofstede's theoretical framework to elucidate the influence of cultural values on FAPs (Baydoun and Willett, 1995). Gray's theory also holds that the specific disclosure rules in Western accounting systems are most likely to fail to satisfy the users’ needs in developing countries (Baydoun and Willett, 1995). Moreover, Fechner and Kilgore (1994) have recognized Gray's theory when investigating the cultural impact on FAPs.

Doupnik and Riccio (2006) have extended the Gray (1988) theory of culture influence on accounting, as they have found that Gray’s theory, as applied to the translation of accounting standards, is universally valid in different cultural values across countries (Doupnik and Riccio, 2006), and that it could lead to differences in recognition and disclosure decisions. Furthermore, Gray and Vint (1995) have found that the relationship between accounting disclosures and the values of uncertainty avoidance and individualism is more significant as compared to those of power distance and masculinity. This supports the theory of Gray (1988), which is that secrecy and its impact on disclosure behaviour is a function of cultural and societal values.

2.2.2.5 Expectancy Theory

Expectancy theory describes the process utilized when making decisions regarding behavioural alternatives (Li *et al.*, 2015). Khan and Sheikh (2012) have mentioned that expectancy theory has been used as an overarching framework for understanding influences on employee motivation and performance behaviour. It has also been utilized to understand prosocial and organisation citizenship behaviour (Grant and Mayer, 2009).

2.2.2.6 Decision-Making, Behavioural-Decision and Planned Behaviour Theories

Perhaps the most dominant view regarding fraud attributes it to do with it being the result of decision-making processes. Decision-making approaches focus on options taken to commit or contribute to fraud and detect suspected frauds or options chosen by auditors in determining if fraud is inherent in decision-making theories (Cooper *et al.*, 2013). However, behavioural-decision theory is a general term for descriptive theories to explain the psychological knowledge related to decision-making behaviour, including some FAPs. Studies of ethical decision making often focus on how individual characteristics influence how people make unethical or fraudulent decisions. An alternative viewpoint is offered by Schouten *et al.* (2014), who have stated that the relationship between attitudes and behaviour can be explained by planned behaviour theory, which has found that CSR attitudes mediate the influence of religiosity on CSR behaviour.

2.2.2.7 Mary Douglas's Cultural Theory

Malsch *et al.* (2012) have stated that Mary Douglas's cultural theory appears to be appropriate for studying thought processes of compensation committee members. One key point is the conception of risk management as a social construction process, involving the distribution of responsibilities and the allocation of blame (Mikes, 2011). Malsch *et al.* (2012) have suggested that in certain cultural circles, the disclosure of executive compensation can constitute a powerful force for salary inflation, far from being socially or morally dissuasive.

2.2.3 Economic, Legal and Political Theories

2.2.3.1 Institutional Theory

Institutional theory is the second most used theory from those reviewed, accounting for 17% of the total relevant studies. Institutional theory argues that the institutions in society affect organisations and their behaviour, which will influence FAPs as well. Generally, organisations act differently in various cultures, a point which has intrigued a number of researchers (Meyer and Rowan, 1977; Dimaggio and Powell, 1983; Jamali, 2010; Jamali and Neville, 2011; Siltaoja and Onkila, 2013; Abreu *et al.*, 2015). The centrality of isomorphism in institutional theory legitimises and promotes the homogenization of CSR practices across NC (Matten and Crane, 2005). It also recognizes that companies seek legitimacy within their target markets when they want their actions to be perceived as being desirable or appropriate (Suchman, 1995).

Under this theory, according to Lemma (2015), corruption in a given country forms part of the institutional context that determines corporate behaviour. In addition, Keig *et al.* (2015) have built on this notion to explain how and why EEFs such as corruption affect firm behaviour in CSR, with high levels of formal/informal corruption correlated to high levels of corporate social irresponsibility (CSiR).

In certain institutional conditions, Campbell (2007) argues that the relationship between corporate behaviour and act with the basic economic conditions is mediated by different institutional conditions. This is mediated by several institutional conditions such as public/private regulation, corporate behaviour, and organised dialogues among corporations and their stakeholders. In a similar vein, Irvine (2008) has asserted that institutional theory provides a wide understanding and insights into how FAPs are influenced in different countries, particularly developing economies. However, compatible with integrative social contracts theory's emphasis on community standards, institutional theory examines the role and legitimacy of organisations within a different environment (Dimaggio and Powell, 1983). As such, it is useful for the understanding of cross-national differences in FAPs' influences (Aguilera and Jackson, 2003). There has been a growing call for studies that use institutional theory to enhance understanding of FAPs (Maignan and Ralston, 2002; Husted and Allen, 2006; Rodriguez *et al.*, 2006; Campbell, 2007).

Moreover, institutional theory provides an alternative explanation for organisations' behaviour than that proffered by neoclassical economics (Dimaggio and Powell, 1983). Rather than make predictions based on economic or accounting utilitarian bases, institutional theory identifies social mechanisms that explain organisational behaviours (Filatotchev and Allcock, 2010).

Consequently, strategic decisions that make rational FAPs can be understood from a more socialised perspective by examining those decisions face to face with stakeholders. Peng *et al.* (2009) have used debates around executive pay in the U.S. to illustrate this point, with Bjorkman and Furu (2000) having highlighted the significant influence of nationality in the use of variable pay. In addition, Marquis *et al.* (2007) have highlighted how the cultural, normative and regulative logics of institutional theory can increase the understanding of how communities influence corporations' performance and their CSR. Nurunnabi (2015b) has argued that institutional isomorphism could influence IFRS implementation, and also illustrates how different institutions could influence socially responsible behaviours in Bangladesh and other developing countries. Where regulations and controls are weak, and governments are unable to provide the information required, as a consequence the principles of accountability and transparency have no power, reliability or verification. This resonates with institutional theory in formatting business groups (Dela Rama, 2012).

2.2.3.2 Signalling Theory

A number of studies have applied signalling theory in investigating the relationship between FAPs and EEFs (Wallace *et al.*, 1994; Inchausti, 1997; Watson *et al.*, 2002; Urquiza *et al.*, 2010; Agyei-Mensah, 2017). Urquiza *et al.* (2010) and Agyei-Mensah (2017) have stated that the significance of the growth variable emphasizes the signalling theory hypothesis that firms with high growth rates have incentives to increase their disclosure level and disclose more information to the public. Furthermore, by applying signalling theory, Inchausti (1997) has found an influence of regulation on the information disclosure level in corporations' annual reports.

2.2.3.3 Trade-off Theory

Trade-off theory is used as the basis on which companies balance between the tax advantages that appear from debt finance and the higher bankruptcy risk that goes along with a higher debt usage (Baxter, 1967). Reinhard and Li (2011) have indicated that an increase in the risk of bankruptcy has not induced companies to reduce their borrowings, although in some regions such as Germany, it was observed that tax regulations and the bank-dominated financial system were more important for a company's financing decisions than tax-saving and bankruptcy risk considerations. Bolton and Thadden (1998) have stated that as a concise description of the trade-off, if ownership is dispersed, there is a larger group of investors to trade with. However, since cash holdings involve the agency cost of free cash flow, agency theory implicitly supports trade-off theory over financing-hierarchy theory in explaining corporate liquidity (Chen, 2008). In addition, Chen (2011) has stated that given the transaction cost and precautionary motives embedded in trade-off theory, it predicts a positive relationship between cash holdings and growth and investment opportunities. Therefore, the moderating influence of securities laws and control of corruption suggests the predominance of the agency cost motive for holding cash (Chen, 2011).

2.2.3.4 Game Theory and Transaction Cost Theory

Domadenik *et al.* (2016) have presented and tested the game theory of how political dimensions, which usually correlate to political corruption, influence corporate governance and productive efficiency of corporations. They have stated that to identify various players in the corruptive game and their relationships, corruption is defined in game theory as a collusive agreement between particular agents in the economy who are able to exploit political power to get private gains (Domadenik *et al.*, 2016). The authors have assumed that the population could act with the corruptive players to make the corrupt agents suffer from a sufficiently high penalty. However, in terms of transaction cost theory, Tian and Zhang (2018) have stated that, based on the theory of transaction cost economics, if anti-corruption measures can decrease this type of cost, they can benefit corporations.

2.2.3.5 Market Failure Theory

Market failure theory, concurring with institutional theory, argues that external markets can fail due to inefficient market mechanisms, legal impediments, and lack of trust (Chung, 2004). Moreover, market failure theory supports the notion of business groups as filling in the institutional voids because of inefficiencies in a country's capital, labour and product markets (Dela Rama, 2012). However, due to the lack of trust in the political environment, the ability to commercially and confidently transact with entities helps support to overcome the institutional void (Dela Rama, 2012). In addition, market failure theory agrees with transaction costs theory, which states business groups are more economically efficient in such a prevailing environment (Dela Rama, 2012). By being part of a business group, transaction costs between affiliated companies are lower and being part of a group may, therefore, help overcome market failure problems (Kim *et al.*, 2004).

Moreover, Dela Rama (2012) applied market failure theory when he stated that where there is an unqualified market, the information is unreliable and hard to verify. This resonates with the market failure theory.

2.2.3.6 Political Process Theories

Political process theories investigate the reasons for companies to disclose more information. Urquiza *et al.* (2010) have mentioned that political process theory suggests that regulators make decisions based on the information disclosed by companies. Due to the political process theory, companies disclose voluntary information to decrease these political costs Urquiza *et al.* (2010) and may disclose more depending on their size and profitability, thus potentially avoiding legal and political obligations (Lang and Lundholm, 1993; Inchausti, 1997). Larger organisations are also more inclined to disclose information voluntarily due to their correspondingly higher profile and political pressure – this kind of information may be detailed in social responsibility reports (Naser *et al.*, 2006).

2.2.3.7 Political Theory

Political theory argues that the political and social environment in a country influences organisations in important ways, which can lead to better legislation of corporate governance (Pagano and Volpin, 2005). Mangena *et al.* (2012) have applied political theory to study the relationship between corporate governance and corporate performance, finding that board size, ownership concentration and executive directors' share ownership has risen, while the proportion of non-executive directors has decreased. In addition, the results of La Porta *et al.* (2002) are consistent with the political theories, according to which government ownership leads to misuse of resources that are detrimental to corporations' productivity and economic growth.

2.2.3.8 Legal Origin Theory

Legal origins hold a strong and pervasive influence on diverse areas of law and regulation, which in turn influence financial and accounting outcomes (La Porta *et al.*, 2008; Pogrebennyk, 2014). Graff (2008) has stated that the main argument of legal origins theory is that common law is more flexible than civil law. However, the law in general influences FAPs. Furthermore, Sarkar and

Singh (2010) have found no positive impact of increases in shareholder protection, while legal origins theory raises the clear question of how the influence of legal origins has persisted over the decades. La Porta *et al.* (2008) examines the influence of legal origins on investor protection and investor protection on financial development (La Porta *et al.*, 1997; La Porta *et al.*, 1998). In contrast, changes in regulation cannot be explained by legal-origin theory (Pagano and Volpin, 2005).

2.2.3.9 Law and Finance Theory

The theory of law and finance argues that the common law system provides a better framework for economic growth and financial development than the civil law tradition, possibly influencing some FAPs (Graff, 2008) and matching the assumption of law and finance theory that a shared legal tradition will protect investors' rights (Graff, 2008). In addition, Graff (2008) has documented that according to the theory, the legal tradition should influence both creditor protection and corporate shareholders. Pogrebennyk (2014), following the law and finance theory, has argued that, in general, as the world becomes more globalized, common law countries have a small advantage concerning financial and business relationships. However, the law has been considered a reflection of cultural influence on economic growth and exists as a uniting factor, which includes and reflects religion, ethics, language and social behaviours (Pogrebennyk, 2014). Using law and finance theory, Hornuf and Schwienbacher (2017) have argued that protecting the law for investors strongly affects corporate performance.

2.2.3.10 Efficiency Wage Theory

The assumption of the association between the labour market and higher productivity underlies the variants of efficiency wage theory (Akerlof, 1984). Moreover, Rosenfeld and Denice (2015) have applied efficiency wage theory, arguing that accounting disclosure is a key resource that decreases information asymmetries, thus providing legitimacy to workers' claims in wage bargaining. When companies both pay more and share more information with their workers to raise productivity, as expanded in efficiency wage theory, controlling worker productivity should decrease the effect of transparency (Rosenfeld and Denice, 2015).

2.3 Literature Review of FAPs and EEFs

In accounting literature, EEFs are regarded as having a major influence on FAPs and are then also themselves influenced by FAPs. Roberts *et al.* (2005) state that a major number of different factors influence rules and practices of accounting, such as; political, economic, legal, taxation, corporate financing, accounting profession and religion. Multiculturalism, societal behaviour and legal economic systems in several countries around the world can produce a different effect on the application of FAPs (Baker and Barbu, 2007). Nobes (1998) and Gray (1988) have explored the causes of cross-country differences in FAPs, citing the political system and religion, legal, economic, corporate performance and national culture. The researcher have classified environmental factors into different themes including; finance, economic, legal, tax, political, religiosity, ownership, government, accountability, national culture, crime rate and corruption, as shown in Figure 4 (see Appendix B).

Framework for Financial Accounting Practices and External Environment.

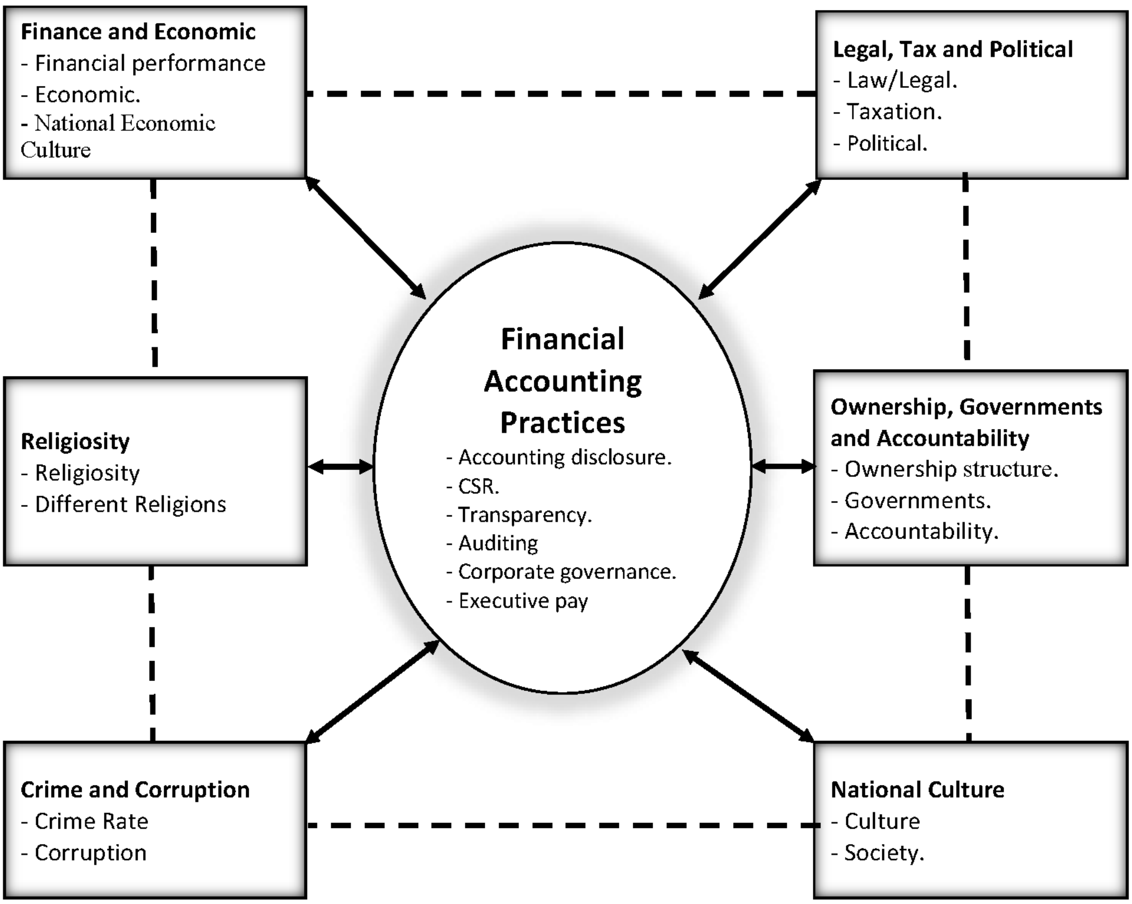

Figure 4: Review Framework

2.3.1 Financial, Economic Environments and Financial Accounting Practices

2.3.1.1 Financial Performance and Financial Accounting Practices

Several studies have investigated the influence of finance and financial performance on FAPs (Rajan and Zingales, 1995; Mayer and Sussman, 2001; Levitt Jr, 2005; Rezaee, 2005; Romero-Avila and Strauch, 2008; Adeyemi, 2010; Brennan, 2013; Davis and Kim, 2015). Mayer and Sussman (2001) have found that FAPs and disclosure regulations in particular have an important influence on financial development. In contrast, the financial environment plays a central role in the lives of companies. Financialisation is therefore considered as a tool for the formation of FAPs in social institutions and their purposes and objectives (Davis and Kim, 2015). However, in investigating the relationship between the financial environment and FAPs, Levitt Jr (2005) has noted that corrective market forces are in place in corporations; for instance, Institutional Shareholder Services, which monitors corporate governance practice and decision-making.

Rezaee (2005) states that pressure and economic incentives are the fundamental motives for publicly traded companies resorting to financial statement fraud. However, when Romero-Avila and Strauch (2008) address whether public finance reform has influenced the direction of growth and financial variables over the last 40 years in Europe, they provide strong evidence that government consumption and direct taxation negatively affected the growth rate in gross domestic product (GDP). However, low-performing organisations have an incentive to hold or change accounting data. Rajan and Zingales (1995) have supported the notion that organisations, which have few tangible assets, are more reliant on external finance sources, which demand high standards of information disclosure.

The finance environment, therefore, plays a central role in the lives of individuals and companies, influencing their FAPs. On the other hand, the lack of accounting disclosure or poor quality of accounting data can reduce investor confidence, playing a vital role in influencing the ability of firms to raise external finance.

2.3.1.2 Economics and Financial Accounting Practices

Accounting and economics are interconnected fields, both being concerned with a similar subject matter. Economics analyses the variables related to goods or services, such as the production, consumption and trade, whereas FAPs are intended to enforce a firm's accounting guidelines and policies. A number of studies have investigated the influence of the economic environment on FAPs and vice versa, e.g. (Ross, 1983; Ullmann, 1985; Roberts, 1992; Biondi and Suzuki, 2007; La Porta *et al.*, 2008; Robertson, 2009; Marti and Kasperskaya, 2015). Biondi and Suzuki (2007) have illustrated how accounting can be a central constituent factor of socio-economics. La Porta *et al.* (2008) provide evidence that the differences in the legal origin of countries' laws are an important determinant of the diversity of countries' characteristics.

Furthermore, according to Ross (1983), the comparisons of accounting data and economic data are useful to both accountants and economists. The author suggests that the different levels of economic development influence CSR practices and priorities. In contrast, Marti and Kasperskaya (2015) have found that countries with similar governance display a variety of patterns of public financial management practices, suggesting that there is no one-size-fits-all approach, with Roberts (1992) finding that economic performance is significantly related to corporate social disclosure levels. In contrast, Ullmann (1985) has found that there is considerable evidence that annual reports to shareholders are used to influence the level of external social and economic demands. To conclude, accounting and economics have several commonalities, both helping individuals to make sound economic and financial decisions. Furthermore, the comparisons of accounting and economic data are useful to both accountants and economists and different levels of economic development have been found to influence FAPs.

2.3.1.3 National Economic Culture and Financial Accounting Practices

The role of culture in economic behaviour is increasingly being shown to cause significant differentials in decision-making (Cieslewicz, 2014), while the concept of national economic culture, ''reflects aspects of national culture related to economic decision making'' (Daniel *et al.*, 2012, p. 366). Given the different characteristics of different cultures, it is to be expected that national economic culture would directly or indirectly influence FAPs. A number of studies have discussed the relationship between FAPs and national economic culture (Harrison and McKinnon, 1999; Chenhall, 2003; Braun and Rodriguez, 2008; Carree and Thurik, 2008; Cieslewicz, 2014). Cieslewicz (2014) has indicated that accounting in a given nation is linked to institutions, which are influenced by the national economic culture and, therefore, to the IFRS adoption process, through cultural insights. His study investigated the relationships between national economic culture, institutions, and accounting: Implications for IFRS applied on 49 nations (Cieslewicz, 2014). In contrast, Akerlof (1984) has shown that there is a natural reason why economists have fought the application of efficiency-wage theories to unemployment in some countries.

Furthermore, national economic culture directly influences institutions as the citizens who make decisions and maintain institutions in each country have also been influenced by the national economic culture (Cieslewicz, 2014). However, Lin *et al.* (2014) have indicated that for those nations whose GDP relies heavily on capital markets, higher accounting disclosure quality stimulates a higher level of physical capital, leading to higher national productivity. Daniel *et al.* (2012) has argued, however, that the influences of national economic culture on corporate governance practices are indirect, through the effect on institutional systems. Empirical studies indicate that accounting in a given nation is associated with institutions, which are influenced by the national economic culture, with these directly influencing institutions through its citizens. Finally, it has been argued that the influences of national economic culture on FAPs are indirect, through the influences on institutional systems. It could, therefore, be inferred that national economic culture directly or indirectly influences FAPs.

2.3.2 Legal, Tax, Political Environment and Financial Accounting Practices

2.3.2.1 Law / Legal and Financial Accounting Practices

Several studies have addressed the relationship between law, legal and FAPs (Lang and Lundholm, 1993; La Porta *et al.*, 1997; Jaggi and Pek Yee, 2000; La Porta *et al.*, 2000a; Pistor *et al.*, 2000; Hope, 2003; Klapper and Love, 2004; Durnev and Kim, 2005; Graff, 2008; Judge *et al.*, 2008; Siems and Deakin, 2010; Chen, 2011; Gu and Li, 2012; Head, 2012; Claessens and Yurtoglu, 2013; Gonzalez and Garcia-Meca, 2014; Pogrebennyk, 2014; Lopez Iturriaga and Lopez-Millán, 2017). There is substantial evidence that FAPs matter more in weak legal systems and environments. Durnev and Kim (2005) and Klapper and Love (2004) have found that at firm-level, FAPs matter more to firm value and performance in countries with weaker investor protection and weak legal systems. Bruno and Claessens (2010) and Pinkowitz *et al.* (2006) meanwhile, have found firm value and performance are influenced by legal and investor protection, although it is clear this impact can vary (Claessens and Yurtoglu, 2013).

Chen (2011) found that firm value is enhanced in countries with more effective legal systems, or stricter or higher control of corruption. However, Judge *et al.* (2008) has demonstrated that at the national level, corporate governance has been influenced by the extent of the law and that the increased culture of global competitiveness, in addition to the decreased prevalence of corruption, has led to higher corporate governance legitimacy within a country (Judge *et al.*, 2008). Similarly, La Porta *et al.* (2000a) have argued that the legal approach is a more productive path to understanding corporate governance and its reform. In contrast, Muellner *et al.* (2017) have found that legal institutions protect foreign multinational corporations from potential costs.

In terms of the influence of law on the disclosure level and the influence of their culture, Jaggi and Pek Yee (2000) have indicated that firms from common law countries are associated with higher financial disclosures compared to firms from code law countries, and that cultural values have an insignificant influence on financial disclosures by firms from common law countries. Moreover, La Porta *et al.* (2006) have found strong evidence that laws mandating corporate disclosure and facilitating private enforcement benefits stock through liability rules. Another study (Hope, 2003) has concluded that both legal origin and NC are important in explaining firm disclosure practice.

Lang and Lundholm (1993) have stated that higher information disclosure has been expected to justify companies' large profits and thus avoid legal obligations. La Porta *et al.* (1997) have found a positive relationship between the level of investor protection and capital market size. A number of studies highlighted that common law countries protect financial investors better than civil law countries (La Porta *et al.*, 2000b; Graff, 2008; Pogrebennyk, 2014). Siems and Deakin (2010) state that comparative law and finance quantifies differences in the laws governing the performance of corporations in various countries. Therefore, the law has an influence on accounting transparency, which affects corporate performance and FAPs.

In summary, it is observed that adopting specific FAPs improves firm value and performance in both weak and strong legal protection countries, with a strong body of evidence suggesting that FAPs matter more in weak legal systems and environments. However, law has an influence on accounting transparency, which affects corporate performance and FAPs.

2.3.2.2 Taxation and Financial Accounting Practices

Several studies have explored the relationship between taxation and some FAPs (Watts and Zimmerman, 1978; Bird, 1989; Guenther, 1992; Boyd *et al.*, 1994; Auerbach and Slemrod, 1997; Gordon and Lee, 2001; Stiglitz, 2002; Graham and Mills, 2008; Sikka, 2008; Dincecco *et al.*, 2011; Reinhard and Li, 2011; Dwenger and Steiner, 2014; Alon and Hageman, 2017). Gordon and Lee (2001) and Dwenger and Steiner (2014) have found a positive influence of the tax rate on capital structure. However, the aggregated nature of these studies may have hidden important frequencies across companies. In contrast, Graham and Mills (2008) have found that using the simulated marginal tax rate based on financial statements might generate a larger and more significant point estimate than using tax returns. Guenther (1992) has pointed out that the choice in organisational form is influenced by the difference between individual and corporate tax rates. However, organisations regard tax avoidance plans by FAPs as a justifiable and legitimate cost reduction programme to avoid paying tax (Sikka, 2008).

Stiglitz (2002) has stated the lack of transparency linking to the impact of organisations' income tax. Furthermore, a study conducted by Boyd *et al.* (1994) has examined how tax affected production, consumption and total welfare in the Philippine economy. Moreover, Auerbach and Slemrod (1997) have focused on the economic effects of the Tax Reform Act of 1986. Dincecco *et al.* (2011) have examined the relationships between taxation and political change in Italy, stating that taxation had important ramifications for financial policies.

The evidence above represents that the relationship between taxation and FAPs seems clear, and it has been suggested that the approach of using the simulated marginal tax rate based on financial statements might generate a larger and more significant point estimate than using tax returns. Another study has shown that the choice in organisational form is influenced by the difference between individual and corporate tax rates. However, organisations employ tax avoidance plans through FAPs. Likewise, the path of tax reform has been, in part, attributed to accounting tricks and the lack of transparency linking to the influence of organisations' income tax.

2.3.2.3 Political Relation, IFRS and Financial Accounting Practices

Various studies have examined the relationship between politics and FAPs (Wallace *et al.*, 1994; Naser *et al.*, 2006; Djankov *et al.*, 2010; Urquiza *et al.*, 2010; Rodriguez Bolivar *et al.*, 2013). Rodriguez Bolivar *et al.* (2013) consider that political competition has a positive relationship with the disclosure of public financial information. Moreover, Djankov *et al.* (2010) have found that countries with high and middle-incomes that are more democratic have high disclosure scores and make them available publicly, and vice versa. This leads to a negative association between public access to disclosed information and perceived corruption. In addition, Naser *et al.* (2006) have found that the difference in corporate social disclosure is associated with larger firms being potentially subject to more political pressure, a view also echoed by Wallace *et al.* (1994). Chen (2003) has investigated the impact of government policies on both unit cost of tax evasion and punishment-fines, noting that they influence FAPs by decreasing tax evasion, in addition to finding that an increase in both unit cost of tax evasion and punishment–fines reduces tax evasion.

In contrast, it has been argued that a company connected with the government or politically connected companies contributes negatively to their financial performance. Jaffar and Abdul-Shukor (2016) have found that companies' political connections have consistently shown a negative correlation with corporate financial performance. While FAPs do play a fundamental role in any economic policy, this role is more beneficial when supporting economic policy relevant to the society or an entity in which it operates (Neu *et al.*, 2013). In addition, Ryan *et al.* (2007) have mentioned that the provision of accounting information is considered a political process, and not just a technical matter.

Nurunnabi (2015b) has highlighted the tensions between accounting regulations, politico-institutional factors, and incomplete IFRS implementation in Bangladesh. In contrast, Chand and Cummings (2008) have reviewed the main changes made by the International Accounting Standards Board (IASB) and state that continuous changes to IFRS undoubtedly complicate the convergence process, which means IFRS has become a product of political initiatives rather than something which can be regarded as being conceptual. However, there is some evidence supporting claims that IFRSs enhance the comparability of financial statements (Cascino and Gassen, 2015).

The evidence indicates there is a strong relationship between politics and FAPs with the compulsory provision of information about politicians in low-income countries indicating improved governance. Disclosure has been shown to be influenced by political pressures, with firms disclosing either more or less depending on the level of scrutiny they are subjected to and their ability to withstand it. Politics and the lack of accounting regulatory frameworks can also affect IFRS, with the contention that firms having a political connection have been affected negatively in terms of their financial performance.

2.3.3 Ownership, Governments, Accountability and Financial Accounting Practices

2.3.3.1 Ownership Structure and Financial Accounting Practices

A number of researchers have studied the relationship between FAPs and ownership structure (Thompson and Hood, 1993; La Porta *et al.*, 1999b, 2002; Alsaeed, 2006; Yen and Andre, 2007; Tian and Estrin, 2008; Chen *et al.*, 2009; Mangena *et al.*, 2012; Ntim *et al.*, 2013; Albassam *et al.*, 2015; Li and Zhou, 2015; Abdou *et al.*, 2017; Beuselinck *et al.*, 2017). La Porta *et al.* (1999b) have determined that relatively little of corporations are widely held, with a large number of resident shareholders controlling corporations outside the U.S. Yen and Andre (2007) have provided empirical evidence for the link between ownership structure and the operating performance of acquiring firms. Ntim *et al.* (2013) have reported a negative effect of block ownership on voluntary CSR and risk disclosures. In terms of disclosure, Albassam *et al.* (2015) have found that corporations with higher government ownership and higher institutional ownership disclose much more than those that do not. By contrast, Alsaeed (2006) has found a negative association between block ownership and voluntary disclosure.

Higher corporate government ownership is associated with slower subsequent financial development and lower economic growth and corporate productivity (La Porta *et al.*, 2002). Mangena *et al.* (2012) have found that corporate performance is positively related to ownership concentration, as have Li *et al.* (2015). Another study has found a relationship between family-owned firms and firms' performance (da Silva and Mourao Graminho, 2005). In terms of accounting disclosure and transparency, Gibbins *et al.* (1990) have argued that a company’s readiness to disclose information is a function of its general disclosure position.

Galve-Gorriz and Hernandez-Trasobares (2015) have found that organisations located in countries with a higher average quality of institutional and regulatory frameworks are less concentrated in ownership. In general, ownership concentration is a significant factor in determining corporate performance (Shan and McIver, 2011; Khamis *et al.*, 2015). The study of Lemma and Negash (2016) has highlighted how ownership concentration rises with firm-level debt maturity structure, industry regulation and the level of corruption. Ntim and Soobaroyen (2013b) have indicated that CSR practices are low in companies with high block ownership and institutional ownership, but high in companies with high government ownership. Moreover, government ownership enterprises influence corporates performance and reduce the corruption level (Cao *et al.*, 2018; Shahab *et al.*, 2018). Azofra and Santamaría (2011) have found there is a non-monotonic relationship between ownership concentration and the bank's performance of Spanish commercial banks. Moreover, it has been found to be a positive influence on corporate ownership concentration on shareholder value and profitability (Thomsen and Pedersen, 2000; La Porta *et al.*, 2002; Barth *et al.*, 2004).

In summary, the studies in this section indicate that there is a strong relationship between FAPs and ownership structure. Corporate performance is positively correlated to ownership concentration. Corporations with higher government ownership and higher institutional ownership disclose much more than those that do not. In general, ownership concentration is a significant factor in determining corporate performance.

2.3.3.2 Financial Accounting Practices and Governments, Policies and Strategies

The influence of governments, policies or strategies on FAPs and vice versa has been examined in various studies (Vives, 2006; Dubbink *et al.*, 2008; Wanyama *et al.*, 2009; Othman and Zeghal, 2010; Vaccaro and Sison, 2011; Coombs and Holladay, 2013; Granados and Gupta, 2013; Hossain *et al.*, 2015; Curti and Mihov, 2018). Djankov *et al.* (2010) have suggested that public disclosure, as opposed to internal disclosure, is associated with better governance. Moreover, Dubbink *et al.* (2008) argue that transparency enhances efficiency and reputation.

Transparency is crucial in implementing a CSR policy based on the reputation mechanism (Dubbink *et al.*, 2008). Moreover, it has been argued that regulations and pressure groups consider CSR to be very thorough, as they expect companies to disclose their own activities (Tilt, 1994). Governments play an important role to enact rules and regulations that define corporate expectations on CSR levels (Relch, 1998). Curti and Mihov (2018) have added that a country's governance plays an important role in fraud recovery for companies with poor risk management quality.

Corporate transparency correlates with the disclosure of standardized documents, such as CSR (Vives, 2006; Vaccaro and Sison, 2011). Where the majority shareholders are concentrated within a few families in a small society, this could lead to less pressure on organisations to disclose information that reflects their responsibilities toward their society (Naser *et al.*, 2006). Therefore, whether organisations distribute more information publicly is normally influenced by the degree of transparency adopted. Bolivar *et al.* (2006) have showed how different countries' use of financial disclosure is deeply rooted in, and follows from, their administrative culture, and is influenced by corporate governance (Dittmar and Mahrt-Smith, 2007).

However, transparency has not only been shown as the opposite of secrecy, but also as a form of strategy that makes organisations appear more transparent to their public (Granados and Gupta, 2013). Moreover, Coombs and Holladay (2013) have examined how CSR transparency claims are increasing to ensure responsible corporate behaviour, where a minority of stakeholders look to ensure true transparency by requiring greater disclosure. Hossain *et al.* (2015) have stated the importance and obligation of managers in accounting transparency and CSR reporting. Wanyama *et al.* (2009) have also highlighted how countries with pervasive corruption and weaknesses in underlying frameworks have hampered attempts to improve FAPs.

To conclude, there is evidence regarding the relationship between governments, policies or strategies and FAPs. For example, it has been argued that governments can strongly affect disclosure and transparency scores. Moreover, public disclosure is considered superior to internal disclosure and is associated with a better government. Therefore, governments should enact rules and regulations that define corporate expectations on the levels of CSR. Therefore, one can infer that FAPs vary across countries and regions, due to different governments, policies or strategies.

2.3.3.3 Accountability and Financial Accounting Practices

The link between accountability and different FAPs has been examined in a variety of research studies (Nader, 1984; Rodriguez Bolivar *et al.*, 2013; Harrison and Sayogo, 2014; Parker, 2014; Schouten *et al.*, 2014; Ntim *et al.*, 2017; Painter-Morland and Deslandes, 2017). Although most organisations need to perform financially, organisations are also increasingly being expected to behave in socially responsible ways and consider the interests of stakeholders. These are affected by changing regulations and by emerging investor activism and accountability (Parker, 2014; Schouten *et al.*, 2014). In addition, the lack of accountability of directors may have contributed to the existence of some negative boards, which can affect FAPs (Nader, 1984). Factors such as transparency and accountability function together to produce information that citizens need to assess and validate the actions of their governments (Harrison and Sayogo, 2014).

Painter-Morland and Deslandes (2017) have reconceptualised CSR's relationship with accountability, arguing that these challenges can be overcome if CSR is conceptualized as relational accountability. However, Haraldsson (2016) findings indicate that the changing institutional and organizational environment has not been reflected by attention to reporting structures that stem from external accountability processes. Rodriguez Bolivar *et al.* (2013) have stated that transparent government acts as a reinforcement of accountability, which draws good governance. To sum up, it has been illustrated from the literature that there is a relationship between accountability and FAPs. The lack of accountability of directors may have contributed to the instances of negative behaviour from some corporate managers. Moreover, it has been argued that transparent government acts as a reinforcement of accountability, which ultimately leads to better governance.

2.3.4 Religiosity and Financial Accounting Practices

2.3.4.1 Influence of Religiosity on Financial Accounting Practices

Several studies have investigated the relationship between FAPs and RLG (Camenisch, 1986; Quazi, 2003; Graafland *et al.*, 2006; Brammer *et al.*, 2007; Louche *et al.*, 2012; Hopkins *et al.*, 2014; Cui *et al.*, 2015a). Some findings have shown that RLG has improved the commitment of FAPs. Quazi (2003) and Hopkins *et al.* (2014) have provided strong supporting evidence that RLG does moderate relationships and that levels of RLG do influence perceptions and behaviours. In addition, Brammer *et al.* (2007) suggest that religious people do tend to make broader conceptions of CSR. Cui *et al.* (2015a) have found a positive relationship between a measure of the firm's commitment to diversity and the RLG of the firm's management. Moreover, a De-Miguel-Molina *et al.* (2018) study has indicated that culture and religion encourage positive corporate behaviour.

A number of researchers have found a relationship between RLG and CSR (Ramasamy *et al.*, 2010; Jamali and Sdiani, 2013; Kauanui, 2013; Chatjuthamard-Kitsabunnarat *et al.*, 2014; Schouten *et al.*, 2014; Hasan *et al.*, 2017b). Moreover, Wu *et al.* (2016) have found that religious adherents in the communities are positively correlated with an organisations’ level of CSR. A qualitative study found that CSR is rooted in religion (Barsoum and Refaat, 2015). In addition, Du *et al.* (2016) have shown that the religious atmosphere is significantly positively associated with CSR, as have other studies (Chatjuthamard-Kitsabunnarat *et al.* (2014). From a wider perspective, Hossain *et al.* (2015) have indicated that CSR reporting is not merely stakeholder-driven, but rather country-specific where social and environmental issues and RLG play an important role in relation to CSR reporting.

Kleinman and Lin (2017) have found that religious affiliation is one of the determinants in the efforts of auditing. Beyond the organisation, religious communities have also been found to positively correlate to employees' practices, which in turn influences FAPs in their firms (Cui *et al.*, 2016). Moreover, Taka (1994) has stated that business ethics is linked with a religious dimension, which leads to a different view of both individuals and corporations. In addition, religiously affiliated institutions demonstrate strong corporate social performance (Casselman *et al.*, 2015). Salaber (2013) has provided evidence that aggregated religious preferences significantly affect company share prices.

In short, the studies discussed above have shown a relationship between FAPs and RLG. Some have shown that RLG strengthened the commitment to FAPs and was associated with management’s behaviour. Likewise, it has been found that RLG is both positively correlated with

CSR, affecting the practices of the employees. Therefore, the positive relationship between corporate management and RLG will very likely influence FAPs.

2.3.4.2 Financial Accounting Practices and Different Religions

Numerous studies have shown that various religions, such as Islam and Christianity, have an influence on FAPs, corporations' performance and managers' behaviours through different channels (Pava, 1998; Kamla, 2009; Khan and Sheikh, 2012; Chen *et al.*, 2016). The question of the influence of religion on FAPs remains unclear, as prevailing research is either inconclusive or in short supply. Chen *et al.* (2016) have showed the link between stronger RLG and lower debt interest. Pava (1998) has claimed that larger numbers of academics and practitioners are turning to religious sources as a path for answering difficult questions related to business ethics and FAPs. Generally, religious teachings in either Islam, Judaism, Christianity or other Eastern religions or philosophies, can contribute by defending and fostering society against corporate greed, an issue that affects FAPs (Kamla, 2009).

Some research has investigated the influence of Islam on FAPs (Hamid *et al.*, 1993; Kamla *et al.*, 2006; Zinkin, 2007; Williams and Zinkin, 2010; Ali Aribi and Gao, 2011; Robinson, 2015; Khan, 2016; Mostafa and ElSahn, 2016; Polato *et al.*, 2016; Albassam and Ntim, 2017; Mollah *et al.*, 2017). Islam has been positively correlated with some FAPs (Zinkin, 2007). The system of Islam is also evident in its concern with looking after the environment (Kamla *et al.*, 2006). Williams and Zinkin (2010) have also stated that Islam has an advantage of clearer codification of ethical standards. Moreover, Ali Aribi and Gao (2011) have pointed out Islamic elements in CSR practices which have been disclosed in the annual reports of corporations. Mollah *et al.* (2017) have concluded that the governance structure in Islamic banks plays a crucial role in financial performance, as has Khan (2016).

In addition, Polato *et al.* (2016) have suggested that Islamic stock exchanges are differently exposed to institutional constraints and have various drivers of profitability. Similarly, Mostafa and ElSahn (2016), and Robinson (2015) have considered how Islam reframes CSR leaders who are affecting FAPs. Albassam and Ntim (2017) have found that corporations that have a greater commitment towards incorporating Islamic values into their operations and practices engage in higher voluntary corporate governance disclosures than those that are not. In addition, the findings of Quttainah *et al.* (2017) have indicated that several characteristics of religious supervisory boards influence Islamic banks' financial performance since religious supervisory boards provide tighter controls and monitoring.

Other researchers have investigated the influence of Christianity on FAPs (Hamid *et al.*, 1993; Ibrahim *et al.*, 2008; Kim *et al.*, 2009; Cui *et al.*, 2015b; Griffin and Sun, 2018). Cui *et al.* (2015b) have found a negative relationship between the environmental practices initiated by an organisation's managers and the religiosity, primarily Christianity, of the surrounding societies. Kim *et al.* (2009, p. 120) state that, "given the challenge among business ethicists and business leaders to create a more ethical environment, ethics research from a Christian viewpoint may offer insights that promote morality in the workplace". However, Hamid *et al.* (1993) have stated that Islamic philosophies and practices contrasted with the prevalent Jewish and Christian traditions in the context of accounting policies and practices. In contrast, Griffin and Sun (2018) have found that companies in high churchgoing locations disclose CSR activities less frequently.

To conclude, religious teachings from Islam, Judaism, Christianity or other religions, can contribute by defending society against corporate greed. It has been argued that Islam has been positively correlated with FAPs, with Islamic institutions attempting to serve their primary stakeholders by keeping the best possible FAPs through use of controls and monitoring. Christianity has also been successful in examining ethical issues in business. Notwithstanding this, in general terms, there is a significant relationship between the level of religiousness and attitudes toward FAPs, especially with CSR practices.

2.3.5 National Culture and Financial Accounting Practices

2.3.5.1 National Culture, Corporate Performance and Financial Accounting Practices

Several studies have investigated the relationship between NC and certain FAPs (Baydoun and Willett, 1995; Doupnik and Salter, 1995; Stulz and Williamson, 2003; Scholtens and Dam, 2007; Askary *et al.*, 2008; Cumming *et al.*, 2010; Becker *et al.*, 2011; Gordon *et al.*, 2013; Wu *et al.*, 2016). It has been argued that FAPs are influenced by some regional characteristics, such as culture and demographics. For instance, Becker *et al.* (2011) and Stulz and Williamson (2003) have argued that differences in culture demographics can partially explain investor behaviours and corporate performance. In contrast, Wu *et al.* (2016) have provided evidence demonstrating how demographics appear to be critical channels for protecting the stakeholder. Results from the study of Doupnik and Salter (1995) have shown that countries with analogous accounting systems are shaped to an extent by certain cultural values.

It has been suggested that FAPs in developing countries may be irrelevant to their needs because they originate in another country with different NC (Baydoun and Willett, 1995). However, Gordon *et al.* (2013) have mentioned that accounting standards and practices are a complex interaction of NC. Pan *et al.* (2017) and Liu (2016) have stated that where corporate cultures are corrupt, this has also seen a greater propensity towards accounting fraud (Davidson *et al.*, 2015; Liu, 2016). In addition, NC has also been shown to influence corporate governance practices within organisations (Tosi and Greckhamer, 2004; Kwok and Tadesse, 2006). Furthermore, cultural distance can also affect influence factors such as the compensation pay system. Moreover, Smith *et al.* (2018) have documented that audit fees are higher for corporations whose headquarters are located in countries exhibiting greater institutional distance.

Chen *et al.* (2008) have found no significant relationship between uncertainty avoidance and the variables examined. Mikes (2011) has shown that unavoidable risk measurement is linked with what has been called the 'calculative culture'. However, Johan and Najar (2011) and Alas (2006) have both discovered a positive link between uncertainty avoidance and high performance by managers. In another empirical study, Clements *et al.* (2009) found that uncertainty avoidance is positively linked to power distance and is negatively linked with individualism. Likewise, Paredes and Wheatley (2017) have found a negative association between real earnings management (REM) and Hofstede's (1980) measures of individualism, masculinity, as well as uncertainty avoidance, but with a positive association with power distance. Moreover, Mihet (2013) has found risk-taking to be higher for organisations in countries with low uncertainty aversion. In addition, Filatotchev and Allcock (2010) have argued that national environments might influence the nature and extent of agency conflicts at the firm level.

Bryan *et al.* (2015) have indicated that culture is a significant determinant of cross-sectional differences in compensation structures. Chui and Kwok (2009) have demonstrated that life insurance consumption is related to cultural practices. However, this is contrasted with a positive link between future orientation and performance orientation (Chui and Kwok, 2009). Finally, Du *et al.* (2017) have found that culture is negatively associated with owner-manager agency costs and motivates managers to upgrade the efficiency of controlling operating costs. Furthermore, Boubakri *et al.* (2017b) have established that national culture, specifically high uncertainty avoidance, collectivism and power distance have a better impact on corporate performance.

Moving on, a number of studies have found a strong impact of NC on CSR (Deegan, 2000; Marquis *et al.*, 2007; Baron, 2008; Archel *et al.*, 2009; Jamali, 2010; Goodpaster, 2011; Siltaoja and Onkila, 2013; Garcia-Sanchez *et al.*, 2016; Attig and Brockman, 2017; Hasan *et al.*, 2017a). Garcia-Sanchez *et al.* (2016) have observed that institutions located in societies, characterised by a higher long-term orientation, higher cultural values of collectivism, feminism and uncertainty avoidance and a lower power distance index, are more sensitive to publishing CSR reports. However, CSR initiatives are more prevalent where firms are headquartered in areas with a concentration of senior residents (Attig and Brockman, 2017).

In summary, several studies have investigated the relationship between NC and FAPs; some of which have argued that differences in culture demographics can explain investor behaviour and corporate performance, which can influence their FAPs. Moreover, a number of results from the studies reviewed showed that cultural values, along with other factors, play an important role in identifying the group of countries with similar kinds of accounting systems.

2.3.5.2 National Culture, Accounting Disclosure and Transparency

Several studies have investigated the influence of NC on accounting disclosure and transparency (Wong, 1988; Perera and Mathews, 1990; Cooke, 1992; Gray and Vint, 1995; Singleton and Globerman, 2002; Archambault and Archambault, 2003; Askary *et al.*, 2008; Schneider and Samkin, 2008; Hooghiemstra *et al.*, 2015; Maali and Al-Attar, 2017). Hooghiemstra *et al.* (2015) have found that NC, both directly and indirectly, affects the level of disclosure decisions.

Archambault and Archambault (2003) have indicated that accounting disclosure decisions for organisations are complex and influenced by many NC and corporate factors. This can also manifest itself in a negative manner, which is seen in studies arguing that low disclosure levels of organisations are due to managers' perceptions that the cost of additional disclosure is greater than the benefits (Wong, 1988; Cooke, 1992; Schneider and Samkin, 2008).

To conclude, numerous studies have investigated the influence of NC on accounting disclosure and transparency, with researchers documenting that NC, directly and indirectly, affects the level of disclosure decisions. Likewise, they indicate that the accounting disclosure decision for organisations is complex and influenced by many national, cultural and corporate factors.

2.3.6 Crime, Corruption and Financial Accounting Practices

2.3.6.1 Financial Accounting Practices and Crime Rate

A large number of studies have investigated the relationship between crime rates and FAPs and how they influence the manner in which corporations behave (Hoover, 1961; Uecker *et al.*, 1981; Krivo and Peterson, 2000; Lehman and Okcabol, 2005; Compin, 2008; Curtis, 2008b, 2008a; Narayan *et al.*, 2010; Lehman and Thorne, 2015; Mazzi *et al.*, 2018). According to these studies, the crime environment exerts an important influence on corporate performance. In countries with a high level of safety, productivity and performance of companies are better. FAPs have sometimes been concerned with fraud and corruption (Lehman and Okcabol, 2005). Therefore, corporate managers may manipulate financial statements for instance, by inflating earnings, misleading auditors, and manipulating inventory values and counts (Bayou and Reinstein, 2001).

In terms of law and criminology, Curtis (2008a) and Louwers (2015) discuss civil and criminal laws around fraud and governance. They highlight the role/importance of forensic accounting, which aims to improve and provide evidence establishing the perpetrator and the identity of the perpetrator, and the essential elements of each crime. In a similar vein but at a wider level, crime has been shown to be infused with issues such as regulation, governance, economic crises, race, politics and class (Lehman and Okcabol, 2005). However, some crimes such as money laundering, which has grown in its level of complexity, stem from different FAPs and rely on different mechanisms, but also demonstrate a more sophisticated link to accounting fraud (Compin (2008).

To sum up, there are many kinds of crimes related to FAPs, whether they affect or are affected by them. Corporate governance, or in some instances a lack of it, also plays a key role as organisations may choose to follow or wilfully/deliberately ignore the law to further their own self-interests. This can manifest itself in management roles affecting FAPs in different ways, whether that is through earnings management, speculating with company securities, misleading the auditors, and manipulating evaluating inventory. In general, the evidence suggests that FAPs have a strong influence on reducing the crime rate.

2.3.6.2 Crime Rate, Accounting Disclosure and Transparency

In terms of the link between CR and corruption and its influence on accounting disclosure and transparency, a number of researchers have investigated the relationship between accounting disclosure and corruption level e.g. (Uecker *et al.*, 1981; Jensen *et al.*, 2010; Khalil *et al.*, 2015; Rosenfeld and Denice, 2015; Agyei-Mensah, 2017; Mas, 2017; Mazzi *et al.*, 2018). Mazzi *et al.* (2018) have examined how factors such as corruption and culture impact on disclosure requirements. The authors have highlighted a link between corruption and disclosure levels, with the least corrupt countries disclosing more forward-looking information than their counterparts (Agyei-Mensah, 2017). However, Uecker *et al.* (1981) have hypothesized that an increase in the external and internal auditors' aggressiveness in detecting corporate irregularities would function as a deterrent.

Within the organisation, accounting disclosures of pay information can level the playing field between employers and employees, which may also help to reduce corruption levels. Rosenfeld and Denice (2015) demonstrated that disclosure results in higher workers' wages, in addition, the pay transparency can in some instances help to expose and rationalise differences in pay. The link between accounting disclosure and fraud is also highlighted by Jensen *et al.* (2010), who have found that corporations in countries with less disclosure of accounting information are more likely to provide non-responses and false responses on the issue of corruption.

In summary, the studies in this section show evidence that accounting disclosure and transparency are negatively correlated with crime and corruption levels. Disclosure helps reduce the gaps between employers and employees, which reduce the corruption level, whether that is at a firm or country level.

2.3.6.3 Corruption and Financial Accounting Practices

Many studies have investigated the relationship between corruption and FAPs (Meon and Sekkat, 2005; Rossouw, 2005; Wu, 2005; Rodriguez *et al.*, 2006; Du, 2008; Sevüktekin *et al.*, 2010; Judge *et al.*, 2011; Dela Rama, 2012; Donadelli *et al.*, 2014; Ruohan, 2016; Lewellyn and Bao, 2017; Qian *et al.*, 2018; Tian and Zhang, 2018; Tong *et al.*, 2018; Yi *et al.*, 2018). Corruption is a social, economic, business and political problem (Sevüktekin *et al.*, 2010; Spano *et al.*, 2016). It has been argued that FAPs and corporate governance significantly affect corruption levels. Thus, government corruption weakens corporate governance, influencing the level of FAPs (Du, 2008). Donadelli et al. (2014) have observed organisations operating in countries with high corruption typically have low returns. However, at the firm level, agency problems can be exacerbated in corruption-sensitive industries.

It has been discovered that corporate governance standards can have a deep influence on the effectiveness of the global anti-corruption campaign (Wu, 2005; Ng *et al.*, 2008). Meanwhile, the reduced capacity of governments to set and apply the rule of law creates institutional voids in relation to corporate governance, shaping the scope of corruption (Wu, 2005; Previtali and Cerchiello, 2017). Tam (2002) has stated that corruption is a specific ethical issue produced by weaknesses in corporate governance structures. Tian and Zhang (2018) suggest that anti-corruption measures at a firm-level should be a long-term strategy focusing on state-owned firms. Countries with weak legal systems need to be strengthened to counter or minimise the effects of corruption.

Where systems are weak, companies and accountancy organisations may collude in practices such as raising profits through price-fixing, tax evasion, bribery, corruption, money laundering and some FAPs that influence EEFs or societies (Mallin, 2006; Sikka, 2008). This is where the role of auditing firms, for example, can have an ameliorating effect (Yi *et al.*, 2018). Factors such as corruption and bribery not only impact systems, corporate governance and FAPs, ironically, they also affect performance levels (Hanousek and Kochanova, 2016).

Accounting entities conduct audits and offer services constituting tax planning, risk management and the avoidance of fraud and corruption (Cooper *et al.*, 2013). Lewellyn and Bao (2017) have documented that corruption significantly affects interpreting cross-national differentiation in earnings management. Likewise, Lourenco *et al.* (2018) have suggested that in emerging countries, the higher corruption led to higher incentives for corporate manipulation of earnings management. However, in developed countries, earnings management was negatively linked to investor protection (Sam *et al.*, 2010). In contrast, Djankov *et al.* (2002) have found the costs associated with corruption make business entry extremely expensive, affecting some FAPs.

There are also numerous studies that have linked corruption and auditing (Lui, 1986; Shleifer and Vishny, 1993; Espejo *et al.*, 2001; Santiso, 2008; Albrecht *et al.*, 2012; Head, 2012; Khalil *et al.*, 2015; Kassem and Higson, 2016). It has been argued that decreasing corruption should create effective accounting and auditing (Shleifer and Vishny, 1993; Khalil *et al.*, 2015). Albrecht *et al.* (2012) have mentioned that good FAPs and regulations have already reduced corruption. Moreover, Alam (1995) has suggested that managerial and accounting skills are possibly correlated to corruption, while Albrecht *et al.* (2012) have found that countries with an established audit profession or licensing examination are perceived to have less crime and corruption. Most governments do have bodies in place to monitor activities such as corruption, fraud, etc. (Head, 2012). However, this can become fraught when controls are weak (Holtzblatt and Tschakert, 2014).

Espejo *et al.* (2001) have argued that auditing is the solution to corruption, while others have argued that anti-corruption is important in building a competent audit contingent (Fa, 1997). It has been recommended, however, that auditing regulators clarify the role of external auditors vis-a-vis corruption (Fa, 1997). Santiso (2008) has argued for Autonomous Audit Agencies that are independent control agencies for scrutinising government finances. However, they are less effective than they could be in curbing corruption, because of political constraints. Part of the solution could be for firms to strengthen their internal control systems (Trotman and Wright, 2012; Jeong and Siegel, 2018).

Being transparent also plays a key role in combating corruption, which can result in a positive or detrimental outcome (Fraser-Moleketi, 2009; Halter *et al.*, 2009; Michelman, 2009; Kasekende *et al.*, 2016; Oge, 2016; Sovacool *et al.*, 2016; Mas, 2017; Papyrakis *et al.*, 2017). Halter *et al.* (2009) have indicated that transparency is one of the factors which can help in reducing corruption. Factors such as government, economy and poverty, education, geography, and culture, have also been found to correlate significantly on the demand-side of perceived corruption (Beets, 2005). Similarly, a number of studies have found similar results (Kasekende *et al.*, 2016; Sovacool *et al.*, 2016; Papyrakis *et al.*, 2017). Moreover, Fraser-Moleketi (2009) stated that transparency, accountability and the rule of law form the foundation of a more comprehensive understanding of corruption. Where transparency is deficient, it can increase the risk of asset impairment and breaking anti-corruption laws (Michelman, 2009).

Many researchers have investigated the influence of corporate performance on corruption and vice versa (Chen, 2011; Hanousek and Kochanova, 2016; La Rocca *et al.*, 2017; Previtali and Cerchiello, 2017). La Rocca *et al.* (2017) have shown that corruption affects corporate liquidity, which influences corporate performance and FAPs. Chen (2011) has shown that with low investor protection and excessive corruption, holding cash reserves reduces efficiency and corporate performance. In addition, Mishina *et al.* (2010) have found that corporate performance above external expectations increases the likelihood of illegal activities including corruption.

Numerous researchers have investigated the influence of CSR and corporate behaviour on corruption and vice versa (Wu, 2014; Keig *et al.*, 2015; Hossain *et al.*, 2016). Keig *et al.* (2015) and Wu (2014) have shown that higher levels of corruption are correlated with higher levels of corporate social irresponsibility. Moreover, Hossain *et al.* (2016) have argued that corruption plays a central role in the decision-making process in FAPs and CSR decisions.

In summary, corruption, therefore, is an economic, business and political problem. FAPs and corporate governance significantly affect corruption level. Government corruption weakens corporate governance, influencing the strength of FAPs. In addition, corporate governance standards can deeply influence the global anti-corruption campaign's effectiveness. Meanwhile, multiple studies have suggested a link between corruption and auditing, and that decreasing corruption should create an effective accounting and audit profession. Organisations are less likely to act corruptly fearing external auditors. Moreover, transparency can reduce corruption. Corruption also affects the value of cash holdings, influencing corporate liquidity on corporate performance changes and affecting the decision-making process in FAPs and CSR decisions.

2.4 Limitations of Studies Reviewed and Agenda for Future Research

2.4.1 Sampling Limitation and Agenda for Future Research.

Recent decades have seen significant growth in the number of articles published in FAPs and EEFs, both theoretically and empirically. Moreover, it has been argued that researchers cannot provide sufficient evidence of the extent of samples included, without a much larger set of survey responses (Anderson and Lanen, 1999). Furthermore, linking FAPs with the EEFs does not provide comprehensive coverage or sufficient sample numbers. For example, Rodriguez Bolivar *et al.* (2013) provide insufficient numbers to analyse multiresolution analysis (MRA), meaning no significant findings have been produced. Domadenik *et al.* (2016) have examined only medium and large-sized industrial firms. Similarly, Chand *et al.* (2012) have used a small sample.

Most RLG studies linked with FAPs are limited by sample size, for instance, Quazi (2003) has shown limited coverage of only two corporate sectors in Australia. Similarly, Hopkins *et al.* (2014) have studied only non-profit advertising. Moreover, Hamid *et al.* (1993) have only covered commercial partnerships. Nevertheless, due to the short time period involved in the study, it is possible results were influenced by indigeneity problems, arising from measurement error. Moreover, the Barsoum and Refaat (2015) study of CSR and religious practices in Egypt had a sample of only 13 participants, insufficient to obtain results that reflect the case in their study. Moreover, the findings of Roberts (1992) have several limitations, based predominantly on large U.S corporations, thus limiting generalisability.

Ibrahim *et al.* (2008) have investigated RLG's relationship with CSR but by only sampling students, whose lack of practical experience may not generate reasonable results. Moreover, Lemma (2015) has examined corruption's influence on debt financing and ownership structure using listed firms only. This is also the case for the studies of Lopez Iturriaga and Lopez-Millán (2017). Nonetheless, future research on listed and non-listed firms could add additional value to the extant literature. Moreover, Chen (2011) has examined corruption's impact on corporate liquidity, but fails to distinguish between multinational and non-multinational firms; a potentially fruitful area for future research.

Meanwhile, studying the relationship between FAPs and one particular religion precludes generalisation. Numerous studies have investigated Islam's influence on FAPs (Khan and Sheikh, 2012; Ali Aribi and Arun, 2015; Dreher, 2015; Robinson, 2015; Syed and Metcalfe, 2015; Khan, 2016; Mostafa and ElSahn, 2016; Polato *et al.*, 2016; Albassam and Ntim, 2017; Mollah *et al.*, 2017;

Quttainah *et al.*, 2017). However, other studies have investigated Christianity's influence on FAPs (Agle and Van Buren, 1999; Kim *et al.*, 2009; Schouten *et al.*, 2014; Cui *et al.*, 2015b; Griffin and Sun, 2018). In contrast, Du *et al.* (2016) have studied Buddhism and Taoism in China, so their results may not apply elsewhere.

In conclusion, because of companies' different sizes, diversity of groups and multidisciplinary aspects, there is an increased need for larger and more varied samples. A recommendation is made to consider future research which focuses on increasing sample sizes to ensure greater accuracy, yielding more realistic and reliable results. Secondly, future research could investigate the relationship of EEFs with FAPs, using comprehensive data to increase credibility and the possibility of universalisation.

2.4.2 Geographical Coverage Limitation and Agenda for Future Research

This review seeks to comprehensively review published literature in academic journals to determine how FAPs influence and are influenced by EEFs. Despite considerable relevant literature, much work remains. It is observed that most studies have focused on certain countries, and whilst this does not indicate insufficient samples since most have reasons for selecting their content, it does make it difficult to generalise and apply the results elsewhere, due to certain factors, such as cultural and religious differences, amongst others. Many studies have been applied to only one country, for instance, Cui *et al.* (2015a) in the U.S., Khan (2016) in Pakistan, Tubadji (2012) in Germany, Du *et al.* (2017) again in the U.S, Black *et al.* (2006b) in Korea, Mostafa and ElSahn (2016) in Bahrain, Albassam and Ntim (2017) in Saudi Arabia, Du *et al.* (2016) in China, Syed and Metcalfe (2015) in Bahrain, Taka (1994) in Japan, Dreher (2015) in Turkey, Ramasamy *et al.* (2010) in Hong Kong and Singapore, Peifer (2011) in the U.S., La Rocca *et al.* (2017) and Spano *et al.* (2016) in Italy, Halter *et al.* (2009) in Brazil, Tam (2002) in China, Graafland *et al.* (2006) in Netherlands, Hossain *et al.* (2015) in Bangladesh, Archel *et al.* (2009) in Spain, Bjorkman and Furu (2000) in Finland, Malsch *et al.* (2012) in Canada, Pava (1998) in the U.S. and Nurunnabi (2015b) in Bangladesh.

Moreover, regarding the influence of NC on accounting, some researchers have used a dataset of a specific country (Yen and Andre, 2007; Beuselinck *et al.*, 2017; Mazzi *et al.*, 2018). Furthermore, most of the reviewed studies on the influence of crime and corruption on FAPs and vice versa have been applied to a specific place, country or region (Black, 2001), (Gompers *et al.*, 2003), (Lehman and Okcabol, 2005), (Black *et al.*, 2006a), (Askary *et al.*, 2008), (Adeyemi, 2010), (Li and Zhou, 2015) and (Agyei-Mensah, 2017). Thus, other countries can be covered in future research to enable greater generalisability.

In conclusion, it can be surmised that the empirical evidence in these studies has several limitations, such as the small numbers of countries analysed. Many studies have also been conducted in developed countries or developing countries only. In addition, there are insufficient international studies linking FAPs and EEFs using a cross-country method. Moreover, developing countries are not homogeneous in culture, market structure, political climate or economy (Rossouw, 2005). Therefore, using multiple countries or worldwide samples to introduce different variables in studying some FAPs could yield better results for a number of reasons. Firstly, cross-country studies allow richer tests to explain some FAPs (Pinkowitz *et al.*, 2006; Dittmar and Mahrt-Smith, 2007; Kalcheva and Lins, 2007; Chen, 2011). Secondly, examinations based on a larger sample with multiple countries should in theory, give clearer and better results in accounting issues because businesses have become increasingly globally integrated (Chen, 2011). Thus, researchers can better generalise findings.

2.4.3 Methodology Limitation and Agenda for Future Research.

It has been argued that all research methods have limitations (Anderson and Lanen, 1999). For instance, studies applying surveys have problems with measurement error and bias. Despite the use of the combined methods of qualitative and quantitative research in accounting studies, it remains an area that has been infrequently studied. This review observed a lack of qualitative or mix-methods studies. More than half of the reviewed studies selected applied a quantitative methodology (Gray and Vint, 1995; Chen, 2003; Wu, 2005; Lemma, 2015; Maali and Al-Attar, 2017), while some used the qualitative method (Greckhamer, 2011; Combs *et al.*, 2013; Nurunnabi, 2014; Barsoum and Refaat, 2015). However, it was noted that few studies applied the mix-method approach (Buhr, 1998; Azofra and Santamaría, 2011). Although the qualitative approach is best when exploring a subject about which little is known in advance, if one wishes to understand the meanings, motives, reasons, patterns, etc. then quantitative methods are best when systematically comparing data in, generalising to the whole population, cross-country studies, or test theories with hypotheses.

In terms of measurements, some of the studies reviewed were based on interviews to collect information (Gibbins *et al.*, 1990; O'Donovan, 2002; Graafland *et al.*, 2006; Mikes, 2011; Dela Rama, 2012; Malsch *et al.*, 2012; Combs *et al.*, 2013; Nurunnabi, 2014; Ali Aribi and Arun, 2015; Barsoum and Refaat, 2015; Hossain *et al.*, 2015; Nurunnabi, 2015b; Osemeke and Osemeke, 2017). However, it is noted that interviews in developing countries are normally time-consuming. Secondly, some interviewees only answered 'Yes/No/No comment', which sometimes adds no value to studies.

Meanwhile, many studies used observations to data (Chou and Lin, 2011; Rodriguez Bolivar *et al.*, 2013; Chatjuthamard-Kitsabunnarat *et al.*, 2014; Wu, 2014; Cui *et al.*, 2015b; Hooghiemstra *et al.*, 2015; Cui *et al.*, 2016; Du *et al.*, 2016; Wu *et al.*, 2016; Agyei-Mensah, 2017; Attig and Brockman, 2017). Observations can generally be made of many aspects of change in business and accounting to provide contextual data to frame the evaluation and make sense of data. However, observations may also affect participant behaviour and increase their concern, affecting researchers' observations. Therefore, explaining the evaluation activity's purpose and nature and seeking participants' permission, and observing financial reports made may reduce observations' limitations.

Some studies were qualitative, and others quantitative, with a few employing mixed methods. The purpose and nature of a study typically dictate which methodology is most effective. Some have used interviews or questionnaires to collect data and other observations, extracting data from financial reports. Each has its own benefits or drawbacks depending on the research sample applied. One recommendation is expanding the sample and application to cross-countries in different cultures. This requires quantitative methods and secondary data as collecting data from several resources from different countries is impossible. The same source must be used to enable comparison and obtain better results yielding greater generalised data.

2.4.4 Theories Limitation and Agenda for Future Research

In this review, 26 theories were found used as the main theory in the studies reviewed. However, the majority of studies focused on agency, legitimacy and institutional, followed by stakeholders' theory. The rest of the theories have only been used in a small number of studies. Although the investigation of FAPs and EEFs have applied various theoretical perspectives to clarify FAPs, many have used agency theory (Jensen and Meckling, 1976; Perez, 2004; Urquiza *et al.*, 2010; Donadelli *et al.*, 2014; Agyei-Mensah, 2017).

Moreover, legitimacy theory might be the dominant perspective in terms of numbers of studies (Patten, 1991, 1992; Deegan and Gordon, 1996; Adams *et al.*, 1998; Deegan *et al.*, 2002; O'Donovan, 2002; Naser *et al.*, 2006). It explains disclosure as FAPs concerning organisations' environmental and social behaviour (Relch, 1998; Deegan *et al.*, 2002; Milne and Patten, 2002; O'Donovan, 2002). Much extant research into the relationship between FAPs and EEFs indicates that legitimacy and agency theories are among the more probable explanations for the increase in FAPs since the early 1980s. Therefore, legitimacy and agency theories are believed to be more suitable for studying FAPs' relationship with EEFs, especially in terms of society's expectations of corporate behaviour.

Deegan and Gordon (1996) stated that organisations would disclose more information to justify the organisations' continued operations within that society. Meanwhile, although Legal Origins theory has been used in some finance and economic research (Sarkar and Singh, 2010), it is not essentially about law, finance or economics; but politics and geopolitics (Pogrebennyk, 2014). Therefore, the theory of legal origins has distinct disadvantages, and its conclusion is invalid in finance and accounting studies. It is more like a political order than independent scientific research. This study recommends using multiple theories in the same research, in addition to linking them with other economic, legal, political, sociological, behavioural or cultural theories in accordance with EEFs, especially when studying the correlation between FAPs and EEFs in future research.

2.5 Conclusion

In recent decades, there has been a growth in accounting research and studies exploring how EEFs, such as law, culture, finance, economic, social reforms and political reforms, shape and/or are shaped by FAPs. This study, therefore, systematically reviewed theoretical and empirical literature on how FAPs influence/are influenced by EEFs, with a focus on existing literature relating to culture, religion, law, finance, compensation, corporate governance, crime, corruption, CSR, auditing, taxation, corporate performance, accountability, and ownership structure. Moreover, due to its multidisciplinary approach in orientation, this literature has been spread across different disciplines. However, the framework was drawn to determine the relationship of these environmental factors with FAPs. Therefore, this review analysed 339 articles published in 144 journals from 1941 to 2018. Several EEFs have been shown to be influenced by FAPs and vice versa. This review strengthens awareness of EEFs' existence and relationship with accounting. It clarifies the limitations of the current research and the agenda of future research. The study has broadened the subject matter's focus, preparing for the required in-depth analysis of the environmental factors related to accounting. It systematically reviews the extant literature subject to appropriate inclusion and exclusion criteria and describes the systematic literature review protocol and methods. Findings and limitations have also been discussed.

2.5.1 Review Findings' Summary

The main findings from this review can be summarized in four main points. Firstly, there is a strong relationship between FAPs and EEFs. Secondly, the influence of accounting disclosure on societies per se is significant and should not be underestimated. Thirdly, the interplay between NC and its link with corruption and crime level cannot be underestimated. It is also true to say that the level of RLG can affect the behaviour and actions of corporate managers, which in turn shapes FAPs. Fourthly, given the underlying nature and principles of the accountancy profession itself, its link with economics cannot be ignored. The links and commonalities between these two means that national economic culture can directly or indirectly influence FAPs. Moreover, the lack of an accountability factor may have contributed to the instances of negative behaviour from some corporate managers.

Perhaps the transparency of governments can engender greater accountability and promote good governance, both of which may create a trickle-down effect and help change the behaviour of corporate managers. Furthermore, corruption at government level has demonstrated a weakening/partial erosion of corporate governance, which consequently influences FAPs. Moreover, corruption, can seemingly also play a key role in the decision-making process of FAPs and in CSR decisions. Finally, it is worth noting that the scope and serious nature of crime and corruption mean their effects can be felt at several levels; economically, politically and at the trade level. Therefore, it becomes clear that a form of sound corporate governance underpinned by sound FAPs can have a strong impact on reducing corruption and the level of crime in general.

2.5.2 Research Contribution

The aim of this study was to deepen and broaden the understanding and strengthen awareness of EEFs' existence and relationship with FAPs. For this purpose, theoretical and empirical frameworks have been developed in the form of a typology, which identifies, synthesises, and organises existing research perspectives, traditions, associated theories and related empirical research. It clarifies the limitations of the current research and the agenda of future research. The study has broadened the subject matter's focus, preparing for the required in-depth analysis of the environmental factors related to accounting. These provide a distinct, yet more practical/interactional approach for conceptualising the EEFs-FAPs nexus. They enable researchers to approach research questions from various points of view, thus increasing flexibility in thinking and richness in insights. Furthermore, theoretical and empirical frameworks have developed several themes, which highlights the relationship between different EEFs with various FAPs. Applying an SLR technique in exploring the links between EEFs and FAPs provides new insights into the accounting literature of the links between these subjects. It also contributes to their development in understanding the influence of EEFs on FAPs and how they can change them. In addition, this review strengthens the awareness of EEFs' existence and relationship with FAPs. Furthermore, this review encourages researchers to integrate insights from diverse topics and theories to address a range of research questions linking EEFs and FAPs in different aspects. Finally, the study highlights gaps and 'blind spots' in the literature and indicates which theoretical and empirical topics could be used to contribute to future research.

2.5.3 Research Implications and Recommendations

Many of the studies reviewed show a strong link between FAPs and EEFs. However, a number of them have limitations which can be attributed to either their samples, context, methodology or theories. The results of this review has helped to highlight how future research recommends empirically investigating FAPs' relationship with specific EEFs using cross-country data. The results of this study also have a number of implications for theoretical and empirical studies. With respect to the sample size and content, this review shows the importance of having a big sample that covers several countries, especially studies related to the effect of culture. This supports the possibility of comparison between countries (developed and developing). This review has shown more useful results for studies that have used more than one theory in investigating the study problem. However, many of the previous studies adopted only one theory. Given the theoretical limitations associated with the literature reviewed, researchers are encouraged to use multiple theoretical frameworks, especially in/for studies that link subjects from different areas such as business and culture. Analyses and results could assist policymakers and administrators realise further accounting impacts on societies. Therefore, future research is encouraged to explore the effect of EEFs on FAPs using cross country studies. Finally, the results of this review could assist research centres and decision-makers realise further the impact of FAPs on EEFs and vice versa in different societies.

Due to the limitations linked with the studies reviewed, the researcher did consider studying the relationship between selected FAPs and linking them with selected EEFs. Nevertheless, this was not possible due to time constraints, and so the researchers selected only two subjects – both of which will be covered in Study Two and Study Three in this thesis.

Accounting disclosure studies have shown the importance of the level of accounting disclosure on societies. Moreover, the influence of CR on accounting has proven to be particularly significant. However, the bulk of the studies reviewed have been applied to minimal cultures, so cannot be generalised, and the influence of CR on the extent of accounting disclosure should be investigated as a cross-country study. This has led the researcher to focus on ''accounting disclosure, crime rate and national culture'' for Study Two.

Moving on, although the relationship between RLG with different types of CSR is strong, there are very few studies that provide the opposing view or dismiss this relationship. Moreover, due to the sample size and lack of application in many countries, plus the omission of some aspects affecting religion's relationship to CSR, this has meant results cannot be generalised. In addition, the presence of other opposing results indicates society and culture's potential impact on this relationship. Due to these limitations, the researcher have decided to focus on ''corporate social responsibility, religiosity and national culture'' for Study Three. To further enhance the potential for credibility, the validity of and generalisation from these studies, samples will include developed and developing countries worldwide and sufficient samples will be used with different methodologies. Depending on this results from this review, this may help to determine avenues for future research which could focus on recommending that the link between FAPs and EEFs is investigated using cross-country data.

2.5.4 Research Limitations and Agenda for Future Research

The research area on the external environmental factors and financial accounting practices has attracted considerable interest in recent years. Despite this, it is still regarded as being a vast domain, and further significant quantities of research may appear, and need to appear considering different approaches and aspects. This review itself also has some limitations which need to be acknowledged: Firstly, the selected articles are only ranked in ABS (2015) rank to ensure quality. However, this may lead to being unable to use and therefore losing some valuable related published articles, purely on the basis of them not being ABS-ranked. The datasets are comprehensive, not exhaustive. However, Google Scholar was scanned to ensure more comprehensive coverage of relevant articles and English was chosen for the indexed articles, meaning a bias in omitting non-English articles. This encourages future revisions to use multiple ranks to contain more research as well as research in different ways to ensure coverage of the largest possible studies. Accordingly, as more data becomes available, future research is encouraged to revisit these links by including more EEFs in the future review.

Chapter 3 Study Two: Accounting Disclosure, Crime Rate and National Culture

Abstract

This study empirically analyses accounting disclosure as a cross-country study, using a quantitative methodology in order to contribute to accounting literature by providing new insights by exploring the relationship between the extent of accounting disclosure (EAD) and crime rate (CR), as well as the moderating effect of national culture (NC). This study seeks to; (i) investigate the relationship between EAD and CR, (ii) explore the link between CR and NC and (iii) determine the moderating effect of NC on the relationship between EAD-CR.

The decision to employ a cross-country study is motivated by the relative lack of, and recent calls for, cross-country studies in EAD linked with CR research. This study seeks to provide more generalisable results and provide a more complete understanding of the effects of CR on EAD. Efforts have been made to obtain data from different world databases. Based on an international sample, the final sample covered 142 countries for the period 2012 to 2018, which has been used to achieve the aims of this research. A number of databases and sources have been used to collect this study's variables data and include: World Development Indicators, The World Bank, Numbeo, The Global Competitiveness Index, The World Economic Forum, Hofstede, The International Monetary Fund (IMF), The Global Competitiveness Index, The World Economic Forum, Index of Economic Freedom (Knoema), The World Bank Group and The Worldwide Governance Indicators (WGI). The ordinary least squares regression (OLS) has been used to examine the relationships. Additionally, to alleviate the concern of potential endogeneity and the probability of normality and variance issues, this study has used fixed-effect regression, lagged effect and the GLM regression model.

The results of this study show a significant negative association between CR and EAD. Furthermore, the findings provide some evidence that NC seems to affect the EAD-CR nexus. These findings are robust across different statistical techniques and alternative measurements. Moreover, these findings support the multi-theoretical framework of the agency, social and strain theories. As a consequence, this study has important implications for corporate decision-makers, regulators, governments and key players in financial reporting.

Keywords: *extent of accounting disclosure; EAD; crime rate; CR; national culture; NC; Agency theory; Social theory; Strain theory; OLS; Lagged; GLM.*

3.1 Introduction

This study generally seeks to explore the relationship between EAD and CR, whilst examining whether NC can moderate the link between these two elements. Firstly, crime is a highly complex phenomenon, which changes over time and across different cultures around the world. Cultures evolve over time, with individual behaviours which were once not criminalised becoming illegal through generations. As a result, defining what constitutes a crime represents a challenging prospect. There are multiple forms of crimes, which have their own distinct causes, but this research will focus purely on CR instead of the different types of crimes around the world. Stults and Hasbrouck (2015) state that CR can be a measure of the number of crimes, compared to the number of people at risk. Therefore, CR is considered as a comparison measure of the level of crime for a period of time for official statistics across different areas. CR is higher in some countries compared to others, with the most significant factors associated with higher CR being NC and certain social and economic factors, such as inflation rate, exchange rate, GDP, tax rate, investment and domestic competition, which can significantly affect how corporate managers make decisions. In addition, crime is not only a social problem, but also an important economic issue because it costs a significant amount of money for societies, as well as governments who are continually seeking methods to prevent it.

Another issue focuses on the disclosure of financial information in annual reports and is considered a key area of accounting research, having received considerable attention from academics with several pieces of research in developed countries (Firth, 1979; Bradbury, 1992; Raffournier, 1995; Hassanein and Hussainey, 2015), as well as developing countries (Chow and Wong-Boren, 1987; Cooke, 1989; Cooke, 1991; Hossain, 2000; Alqaraleh *et al.*, 2018). However, this study postulates that there are no cross-country studies that have tried to determine a link between EAD with CR at the country level. Furthermore, it is expected that a higher CR may result in lower EAD, and NC is expected to moderate these relationships. Disclosure is an act of releasing all relevant information pertaining to a country's economy that may influence a public decision. There are some variables that can be used to measure EAD in a country’s economy, but it is difficult to know the level of disclosure required by users. In addition, it is hard to know sometimes whether the disclosure is even desired by users (Djankov *et al.*, 2010). However, Najam (2019) does state that disclosing reliable accounting information helps users at different levels to rationalize their economic decisions. Although it is plausible that EAD may conflict with privacy, such as disclosure of beneficial ownership, it is worth noting that such privacy is protected by politicians from mainstream media coverage or even from any kinds of crime, which could possibly be due to a vested interest, preserving or maintaining the status quo or upholding a particular position (Hirshleifer, 1980). The remaining parts of the introduction for this section of the thesis are organised as follows: Subsection 3.1.1 presents the research motivation, with subsection 3.1.2 providing a description of the research objectives and questions. Subsection 3.1.3 highlights the contributions of this research to the extant accounting literature, with the final subsection, 3.1.4, presenting an overview for the organisation of the study.

3.1.1 Research Motivation

While financial crises have been attributed to poor corporate governance, transparency and disclosure practices Haniffa and Hudaib (2006), corporate performance and managerial behaviour are generally influenced by informal social relations, such as family relationships, neighbourhood, safe life and other social factors. Moreover, in most types of crime, the mechanism of criminal behaviour is connected with an aggressively dismissive attitude towards a person's life, health and integrity. However, in the structure of crime, violence is not only the means to further a goal, but also a motivational element of financial manipulating through certain financial accounting practices. Furthermore, levels of crime can be determined by society. However, there remains a need to evaluate the previous research in the pursuit of externally valid and reliable hypotheses in relation to the drop in crime level. In such a pursuit, Farrell (2013) outlines a number of existing hypotheses and evaluates them using five tests for a theory of the reduction in crime. Moreover, there remains a need to evaluate and investigate the reasons behind the increase in CR as an international problem, and investigate the role played by CRs in influencing the accounting disclosure at the country level.

An important practical motivation for this study is the better understanding of EAD associated with CR across countries; an area that hitherto, has not been extensively examined. There are motives and benefits of accounting disclosure (AD), which corporate managers seek to obtain. Therefore, in order to understand the general underlying motives and benefits of AD, it is necessary to discuss the compact features of AD. Previous researchers have provided arguments demonstrating the benefits that corporate managers are getting by increasing the level of disclosure, even if a voluntary disclosure (Trueman, 1986; Skinner, 1994; McKnight and Tomkins, 1999; Iatridis, 2008). However, some corporates are not inclined to disclose information that will affect their competitive position (Newman and Sansing, 1993).

Therefore, the motives for accounting disclosure can be summarized in the following ways. Firstly, disclosure is required because managers of corporations have a responsibility and they have to meet certain business and financial targets (Iatridis, 2008). Secondly, corporate managers tend to disclose more financial information about their performance in order to get support in stock markets (McKnight and Tomkins, 1999). Thirdly, corporate managers may have a motive to provide voluntary disclosure, as it can help to reduce the cost of crimes (Skinner, 1994). Finally, corporate managers may provide more disclosures and forecasts to show investors that they are aware of the corporation's economic environment and are able to quickly respond to future changes (Trueman, 1986). Therefore, the above discussion indicates that EAD depends on factors such as managerial motives, NC, a legal system, and the institutional background of the country in which the corporation works.

The rate of crime itself has gained attention from a wide range of sciences. Social theory emphasises the impact of poverty and social deprivation on CR, and as social capital suffers, it becomes increasingly difficult for societies to efficiently address its problems, thus, crime will be encouraged. This was illustrated in the 1950s and 1960s, where/when criminal behaviour was thought to be simply the result of mental illness and social problems in such a way that criminals were seen as "helpless victims" (Becker, 1993). However, the values of a society can affect and change CR as a social problem and also reinforce it, which will then influence financial accounting practices in general (Radebaugh *et al.*, 2006).

Despite the importance of this sector for a country's economy, prior literature in this area shows a dearth of studies that can provide sufficient evidence of the relationship between EAD and CR at the country level. In addition, previous studies have used noticeably smaller sample sizes than this research. In conclusion, this research is motivated by the lack of studies conducted in the accounting sector in the area of EAD, CR and NC, and in particular, those conducted as a cross-country study. Therefore, this research covers data from a very large world database, as well as sources over a long time period spanning from 2012 to 2018, while previous studies used data over a relatively short period or applied only to a small number of countries. This, therefore, arguably improves the possibility of the results from this study being used on a generalized basis.

3.1.2 Research Objectives and Questions

Empirical studies on crime have been increasing over the last decade, but, the majority of these studies have relied on data available from European Union countries, the United States and Latin America. However, there is a clear dearth of studies using data from developing countries, which means the existing literature arguably lacks a worldwide outlook or perspective, and one moreover, that can be said to be truly representative of all regions. In addition, these studies devoted to crime, appear to have focused more on discussing crime in security and science. It can also be said that several studies have examined the crime level by comparing different cities in the same country. For example, the Lehman and Okcabol (2005) study has looked at how crime in the late 20th century has been represented, but its subject area was based solely on Wall Street. This illustrates the absence of literature review studies in the area of EAD and CR, particularly as a cross-country study. So, this study seeks to make a contribution to this field by examining this relationship, using a cross-country study and analysing related data from a more comprehensive, worldwide database. As part of this analysis, the moderating effect of NC on the relationship between EAD and CR is also considered.

Consequently, this study, by applying regression models, aims to make a contribution to the existing gap in the literature, as well as stating the questions that need to be tackled in the study. This will be achieved through the following objectives: (i) to investigate the relationship between EAD and CR globally; (ii) to explore the relationship between CR and NC; (iii) to determine the moderating effect of NC on the relationship between EAD and CR. In attempting to highlight the research gap and achieve the research objectives, this study seeks to empirically answer the following research questions. Firstly, what is the relationship between EAD and CR? Secondly, what is the relationship between CR and NC? Thirdly, can NC moderate the relationship between the EAD and CR? By addressing these questions, it is hoped this study will make a valuable contribution to the existing body of accounting literature.

3.1.3 Research Contributions

Through addressing the research questions, this study will contribute to the existing literature by adopting a multiple-theoretical framework to interpret the empirical findings and to understand EAD linked with CR in depth. It has been noted that existing studies on disclosure usually adopt an agency theory approach only (Donadelli *et al.*, 2014; Hooghiemstra *et al.*, 2015). Therefore, this study will go further by providing an explanation of how to use multiple theories in interpreting the empirical findings.

It is believed that this study is the first of its kind to investigate the relationship between EAD linked to CR and the extent of this link as a cross-country study applied to all countries globally. More precisely, this study is the first of its kind which attempts to investigate the relationship between EAD and CR, as well as the moderating effect of NC on this relationship. This research will employ a large sample of more than 213 countries from 2012 to 2018 collected directly from more than 12 databases and sources. Unlike previous cross-country studies, the sample will be constructed so as to achieve a balance between a sufficiently large numbers of countries, thus enabling the generalisation of the findings to be enhanced.

It is also envisaged that this study will seek to fill the gap in the existing accounting literature by contributing to providing empirical evidence on the factors determining the best level of accounting disclosure, which helps to reduce the country's CR. Additionally, this study contributes by providing empirical evidence of how NC can direct the relationship between EAD and CR. Finally, this study contributes to the existing literature by indicating that providing more accounting information and transparency will contribute significantly more to stakeholders than their societies. In addition, it is more likely to protect societies by increasing safety in the form of EAD. Moreover, it will contribute by providing important policy, regulatory, and practical implications for countries, governments, and authorities, especially in developing countries currently pursuing disclosure policy reforms aimed at reducing CR.

3.1.4 Research Organisation

As is shown in Figure 5 below, this study is organised into eight sections. Section 3.1, introduces the research, articulating the main motivation of this research, research questions objectives, as well as presenting the research contributions. This section concludes with a brief outline of the way in which this research is organised. Section 3.2 seeks to discuss the background of this study, including; EAD, CR and NC. Section 3.3 reviews the key theories associated with EAD and CR which include agency, social and strain theories. It aims to highlight the implications of these theories by providing a profound understanding of the relationship between EAD and CR. Reviewing these theories will help them to incorporate into a framework that can be used to interpret and rationalise the empirical results.

Section 3.4 reviews empirical studies from both developed and developing countries, to provide existing evidence of the relationship between EAD-CR with the relationship between CR-NC. It also discusses the moderating impact of NC on the relationship between the EAD-CR. In section 3.5, a discussion highlights the quantitative research design, methodology and statistical analysis of data used in this study, as well as the justification of the chosen data and research design. Three statistical models are employed: (i) the first model, which investigates the link between EAD-CR, (ii) the second model, which investigates the link between CR-NC, and; (iii) the third model, which investigates the moderating effect of NC on that relationship. Following that, section 3.6 will discuss the findings relevant to the literature. This section will address the descriptive statistics and OLS assumptions, in addition to presenting the statistical summaries of the tests of OLS assumptions and correlation analyses. Section 3.7 discusses the empirical findings obtained by running the regression models. The final section, 3.8, presents a summary of the findings from the quantitative data and the implications of this research for governances, policy-makers and practitioners. Furthermore, it discusses the contributions of this study as well as outlining some of its limitations and a brief conclusion which offers suggestions for future research.

Study Two Structure

Section 3.1 Introduction
Introduction, Motivation, Questions, Objectives, Contributions

↓

Section 3.2 Background
Accounting Disclosure, Crime Rate, National Culture

↓

Section 3.3 Theoretical Framework
Agency Theory, Social Theory, Strain Theory

↓

Section 3.4 Literature Review
Empirical Literature Review and Hypotheses Development

↓

Section 3.5 Research Design
Samples, Data, Sources, Methodology, Regression Models

↓

Section 3.6 Descriptive Statistics
Descriptive Statistics and OLS Assumptions

↓

Section 3.7 Empirical Results and Discussion
Results and Comparison of OLS, Fixed, Lagging Effects and GLM

↓

Section 3.8 Conclusion
Contribution, Implications, Recommendations, Limitations

Figure 5: Study Two Structure

3.2 Background

3.2.1 Accounting Disclosure

There are many different ways to disclose information, such as websites, annual reports, conference calls, investor relations, analyst presentations, interim reports, etc. Therefore, corporate disclosure can be divided into two main categories, voluntary disclosure and compulsory disclosure. Compulsory disclosure is information revealed in the completion of the requirements of the disclosure which is stated in the form of laws, but voluntary disclosure is any information given in excess of the compulsory elements (Hassan and Marston, 2010). The importance of corporate disclosure stems from it being the main form of communication between management and the public in any society.

Gibbins *et al.* (1990, p. 122) define financial disclosure as, "any deliberate release of financial information, whether numerical or qualitative, required or voluntary, or via formal or informal channels". Accounting disclosure is considered a channel through which shareholders can gain valuable information regarding a company’s activities and its position. In addition, it facilitates a connection between corporate insiders and corporate financial users. In addition, the corporate disclosure supply or the way in which information disclosure is managed is referred to as a disclosure position (Gibbins *et al.*, 1990). Therefore, if there is any information which cannot remain undisclosed, it should be disclosed in either the mandatory or voluntary reports (Al-Akra *et al.*, 2010).

Previous studies suggest that corporates can increase their value by increasing voluntary disclosures (Barry and Brown, 1985; Fishman and Hagerty, 1989; Diamond and Verrecchia, 1991; Pavlopoulos *et al.*, 2019). However, corporate managers are also faced with the threat that disclosing extra information means potentially helping their competitors as well as the presence of information uncertainty when selecting the corporates’ disclosure level (Verrecchia, 1983; Gigler, 1994; Dye and Sridhar, 1995). Thus, the influence of accounting disclosure as a connection between managers and shareholders involves the association of management power and shareholder variation (Alqaraleh *et al.*, 2018). However, corporate' managers can intentionally decrease the readability of accounting disclosures by making them more complex (De Souza *et al.*, 2019).

The irregularity issue of information and agency conflicts between management and public has caused the growing demand for accounting disclosure. (Healy and Palepu, 2001). Enhanced corporate disclosure is believed to moderate some of society’s problems by providing more financial information to the public (Healy and Palepu, 2001; Graham *et al.*, 2005; Lambert *et al.*, 2007). Kahl and Belkaoui (1981) have investigated the extent of disclosure by studying 70 banks located in 18 countries and found a positive correlation between the bank's size and the level of disclosure specified. The authors state two disclosure positions; ritualism and opportunism. They find the difference between these positions is determined by whether management plays an active or passive role in managing disclosure. Their disclosure position and level impacts on and affects managers' behavioural patterns. Moreover, the main objective of accounting disclosure is to communicate the information reliably, on time and in an intelligible form so as to be valuable to the end-users. Furthermore, responsible communication for accounting disclosure also includes transparency and accountability (Akter and Hoque, 1993). However, it is expected that a lower CR may result in higher EAD, and NC is expected to moderate these relationships. This leads one to consider what the correct level of disclosure should be for the public, which is affected by CR. After determining the relationship between EAD and CR in this study, EAD can be measured and gauged in a manner that would balance privacy and lower CR.

3.2.2 Crime Rate

One of the first issues to consider is whether the crime level of a country plays a role in reducing EAD or not. Typically, corporate managers, regulators and governments play a role in determining the level of information disclosure. In addition, the level of accounting disclosure decisions may be influenced by CR. However, the term 'crime rate' refers to the estimation of the overall level of crime in a given country. Moreover, it can be said that CR is a count of crimes compiled to assess the effectiveness of a crime control policy and the impact of the policy on the risk of crime victimization. Business and accounting failures have included the pattern of free-market failures across the country. There will be some lack of investor and public confidence, and scepticism about the integrity and wisdom of cross-country enterprises in general, due to financial collapses (Lehman and Okcabol, 2005). Therefore, crime will appear to be less tolerated and more prominently declared as wrong. So, the major concern is for survival, as former SEC Chair Levitt states in highlighting that, "… when the public loses confidence in our markets, or when the reliability of the numbers is diminished, the whole system is jeopardized," (McNamee *et al.*, 2000, p. 158). In addition, the Cho *et al.* (2019) study shows that corporations headquartered in boroughs with higher crime rates are more likely to engage in earnings management.

In accounting's protection of private organisations, as well as those affected by financial activities, accounting contributes to victimising outsiders and those largely powerless. Furthermore, accounting practice in the media, in the management of consent, in crime and among those being held in prisons shows us that justice is not blind (Lehman and Okcabol, 2005). As Dostoevski has written, “the degree of civilisation in a society can be judged by entering its prisons”. Additionally, crime may be caused due to economic losses and this makes the measurement of CR complex as other factors such as loss of life and emotional harm may also be associated with it.

It has been suggested that estimating CR at a subnational level might be more stable than at a national level in reducing the aggregation bias because collecting data might be influenced at these levels. Recent research suggests that the positive effect of social resources begins to level off under extreme adverse community conditions. Previous researchers have found differences in the economic and social issues that generate different people of criminal violence. For instance, criminological researchers have attempted to tease out the overlapping effects of race and poverty at neighbourhood and city levels (Krivo and Peterson, 2000). Krivo and Peterson state that analyses of race-specific urban crime offending rates test the hypothesis that racially different influences occur because the crime-generating process itself is conditioned by social situations. In addition, their results show low rates of homeownership can also be a source of weak cohesion in the community (Krivo and Peterson, 2000). However, Narayan *et al.* (2010) have examined the natural rate of crime, and the policy implications of their findings show that governments should focus on changing the economic and social structure, which determines crime in the long term, rather than continue spending on law implementation that will, at best, minimise CRs in the short term. Since this study seeks to examine the relationship between EAD and CR, it is expected that one reason for the high EAD is the low level of CR, taking into account the differences of cultures among the countries studied in this research.

3.2.3 National Culture

In the last decade, increasing attention has been paid to the cultural dimension of accounting (Gray *et al.*, 1988; Tay and Parker, 1990; Hamid *et al.*, 1993). Generally, users' needs for accounting or financial information are influenced by environmental factors, especially in the location in which their decisions are made (Baydoun and Willett, 1995). Similarly, Perera (1989) has stated that financial accounting practices evolve to suit the circumstances of a particular society at a particular time with a different culture. In addition, Hofstede and Hofstede (2005) and Hoftstede (2001) have conducted one of the most comprehensive studies of how values in business are influenced by culture. They have defined culture as, “the collective programming of the mind distinguishing the members of one group or category of people from others”. There are six dimensions of NC: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation and indulgence. These dimensions will be used in this study, and are based on extensive research that has been conducted by Professor Geert Hofstede, Gert Jan Hofstede, Michael Minkov and their research teams.

In this study, NC will be used as a moderating variable, to ascertain if NC will moderate the relationships in the study's variables or not. The importance of culture and its historical roots in accounting systems is becoming increasingly recognised (Radebaugh *et al.*, 2006). However, it is not easy to define it in humanity and social science. There are many different definitions of culture. For instance, Hofstede (2003, p. 1) defines culture as, "the collective programming of the mind; it manifests itself not only in values, but in more superficial ways: in symbols, heroes, and rituals". While Mead (2017, p. 17) defines it as, "culture means human culture, the whole complex of traditional behaviour which has been developed by the human race and is successively learned by each generation". Hofstede *et al.* (2010, p. 6) add that culture is, "collective programming of the mind which distinguishes the members of one group or category of people from another". Therefore, beyond the many possible definitions examined one can say that culture is a complex concept and there is no singularly agreed definition of it in the literature.

It is necessary to include cultural issues in explaining the international business and accounting of a country (Nurunnabi, 2015a). There is a lack of research addressing the influences of society and politics on accounting (Hopwood, 1976). Hopwood (1999) states the specific NC elements such as accounting, religion, politics, class structures, or education, contribute to national differences. Prior research suggests that culture has a significant influence on the financial accounting practices of a country (Burchell *et al.*, 1980; Lowe *et al.*, 1983; Mustafa and Lines, 2013; Blodgett *et al.*, 2014; Ferrero *et al.*, 2014; Walker and Dyck, 2014). This is affected by environmental factors and impacts on accounting in society. The influence of culture on the process of accounting policy is very important in a country and impacts on policies (Zeghal and Mhedhbi, 2006; Garcia-Sanchez *et al.*, 2013; Kobernyuk *et al.*, 2014). Furthermore, Samuel and Manassian (2011, p. 622) argue that, "culture could be an impediment to the development of accounting". However, a study by Gaganis *et al.* (2019) has found a strong and significant relationship between the risk-taking and cultural characteristics of insurance companies such as power distance, individualism and uncertainty avoidance. This research aims to conduct a comprehensive literature review of relevant studies and discuss what the research states so far regarding EAD, CR and NC, with the aim of identifying any potential gaps in the literature.

3.3 Theoretical Framework

There are key theoretical frameworks which are especially relevant to this topic, and they will be highlighted in this section of the research. Accordingly, this section examines corporate governance theories related to accounting disclosure and sociological theories related to CR. Accounting disclosure as one of the financial accounting practices is related to different fields, including law, economics, finance, corporate behaviour, management, ethics, politics and social (Rwegasira, 2000; Solomon, 2007; Bebchuk and Weisbach, 2010). Therefore, it is difficult to rely on one theory alone such as agency theory in interpreting and explaining the relationship between accounting disclosure and an issue from a different field, such as crime rate (Chen and Roberts, 2010; Sharma, 2013). Therefore, this study will rely on different theories from different fields to study and analyze the relationship between EAD and CR. While accounting disclosure will be analyzed using the agency theory, CR will be analysed using social theory. These theories have been selected because they are powerful in explaining the relationships between EAD, CR and NC.

3.3.1 Agency Theory

Agency theory is one of the most important theories in the study of accounting disclosure. This is demonstrated by the large volume of extant studies in the literature devoted to it (Smith, 1776; Jensen and Meckling, 1976; Garcia-Meca *et al.*, 2005; Filatotchev and Boyd, 2009; Urquiza *et al.*, 2010; Bosse and Phillips, 2016). Agency theory defines a relationship, as a contract, between one or more persons. This could involve engaging another person to perform some services on their behalf, involving the delegation of some decision-making authority to the agent (Jensen and Meckling, 1976). Therefore, Jensen and Meckling (1976) described the agency contract as a contractual agreement between owners (principals) and managers (agents) to operate the company in the interests of shareholders.

The interplay between principals and agents has long been identified as a potential source of conflict Smith (1776), particularly due to the separation of ownership and management which prevails in today's modern firms. Others, such as Berle and Means (1932) have developed Smith's view, whilst Jensen and Meckling (1976) have developed agency theory in a clear way. Therefore, it can be said that agency theory seeks to decrease agency problems between corporate managers and shareholders by aligning the interests of managers as agents with those of owners as principals. Moreover, agency theory asserts that conflicts increase when there is undisclosed information or the principal party and agent have different interests, but this issue could be reduced by increasing the level of disclosure (Urquiza *et al.*, 2010).

Given that larger corporations carry out a greater number of contracts which are more complex than smaller corporations, agency costs depend on corporate size, therefore, larger corporations are expected to disclose more information to reduce these costs (Perez, 2004). In addition, agency theory provides information that shows that a highly influential firm has the ability to borrow and meet short or long-term creditors (Garcia-Meca *et al.*, 2005). Moreover, the higher profitability is a driver for a greater level of disclosure in order to get and justify better contractual conditions. In addition, more information disclosed by corporate managers will improve their compensation arrangements (Inchausti, 1997). Therefore, the agency costs are controlled by the extent of accounting disclosure and this will be shown when ownership is more differentiated (Garcia-Meca *et al.*, 2005).

Moreover, as suggested in agency theory, principal-agent problems occur when managers have a tendency to become opportunistic agents (Jensen and Meckling, 1976; Williams, 2008; Bosse and Phillips, 2016). Agency theory argues that principals are unable to control the agent because of the lack of information and access to activities performed (Eisenhardt, 1985). Given the opportunity, managers will maximize their own utilities at the company’s expense (Shen, 2003). In addition, according to the agency perspective, principals must always doubt that agents can make decisions that benefit themselves at the expense of principals (Williams, 2008), and purchasing managers can engage in dubious practices when selecting suppliers (Chrisman *et al.*, 2007); for example, they may accept low-quality products by taking bribes, which are paid to them by companies and are viewed as a kind of crime (Gottschalk, 2019). Therefore, corruption and other forms of economic crime from the agency perspective are considered to be the consequence of the principal’s inability to control and prevent the agent from abusing his or her position of power for personal gain (Li and Ouyang, 2007).

Finally, listed companies have to disclose more information to meet their companies’ requirements (Inchausti, 1995). Corporations with high profitability have to disclose more information to raise investor confidence (Singhvi and Desai, 1971). Furthermore, companies disclose more information to reduce political costs and justify a firm’s large profits and avoid legal obligations (Lang and Lundholm, 1993). In summary, agency theory suggests that the level of accounting disclosure can lead to a net decrease in agency costs. The agency's costs should also be reduced by disclosing the most information to its beneficiaries.

3.3.2 Social Theory

Understanding the environment or society that corporate organisations work in is one of the most important reasons for the success of the corporation and the performance of its managers. While agency theory discusses the performance of managers, social theory discusses the influence of society on the performance of managers, which can affect the level of disclosure in their companies.

There are some key criminological theories that seek to explain the causes of crime with a no 'right' or 'wrong' approach because each has its own unique strengths and weaknesses as well as having gaps that may apply to some types of crime, whilst excluding others. In general, crime theories can be categorised into two main approaches, biological theories and sociological theories. Biological theories explain crime by assuming that some people are 'born criminals', who are physiologically distinct from non-criminals. Ellwood (1912) was the most famous advocate of this approach. Sociological theories, on the other hand, suggest that crime is moulded by external social factors, where people acquire their experiences from within their neighbourhoods, peer groups, friends and families. Social theories are one of the analytical frameworks, or paradigms, that are used to investigate and interpret social phenomena or problems (Seidman, 2016). Social theory by definition is used to make generalizations or distinctions between different cultures of societies (Callinicos, 1999). Generally, social theories are provided to explain the actions and behaviour of society as a whole, encompassing sociological, economic, political, and philosophical ideas.

Social theory was developed during the 1920s and 1930s by a small number of sociologists at the University of Chicago. Shaw and McKay (1942) put forward this theory by using spatial mapping to examine the residential locations of juveniles referred to court. Shaw and McKay found that CR was at a high level in areas characterised by poor housing, poor health, socio-economic disadvantage and transient populations. However, this may give the suggestion that crime is not the result of an individual's actions, but a result of neighbourhood dynamics and its effects. Gottfredson and Hirschi (1990) state that the statistical work of Belgian sociologist Adolphe Quetelet in the early nineteenth century was the basis of social theory. They studied various urban areas and determined that CR, regardless of other influences such as nationality, national origin, at a certain point in time and over a long period, was stable in some urban areas. Moreover, according to the social theory mentioned above, it states a person's physical and social environments are basically responsible for their behaviour, and contribute toward and make a criminal. Therefore, one could infer that social theory is suitable for studying and understanding the rate of crime, while agency theory is suitable for studying and understanding accounting disclosure.

3.3.3 Strain Theory

Strain theory is one of the most important theories in studying crime and the influence of NC. Although agency and social theories have been used to investigate the relationship between EAD and CR, strain theory will be used to support that and to understand the moderating effect of NC on that relationship. Merton (1938) has developed the first major strain theory in criminology. He argues that all people in the US are encouraged to strive for the cultural goal of monetary success. Merton states that there are several ways to cope with the strain, some of which involve crime, such as theft, drug dealing and prostitution. The author notes that most strained individuals live with their strain rather than coping through crime. Cloward and Ohlin (1960) argue that the inability to achieve success and goals through legitimate channels contributes to the creation of gangs. Strain theory has also had a major impact on public policy, being an inspiration for the ‘War on Poverty’ (Agnew, 2000). The ‘War on Poverty’ was created to make it easier for people to achieve their material success through legal channels (Jang and Agnew, 2015). A number of studies have found that dissatisfaction with one’s monetary status and the experience of economic problems, such as trouble paying bills, are related to crime; these findings are generally supportive of classic strain theory (Agnew *et al.*, 1996).

From another perspective, strain theory has also been extensively used to study the issue of crime. According to Zhang *et al.* (2011), the basis for strain theory is Durkheim's theory of anomie. Strain theory of deviance has been used for over a century in sociological considerations of crime. Moreover, general strain theory of deviance is based on the formulation that, when people are treated badly, they may engage in crime (Zhang *et al.*, 2011). A small number of studies in this review apply strain theory in investigating the relationship between accounting practice and external factors (Mishina *et al.*, 2010; Cooper *et al.*, 2013). Cooper *et al.* (2013) argue that the causes of accounting fraud are rooted in individual behaviour. They identify strain theory as emphasizing the pressure felt when people or groups believe they are excluded from social and economic opportunities or feel strained by external pressures. Therefore, the behaviour of these people or groups will influence their performance, which affects financial accounting practices in the corporations where they work. However, some latter-day strain theorists, including Mishina *et al.* (2010), have found that corporations performing well above their competitors ultimately still engage in illegal activities such as corruption because of a combination of hubris and outsized performance expectations.

3.3.4 The Rationale behind Using Multiple Theories

As a first step towards using social theory, strain theory and agency theory together, it is prudent to begin by accepting that economic behaviour is shaped by social mechanisms, not just on the margins or peripheries, but also at the core. Therefore, social mechanisms influence the conventions defining the roles that humankind inhabit, including that of agent and principal, as well as how they interact with one another in the same society (Wiseman *et al.*, 2012). Within these mechanisms, a variety of aspects of society can be identified that appear to play a role in how agents and principals see themselves, their interests, the nature of the problems that are likely to arise from their interactions, as well as the mechanisms devised to control these problems, and how these problems can influence their performance. There is also the issue of examining how CR in a society affects the managers of companies in that society, which can influence the managers' performance in their companies and that manipulation of the disclosure of accounting information and others, despite the fact that the explicit manifestation of these problems and ways to deal with these problems may vary depending on the institutional context, which may be something that is part of the company culture.

Furthermore, agency problems in most of the agency literature, have generally been portrayed in terms of excessive Chief Executive Officer (CEO) pay, CEO entrenchment, risk minimisation by top management and similar factors when executives enjoy substantial discretion (Gomez-Mejia *et al.*, 2011). This means that plant managers could focus on low-quality production in order to meet the established quota for their respective plants. Conflict of interests in society may translate into agents making choices for their units that differ from the established legal system (Wiseman *et al.*, 2012).

In summary, under the framework of these theories, previous researchers have used different variables such as size, leverage, profitability, growth and listing status, as factors for voluntary information disclosure. However, these theories refer to information disclosed in general terms, while that embodies several attributes or dimensions. Using and depending on the theories mentioned, the researcher infers that the residential location of any person has a more significant effect than the characteristics of that person when conducting criminal activities. Therefore, individuals may have acquired criminality by way of the cultural approval that exists within their neighbourhoods.

Looking at the abovementioned theories from a practical viewpoint,from an agency theory perspective, shareholders expect a high level of disclosure from the board of directors, as they have been selected to represent their interests (Davidson *et al.*, 1996). However, any managerial misconduct, which may influence some social issues, of using corporate resources may affect their reputation and future career prospects (Conyon and He, 2011). Social theory, in contrast, uses a slightly different perspective, as it postulates that a person's physical and social environments are essentially responsible for their behaviour, contributing to and making a criminal. Moreover, as the behaviour of corporate managers may be affected by the community in which they live, this will affect their decisions, whether at the level of disclosure or otherwise.

Given the varied theoretical framework being considered, NC is expected to have mixed influences on this link. According to agency theory, it is expected that the level of disclosure will be affected by corporate managers, which may be based on personal interests. However, according to the theory of society, managers as members of the community are influenced by social behaviour, as well as pressure from the society in which they live, thus supporting the theory of stress. Based on these arguments, social theory can contribute towards investigating the relationship between EAD and CR. Therefore, this research will use agency theory combined with social and strain theory to investigate the relationship between EAD and CR and consider whether NC moderates that link.

3.4 Empirical Literature Review and Hypotheses Development

In this section, the researcher will highlight the prior and current literature on the relationship between EAD and CR and the link between CR and NC, in addition to the moderating impact of NC on the EAD-CR nexus. As each part is discussed and completed, the hypotheses will be offered.

3.4.1 Existing Evidence on the Relationship between EAD and CR

The law of some countries provides permission to disclose information, but at the same time, there is no obligation to do so. Therefore, it is important to understand that there is a choice involved in whether or not to disclose information to the public. However, there is a distinction between organisations' crimes and households' crimes, as organisations' crimes carry higher risk and greater damage than households' crimes (Hopkins, 2002). Islam (2014) states that rising crime rate experienced by organisations can have direct consequences, such that their business climate can further deteriorate. Crime may also hinder the growth and performance of businesses and consequently, countries can be affected. Enache and Hussainey (2019) have found that corporate voluntary disclosure positively affects both current and future corporate performance. Similarly, the results of the Nguyen and Tran (2019) study have indicated a close relationship between the environmental accounting disclosure level and financial performance.

In addition, accounting practice has sometimes been concerned with fraud, corruption and crime and has sometimes been influenced by financial collapses, management transgressions, and misstatements by corporate employees or managers (Lehman and Okcabol, 2005). Therefore, corporate managers may disclose or manipulate financial statements in different ways, for instance, inflating earnings, company records with non-existent inventory, speculating with company securities, misleading the auditors, and manipulating inventory values and counts or non-disclosure or modification of certain financial information (Bayou and Reinstein, 2001). However, the key question in this study is whether CR affects EAD or not. This assumes greater significance given that the relationship between EAD and CR has been under-researched. Normally, most empirical studies on crime either use cross-country crime data from police reports or focus on household crime data in a country or a specific city (Islam, 2014). The police reports, however, have some limitations because of under-reporting due to a low level of confidence by victims, especially in developing countries. This could be because some of the crimes are not adequately reported in police reports

(Soares, 2004). On the other hand, there are some household crime studies, but they omit crime faced by organisations where the majority of the damage tends to be caused, and more frequently (Islam, 2014).

In terms of organisations, the results obtained by Agyei-Mensah (2017) show that firms in the least corrupt countries disclose more forward-looking information than firms in the more highly corrupt countries. This indicates correlation between a country's transparency level and corruption levels. Additionally, Khalil *et al.* (2015) have examined the influence of some financial accounting practices such as accounting disclosure and auditing on corruption levels. They have found that organisations are less likely to pay to secure a government contract in countries having more disclosure requirements. In addition, organisations are less likely to bribe in case external auditors review financial statements. Furthermore, Jensen *et al.* (2010) have found that corporations in countries with less disclosure of accounting information were more likely to provide non-responses and false responses on the issue of corruption.

A study discussed some topics about criminology regarding fraud and crime; financial information gathering and privacy issues and regulation of corporate governance (Curtis, 2008a). Curtis has contributed his findings on the effectiveness of a recent forensic audit mechanism in safeguarding statutory auditors' independence. In addition, the author has stated that the objective of forensic accounting is to improve and provide evidence establishing the perpetration of the act and the identity of the perpetrator and the essential elements of each crime must be awarded. Furthermore, a critical accounting study has examined how crime is imbued with issues such as regulation, governance, economic crises, race, politics, and class by using the statistics and strategies of managing crime when investigating how the state, the media, and accounting have controlled crime (Lehman and Okcabol, 2005). Lehman and Okcabol have explained that crime is a social phenomenon that is related to the government and media's control of crime, which has an influence on peoples' lives. In this respect, it is important to value the importance of estimating the power of organisations, including accounting, in creating reality and reconstructing human weaknesses and errors. In contrast, Compin (2008) highlights the importance of the processes engaged in the misuse of accounting knowledge from the financial crime angle. Compin's study shows that money laundering, as a financial crime, is not based on the same financial accounting practices and the mechanisms are different. However, Compin states that over the past several years, the sophistication of money laundering has shown an increase in accounting principles and technical knowledge. He also finds an association between money laundering and accounting fraud, as criminal behaviour, and accounting professionals could play important roles in identifying this.

Another piece of research has identified a variety of reasons for the decrease in disclosure, indicating crime as being one such social problems (De Villiers and Van Staden, 2006). They have argued that organisations could consider environmental disclosures useless when legitimising their efforts (De Villiers and Van Staden, 2006). In addition, as a type of disclosure, the media report daily on natural disasters occurring all over the world, as well as on local accidents and crime. Some disclosed news may have caused a reaction to those who received it, with this kind of disclosure possibly affecting CR. Aside from the characteristics of an event or the news itself, cognitive changes have been identified as highly valuable predictors of the actions after the news (Brewin *et al.*, 2000; Ehlers and Clark, 2000). There are a few empirical studies of how media reports affect crime victims, and there is also some in-depth research that has provided insights into the effects of understanding the social recognition of crime victims (Lepore *et al.*, 1996; Maercker and Muller, 2004).

Additionally, a study has found a positive relationship between the extent of corporate governance disclosure and transparency with firm value, which provides strong motivation to extend disclosure to match wide socio-economic stakeholder needs (Ntim *et al.*, 2012). Moreover, Maercker and Mehr (2006) have investigated some types of interpersonal crimes. Although it is difficult to get a high response rate in surveys from victims of crime, the authors have found that people who suffered more from disclosed news tended to evaluate the media disclosure of their situation in more negative terms. The authors have concluded therefore that media should be more careful in choosing a person to interview or report about a crime event. Based on agency and strain theories and the discussion above, this study anticipates that the relationship between disclosure levels on CR will be negative. Thus, the following hypothesis will be tested:

H 1: There is a negative relationship between EAD and CR.

3.4.2 Existing Evidence on the Relationship between CR and NC

Most criminal behaviour is related to or influenced by culture. However, in the last few years, the attention of the international community has increasingly focused on the relationship between CR and NC, particularly certain cultural traditions. The interaction between cultural and criminal practices is at the heart of several criminological theories that have developed between the 1930s and 1960s, such as culture conflict theory and subcultural theories. These theories see crime as collective behaviour, resulting from the adherence to a subcultural group, different from the dominant one. There is also Sellin and the “Culture Conflict Theory” from the 1930s, which attempts to explain crime as a conflict between different conduct norms regulating the behaviours of groups or individuals (Sellin, 1938).

Moreover, individuals' behaviour is often caught between two or more cultures, and is therefore influenced by different normative orders. While receiving a certain education within their families or group, they are at least partially acculturated with the norms of the host society culture. Consequently, this can lead to confusion in their standards and codes of behaviour and an internal struggle between conflicting forces (Sellin, 1938; Foblets, 1998; Adler *et al.*, 2013; Melossi, 2015). Additionally, a subculture, which is considered a subdivision within the dominant culture that has its own norms, beliefs, and values, explains crime as a collective (Adler *et al.*, 2013). Moreover, the members of subcultures conform to a different set of values, which include among others, toughness, smartness and autonomy, and are often demonstrated through committing a crime (Cohen, 1955; Miller, 1958; Ferrell, 1995; Adler *et al.*, 2013; Nwalozie, 2015). However, criminologists have long acknowledged that actions and identities labelled "criminal" are typically generated within the boundaries of deviant and criminal subcultures (Cohen, 1955; Miller, 1958; Sutherland and Cressey, 1978).

As a method of trying to keep some kind of order or generally accepted social norms, criminal justice systems reflect the principles and values shared by the dominant society and help orient the behaviour of citizens (Durkheim, 1964). Furthermore, criminalization is normally based on cultural assumptions and is used to avoid harm and ensure respect for human rights and to protect victims. Since culture usually defines the criminalization of behaviour, certain behaviour in one society may be regarded as a crime, while in another society it is not (Kymlicka *et al.*, 2014). Therefore, based on social and strain theories and the discussion above, this study anticipates that the relationship between NC and CR will be strong. Thus, the following hypothesis will be tested:

H 2: There is a strong relationship between CR and NC.

3.4.3 The EAD-CR Nexus: The Moderating Impact of NC

While there are valid reasons for comparing economic issues at the national level, such as those regarding the importance of leadership, financial rewards and social capital (Thompson and Yurkutat, 1999; Spence *et al.*, 2003; Sporer, 2004), there are also reasons to look more deeply and consider in-country differences in culture dimensions (Brockner, 2003). For example, Parsons (1960) has found that people living on the West coast of the USA prefer affective oriented people, while those living on the East coast prefer people who are more neutral in their disposition towards others. Mueller and Clarke (1998) provide another example, suggesting that difficulties in adopting incentive systems are based not only on differences in national cultures, but also on differences in the social context within the countries. Brodbeck *et al.* (2000) describe similar cultural differences in leadership across Europe. Yaconi (2002) has also found that individuals' role expectations in a multinational enterprise differ between managers and employees, suggesting influences of local cultures and other societal forces.

In terms of whether NC is a contributing factor to the EAD-CR nexus, Mazzi *et al.* (2018) have examined the simultaneous influences of corruption and culture on levels of compliance with mandatory disclosure requirements. They have found that compliance levels vary significantly across sample firms and countries and over time due to the influence of levels of corruption and two of the three cultural dimensions. Indeed, evidence suggests that low power distance countries are linked with less politico-social corruption (Basabe and Ros, 2005). Moreover, Askary *et al.* (2008) have emphasized that large power distance, high uncertainty avoidance and collectivisms negatively influence professionalism and accounting disclosures. In contrast, an empirical study has tested the relationship between culture and accounting disclosures in an international context, by using a comprehensive data of disclosure practices covering 27 countries and applying linear regression analysis (Gray and Vint, 1995). This study has found that this relationship is more significant with respect to the values of uncertainty avoidance and individualism as compared to those of masculinity and power distance.

Some researchers believe culture can help and prevent certain social difficulties, like high-risk young men from engaging in delinquent behaviour (Johnson *et al.*, 2000a). Additionally, young men who live in poverty-stricken areas, depending on their background, culture and environment, are at elevated risk for a number of problem behaviours or criminal activities (Johnson *et al.*, 2000b). There is also much research evidence that NC has a strong impact on individual and business ethics e.g. (Scholtens and Dam, 2007). Moreover, culture can be utilised to clarify the differences in international accounting systems and to determine the accounting development style at an international level (Radebaugh *et al.*, 2006). Another study has examined the impact of NC on information ethics, and the authors have observed a significant effect of a different culture in their acceptance of unethical behaviour (Eining and Lee, 1997). Likewise, Martinsons and So (2005) have compared two cultures, looking at U.S. and Chinese managers in their ethical assessments, and have found that whilst their assessments are similar, the processes used by the two groups are vastly different, a factor which can affect EAD. Therefore, meeting the requirements of society reduces problems and CR in general. One of the reasons for meeting society's requirements is to disclose what information they need. Disclosure is considered as relevant information, communicated to the various stakeholders to help them make an effective decision. Therefore, organisations have to meet the information needs of end-users. It is a difficult task to meet and satisfy the different interests of all the various stakeholders. Usually, the information is disclosed in annual reports, but there are many other routes organisations can use to pass on its information (Marston and Robson, 1997). However, the main objective of accounting disclosure is to communicate the information reliably, in a timely fashion and in an intelligible form so as to be useful for the users. Moreover, responsible communication by accounting disclosure also includes transparency and accountability (Akter and Hoque, 1993).

Using a sample of 4,370 firm-year observations for 1,559 firms from 29 countries, Hooghiemstra *et al.* (2015) have found that NC, directly and indirectly, affects the level of accounting disclosure decisions. In addition, Archambault and Archambault (2003) have indicated that accounting disclosure is influenced by NC and organisations' systems. Nonetheless, Archambault and Archambault (2003) also indicate that the accounting disclosure decision for organisations is complex and influenced by many NC and corporate factors. Moreover, Perera and Mathews (1990) have stated that the cultural dimensions of individualism and uncertainty avoidance strongly affect accounting values. This is due to the positive influence of individualism and negative influence of weak uncertainty avoidance on Gray's professionalism, optimism, flexibility and transparency. In addition, a further study has argued that the low disclosure levels of firms are due to managers' perceptions that the cost of additional disclosure is greater than the benefits (Cooke, 1992; Schneider and Samkin, 2008). Furthermore, national cultural influences over the managers have a direct effect on the accounting disclosure of forward-looking social information (Singleton and Globerman, 2002). Finally, NC dimensions have been found to have differences in how they influence people's behaviour and performance (Hauff *et al.*, 2015). Examining social, strain and agency theories and the discussion above has shown the significant effect of NC dimensions on CR. Thus, this research expects a moderating effect of NC on CR relationship with EAD. Thus, the following hypothesis will be tested:

H 3: NC has a moderating effect on the relationship between EAD and CR.

3.5 Research Design

This section discusses the research design, which will be used to achieve the main interrelated objectives of this section. The section begins by attempting to provide a comprehensive description of the data collection and research methodology that has been used in this study, as well as showing the data sources. In the next section, a clear explanation is given clarifying the rationale for the various data and methodological choices made throughout the study. The final part of the section aims to analyse the study results and provide an explicit indication of how sensitive or robust obtained empirical results from the various data and methodological choices that have been made are two alternative estimations and explanations. The remainder of this section is organised as follows. Subsection 3.5.1 presents the research philosophy. Subsection 3.5.2 samples and describe the sample selection procedure, criteria and data sources. Subsection 3.5.3 discusses the research methodology including, research variables and measures, and regression models. Subsection 3.5.4 concludes and summarises this section.

3.5.1 Research Philosophy

Research philosophy is concerned with the nature of research and the way in which it is executed. Processes of economic studies are probably shaped by the relationship between nature and the development of the study (Collis and Hussey, 2013; Saunders et al., 2015). Generally speaking, in terms of research philosophies, it cannot be said that one research philosophy is far superior to the others, however, what can be deduced is that one approach may be more favourable at a particular juncture, depending on the nature of research, the kind of research questions, and the way in which the research is being approached. Therefore, to get a comprehensive understanding of the researched phenomena, one of the fundamental requirements is to ask and know the research paradigm (Bernard and Bernard, 2013; Saunders et al., 2015). Therefore, the rationale for the selected research philosophy is considered as being an important stage in conducting any social science research (Saunders et al., 2015). To this end, there are two main research philosophy paradigms, namely positivism and interpretivism (Becker et al., 2012; Bernard and Bernard, 2013).

Positivism relates to the philosophical position of the natural scientist and entails working with an observable social reality to generalisations that are in the public (Saunders *et al.*, 2015). This confirms that the positive emphasis on the pure scientific experimental approach is designed to give pure data and facts that are not influenced by human interpretation or bias. Positivism researchers are interested in both observable and measurable data, thus converted to generalize outcomes (Saunders *et al.*, 2015). Collis and Hussey (2013) and Saunders *et al.* (2015) have mentioned that positivism researchers' beliefs and values have no effect on positivism approaches. Researchers using this approach depend on historical scientific observations to predict the future of economic trends, although due to some generalisation problems, phenomenon that cannot be measured may be disregarded (Galliers, 1991).

In contrast, interpretivism, according to Willis *et al.* (2007) usually seeks to understand a particular context, and the core belief of the interpretive paradigm is that reality is socially constructed. Furthermore, interpretivism includes the accepting and seeking of multiple perspectives, practising iterative and emergent data collection techniques, promoting participatory and holistic research, and going beyond the inductive and deductive approach (Willis *et al.*, 2007). In order to explore understandings of participants, an interpretive methodology provides a context that allows examining what the participants in a study have to say about their experiences. It has been argued that the goal of interpretivism is to value subjectivity, and that interpretivism philosophy avoids the idea that objective research on human behaviour is possible (Willis *et al.*, 2007). Therefore, the interpretivist paradigm and qualitative methods are often used when researchers are seeking experiences, understandings and perceptions of individuals for their data to uncover reality rather than rely on numbers of statistics (Thanh and Thanh, 2015).

Based on the discussion above, this study has adopted the positivism paradigm. This approach is appropriate because it relies on using a huge volume of highly structured data, and using deductive quantitative techniques. It also involves the selection of a sample, measurements, analysis, and reaching a conclusion about the hypotheses. According to Saunders *et al.* (2015), deductive researchers should test theories, hypotheses, research models and strategies. This study's hypotheses state that there is a negative influence of CR on EAD, and that dimensions of NC influence CR, as well as moderating the EAD-CR nexus. In addition, this research is based on adopting an empirical quantitative methodology. It will attempt, therefore, to answer the research questions to achieve the study aim and objectives.

According to Saunders *et al.* (2015), a well-structured study can be qualified to investigate or explain an existing phenomenon. Saunders *et al.* (2015) state that positivism is more desirable and beneficial if the nature of the problem requires identifying and understanding factors influencing an outcome. Therefore, this study adopts positivism to examine its objectives which are: (i) investigate the relationship between EAD and CR globally; (ii) explore the relationship between CR and NC; (iii) determine the moderating effect of NC dimensions on the relationship between the EAD and CR. Consequently, the deductive research approach has been selected because hypotheses were developed using the theoretical approach by linking with previous literature, and data was gathered and analysed later so as to confirm the hypotheses. In addition, to examine the research hypotheses and achieving the research objectives, the quantitative research approach has been employed in this research by relying on secondary data from 2012 to 2018, which has collected from different databases.

3.5.2 Samples Selection and Data

3.5.2.1 Sample Selection

The initial data collected to investigate the relationship between EAD and CR and the moderating impact of NC on this relationship is based on a cross-country analysis. This involves a larger body of data which consisted of 199 countries. This covers the available data for all of this study's variables, with complete data available for the period covering 2005 to 2018, generating 2,786 country-year observations. However, due to the missing data in some study’s variables, the final sample covers 142 countries for the period 2012 to 2018, which have been used to achieve the aims of this research (Table 1). These countries would also be compared in terms of country-level characteristics. Unlike existing studies, this study will cover all countries (both developing and developed countries) around the world which have data available, thereby seeking to fill the existing gap in the accounting disclosure literature.

Table 1: Study two sample size

	Total Sample Size	**Final Sample Size**
No. of Countries	**199**	**142**
Periods	**2005 - 2018**	**2012 - 2018**
No. of Observations	**2,786**	**523**

3.5.2.2 Data and Sources

In order to investigate the relationship between EAD, CR and NC, all the data used in this study will be secondary data taken from several databases (see Table 2) as follows: (I) EAD variables extracted from The World Bank for 199 countries from 2005-2018; (II) CR variables will be collected from Numbeo for the period from 2012 to 2018 for 147 countries; (III) NC variables, which cover all six dimensions of NC: power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence. These will be obtained from Hofstede, which has been updated in 2018 for 102 countries. The control variables used in this study are as follows: GDP Constant Prices, Investment to GDP and General Government Revenue to GDP, obtained from The International Monetary Fund (IMF) for the period from 1980 to 2018 for 198 countries; Strength of Investor Protection, Tax rate to profits and Domestic Competition from The World Economic Forum for the period from 1970 to 2018; Inflation Rate and Exchange Rate from Index of Economic Freedom (Knoema) of the period from 2007 to 2018 for 161 countries; finally, Voice and Accountability, Political Stability and Absence of Violence/Terrorism and Rule of Law from The World Bank Group (The Worldwide Governance Indicators (WGI) project) for the period from 1996 to 2017, which is updated in 2018 for 214 countries, See (Table 2).

Table 2: Study two variables databases and sources

Variables	Database and Sources	Websites	Accessed
Dependent Variable:			
Disclosure	World Development Indicators - The World Bank	WDI	02/2019
Independent:			
Crime Rate	Numbeo	Numbeo	02/2019
Organized Crime	The Global Competitiveness Index. The World Economic Forum.	Weforum	02/2019
Moderating Variables: (Natural Culture dimensions)			
Power Distance	Hofstede, The 6 dimensions of national culture	Hofstede	01/2019
Individualism			
Masculinity			
Uncertainty Avoidance			
Long Term Orientation			
Indulgence			
Control Variables			
Macro-economic variables			
GDP Constant Prices	The International Monetary Fund (IMF)	IMF	11/2018
Investment to GDP			
General Government Revenue to GDP			
Strength of Investor Protection	The Global Competitiveness Index. The World Economic Forum.	Weforum	11/2018
Tax rate to profits			
Domestic Competition			
Inflation Rate	Index of Economic Freedom (Knoema)	Knoema	11/2018
Exchange Rate			
Governance variables			
Voice and Accountability	The World Bank Group The Worldwide Governance Indicators (WGI) project	WGI	11/2018
Political Stability and Absence of Violence/Terrorism			
Rule of Law			

3.5.2.3 The Criteria and Reasons for Selecting the Final Sample

The final sample used in this research is based on four criteria: (i) the data of each variable should be from the same database for all countries to ensure fairness when comparing countries; (ii) the database covers a large number of countries in the world, so that the study is not limited to a specific area, thus precluding the possibility of generalisation; (iii) the period of data collection should be within the study period, which will be from 2005 to 2018 and will be updated based on what is currently available; (iv) the final sample will be selected taking into account the available data of the country studied in all study variables. Thus, the study period or the number of countries may be limited depending on the data available for all of this study's variables in the different databases.

3.5.3 Research Methodology

This section discusses the quantitative research methodology used to answer the questions posed by this study, namely: (i) What is the relationship between EAD and CR? (ii) What is the relationship between CR and NC? (iii) Can NC moderate the relationship between EAD and CR? In particular, it discusses three main models examining the relationship between EAD, CR and NC. This research will also discuss the scope of the selected topic, where data will be acquired from and how it will be analysed. The adopted approach to research will be outlined. The scope of the topic, where data will be gathered and the approach to its analysis will be discussed. While this study is based on an empirical quantitative methodology, the principal purpose of this research is to collect, describe and analyse the data to investigate the relationship between EAD and CR, as well as between CR and NC. The data gathered will help to ascertain whether NC has a moderating effect on the EAD-CR nexus as a cross-country analysis. However, the researcher will consider some of the sources of variation in EAD and CR across countries. Collecting, analysing and explaining the data are those elements of the research process required in order to understand the research phenomenon (Leedy and Ormrod, 2010).

This research will apply worldwide and will involve all the countries for which data is available related to the research topic. However, this kind of research cannot be obtained directly from individuals, and so will rely on using secondary data which is available through world databases. Moreover, this research depends on theories that underpin the links investigated. This is then followed by developing hypotheses, based on such theories and the previous literature review. These hypotheses will be scrutinised by being tested.

In this study, the relevant studies will be examined and divided into meaningful parts. Also, a number of sources and statistics will be used to collect the variables. A number of databases and sources will be used, including; World Development Indicators, The World Bank, Numbeo, The Global Competitiveness Index, The World Economic Forum, Hofstede, The International Monetary Fund (IMF), The Global Competitiveness Index, The World Economic Forum, Index of Economic Freedom (Knoema), The World Bank Group and The Worldwide Governance Indicators (WGI). After data collection, data analysis will involve using a number of techniques, including but not limited to, Ordinary Least Squares (OLS) Regression, Fixed Effect Regression Model, lagged effect and Generalized Linear Model (GLM). Initially, it is expected that STATA will be used as the statistical analysis software, among others, in order to run different statistical models. It is hoped this strategy will provide a clear picture of the current trends of research in this area, thus providing an agenda for future research. It will also provide meaningful statistical data for regulators and governments.

3.5.3.1 Research Variables and Measures

The research data has been gathered in order to ascertain the connections, correlations and impact of each variable being measured, with this data being presented in the form of statistical data to demonstrate this. The research measures and proxies are grouped into many different types (presented in Table 3), with detailed information regarding how each variable will be measured and operates. Some content analysis techniques will be used for coding narratives, and graphs and pictures will be employed in organising the study variables data. There are advantages to using quantitative measures including the ability to measure the variables in greater detail with high levels of objectivity and reliability (Ntim, 2016). However, quantitative measures are often criticised for the high possibility of capturing disclosures (Milne and Adler, 1999; Unerman, 2000; Beattie *et al.*, 2004). In contrast, qualitative measures have the capacity to accurately measure the volume of quality and the meaning of the data (Marston and Shrives, 1991; Beattie and Thomson, 2007; Hooks and van Staden, 2011). Therefore, taking into account some of the limitations of quantitative measures with respect to the research quality index, the researcher has elected to adopt some alternative indexes with control variables. These will also be tested for subjective scales or measures, to bring about reliability and validity of the measurements.

First, in testing *H1*, the central independent variable is CR which seeks to measure the extent of crime level in a country. Also, the central dependent variable is EAD, which seeks to measure the accounting disclosure level in a country. The disclosure index measures the extent to which investors are protected through disclosure of ownership and financial information. Secondly, to test *H1, H2* and *H3*, the researcher will collect data of main variables and a set of control variables from different datasets and sources, as some studies show different relationships between these variables. Thirdly, to test *H3* and to ascertain the effects of NC, six dimensions will be examined which include: Power Distance; Individualism; Masculinity; Uncertainty Avoidance; Long Term Orientation and Indulgence. These dimensions will be collected from the data from Hofstede's index for 102 countries. An interaction variable (NC*Crime Rate) will be created to investigate the moderating impact of the six NC dimensions on the EAD and CR relationship. Finally, and to attenuate potential omitted variables bias (Petersen, 2009), a number of extensive control variables will be added which include: GDP Constant Prices, Investment to GDP, Strength of Investor Protection, Tax rate to profits, Domestic Competition, Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Exchange Rate, General Government Revenue to GDP, Inflation Rate and Rule of Law.

Table 3: Variables definition and measurement

Variables	**Definition and Measurement**
	Dependent Variable
Extent of Accounting Disclosure	Percentage of the extent of accounting disclosure in a country, with a higher score indicating a better extent of accounting disclosure.
	Independent Variable
Crime Rate	Percentage of crime rate in a country, with a higher score (100%) indicating a higher crime rate.
Organized Crime	Percentage of the extent to which organized crime (mafia-oriented racketeering, extortion) imposes an effect on businesses. With 100% indicative of a high impact on businesses.
	Moderator Variables: (Natural Culture dimensions)
Power Distance	Percentage of the extent to which individuals accept a hierarchical order in which everybody has a place and which needs no further justification, with higher scores indicating more power distance.
Individualism	Percentage of the extent to which individuals are expected to take care of only themselves and their immediate families, with higher scores indicating more Individualism.
Masculinity	Percentage of the extent of the preference in society for achievement, heroism, assertiveness and material rewards for success, with higher scores indicating more masculinity.
Uncertainty Avoidance	Percentage of the extent to which the members of a society feel uncomfortable with uncertainty and ambiguity, with higher scores indicating more uncertainty avoidance.
Long Term Orientation	Percentage of the extent to which society encourage thrift and efforts in modern education as a way to prepare for the future, with higher scores indicating long term orientation.
Indulgence	Percentage of the extent to which society allows relatively free gratification of basic and natural human drives related to enjoying life and having fun, with higher scores indicating more indulgence.

NC*Crime Rate	Interaction variable between national culture dimensions (i.e., Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long Term Orientation or Indulgence) and Crime Rate.
Control Variables	
Macro-economic variables:	
Investment to GDP	Percentage of total investment to GDP.
GDP Constant Prices	Percentage change of the GDP Gross domestic product constant prices.
Strength of Investor Protection	Percentage change of strength of investor protection, the highest percentage is the best.
Tax rate to profits	The total tax rate is the total amount of taxes payable by businesses after accounting for deductions and exemptions as a percentage of profits.
Domestic Competition	Domestic competition is the sum of consumption, investment, government spending, and exports.
Exchange Rate	The exchange rate determined by national authorities or to the rate determined in the legally sanctioned exchange market. It is calculated as an annual average based on monthly averages (local currency units relative to the U.S. dollar).
General Government Revenue to GDP	General government revenue as a percentage of GDP.
Inflation Rate	Rate change in inflation.
Governance variables:	
Voice and Accountability	Measures the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and free media, with higher scores indicating more voice and accountability. Estimate of ranges from -2.5 (weak) to 2.5 (strong)
Political Stability and Absence of Violence/Terrorism	Measures perceptions of the likelihood of political instability and/or politically-motivated violence, with higher scores indicating more political stability and absence of violence. Estimate of ranges from -2.5 (weak) to 2.5 (strong)
Rule of Law	Measures the extent to which agents have confidence in and abide by the rules of society, with higher scores indicating a greater rule of law. Estimate of ranges from -2.5 (weak) to 2.5 (strong)

3.5.3.2 Regression Models

Ordinary least squares (OLS) regression has been used to test the hypotheses for this study. The dependent variable in these regressions is EAD. Since it may be influenced by NC dimensions, Investment to GDP, GDP Constant Prices, Strength of Investor Protection, Tax rate to profits, Domestic Competition, Exchange Rate, General Government Revenue to GDP, Inflation Rate in addition to the Governance variables, among others, all are variables included in the regression analysis to control for confounding factors. Years and countries would be consedared in all regressions in order to control for their influence.

In order to achieve the objectives of this research and to test *H1*, as well as investigating the relationship between EAD and CR, the empirical examination will start with the estimation of a regression model, the equation (1), in the following form:

$$\boldsymbol{EAD_{it} = \alpha_0 + \beta_1 CR_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \quad (1)$$

However, to test *H2* and to examine the relationship between CR and NC, a regression model, equation (2), of the following form is estimated:

$$\boldsymbol{CR_{it} = \alpha_0 + \beta_1 NC_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \quad (2)$$

Finally, to test *H3* and to examine the moderating influence of NC on the relationship between EAD and CR, a regression model, equation (3), of the following form is estimated:

$$\boldsymbol{EAD_{it} = \alpha_0 + \beta_1 CR_{it} + \beta_1 NC_{it} + \beta_1 (CR * NC)_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \quad (3)$$

Where;

EAD- is the Extent of Accounting Disclosure (Dependent Variable)

CR- is the Crime Rate (Independent Variable)

NC- is the National Culture dimensions (Moderating Variable)

CONTROLS- is the (Control Variables)

3.5.4 Summary

To sum up, this section has focused on study design. It seeks to achieve four main objectives. Firstly, it attempts to describe the data and research methodology. In this regard, the data, its sources, the sample selection procedure and the main research methodology used in this study have been comprehensively described. The main types of data used in this research are EAD, CR and NC, in addition to the control variables. These have been mainly collected from different databases and sources such as: World Development Indicators, The World Bank, Numbeo, The Global Competitiveness Index, The World Economic Forum, Hofstede, The International Monetary Fund (IMF), The Global Competitiveness Index, The World Economic Forum, Index of Economic Freedom (Knoema), The World Bank Group and The Worldwide Governance Indicators (WGI). This research data covers more than 199 countries for the period of 2005 to 2018, resulting in 2,786 country-year observations. The second objective of the section has been to explain the rationale for the data selection, its sources, sampling procedure, research methodology, and sensitivity analyses, which will be explicitly discussed throughout the research. Thirdly, this section attempts to point out the strengths and limitations of the various methodological choices. Moreover, the weaknesses and strengths of the data, its sources, the estimated models, the various proxies and measurement of the independent, the dependent, the moderating and the control variable, will be discussed throughout this research. The final objective in this section is to offer an indication of the extent to which the empirical results obtained are strong by alternative measurements and robustness estimates models.

3.6 Descriptive Statistics and OLS Assumptions

This section discusses the data and the Ordinary Least Squares (OLS) regression assumptions and seeks to achieve three main objectives. Firstly, it elucidates how outliers in the study variables were dealt with. Secondly, it presents detailed descriptive statistics of the dependent (EAD), the independent (CR) and control variables. Finally, it tests the OLS regression assumptions of multicollinearity, autocorrelation, normality, homoscedasticity and linearity. The rest of the subsection is organised as follows: Subsection 3.6.1 reports detailing descriptive statistics for the dependent, independent and the remaining independent variables. Subsection 3.6.2 tests OLS assumptions and provides an overall summary.

3.6.1 Summary Descriptive Statistics

Panel A of Table 4 (below) reports the descriptive analysis of data relating to the dependent variable, which is the extent of accounting disclosure (EAD) with a mean of 51.98%, and a standard deviation of 24.87%. Panel B of Table 4 (below) reports the crime rate (CR) having a mean of 45.37% and standard deviation of 16.01%, with a minimum of 15.7% and a maximum of 83.65%. Panel C of Table 4 (below) presents the moderating variable which is national culture (NC), and which includes the following six variants; power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence. These will be used separately to determine the moderating influence on the relationship between EAD-CR. Finally, panel D of Table 4 (below) presents the control variables. To attenuate potential omitted variables bias (Petersen, 2009), the study will utilise an extensive number of control variables, which are considered to have an influence on EAD among CR. These variables have therefore been incorporated into the figures in order to give a more accurate account of their influence on EAD. The control variables have been divided into two main categories: Firstly, macro-economic variables including GDP Constant Prices, Investment to GDP, Strength of Investor Protection, Tax rate to profits, Domestic Competition, General Government Revenue to GDP, Inflation Rate, and Exchange Rate. Secondly; Governance variables including; Voice and Accountability, Political Stability and Absence of Violence/Terrorism, and Rule of Law.

Table 4: Descriptive statistics of dependent, independent and control variables

Variable	Obs.	Mean	Std. Dev.	Min	Max
Panel A: Dependent Variable:					
Extent of Accounting Disclosure	2,487	0.520	0.249	0.000	1.000
Panel B: Independent Variable:					
Crime Rate	858	0.454	0.160	0.157	0.837
Organized Crime	1,655	0.712	0.147	0.340	0.968
Panel C: Moderating Variables: (Natural Culture dimensions)					
Power Distance	1,442	0.643	0.206	0.130	1.000
Individualism	1,442	0.388	0.218	0.080	0.900
Masculinity	1,442	0.475	0.182	0.080	0.950
Uncertainty Avoidance	1,414	0.643	0.205	0.230	0.990
Long Term Orientation	1,218	0.429	0.232	0.040	1.000
Indulgence	1,148	0.480	0.236	0.000	1.000
Panel D: Control Variables					
Macro-economic variables:					
GDP Constant Prices	2,630	0.040	0.036	-0.078	0.142
Investment to GDP	2,538	0.229	0.095	0.00	0.536
Strength of Investor Protection	1,502	0.540	0.145	0.23	0.93
Tax rate to profits	1,503	0.421	0.180	0.113	1.168
Domestic Competition	1,529	0.624	0.081	0.419	0.806
General Government Revenue to GDP	2,632	0.312	0.126	0.110	0.724
Inflation Rate	2,614	0.054	0.059	-0.016	0.354
Exchange Rate	1,517	5.664	18.722	0.004	133.083
Governance variables:					
Voice and Accountability	2,564	-0.055	0.992	-2.180	1.610
Political Stability and Absence of Violence/Terrorism	2,568	-0.069	0.979	-2.500	1.420
Rule of Law	2,560	-0.064	0.976	-1.850	1.970

3.6.2 Tests of OLS Assumptions and Bivariate Correlation Analyses

The correlation coefficient measures the extent to which two variables tend to change together. While the Pearson correlation evaluates the linear relationship between two continuous variables, a relationship is linear when a change in one variable is associated with a proportional change in the other variable. Pearson correlation is used to evaluate whether increases in a variable are associated with a decrease in another variable. The Spearman correlation evaluates the monotonic relationship between two continuous or ordinal variables. In a monotonic relationship, the variables tend to change together, but not necessarily at a constant rate. The Spearman correlation coefficient is based on the ranked values for each variable rather than the raw data. Spearman correlation is often used to evaluate relationships involving ordinal variables. For example, one might use a Spearman correlation to evaluate whether the order in which employees complete a test exercise is related to the number of months they have been employed.

Table 5 (below) shows the results of correlation matrices for these study variables in order to examine multicollinearities among variables. In this research, the coefficients from Pearson and Spearman are used as a robustness check. The direction and magnitude of coefficients shown in correlation matrices are almost the same, indicating non-existence of nonnormality problems. Additionally, the coefficient of both Pearson's and Spearman's shows that the level of correlation among variables used is relatively weak, indicating non-existence of serious multicollinearity problems. In addition, the values of Variance Inflation Factor (VIF) reported in Table 6 (below) are less than 10, indicating that there are no serious multicollinearity problems in the model (Field, 2009). The presence of heteroscedasticity was tested using the Breusch-Pagan test (Breusch and Pagan, 1979) which gave a p-value of 0.000, indicating that heteroscedasticity is not present in this model. This means a p-value < 0.05, giving a null hypothesis, which is an indicator of homoscedasticity and therefore a rejection of the null hypothesis. However, it can also be noted from Table 6 (below) that there is a negative association between the CR, as the main independent variable, and control variables such as GDP Constant Prices, General Government Revenue to GDP, Voice and Accountability, Political Stability and Absence of Violence/Terrorism, indicating that at country level, these variables might affect the crime level, which in turn, might affect the association between EAD and CR. There is also a positive association between CR and some control variables such as Investment to GDP, Strength of Investor Protection, Tax rate to profits, Domestic Competition, Exchange Rate, Inflation Rate, and Rule of Law, indicating that at country-level these variables might, with high levels of CR, increase the disclosure level.

Table 5: Pearson's and Spearman's correlation matrices of the variables

	EAD	CR	GDPCP	INVGDP	STRIP	TAXTP	DOMCO	EXCHR	GGRGDP	INFLR	VOIACC	PSAVT	ROL
EAD	1	-0.260***	-0.009	0.110***	0.619***	-0.128***	0.379***	0.115***	-0.0251	-0.160***	0.032	0.001	0.215***
CR	-0.294***	1	0.178***	-0.108**	-0.220***	0.273***	-0.491***	0.043	-0.330***	0.363***	-0.280***	-0.467***	-0.592***
GDPCP	0.021	0.073	1	0.237***	-0.101***	-0.033	-0.123***	0.103***	-0.110***	0.170***	-0.340***	-0.240***	-0.308***
INVGDP	0.217***	-0.122**	0.402***	1	-0.032	-0.053*	0.011	0.142***	-0.150***	0.034	-0.111***	0.017	-0.001
STRIP	0.660***	-0.247***	0.006	0.019	1	-0.248***	0.476***	-0.176***	0.145***	-0.214***	0.339***	0.228***	0.441***
TAXTP	-0.167***	0.317***	-0.060	0.019	-0.196***	1	-0.451***	-0.009	-0.076*	0.135***	-0.037	-0.210***	-0.215***
DOMCO	0.473***	-0.458***	0.020	0.073	0.467***	-0.540***	1	-0.047	0.163***	-0.396***	0.421***	0.517***	0.751***
EXCHR	0.118**	0.070	0.079	0.295***	-0.174***	-0.005	-0.067	1	-0.223***	0.140***	-0.211***	-0.110***	-0.174***
GGRGDP	-0.032	-0.370***	-0.365***	-0.247***	0.160***	-0.120**	0.087*	-0.268***	1	-0.161***	0.325***	0.414***	0.374***
INFLR	-0.130**	0.377***	-0.048	-0.017	-0.235***	0.288***	-0.428***	0.165***	-0.203***	1	-0.364***	-0.380***	-0.410***
VOIACC	0.027	-0.128**	-0.292***	-0.240***	0.362***	0.037	0.282***	-0.220***	0.249***	-0.299***	1	0.656***	0.804***
PSAVT	0.043	-0.375***	-0.185***	0.001	0.237***	-0.224***	0.466***	-0.010*	0.411***	-0.377***	0.608***	1	0.753***
ROL	0.307***	-0.562***	-0.239***	-0.091*	0.483***	-0.264***	0.730***	-0.181***	0.405***	-0.446***	0.695***	0.733***	1

Notes: * p<0.05, ** p<0.01, *** p<0.001. The upper right half of the table shows Spearman's non-parametric correlation coefficients, whereas the bottom left half of the table contains Pearson's parametric correlation coefficients. Variables are defined as follows: Extent of Accounting Disclosure (EAD), Crime Rate (CR), GDP Constant Prices (GDPCP), Investment to GDP (INVGDP), Strength of Investor Protection (STRIP), Tax rate to profits (TAXTP), Domestic Competition (DOMCO), Voice and Accountability (VOIACC), Political Stability and Absence of Violence/Terrorism (PSAVT), Exchange Rate (EXCHR), General Government Revenue to GDP (GGRGDP), Inflation Rate (INFLR) and Rule of Law (ROL).

This section is concerned with discussing the empirical results, focusing as it does on three main goals: Firstly, to investigate the link between EAD and CR. Secondly, to explore the link between CR and NC. In this regard, estimated OLS regression results based on the OLS regression model will be reported and discussed. Thirdly, this section examines whether NC can moderate the relationship between EAD and CR as well as discussing the findings relevant to the literature. The rest of the section is organised as follows: Subsection 3.7.1 discusses the OLS regression results of the link between CR and EAD to test hypothesis 1. Subsection 3.7.2 discusses the OLS regression results of the link between CR and NC to test hypothesis 2. Subsection 3.7.3 reports the OLS regression results of the EAD-CR nexus and the moderating impact of NC to test hypothesis 3. Subsection 3.7.4 covers the robustness analyses (GLM). Subsection 3.7.5 covers the robustness analyses (Fixed Effect). Subsection 3.7.6 present the lagging structre model. Subsection 3.7.7 considers the alternative measurement of CR. The end of this chapter concludes by initially comparing and then summarising the regression results.

3.6.3 OLS Regression Results of the Link between EAD and CR

This study examines the association between EAD and CR. This study employs OLS regression models to test *H1* and examine this link. The analysis begins with the basic OLS regression model specified as follows:

$$\boldsymbol{EAD_{it} = \alpha_0 + \beta_1 CR_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \quad (1)$$

Where EAD refers to the extent of accounting disclosure, CR refers to crime rate, and to attenuate potential omitted variables bias (Petersen, 2009), a number of extensive control variables have been included, denoted by the expression CONTROLS. Table 6 (below) reports OLS regression results of CR on EAD. The coefficient of CR on EAD in Model 3 of Table 6 is negative (-0.210) and statistically significant (P-value= 0. 043), thus providing support for Hypothesis 1, which states there is a negative association between EAD and CR. The economic significance of this association is indicated by the coefficient of -0.210 in Model 3, which suggests that ceteris paribus, an increase of one unit of the standard deviation of CR, for example, can be expected to lead to an approximate 3.36 % (0.1600436*0.210*100) decrease in CR, implying a 3.36 % increase in EAD level. This evidence suggests that the lower the level of CR is for a country, the higher the level of EAD they engage in will be. This negative relationship suggests that an increase in CR will be accompanied by a decrease in EAD. This means that a high level of crime in a country is likely to limit the ability of managers in that country to disclose more accounting information, which is consistent with the prediction that CR has a negative influence on EAD. This is also consistent with the findings of Agyei-Mensah (2017), and Mazzi *et al.* (2018), who have highlighted that firms in the least corrupt countries disclose more forward-looking information than firms in the more corrupt countries. Furthermore, Jensen *et al.* (2010) have found that corporations in countries with less disclosure of accounting information are more likely to provide non-responses and false responses on the issue of corruption. In addition, the results of this tudy are consistent with those of Elamer *et al.* (2019), who have found that control of corruption has a positive influence on the risk disclosure level.

The evidence in this study supports the agency theory and suggests that the presence of work at a low level of crime increases the level of accounting disclosure, with a high level of crime having the opposite effect. This is consistent with prior research in this area that has found a negative association between disclosure and some kinds of crime (Jensen *et al.*, 2010; Agyei-Mensah, 2017). Furthermore, Cooper *et al.* (2013) have identified strain theory as emphasizing the pressure felt when people believe they are excluded from social and economic opportunities or feel strained by external pressures. Therefore, the behaviour of such persons will influence their performance, which affects the extent of disclosure where they work. Subsequently, the evidence in this study supports and correlates with strain theory. However, social theory declares that a person's physical and social environments are basically responsible for their behaviour. Moreover, as the behaviour of corporate managers may be affected by the community in which they live, this will affect their decisions, whether at the level of disclosure or otherwise. Therefore, these arguments correspond to the results of this study, as well as contributing to investigating the relationship between EAD and CR.

Table 6: OLS regression results of CR influence on EAD

Dependent Variable Extent of Accounting Disclosure (EAD)	Model 1			Model 2			Model 3		
	EAD	(t)	VIF	EAD	(t)	VIF	EAD	(t)	VIF
Independent Variable: Crime Rate (CR)	-0.420***	(-7.82)	1.00	-0.419***	(-3.42)	1.01	-0.210*	(-2.05)	2.11
Control Variables: Macro-Economic variables									
GDP Constant Prices	---	---	---	---	---	---	-1.540*	(-2.50)	1.48
Investment to GDP	---	---	---	---	---	---	0.390	(1.65)	1.51
Strength of Investor Protection	---	---	---	---	---	---	1.172***	(10.07)	1.54
Tax rate to profits	---	---	---	---	---	---	0.210	(1.69)	1.72
Domestic Competition	---	---	---	---	---	---	1.016**	(2.91)	4.99
Exchange Rate	---	---	---	---	---	---	0.002**	(3.05)	1.23
General Government Revenue to GDP	---	---	---	---	---	---	-0.163	(-1.26)	1.89
Inflation Rate	---	---	---	---	---	---	0.065	(0.27)	1.44
- Governance variables									
Voice and Accountability	---	---	---	---	---	---	-0.058	(-1.98)	3.66
Political Stability and Absence of Violence/Terrorism	---	---	---	---	---	---	-0.040	(-1.65)	2.72
Rule of Law	---	---	---	---	---	---	0.003	(0.06)	9.82
Year=2013	---	---	---	-0.003	(-0.29)	1.93	-0.005	(-0.48)	1.87
Year=2014	---	---	---	-0.001	(-0.06)	2.01	-0.004	(-0.25)	1.98
Year=2015	---	---	---	0.015	(0.81)	2.05	0.028	(1.49)	1.99
Year=2016	---	---	---	0.029	(1.73)	1.92	0.022	(1.25)	1.90
Year=2017	---	---	---	0.032	(1.72)	1.94	0.031	(1.80)	1.87
Year=2018	---	---	---	0.057**	(3.23)	1.89	---	---	---
Constant	0.787***	(30.26)	---	0.768***	(12.81)	---	-0.711**	(-2.89)	---
Observations	842	---	---	842	---	---	523	---	---
R^2	0.068	---	---	0.074	---	---	0.626	---	---
Adjusted R^2	0.067	---	---	0.066	---	---	0.613	---	---
F	61.08	---	---	4.656	---	---	23.51	---	---
rob > F	0.000	---	---	0.000	---	---	0.000	---	---

Notes: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

3.6.4 OLS Regression Results of the Link between CR and the 6 NC Dimensions

To test *H2*, investigating the relationship between CR and NC dimensions. This research employs OLS regression models (2) to examine this link. The analysis begins with the OLS regression model specified as follows:

$$\boldsymbol{CR_{it} = \alpha_0 + \beta_1 NC_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \quad (2)$$

Where CR refers to the crime rate, NC refers to the national culture six dimensions, including; power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence, and finally, CONTROLS refers to the control variables. Table 7 (below) reports OLS regression results of six dimensions of NC on CR. Some of the six dimensions of NC have a positive relationship and others have a negative relationship with CR. Individualism and indulgence provide a positive relationship with CR to varying degrees, while power distance, masculinity, uncertainty avoidance and long-term orientation exhibit a negative relationship with CR to varying degrees, see (Table 7).

First, the coefficient of power distance on CR in Model 1 of Table 7 is negative (-0.259) and statistically significant (P-value= 0.003). The economic significance of this association is indicated by the coefficient of -0.259 in Model 1, which suggests that, ceteris paribus, an increase of one unit of the standard deviation of power distance, for example, can be expected to lead to an approximate 5.33 % (0.205731*0.259*100) increase in the power distance rate, implying a 5.33 % decrease in CR. This evidence suggests that the higher the level of power distance of countries is, the lower the level of CR they engage in will be. This negative relationship suggests that an increase in power distance will be accompanied by a decrease in CR. A number of studies have examined the impact of power distance (Gray and Vint, 1995; Askary *et al.*, 2008; Chand and Cummings, 2008; Garcia-Sanchez *et al.*, 2016; Boubakri *et al.*, 2017a; Lewellyn and Bao, 2017; Maali and Al-Attar, 2017; Pacheco Paredes and Wheatley, 2017; Gaganis *et al.*, 2019). Significantly, the results of this study are analogous with another study – that of Lian *et al.* (2012), which states that high power distance affects negatively on supervisory behaviours. Additionally, this study observes that, in cultures in which power distance is more highly valued, this has the effect of producing less interest in roles and politics (Basabe and Ros, 2005). The authors also suggest that countries with high power distance have low levels of economic development. Moreover, the study of Gaganis *et al.* (2019) has found a strong and significant relationship between insurance companies' risk-taking and cultural characteristics such as power distance.

Moving on, the coefficient of uncertainty avoidance on CR in Model 4 of Table 7 (below) is negative (-0.174) and statistically significant (P-value= 0.005). The economic significance of this association is indicated by the coefficient of -0.174 in Model 4, which suggests that, ceteris paribus, an increase of one unit of the standard deviation of uncertainty avoidance, for example, can be expected to lead to an approximate 3.56 % (0.205*0.174*100) increase in the uncertainty avoidance rate, implying a 3.56 % decrease in CR. This data suggests that the higher the level of uncertainty avoidance of countries is, the lower the level of CR they engage in will be. This negative relationship suggests that an increase in uncertainty avoidance will be accompanied by a decrease in CR. Although it should be noted that some studies have found positive or negative results for the effect of uncertainty avoidance (Gray and Vint, 1995; Askary *et al.*, 2008; Frijns *et al.*, 2013; Garcia-Sanchez *et al.*, 2016; Pacheco Paredes and Wheatley, 2017; Gaganis *et al.*, 2019). The results of this study are similar to those of Pacheco Paredes and Wheatley (2017), in that it has found a negative association between real earnings management (REM) and uncertainty avoidance. The study of Frijns *et al.* (2013) has also found a negative relationship between diversifying takeovers and uncertainty avoidance.

The effect of the coefficient of long-term orientation on CR in Model 5 of Table 7 is negative (-0.214) and statistically significant (P-value= 0.000). The economic significance of this association is indicated by the coefficient of -0.214 in Model 5, which suggests that ceteris paribus, an increase of one unit of the standard deviation of long-term orientation, for example, can be expected to lead to an approximate 4.97 % (0.232*0.214*100) increase in long-term orientation, implying a 4.97 % decrease in CR. This implies that the higher the level of long-term orientation of countries is, the lower the level of CR they engage in will be. This negative relationship suggests that an increase in long-term orientation will be accompanied by a decrease in the CR. Influence of long-term orientation has been studied by a number of researchers (Chand *et al.*, 2012; Frijns *et al.*, 2013; Khlif *et al.*, 2015; Garcia-Sanchez *et al.*, 2016; Yıldırım *et al.*, 2016; Zhang and Gimeno, 2016). The results here are consistent with Zhang and Gimeno (2016), who suggest that companies with more long-term-oriented investors are less likely to soften competitive behaviour in response to earnings pressure. Long-term orientation from culture dimensions can also affect a person's reaction negatively (Yıldırım *et al.*, 2016). Furthermore, long-term orientation represents the beliefs of the people to avoid ambiguity and can be linked with risk and risk tolerance (Frijns *et al.*, 2013).

Looking at another coefficient, the effect of indulgence on CR in Model 6 of Table 7 is positive (0.188) and statistically significant (P-value= 0.000). The economic significance of this association is indicated by the coefficient of 0.188 in Model 6, which suggests that ceteris paribus, an increase of one unit of the standard deviation of indulgence, for example, can be expected to lead to an approximate 4.44 % percent (0.236*0.188*100) increase in indulgence, implying a 4.44 % percent increase in CR. This figure suggests that the higher the level of indulgence of countries is, the higher the level of CR they engage in will be. This positive relationship implies that an increase in indulgence will be accompanied by an increase in CR. A number of studies have examined the impact of indulgence (Yıldırım *et al.*, 2016; Song *et al.*, 2018; Thanetsunthorn and Wuthisatian, 2018; Cetinguc *et al.*, 2019). Of the studies mentioned, this research is consistent with the work that has been conducted by Yıldırım *et al.* (2016), which has found that indulgence from the culture dimensions has a positive impact on a person's reaction. Moreover, indulgence affects adoption towards information positively (Yıldırım *et al.*, 2016). Therefore, the results of this study provide evidence that there is a direct association between CR and NC dimensions. The significant results of NC dimensions such as power distance, uncertainty avoidance, long-term orientation and indulgence and their impact on CR suggest that there is a strong influence of NC on CR. This also supports Hypothesis 2 and is analogous with a number of studies cited above. The results are also broadly indicative of and provide support for the social theory perspective.

However, the remaining dimensions of NC have an insignificant impact on CR. For instance, the coefficient of individualism on CR in Model 2 of Table 7 is positive (0.166) and statistically insignificant (P-value= 0.060). The economic insignificance of this association is indicated by the coefficient of 0.166 in Model 5, which suggests that ceteris paribus, an increase of one unit of the standard deviation of individualism, for example, can be expected to lead to around a 3.61 % (0.218*0.166*100) increase in the individualism rate, implying a 3.61 % increase in CR. This evidence suggests that the higher the level of individualism of the countries is, the higher the level of CR they engage in will be. This positive relationship suggests that an increase in individualism will be accompanied by an increase in CR.

When the coefficient of masculinity on CR in Model 3 of Table 7 is considered, this is observed as being negative (-0.035) and statistically insignificant (P-value= 0.580). The economic insignificance of this association is indicated by the coefficient of -0.0351 in Model 3, which suggests that ceteris paribus, an increase of one unit of the standard deviation of masculinity, for example, can be expected to lead to an approximate 0.64 % (0.182*0.035*100) increase in masculinity rate, implying a 0.64 % decrease in CR. This evidence suggests that the higher the level of masculinity of the countries is, the lower the level of CR they engage in will be. This negative relationship suggests that an increase in masculinity will be accompanied by a decrease in CR.

Subsequently, sociological theories suggest that crime is moulded by external social factors, where people acquire their experiences from within their neighbourhoods, peer groups, friends, and families. Moreover, according to social theory, a person's physical and social environments are essentially responsible for their behaviour and contribute to and make a criminal. However, strain theory emphasises the pressure felt when people or groups believe that they are excluded from social and economic opportunities or feel strained by external pressures. Therefore, these people's or groups' behaviour will influence their performance and action, which may increase their crime level. Therefore, this study's results support the social theory and strain theory and are consistent with them.

Consequently, the results of this study for the link between CR and NC are also consistent with the findings in other studies reviewed (Shaw and McKay, 1942; Basabe and Ros, 2005; Lian *et al.*, 2012; Frijns *et al.*, 2013; Yıldırım *et al.*, 2016; Pacheco Paredes and Wheatley, 2017). This may suggest that CR is influenced by NC, and that it is not the result of an individual's actions but a result of neighbourhood dynamics and their effects. Therefore, according to social theory, , NC does seem to have an effect CR. This link is also supported by some of the literature. Adler *et al.* (2013) state that the dominant culture explains crime as a collective, with Durkheim (1964) highlighting how the criminal justice systems reflect principles and values and how it helps orient a person's behaviour. Similarly, Gaganis *et al.* (2019) have found a strong and significant relationship between insurance companies' risk-taking and cultural characteristics, such as power distance, individualism and uncertainty avoidance. Finally, Kymlicka *et al.* (2014) state that culture usually defines the criminalization of behaviour. All of these aforementioned arguments are consistent with the results of this study.

Table 7: OLS regression results of NC influence on CR

Dependent Variable Crime Rate (CR)	**Model 1 Power Distance**		**Model 2 Individualism**		**Model 3 Masculinity**		**Model 4 Uncertainty Avoidance**		**Model 5 Long Term Orientation**		**Model 6 Indulgence**	
	CR	**(t)**	**CR**	**(t)**	**CR**	**(t)**	**CR**	**(t)**	**CR**	**(t)**	**CR**	**(t)**
Independent Variables												
Power Distance	-0.259**	(-3.09)	---	---	---	---	---	---	---	---	---	---
Individualism	---	---	0.166	(1.91)	---	---	---	---	---	---	---	---
Masculinity	---	---	---	---	-0.035	(-0.56)	---	---	---	---	---	---
Uncertainty Avoidance	---	---	---	---	---	---	-0.174**	(-2.92)	---	---	---	---
Long Term Orientation	---	---	---	---	---	---	---	---	-0.214***	(-5.06)	---	---
Indulgence	---	---	---	---	---	---	---	---	---	---	0.188***	(3.90)
Control Variables: Macro-economic Vs												
GDP Constant Prices	0.555	(1.48)	0.532	(1.29)	0.269	(0.63)	-0.083	(-0.19)	0.217	(0.50)	0.232	(0.50)
Investment to GDP	-0.642***	(-4.49)	-0.675***	(-4.49)	-0.654***	(-4.21)	-0.727***	(-4.96)	-0.516**	(-3.28)	-0.507**	(-3.05)
Strength of Investor Protection	0.073	(0.92)	0.066	(0.73)	0.046	(0.53)	0.037	(0.39)	0.114	(1.51)	0.060	(0.78)
Tax rate to profits	0.202*	(2.25)	0.143	(1.53)	0.215*	(2.44)	0.205*	(2.44)	0.201*	(2.39)	0.193*	(2.02)
Domestic Competition	0.892**	(2.92)	0.622	(1.95)	0.814*	(2.42)	0.648*	(2.14)	0.848*	(2.51)	0.898*	(2.48)
Exchange Rate	-0.001	(-0.23)	0.001	(0.42)	0.001	(0.48)	-0.001	(-0.07)	0.001	(0.67)	0.001	(0.30)
General Government Revenue to GDP	-0.137	(-1.46)	-0.245*	(-2.22)	-0.156	(-1.45)	-0.174	(-1.39)	-0.060	(-0.53)	-0.126	(-0.94)
Inflation Rate	0.343*	(2.35)	0.361*	(2.15)	0.377*	(2.08)	0.269	(1.73)	0.303	(1.63)	0.258	(1.59)
- Governance variables												
Voice and Accountability	0.048**	(2.90)	0.061**	(3.03)	0.076***	(3.52)	0.067**	(2.93)	0.051*	(2.52)	0.048*	(2.26)
Political Stability and Absence of Violence	0.045*	(2.63)	0.036	(1.93)	0.024	(1.31)	0.029	(1.48)	0.036*	(2.04)	0.021	(0.98)
Rule of Law	-0.237***	(-6.97)	-0.207***	(-6.20)	-0.196***	(-5.65)	-0.194***	(-5.53)	-0.184***	(-5.17)	-0.190***	(-4.82)
Year=2013	0.008	(0.87)	0.008	(0.85)	0.009	(0.93)	0.009	(0.97)	0.007	(0.76)	0.004	(0.38)
Year=2014	0.028	(1.81)	0.032*	(2.18)	0.026	(1.80)	0.030*	(2.02)	0.022	(1.39)	0.018	(1.04)
Year=2015	0.036*	(2.20)	0.040*	(2.55)	0.036*	(2.25)	0.042**	(2.75)	0.028	(1.67)	0.022	(1.24)
Year=2016	0.025	(1.50)	0.029	(1.76)	0.025	(1.52)	0.032	(1.97)	0.022	(1.30)	0.016	(0.89)
Year=2017	0.013	(0.72)	0.018	(1.01)	0.015	(0.82)	0.025	(1.39)	0.010	(0.55)	0.008	(0.43)
Constant	0.122	(0.51)	0.120	(0.51)	0.032	(0.13)	0.283	(1.24)	-0.007	(-0.03)	-0.155	(-0.61)
Observations	417	---	417	---	417	---	405	---	353	---	335	---
R^2	0.619	---	0.593	---	0.576	---	0.606	---	0.637	---	0.641	---
Adjusted R^2	0.603	---	0.576	---	0.558	---	0.589	---	0.618	---	0.622	---
F	21.37	---	17.15	---	16.83	---	16.54	---	17.10	---	16.27	---
Prob > F	0.000	---	0.000	---	0.000	---	0.000	---	0.000	---	0.000	---

Notes: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

3.6.5 OLS Regression Results of EAD-CR Nexus, the Moderating Impact of NC

To investigate the moderating impact of the six dimensions of NC on the EAD-CR nexus, six OLS regressions (equation 3) will be used. Therefore, each dimension will be used separately in a model as follows:

$$\boldsymbol{EAD_{it} = \alpha_0 + \beta_1 CR_{it} + \beta_2 NC_{it} + \beta_3 (CR * NC)_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \quad (3)$$

Where EAD refers to the extent of accounting disclosure, CR refers to the crime rate, NC refers to the 6 dimensions of national culture (power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence), and CR*NC refers to their respective interaction variables (CR*Power_Distance, CR*Individualism, CR*Masculinity, CR*Uncertainty_Avoidance, CR*Long_Term_Orientation and CR*Indulgence). Finally, CONTROLS refers to the control variables. Everything else remains the same as defined in equation (1). Table 8 reports the OLS regression results of CR on the EAD, and the moderating impact of the 6 NC dimensions. Some of the interaction variables have a positive moderating impact and others have a negative moderating impact with the EAD-CR nexus, see (Table 8).

The results suggest that the six dimensions of NC moderate the EAD-CR nexus. For instance, Model 3 of Table 8 presents the findings of the moderating effect of masculinity. The coefficient of CR on EAD of Model 3 is negative (-0.665) and statistically significant (P-value= 0.017), suggesting a strong negative association between CR and EAD among countries with a low level of masculinity. Additionally, the coefficient of masculinity on EAD is negative (-0.496) and statistically significant (P-value= 0.012), indicating a negative association between masculinity and EAD among countries that have a low CR. However, the coefficient of the interaction variable CR*Masculinity on EAD is positive (0.829) and statistically significant (P-value= 0.045), indicating a positive association between masculinity and EAD among countries that have a high level of CR. Therefore, the positive coefficients of CR*Masculinity in Model 3 of Table 8 suggest that high masculinity is associated with high EAD, which is consistent with the prediction that NC dimensions can moderate the EAD-CR nexus and have an influence on EAD.

Model 4 of Table 8 presents the findings of the moderating effect of uncertainty avoidance. The coefficient of CR on EAD of Model 3 is negative (-0.678) and statistically significant (P-value= 0.016), suggesting a strong negative association between CR and EAD among countries with a low level of uncertainty avoidance. Additionally, the coefficient of uncertainty avoidance on EAD is negative (-0.359) and statistically insignificant (P-value= 0.075), indicating a negative association between uncertainty avoidance and EAD among countries that have a low CR. In contrast, the coefficient of the interaction variable CR*Uncertainty_Avoidance on EAD is positive (0.856) and statistically significant (P-value= 0.025), indicating a positive association between uncertainty avoidance and EAD among countries that have a high level of CR. Hence, the positive coefficients of CR*Uncertainty_Avoidance in Model 4 of Table 8 suggest that high uncertainty avoidance is associated with high EAD, which is also consistent with the prediction that NC dimensions can moderate the EAD-CR nexus and have an influence on EAD. Consequently, with regard to the interaction variables of CR*Masculinity and CR*Uncertainty_Avoidance, the significant results presented in Model 3 and Model 4 in Table 8 offer evidence of a moderating impact of Masculinity and Uncertainty Avoidance on the EAD-CR nexus, which largely supports hypothesis (H3) in this study, as well as the predictions of the optimal agency and strain theory.

The remaining dimensions of NC moderate the EAD-CR nexus, which are perhaps an indication of insignificant findings. For instance, Model 1 of Table 8 presents the findings of the moderating effect of power distance. The coefficient of CR on EAD of Model 1 is negative (-0.0522) but statistically insignificant (P-value= 0.855), suggesting a weak association between CR and EAD among countries with a low level of power distance. In contrast, the coefficient of power distance on EAD is positive (0.128) and statistically insignificant (P-value= 0.609), indicating a positive association between power distance and EAD among countries that have a low CR. Furthermore, the coefficient of the interaction variable CR*Power_Distance on EAD is negative (-0.217) and statistically insignificant (P-value= 0.575), indicating a negative association between power distance and EAD among countries that have a high level of CR. Therefore, the negative coefficients of CR*Power_Distance in Model 1 of Table 8 suggest that high power distance is associated with low EAD, which also supports the prediction that NC dimensions can moderate the EAD-CR nexus and have an influence on EAD.

Model 2 of Table 8 presents the findings of the moderating effect of individualism. The coefficient of CR on EAD of Model 2 is negative (-0.365) but statistically insignificant (P-value= 0.059), suggesting a negative association between CR and EAD among countries with a low level of individualism. In addition, the coefficient of individualism on EAD is negative (-0.278) and statistically insignificant (P-value= 0.332), indicating a negative association between individualism and EAD among countries that have a low CR. However, the coefficient of the interaction variable CR*Individualism on EAD is positive (0.506) and statistically insignificant (P-value= 0.220), indicating a positive association between individualism and EAD among countries that have a high level of CR. Hence, the positive coefficients of CR*Individualism in Model 2 of Table 8 suggest that high individualism is associated with high EAD, which also supports the prediction that NC dimensions can moderate the EAD-CR nexus and have an influence on EAD.

In addition, Model 5 of Table 8 presents the findings of the moderating effect of long term orientation. The coefficient of CR on EAD of Model 5 is negative (-0.295) but statistically insignificant (P-value= 0.234), suggesting a negative association between CR and EAD among countries with a low level of long term orientation. The coefficient of long term orientation on EAD is also negative (-0.127) and statistically insignificant (P-value= 0.511), indicating a negative association between long term orientation and EAD among countries that have a low CR. However, the coefficient of the interaction variable CR*Long_Term_Orientation on EAD is positive (0.078) and statistically insignificant (P-value=0.854), indicating a positive association between long term orientation and EAD among countries that have a high level of CR. Therefore, the positive coefficients of CR*Long_Term_Orientation in Model 5 of Table 8 suggest that high long term orientation is associated with high EAD, which also supports the prediction that NC dimensions can moderate the EAD-CR nexus and have an influence on EAD.

Finally, Model 6 of Table 8 presents the findings of the moderating effect of indulgence. The coefficient of CR on EAD of Model 6 is negative (-0.284) but statistically insignificant (P-value= 0.355), suggesting a weak association between CR and EAD among countries with a low level of indulgence. In contrast, the coefficient of indulgence on EAD is positive (0.036) and statistically insignificant (P-value= 0.905), indicating a positive association between indulgence and EAD among countries that have a low CR. In addition, the coefficient of the interaction variable CR*Indulgence on EAD is positive (0.068) and statistically insignificant (P-value=0.898), indicating a positive association between indulgence and EAD among countries that have a high level of CR. Hence, the positive coefficients of CR*Indulgence in Model 6 of Table 8 suggest that high indulgence is associated with high EAD, which also supports the prediction that NC dimensions can moderate the EAD-CR nexus and have an influence on EAD.

Overall, by scrutinising Table 8, it is observed that the interaction term, CR*Masculinity has a significant positive moderating effect on the relationship between CR and EAD with (β 0.829, t= 2.04), (P-value= 0. 045), (Models 4). In other words, when the level of masculinity has a high score, this indicates that EAD is improved. In addition, the interaction variable of CR*Uncertainty_Avoidance has a significant positive moderating effect on the relationship between CR and EAD with (β 0.856, t= 2.30), (P-value= 0. 025), (Models 4). This means that when the level of uncertainty avoidance has a high score, more uncertainty avoidance can potentially improve EAD. Therefore, these results suggest there is a moderating effect of NC on the relationship between CR and EAD, all of which supports Hypothesis 3 of this study, which indicates a moderating effect of NC on the EAD-CR nexus.

Looking at the interaction variables of CR*Power_Distance, CR*Long_Term_Orientation, CR*Individualism, and CR*Indulgence, it is noted that they have an insignificant impact on the relationship between CR and EAD (Model 1,2,5,6) as follows, CR*Power_Distance (β -0.217, t= -0.56), CR*Individualism (β 0.506, t= 1.42), CR*Long_Term_Orientation (β -0.0778, t= 0.18), and finally, CR*Indulgence (β 0.0684, t= 0.13). However, despite these insignificant impacts, these results also support Hypothesis 3.

Accordingly, the results from this study broadly support Hypothesis 3, which states that NC has a moderating effect on the link between EAD and CR. This, in turn, supports social theory and agency theory and suggests that having a high NC in place is expected to have an impact on the association between EAD and CR. This means high NC is likely to increase the ability of managers to improve EAD. This is consistent with prior research in this area that has found a moderating effect of NC dimensions (Askary *et al.*, 2008; Jiang *et al.*, 2015; Power *et al.*, 2015; Karaibrahimoglu and Cangarli, 2016; Nam, 2018; Gaganis *et al.*, 2019). Askary *et al.* (2008) have emphasised that large power distance, high uncertainty avoidance and collectivisms negatively influence professionalism and accounting disclosures. Moreover, Nam (2018) examined cultural moderation and found that NC has a decreased anti-corruption effect on e-government. Similarly, Karaibrahimoglu and Cangarli (2016) have found the moderation of national cultural values on the link between auditing and reporting standards and the ethical behaviour of firms. Moreover, Jiang *et al.* (2015) have stated that the direct relationship between involvement work systems and operational effectiveness is stronger in higher power distance societies. Additionally, Cetinguc *et al.* (2019) have observed the moderating effect of indulgence on the relationships, with Power *et al.* (2015) concluding that there is a moderating influence of NC on investment at the plant level in environment and safety practices. Overall, these findings suggest that NC moderates the link between EAD and CR, and thus provide support for Hypothesis 3 (see table 9). Specifically, the findings indicate that the association between EAD and CR is negatively strong in countries with strong NC values.

Table 8: OLS regression results of EAD-CR nexus, the moderating impact of NC

Dependent Variable Extent of Accounting Disclosure (EAD)	**Model 1 Power Distance**		**Model 2 Individualism**		**Model 3 Masculinity**		**Model 4 Uncertainty Avoidance**		**Model 5 Long Term Orientation**		**Model 6 Indulgence**	
	EAD	**(t)**	**EAD**	**(t)**	**EAD**	**(t)**	**EAD**	**(t)**	**EAD**	**(t)**	**EAD**	**(t)**
Independent Variables: Crime Rate (CR)	-0.052	(-0.18)	-0.365	(-1.92)	-0.665*	(-2.45)	-0.678*	(-2.46)	-0.295	(-1.20)	-0.284	(-0.93)
Moderating Variables												
Power Distance	0.128	(0.51)										
Individualism			-0.238	(-0.98)								
Masculinity					-0.496*	(-2.56)						
Uncertainty Avoidance							-0.359	(-1.81)				
Long Term Orientation									-0.127	(-0.66)		
Indulgence											0.036	(0.12)
Interaction variable: NC*Crime Rate	-0.217	(-0.56)	0.506	(1.24)	0.829*	(2.04)	0.856*	(2.30)	0.078	(0.18)	0.068	(0.13)
Control Variables: Macro-economic variables												
GDP Constant Prices	-1.448	(-1.95)	-1.397	(-1.89)	-1.630*	(-2.23)	-1.417	(-1.90)	-1.063	(-1.27)	-0.956	(-1.16)
Investment to GDP	0.462	(1.51)	0.434	(1.39)	0.419	(1.35)	0.517	(1.75)	0.583	(1.68)	0.599	(1.74)
Strength of Investor Protection	1.194***	(9.06)	1.171***	(9.25)	1.198***	(8.97)	1.262***	(8.88)	1.154***	(6.91)	1.155***	(6.77)
Tax rate to profits	0.308*	(2.12)	0.313*	(2.27)	0.371*	(2.47)	0.266	(1.88)	0.271	(1.87)	0.269	(1.56)
Domestic Competition	0.985*	(2.33)	1.003*	(2.43)	1.142**	(2.98)	1.060**	(2.70)	1.253*	(2.60)	1.127*	(2.11)
Exchange Rate	0.002**	(2.88)	0.002**	(2.93)	0.002**	(2.71)	0.002**	(2.87)	0.002*	(2.47)	0.002**	(2.71)
General Government Revenue to GDP	-0.105	(-0.70)	-0.089	(-0.54)	-0.182	(-1.22)	-0.126	(-0.81)	0.092	(0.44)	0.074	(0.37)
Inflation Rate	-0.015	(-0.06)	-0.011	(-0.04)	-0.139	(-0.56)	0.006	(0.02)	-0.001	(-0.47)	-0.178	(-0.70)
- Governance variables												
Voice and Accountability	-0.055	(-1.47)	-0.054	(-1.57)	-0.065	(-1.90)	-0.078*	(-2.32)	-0.033	(-1.01)	-0.036	(-1.05)
Political Stability and Absence of Violence	-0.042	(-1.37)	-0.038	(-1.39)	-0.030	(-1.07)	-0.030	(-1.04)	-0.030	(-1.09)	-0.055	(-1.74)
Rule of Law	0.004	(0.07)	-0.002	(-0.03)	-0.020	(-0.34)	0.010	(0.18)	-0.067	(-1.06)	-0.044	(-0.68)
Year=2013	0.010	(1.15)	0.011	(1.29)	0.008	(1.01)	0.004	(0.48)	0.010	(1.03)	0.007	(0.73)
Year=2014	0.007	(0.47)	0.009	(0.54)	0.005	(0.32)	0.002	(0.12)	-0.001	(-0.08)	-0.002	(-0.11)
Year=2015	0.024	(1.24)	0.026	(1.29)	0.024	(1.30)	0.015	(0.79)	0.014	(0.59)	0.010	(0.43)
Year=2016	0.030	(1.54)	0.031	(1.58)	0.031	(1.63)	0.021	(1.09)	0.022	(0.98)	0.014	(0.66)
Year=2017	0.037	(1.92)	0.039	(1.95)	0.038*	(2.01)	0.030	(1.53)	0.023	(0.98)	0.019	(0.84)
Constant	-0.867**	(-2.78)	-0.701*	(-2.36)	-0.590*	(-2.18)	-0.657*	(-2.26)	-0.894*	(-2.42)	-0.889*	(-2.63)
Observations	416		416		416		404		352		334	
R^2	0.641		0.642		0.655		0.657		0.597		0.604	
Adjusted R^2	0.623		0.625		0.639		0.640		0.574		0.580	
F	17.68		17.40		17.86		19.40		12.49		12.65	
Prob > F	0.000		0.000		0.000		0.000		0.000		0.000	

Notes: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 9: Summary of study two the findings and hypotheses

Hypotheses	Descriptions	Results
H1	There is a negative relationship between EAD and CR	Accepted
H2	There is a strong relationship between CR and NC	Mixed
H3	NC has a moderating effect on the relationship between EAD and CR	Mixed

3.6.6 Robustness Analyses (GLM)

A number of studies have been carried out on robust parametric general linear models (GLMs) (Diedrichsen and Shadmehr, 2005; Wager *et al.*, 2005; Penny *et al.*, 2007). GLM provides a viable alternative to the OLS model due to the fact that the mean and variance functions are directly based on the original (arithmetic) scale, with the relationship between the two determined by the assumed distribution.

Additionally, the expected value of the dependent variable is associated with the independent variables using a specific function (Buntin and Zaslavsky, 2004). This research therefore employs GLM testing, as it produces more robust results than OLS regression does. The GLM tests are based on a vector of correlated random variables rather than on a single scalar random variable. Hence their prediction is based on a maximum likelihood or Bayesian inference rather than the least-squares procedure. A GLM consists of: a random component, a linear predictor, and a smooth and invertible linearizing link function (McCullagh and Nelder, 1989). In addition, to resolve the probability of normality and variance issues, Skinner *et al.* (2003) incorporated the use of GLM in the regression adjustment framework for count data, and Jearkpaporn *et al.* (2003) explored GLM in a regression adjustment procedure. This also indicates that the GLM regression model is suitable for addressing the probability of normality and variance issues.

The analyses conducted in subsection 3.7.1 to examine the association between EAD and CR used the OLS regression model, and found a negative impact of CR on EAD. To strengthen the results, this research will examine the association between EAD and CR by using GLM Model 4. GLM will be used instead of the OLS model by using the same variables, which have been used in equation 1, in an attempt to validate the model. The OLS estimation adjusted for optimal lags shows a significant negative association between CR and EAD. More importantly, from the underlying standpoint of hypothesis 1, it shows a significant negative impact of CR on EAD.

Table 10 (Model 3) reports the GLM regression results of CR on EAD. The coefficient of CR on EAD in Model 4 is negative (-0.383) and statistically significant (P-value= 0.000), thus providing strong support with the primary result, which is the negative influence of CR on EAD. The economic result of this association is indicated by the coefficient of -0.383 in Model 4, which suggests that an increase of one unit of the standard deviation of CR, for example, can be expected to lead to around a 6.13 % (0.160*0.383*100) decrease in CR, implying a 6.13 percent increase in EAD. This evidence suggests that the lower the level of CR of countries is, the higher the level of EAD they engage in will be.

Table 10, in addition, shows a comparison between the results of both the main analysis (Model 1) and the robustness analysis (Model 4) side by side. In general, it can be discerned from Table 10 that the results of the robustness analysis strongly reflect the results of the main analysis. More specifically, the robustness results of Model 4 in Table 10 show a negative and statistically significant coefficient of the effect of CR on EAD, again with a strong correlation to the primary analysis of this study. Therefore, this result reports the same direction of the coefficient of CR on EAD, which is negative, thus providing support for Hypothesis 1 which states a negative association between EAD and CR. Consequently, the robustness result closely mirrors the results of the main model. The similarity of results for the two models therefore suggests that the initial evidence of the negative relationship between EAD and CR is robust.

3.6.7 Robustness Analyses (Fixed Effect)

The analyses conducted in section 3.7.1 to examine the association between EAD and CR used the OLS regression model, and found a negative impact of CR on EAD. The Hausman Test has been run; consequently, the Prob>chi2 has been recorded as (0.000). Since the Prob>chi2 is significant, this supports the use of the fixed effect regression model. In addition, to test for the existence of any possible endogeneity, this study uses the fixed effect regression model to address possible country-level heterogeneity. The fixed effect will be used instead of the OLS model by using the same variables which have been used in equation 1. The OLS estimation, adjusted for optimal lags, shows a significant negative association between CR and EAD. More importantly, from the underlying standpoint of hypothesis 1, it shows a significant negative impact of CR on EAD.

Table 10 shows a comparison between the results of both the main analysis (Model 1) and the robustness analysis (Model 3). Table 10 (Model 3) reports the Fixed Effect Regression results of CR on EAD. The coefficient of CR on EAD in Model 3 is negative (-0.067). The economic result of this association is indicated by the coefficient of -0.0665 in Model 3, which suggests that an increase of one unit of the standard deviation of CR, for example, can be expected to lead to around a 1.06 % (0.160*0.067*100) decrease in CR: implying a 1.06 percent increase in EAD. This evidence suggests that as the level of CR of countries decreases, the level of EAD they engage in increases. Thus providing strong support with the primary result, which is the negative influence of CR on EAD.

In general, as seen in Table 10, the results of the robustness analysis strongly correlate with the results of the main analysis. More specifically, this result reports the same direction of the coefficient of CR on EAD, which is negative, thus providing support for Hypothesis 1 which states a negative association between EAD and CR. However, the results for Model 3 are reported in Table 10, and are mostly similar to those in Table 6. The findings are sufficiently robust to endogeneity problems that may arise from omitted factors. Consequently, the robustness result closely mirrors the results of the main model, with the similarity in the two models suggesting that the initial evidence of the negative relationship between EAD and CR is robust. This implies that the study results are fairly robust to endogeneity problems that may arise from omitted factors.

3.6.8 Lagging Structure Model

The Granger Test for causality is a technique, which has been used in this research to explore the direction of causality between CR and EAD across all the countries.

$$\boldsymbol{EAD_{it} = \alpha_0 + \beta_1 CR_{it-1} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \quad (4)$$

Therefore, in the last set of robustness tests, to verify the stability of the evidence to potential endogeneity bias stemming from reverse, causality has been conducted. Accordingly, in order to mitigate concerns related to reverse causality between CR and EAD, Model 5 in Table 10 has re-estimated the independent variable (CR) as being one-period lagged (t-1) (Nagin, 1978; Oikonomou *et al.*, 2012; Chang *et al.*, 2014; Oikonomou *et al.*, 2014; Jalles Joao, 2017). This regression in equation (4) has the same control variables as it is in the main equation (1). As we can see from Model 5 in Table 10, lower lagged CR Granger causes higher EAD. However, due to the use of lagged variables, the sample has been shrunk from (523) to (432) observations.

Table 10 also shows that Models 1 and 5 are relatively similar in terms of the value of adjusted R2, as it is 61.3% in the simple OLS model and 60.6% in the lagged model. The F-value is 23.51 and 25.61 in the main OLS and the lagged structure model, respectively. Therefore, Models 1 and 5 in Table 10 show that the results presented in the two models are quite similar, indicating that the findings of the study remained fairly robust using the lagged structure model. Additionally, the significant results from the Granger causality test confirm that CR leads to EAD.

3.6.9 Alternative Measurement of Crime Rate (CR)

As this research sought to increase the credibility of its findings, an alternative measurement for crime level was used. A number of prior studies have employed organized crime in measuring crime rate (Lupsha, 1996; Ruggiero, 1996; Levi, 1997; Buscaglia, 2003; Van Dijk, 2007; Alesina *et al.*, 2018; Slutzky and Zeume, 2018). Accordingly, this study has adopted the same methodology and uses CR as a measurement for the rate of organized crime (OCR). In order to assess the sensitivity of the main results of this study of CR measurement, CR in equation (1) was replaced by OCR. Therefore, equation (5) was re-estimated to be as follows:

$$\boldsymbol{EAD_{it} = \alpha_0 + \beta_1 OCR_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \quad (5)$$

where everything is defined as it is in equation (1) except (OCR), Organized Crime Rate as an independent variable instead of CR. Table 10 reports the OLS regression results of OCR on EAD. The coefficient of OCR on EAD in Model 2 is negative (-0.197) and statistically insignificant (P-value= 0.141), thus providing support with the main result, which confirms a negative association between EAD and CR. The economic result of this link is indicated by the coefficient of -0.197 in Model 2, which suggests that, ceteris paribus, an increase of one unit of the standard deviation of OCR, for example, can be expected to lead to about a 2.89 % (0.147*0.197*100) decrease in OCR, implying a 2.89 % increase in EAD level. This evidence suggests that the lower the level of OCR for countries is, the higher the level of EAD they engage in will be. This negative relationship suggests that an increase in OCR will be accompanied by a decrease in EAD. Table 10 also shows a comparison between the results of both the main analysis (Model 1) and the alternative analysis (Model 2) side by side. In general, it can be deduced from Table 10 that the data from the alternative results closely mirror the results of the main analysis.

Despite being insignificant, the coefficient of OCR on EAD in Model 2 of Table 10 is negative, which is the same direction of the coefficient of CR on EAD (also negative -0.210) and statistically significant (P-value= 0. 043), thus providing support for Hypothesis 1, which states that there is a negative association between EAD and CR, as is the case here.. Consequently, the alternative result closely mirrors the results of the main model, Models 1 and 2 of Table 10. The results of Model 2 as summarised in Table 10 generally support the results of the main analysis that provide positive support for Hypothesis 1, which states a negative association between EAD and CR. The similarity of results for the two models and the fact that the coefficients for both go in the same direction suggests that the initial evidence of the negative relationship between CR and EAD is robust.

Table 10: Comparison of the alternative, robustness and main results of EAD-CR nexus

Dependent Variable Extent of Accounting Disclosure (EAD)	Model 1 (Main) OLS			Model 2 (CR Alternative)			Model 3 Fixed Effect		Model 4 GLM		Model 5 Lagging	
	EAD	(t)	VIF	EAD	(t)	VIF	EAD	(z)	EAD	(t)	EAD	(t)
Independent Variable: Crime Rate (CR)	-0.210*	(-2.05)	2.11	---	---	---	-0.067	(-1.25)	-0.383***	(-3.72)	-0.218*	(-2.09)
Organized Crime (OCR)	---	---	---	-0.197	(-1.48)	3.47	---	---	---	---	---	---
Control Vs:- Macro-economic variables												
GDP Constant Prices	-1.540*	(-2.50)	1.48	-0.105	(-0.28)	1.37	0.317	(1.32)	-1.957**	(-2.93)	-1.890*	(-2.52)
Investment to GDP	0.390	(1.65)	1.51	0.094	(0.58)	1.24	0.600**	(2.72)	0.821***	(3.76)	0.389	(1.63)
Strength of Investor Protection	1.172***	(10.067)	1.54	0.997***	(9.00)	1.53	0.268***	(4.93)	1.667***	(16.34)	1.206***	(9.47)
Tax rate to profits	0.210	(1.69)	1.72	0.218*	(2.06)	1.56	0.022	(0.26)	0.357***	(3.48)	0.230	(1.86)
Domestic Competition	1.016**	(2.91)	4.99	0.773*	(2.23)	4.84	0.148	(0.81)	2.247***	(6.30)	1.143**	(3.14)
Exchange Rate	0.002**	(3.05)	1.23	0.002***	(4.27)	1.18	-0.001	(-0.65)	0.003***	(6.04)	0.002**	(2.93)
General Government Revenue to GDP	-0.163	(-1.26)	1.89	-0.056	(-0.41)	1.70	0.256	(1.18)	0.102	(0.76)	-0.184	(-1.31)
Inflation Rate	0.065	(0.27)	1.44	-0.252	(-1.14)	1.30	0.290**	(2.98)	-0.364	(-1.14)	0.090	(0.41)
- Governance variables												
Voice and Accountability	-0.058	(-1.98)	3.66	-0.088**	(-3.21)	1.30	0.006	(0.19)	-0.025	(-1.00)	-0.067*	(-2.29)
Political Stability and Absence of Violence	-0.040	(-1.65)	2.72	-0.047	(-1.93)	2.93	0.005	(0.30)	-0.104***	(-4.84)	-0.038	(-1.61)
Rule of Law	0.003	(0.06)	9.81	0.074	(1.83)	10.06	0.112**	(3.12)	-0.073	(-1.75)	-0.005	(-0.11)
Year=2010	---	---	---	0	(.)	---	---	---	---	---	---	---
Year=2011	---	---	---	0.004	(0.39)	1.82	---	---	---	---	---	---
Year=2012	0	(.)	---	-0.003	(-0.17)	1.96	0	(.)	0	(.)	---	---
Year=2013	-0.005	(-0.48)	1.87	-0.014	(-0.85)	2.00	0.009	(0.95)	-0.013	(-0.30)	0	(.)
Year=2014	-0.004	(-0.25)	1.98	-0.023	(-0.93)	2.22	0.016	(1.39)	-0.021	(-0.50)	-0.018	(-1.14)
Year=2015	0.028	(1.49)	1.99	-0.006	(-0.26)	2.16	0.035**	(3.09)	0.055	(1.28)	0.019	(1.01)
Year=2016	0.022	(1.25)	1.90	0.008	(0.33)	2.13	0.040***	(3.55)	0.045	(1.04)	0.032	(1.63)
Year=2017	0.031	(1.80)	1.87	0.010	(0.41)	2.13	0.043***	(3.73)	0.052	(1.21)	0.023	(1.19)
Constant	-0.711**	(-2.89)	---	-.405*	(-1.69)	---	0.109	(0.72)	-3.071***	(-11.82)	-0.796**	(-3.13)
Observations	523	---	---	880	---	---	523	---	523	---	432	---
R^2	0.626	---	---	0.531	---	---	0.232	---	---	---	0.620	---
Adjusted R^2	0.613	---	---	0.521	---	---	0.003	---	---	---	0.606	---
F	23.51	---	---	17.88	---	---	7.150	---	---	---	25.61	---
Prob > F	0.000	---	---	0.000	---	---	0.000	---	---	---	0.000	---

Notes: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

3.7 Conclusion

Although several previous pieces of research have examined the EAD or the extent of business disclosure, as well as having examined the level of crime rate (CR) or the influence of the organised crime rate (OCR), it is significant to note that there appears to be no cross-country study to date which has examined the relationship between EAD and CR in tandem, along with the moderating effect of NC. This study has sought to achieve precisely that and to provide a greater potential for generalisation by using a cross-country study approach. The findings indicate that there is a strong negative relationship between EAD and CR, and that this link is moderated by NC.

3.7.1 Theoretical Contribution

This study employs a developed multi-theoretical framework adapted to investigate those countries where the EAD - CR nexus is present. In particular, according to agency theory, shareholders expect managers to disclose more information (including accounting and finance information) which is geared toward the shareholders' aims. Therefore, larger corporations are expected to disclose more information to reduce problems and to meet stakeholder expectations (Perez, 2004). Whilst this might be the case according to agency theory, corruption and other forms of economic CR in the agency perspective are considered to be the consequence of the principal's inability to control and prevent the agent from abusing his or her position for personal gain (Li and Ouyang, 2007).

Accordingly, the board of directors or corporate managers might disclose information, which meets their interests and has been shaped to some extent by the culture surrounding them. The same phenomenon may also affect the behaviour of the board or corporate managers. This gives credence, therefore, to the use of social theories that have been applied as one of the analytical frameworks, or paradigms used to investigate and interpret social phenomena or problems (Seidman, 2016). Social theory by definition is used to make generalizations or distinctions between different cultures of societies (Callinicos, 1999). Generally, social theories are provided to explain the actions and behaviour of society as a whole, encompassing sociological, economic, political, and philosophical ideas. Moreover, according to the social theory model mentioned above, a person's physical and social environments are essentially responsible for their behaviour and can contribute towards producing a criminal. Therefore, one could infer that social theory is suitable for studying and understanding the rate of crime.

It is also noted that the pressures exerted by culture might affect some corporate managers' decisions. Consequently, strain theory has been used extensively to study the issue of crime. According to Zhang *et al.* (2011), the basis for strain theory is Durkheim's theory of anomie. Strain theory of deviance has been present for over a century in sociological considerations of crime. Moreover, general strain theory of deviance is based on the formulation that, when people are treated badly they may engage in crime (Zhang *et al.*, 2011). Cooper *et al.* (2013) argue that the causes of accounting fraud are engrained in individual behaviour. The authors identify and emphasise strain theory as the pressure felt when people or groups believe they are excluded from social and economic opportunities or feel strained by external pressures. This means that the decision-makers, who are prone to culture pressures, can see this affecting their decisions, which will in turn influence EAD. Mishina *et al.* (2010) found that corporations performing well above their competitors ultimately engage in illegal activities such as corruption because of a combination of hubris and outsized performance expectations.

One final point worth considering is that, according to agency theory, listed companies have to disclose more information to meet their companies' requirements (Inchausti, 1995). Corporations with high profitability have to disclose more information to raise investor confidence (Singhvi and Desai, 1971). However, some characteristics of managers and decision-makers might play a role in related disclosure information, and depend on the culture where they live. On the other hand, high CR and business risks might make the board of directors willing to bear further risks, and therefore limit managers' ability to disclose more information.

Furthermore, this study contributes to the prior literature on EAD and CR, by providing new insights on the moderating effect of NC on the EAD-CR link. That is, according to agency theory, the interest of corporate managers is expected to affect EAD engagement. However, according to strain and social theories, NC is expected to influence the behaviour of corporate managers and EAD engagement, and in turn, affect the association between EAD and CR.

3.7.2 Empirical Contributions

This research contributes to the extant accounting literature on EAD and CR. Specifically, it contributes to the link between EAD and CR by exploring the moderating effects of national cultural dimensions on this relationship. Furthermore, it provides international evidence for these links based on 523 observations from 2012 to 2018, derived from 142 countries, while most similar types of previous empirical research have either used one country or just a few countries. The findings of this research make a number of new contributions to the existing literature in this domain. Firstly, this study provides evidence for a significant negative association between EAD and CR as demonstrated by the results. Secondly, it provides evidence that NC dimensions have a strong influence on CR. However, some of the 6 dimensions of NC have a positive relationship with CR, whereas others are negatively linked. Individualism and indulgence have a positive relationship with CR to varying degrees, while power distance, masculinity, uncertainty avoidance and long-term orientation have a negative relationship with CR to varying degrees, (see Table 7). Thirdly, this study provides evidence that NC dimensions moderate the link between EAD and CR. However, some of the 6 dimensions of NC have a significant influence on EAD-CR nexus, such as masculinity and uncertainty avoidance. These offer evidence of a moderating impact of NC on the EAD-CR nexus, which largely supports hypothesis 3. Fourthly, the findings of this research provide support to the theoretical framework of managers' behaviour as it pertains to EAD. A culture with a high CR is expected to have more power and pressure, which would, therefore, provide greater scope and ability to decrease the level of accounting disclosure.

This negative relationship suggests that an increase in CR will be accompanied by a decrease in EAD. This comes against the underlying principle and expectation that shareholders have in terms of seeing a high level of disclosure from the board of directors, as it is they who have been selected to represent their interests (Davidson *et al.*, 1996). Those in positions of responsibility must exercise caution when using corporate resources, as managerial misconduct, which may be influenced by some social issues, could affect their reputation and future career prospects (Conyon and He, 2011). Therefore, corporate managers might seek to avoid such risks, including those associated with CR, by disclosing more accounting information. Finally, this study also provides support to the prior empirical literature on the association between EAD and CR, where it has found strong evidence that CR negatively affects EAD. In addition, this study has found some evidence of the moderating effects of cultural values on the link between EAD and CR.

3.7.3 Implications of the Research Findings and Recommendations

There are several implications which can be drawn from this study with respect to the use of the NC dimensions and its applications in influencing the relationship between CR and EAD in various countries. Policy and decision-makers and governments in countries around the world can see the findings of this study and observe how they differ from other studies. Moreover, this study result might help policymakers to make decisions related to the disclosure information level, as well as observing how CR can influence decision and policy-makers in different countries. This could help them recognise the advantages and disadvantages of increases or decreases in disclosure levels, which could be instructional and assist countries in improving their safety ratings.

Furthermore, some corporations may be motivated to disclose more accounting information that they see as being potentially important for improving corporate performance. As a result, this may increase their motivation to disclose a more thorough implementation of their corporate policies. The other potential impact of this study encourgaing greater disclosure could have the effect of ameliorating a nation’s CR. This study could also provide general guidelines showing countries how they might be able to reduce CR. This study has also shown how NC can moderate the relationship between EAD and CR.

Based on the above, this research has a number of potential implications. Firstly, for corporate boards and managers, it highlights the importance of having a high level of culture, with a key aspect of this emanating from managerial culture and behaviour as this tends to drive the organisation forward in a particular direction. This is because the findings show a positive moderating effect of NC on the association between EAD and CR. Consequently, the findings of this research show that corporates who work in a country with a low level of CR seem to disclose more accounting information. Conversely, where corporations operate in countries with a very high level of crime, this can have a detrimental affect on the performance of decision-makers and thus reduce their level of accounting disclosure. Accordingly, it is important for these corporations to maintain positive perceptions with stakeholders, which can be gained through having a good level of disclosure as and when it is required. Given the findings of the moderating effect of cultural dimensions, it is important for corporate managers to consider the cultural values of their stakeholders while disclosing the accounting information. Overall, the findings of this research have suggested that higher levels of crime are correlated with a decline in the level of accounting disclosure, a factor that can also be influenced by the cultural level of the country in which an organisation operates. This could mean having to adjust the level of EAD so as to make it commensurate with the level of criminality in the country where the corporation may be operating.

Secondly, for governments, decision-makers and regulators who view the findings of this study, it is plausible that this may provide the impetus for some of them to change their level of disclosure, which could help to reduce CR. More emphasis on differences in cultures could help change EAD as well as changing the level of crime in different countries. Since there is a negative relationship between EAD and CR, consideration should be given to reducing CR, which in turn can help to increase the overall level of disclosure. Where disclosure and transparency are requirements for shareholders (owners or investors), as well as governments and others, the implication is that governments and corporations must continually update their rules and regulations in order to try and reduce CR as well as increasing disclosure levels as the latter can positively affect CR. Thirdly, given the positive moderating effect of NC on the link between EAD and CR, these findings may motivate individuals to make decisions to reduce CR by encouraging certain types of cultural behaviour or practices, which could in turn impact EAD. This also needs to filter through to managers, who must be encouraged to take into account the impact of culture on the behaviour of individuals and the level of information they need.

3.7.4 Research Limitations and Agenda for Future Research

Despite the fact that efforts have been made to investigate the moderating influence of NC on the relationship between the EAD and CR at the country-level, and that the findings of this research are considered to be highly important and robust, there are nevertheless some limitations to this study which should be highlighted. Firstly, there is no distinction between developing and developed countries, which means that the difference of culture and its impact on this relationship may be influenced by the type of state being considered and where it is positioned in terms of its level of development. Even where, for example, developed nations are considered, it is plausible that two advanced nations may be susceptible to quite diverging cultural influences, which in turn could result in marked differences in the relationship between EAD and CR. This indicates that there are other underlying reasons which may affect the EAD-CR nexus and these must also be analysed/discussed, despite the significance that culture has in the link between these two factors.

Secondly, although the study was able to use a large volume of data consisting of some 199 countries, based on data from The World Bank, generating 2,786 countries-year observations, the final sample selected was only 523 observations for the period from 2012 to 2018, which accounted for 142 countries. This was due to a significant portion of missing data for CR during the entire period. It is also noteworthy that this study data, including the dependent and independent variables as well as the control variables, have been obtained from different databases, which has resulted in missing or non-homogeneous data in countries and years. These factors have affected the final sample size, which could have also influenced the findings and outcome of this study.

Accordingly, as more data becomes available over the passage of time, specifcally accurate, detailed and relevant data, future research may include more variables in the analyses, such as education and religiosity. Future research can also specifically examine the effects of each type of crime (e.g., money laundering, corruption, murder, theft, and others) on EAD. Additionally, obtaining future study variables from comparable or similar databases and other sources will reduce data loss and increase the final sample size. Finally, this study can help open up new avenues for further research. Given the evidence of the influence of CR on EAD in general, this study provides a pathway for future studies to traverse which may focus on a specific kind of crime linked to specific aspects of accounting. Furthermore, the evidence of this study for the EAD-CR link motivates future research to investigate the moderating effects of other country-level characteristics.

Chapter 4 Study Three: Corporate Social Responsibility, Religiosity and National Culture

Abstract

This study empirically analyses corporate social responsibility (CSR) as a cross-country study, using a quantitative methodology in order to contribute to accounting literature and seeking to provide new insights by exploring the relationship between CSR and Religiosity (RLG), as well as the moderating effect of national culture (NC). This study aims to: (i) investigate the relationship between CSR and RLG, (ii) explore the link between CSR and NC, and (iii) determine the moderating effect of NC on the relationship between CSR and RLG.

The decision to employ a cross-country study is motivated by the relative paucity of, and recent calls for, cross-country studies in CSR linked to RLG. This study seeks to provide more generalisable results and provide a more complete understanding of the effects of RLG on CSR. Based on an international sample taken from different world databases, the final sample covered 79 countries for the period 2010 to 2017, which have been used to achieve the aims of this research. A number of databases and sources were used to collect this study's variables data, including CSRHub, ASSET4 environmental, social and governance (ESG) via the DataStream, Pew Research Center, Government Restrictions Index (GRI), Hofstede, The International Monetary Fund (IMF), The World Economic Forum, Knoema, Corruption Perceptions Index, The World Bank Group and The Worldwide Governance Indicators (WGI). Ordinary least squares regression (OLS) has been used to examine the relationships. To further confirm and improve the robustness of the findings, additional analyses have been conducted using a lagged effect and GLM regression model.

The results of this study show a significant positive association between CSR and RLG, in addition to providing a strong link between CSR and NC. Furthermore, the findings provide some evidence that NC appears to affect the CSR-RLG nexus. These findings are robust across different statistical techniques and alternative measurements. Moreover, these findings support the multi-theoretical framework of the agency, social contract and virtue theories. As a consequence, this study has important implications for corporate decision-makers, regulators, governments and key players in financial reporting.

Keywords: *corporate social responsibility; CSR; Religiosity; RLG; National culture; NC; Agency theory; Social contract theory; Virtue theory; OLS; Lagged; GLM.*

4.1 Introduction

This study generally seeks to explore the relationship between corporate social responsibility (CSR) and religiosity (RLG), whilst examining whether national culture (NC) can moderate the link between CSR and RLG. The developments in the sphere of business recognise accounting as a major feature of modern life. Accounting can no longer be considered as a "mere assembly of calculative routines, it now functions as a cohesive and influential mechanism for economic and social management" (Burchell *et al.*, 1980, p,6). However, recent scandals and a move from simple or professional business to the public domain has centred on issues related to professionalism ethics (Cowton, 2017).

Today's businesses are affected by and can exploit globalisation and relationships between countries throughout the world, enabling them to expand from local to international markets whilst working in different cultures with people from different backgrounds (race, colour, creed, religion). Therefore, CSR, which empowers businesses to play an active role in a country's society in a good way, is an increasingly important issue, and one which can help in determining how effective an organisation is in its immediate and surrounding environment and context. Bowen (1953, p. 6) provides a definition for the social responsibilities of businessmen: "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". Also, Jonkers (2005, p. 20) states that CSR is, "not about removing the negative impact of an organisation, but about how it can take part in society in a meaningful way". Consequently, when an organisation plans to move or create a business abroad it should seek to understand the new society, by familiarising itself with its culture and religious norms. Thus, understanding the effect of religion on accounting and CSR is important because social standards are known to have a strong influence on human behaviour (Sunstein, 1996; Cialdini and Goldstein, 2004).

The relationship between RLG and business ethics or CSR has been the subject of much experimental research (Calkins, 2000; Epstein, 2002; Weaver and Agle, 2002). In addition, several empirical studies have linked religiosity and ethical values in economics and business (Miesing and Preble, 1985; Guiso *et al.*, 2003; Angelidis and Ibrahim, 2004). These studies have shown that religious individuals tend to exhibit better decision-making based on an ethical outlook/perception and a greater orientation to CSR (Brammer *et al.*, 2007). Therefore, understanding the relationship between RLG and accounting is important because in some parts of the world (more so than others) peoples' behaviours are largely influenced by religion. Consequently, this study postulates that there is a positive relationship between RLG and CRS, as well as NC having a significant influence on the RLG-CSR nexus. The remaining parts of the introduction are organised as follows: Subsection 4.1.1 presents the research motivation with subsection 4.1.2 providing a description of the research objectives and questions. Subsection 4.1.3 highlights the contributions of this research to the extant accounting literature with the final subsection 4.1.4, presenting the organisation of the whole study.

4.1.1 Research Motivation

This research is primarily motivated by the dearth of cross-country studies conducted in the accounting sector specifically in the area of CSR, RLG and NC. It is noted that previous studies in this area have shown a lack of detailed discussion/scrutiny to provide or establish sufficient evidence of the relationship between RLG and CSR at the country level. Although, it is worth mentioning that prior studies have widely examined the influence of religion on personal behaviour. Lehrer (2004) highlights that the extent to which RLG affects CSR or corporate behaviour is not well understood, especially when it comes to cross-country studies. In the US, however, Hilary and Hui (2009) have found that companies headquartered in the USA with higher levels of RLG are more conservative in terms of their investment outlook when compared to companies with lower levels of RLG.

In general, there are a number of motivations behind the company's practice of CSR. Maignan and Ralston (2002) conceptualised CSR and identified three principles of motivation behind CSR, which can be summarised as follows: firstly, "Value-driven CSR'' is displayed as being part of the corporate's culture, or as an expression of its core values; secondly, ''Performance-driven CSR'' CSR is displayed as a part of the corporate's economic mission as a tool to improve its competitive posture and its financial performance; thirdly, ''Stakeholder-driven CSR'' CSR is displayed as a response to stakeholder pressure. Furthermore, Lynes and Andrachuk (2008) considered motivations behind CSR and revealed existing corporate culture to be the most important factor of decision-making.

Indeed, the understanding of how an individual's personal religious values combine with their business life has been stated to be one of the great uncharted areas, representing a key part of most people's lives, and managers and the business community have not yet considered this adequately (Nash, 1995). Additionally, CSR is an important topic of study because it has a promising future and looks set to continue growing. Hopkins (2007, p. 42) has suggested that, "there is no doubt that CSR will become embedded in a company's culture and organisational profile". Moreover, Gray (1988) stated that culture or community values at the national level can be expected to permeate firms and professional sub-cultures, albeit with varying degrees of integration. In order to achieve its objectives in this study, this research uses data from a very large world database, as well as sources over a long period from 2005 to 2018, while previous studies have used data over a relatively short period or have been applied to a small number of countries. This, therefore, arguably improves the possibility of being able to generalise this study's results in any economy.

4.1.2 Research Objectives and Questions

Although a considerable number of researchers have investigated the determinants, motivations and consequences of CSR and corporate governance practices, the majority of studies examining how and why RLG might influence CSR have relied on data available from European Union countries, the United States and Latin America. This means the existing literature arguably lacks a worldwide outlook or perspective, which can be said to be truly representative of all regions. This research attempts to bridge this gap by showing that behaviour in RLG societies' may well pressure firms to engage in CSR practices for reasons of legitimacy and efficiency. In addition, through addressing the relationship between RLG and CSR, this study investigates whether NC can moderate the association between RLG and CSR.

Consequently, by applying regression models, this study aims to make a contribution to the existing gap in the literature. In addition to testing the hypotheses of this study. This will be achieved through the following objectives: (i) to investigate the relationship between CSR and RLG cross country; (ii) to explore the relationship between CSR and NC; (iii) to determine the moderating effect of NC on the relationship between CSR and RLG cross-country. In attempting to highlight the research gap and achieve the research objectives, this study seeks to empirically answer the following research questions: Firstly, what is the relationship between RLG and CSR? Secondly, what is the relationship between CSR and NC? Thirdly, can NC moderate the relationship between RLG and CSR? By addressing these questions, it is hoped that this study will make a valuable contribution to the existing body of accounting literature.

4.1.3 Research Contributions

Through addressing the research questions, this study will contribute to the existing literature by adopting multiple theoretical frameworks to interpret the empirical findings and understand in depth how CSR links with RLG. It has been noted that existing studies on CSR usually adopt an agency theory approach (Brammer *et al.*, 2007; Gond *et al.*, 2017; Murphy and Smolarski, 2018). Therefore, this study will go further by explaining how to use multiple theories in interpreting the empirical findings by adopting agency, social contract and virtue theories. Moreover, it should be noted that the research in this area is not abundant. This research employs a huge sample of 79 countries, collected directly from more than 10 databases over the period 2012-2018 using sources such as World Development Indicators, CSRHub, ASSET4 ESG via the DataStream, Pew Research Center, Worldmapper-Datasets, Hofstede, The International Monetary Fund (IMF), The World Economic Forum, Knoema, Corruption Perceptions Index, The World Bank Group and The Worldwide Governance Indicators (WGI). Unlike previous cross-country studies, the sample will be constructed so as to achieve a balance between large numbers of countries, thus enabling the generalisation of the findings to be enhanced.

It is also envisaged that this study will seek to fill the gap in the existing accounting literature by providing empirical evidence on the factors determining the impact of religiosity on CSR worldwide. This could help companies to increase their contribution to CSR, as well as assisting them in choosing company locations and headquarters. Additionally, this study contributes by providing empirical evidence of how NC can direct the relationship between CSR and RLG. Finally, it is hoped that this study will contribute to the existing literature by highlighting that the provision of more accounting information and transparency can have more of a significant impact to stakeholders than their societies. In addition, this study encourages company managers to increase the CSR contributing to help protect the social environment. Moreover, it will contribute by providing an important policy, regulatory, and practical implications for countries, governments and authorities, especially in developing countries currently pursuing disclosure policy reforms aimed at increasing levels of CSR.

4.1.4 Research Organisation

As is shown in Figure 6 (below), this study has been organised into eight sections. Section 4.1 introduces the research, articulates its main motivation, research questions and objectives, as well as presenting the research contributions. This section concludes by briefly summarising how the research is organised. Section 4.2 discusses this study's background, including CSR, RLG and NC. The third section (4.3), reviews the key theories associated with CSR, RLG and NC, which include agency, social contract and virtue theories. It aims to highlight the implications of these theories by providing a profound understanding of the relationship between CSR and RLG. It is through this review process that it will be possible to incorporate the respective theories into a framework that can be used to interpret and rationalise the empirical results.

Section 4.4 reviews empirical studies from both developed and developing countries to provide existing evidence of the relationship between CSR-RLG and the relationship between CSR-NC. In addition, it discusses the moderating impact of NC on the relationship between the CSR-RLG. In section 4.5 a discussion follows, highlighting the quantitative research design, methodology and statistical analysis of data used in this study, as well as the justification of the chosen data and research design. Three statistical models are employed: (i) the first model, which investigates the link between CSR- RLG, (ii) the second model, which investigates the link between CSR-NC, and (iii) the third model, which investigates the moderating effect of NC on that relationship. Following that, section 4.6 will discuss the findings which are relevant to the literature. This section will address the descriptive statistics and OLS assumptions, in addition to presenting the statistical summaries of the tests of OLS assumptions and correlation analyses. The empirical findings obtained by running the regression models are discussed in section 4.7. The final section, 4.8, presents a summary of the findings from the quantitative data and the implications of this research for those in authority, policy-makers and practitioners. Furthermore, it discusses the contributions of this study as well as outlining some of its limitations and a brief conclusion, which offers suggestions for future research.

Study Three Structure

Section 4.1 Introduction
Introduction, Motivation, Questions, Objectives and Contributions

↓

Section 4.2 Background
Corporate Social Responsibility, Religiosity, National Culture

↓

Section 4.3 Theoretical Framework
Agency, Social contract and Virtue Theories

↓

Section 4.4 Literature Review
Empirical Literature Review and Hypotheses Development

↓

Section 4.5 Research Design
Samples, Data, Sources and Methodology, Regression Models

↓

Section 4.6 Descriptive Statistics
Descriptive Statistics and OLS Assumptions

↓

Section 4.7 Empirical Results and Discussion
Results and Comparison of OLS, Laggeing and GLM

↓

Section 4.8 Conclusion
Contribution, Implications, Recommendations, Limitations

Figure 6: Study Three Structure

4.2 Background

4.2.1 Corporate Social Responsibility

The concept of corporate social responsibility (CSR) has a long history correlated with how it influences the behaviour of institutions. In order to understand its influence, it is necessary to begin by tracing and comprehending the conceptual evolution of CSR. CSR is not about removing the negative influence of institutions, but rather about how it can enhance society through its participation in a meaningful manner (Jonkers, 2005). However, there is no doubt that CSR can become embedded in a company's culture and performance (Hopkins, 2007). Also, Hopkins mentions that the most important task of CSR in managing companies efficiently is, "to create more jobs, to pay taxes religiously, and to create value for all stakeholders" Hopkins (2007, p. 85). Carroll (1979) explains that social responsibility involves economic, legal, ethical and discretionary aspects which society expects from organisations.

Frederick (1960) has highlighted that interest in the problem of corporate responsibility can be explained as an economic order. Moreover, Frederick (1960, p. 60) asserts that CSR, "implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms". Similarly, Davis (1960) has argued that some decision-makers take into account social responsibility when making decisions that concern the company. Another researcher who has contributed to the concept of social responsibility in the 1960s was Joseph MacGuire (MacGuire, 1963). MacGuire (1963) posits that social responsibility urges corporations to assume certain responsibilities towards society, which extend beyond their economic and legal obligations. Therefore, CSR helps businesses produce a positive impact on society and organisations should determine their role in society and implement the responsible, ethical, legal standards of the society (Lichtenstein *et al.*, 2004; Lindgreen *et al.*, 2009).

4.2.2 Religiosity

The understanding of religiosity and its dimensions is very important, as it has a strong influence on people's behaviour. The measure of religiosity employed by Allport and Ross (1967) has been divided into two dimensions: intrinsic and extrinsic religiosity. An intrinsically religious person is said to live his or her religion, whereas an extrinsically religious person utilises religion to meet personal goals such as making friends and finding comfort and support. Similarly, a number of studies have found that motivated religious people adhere to higher moral standards than their extrinsically motivated counterparts (Vitell *et al.*, 2005; Arli and Tjiptono, 2014).

McGuire *et al.* (2012) have mentioned that people's behaviours are controlled by religiosity as a key social mechanism. The same authors state that there is a negative relationship between religiosity and accounting manipulation, and they have investigated whether religiosity influenced managers' methods in managing earnings. Accordingly, previous research suggests that managers view accruals-based earnings management as less ethical and riskier relative to real activities earnings management (Bruns and Merchant, 1990; Graham *et al.*, 2005). Likewise, McGuire *et al.* (2012) have found that religiosity is positively related to proxies for real earnings management (Roychowdhury, 2006; Cohen *et al.*, 2008; Cohen and Zarowin, 2010).

In addition, Roberts and David (2019) state that religious adherents are more likely to help others through both deeds and charitable donations. Religiosity can be delineated in a number of ways, but is best understood as the extent to which a person lives out his or her religious beliefs (Allport and Ross, 1967). Reitsma *et al.* (2006) have indicated that the positive relationship between religiosity and charitable donations has gained widespread acceptance. Furthermore, Norenzayan and Shariff (2008) mention a large body of sociological studies that support a positive relationship between religiosity and prosocial behaviour. From the aforementioned discussion, religiosity can be defined as the extent to which a person lives out his or her religious beliefs. Therefore, a religious person is motivated to adhere to loftier moral standards than their extrinsically motivated counterparts. Consequently, this study will try to ascertain the effect of religiosity on the extent to which organisations contribute to CSR.

4.2.3 National Culture

In the last decade, increasing attention has been paid to the cultural dimension of accounting studies (Gray *et al.*, 1988; Tay and Parker, 1990; Hamid *et al.*, 1993; Gilroy, 2002). Generally, users' needs for accounting or financial reporting are affected by societies' culture (Baydoun and Willett, 1995). Williams (1961) states that culture is a 'whole way of life', with Thompson (1963) stating that culture is the way in which groups 'handle' the raw material of social and material existence, opening up new ways of thinking about culture. Therefore, the interplay between religiosity and culture has also emerged as a central concern among contemporary researchers.

The importance of culture in accounting systems is becoming increasingly recognised (Radebaugh *et al.*, 2006). However, it is not easy to define the basis of culture in humanity and social science. There are many different definitions of culture. For instance, Hofstede (2001, p. 1) defines culture as, “the collective programming of the mind; it manifests itself not only in values, but in more superficial ways: in symbols, heroes, and rituals”. While Mead (1937, p. 17) defines it as, "Culture means human culture, the whole complex of traditional behaviour which has been developed by the human race and is successively learned by each generation". Also, Hofstede (1991, p. 6) adds that culture is, "collective programming of the mind which distinguishes the members of one group or category of people from another". So, beyond the many possible definitions that have been examined in the literature, it can be reasonably said that culture is a complex concept and there is no single agreed definition for it.

It is necessary to include cultural issues in explaining the international business and accounting of a country (Nurunnabi, 2015a). Hopwood (1999) states that the specific NC of accounting, religion, politics, class structures or education contribute to national differences. Prior research has suggested that culture has a significant influence on the financial accounting practices and policies of a country (Burchell *et al.*, 1980; Lowe *et al.*, 1983; Mustafa and Lines, 2013; Blodgett *et al.*, 2014; Ferrero *et al.*, 2014; Walker and Dyck, 2014). This is affected by environmental factors and impacts on accounting in society. Samuel and Manassian (2011, p. 622) argue that, "culture could be an impediment to development of accounting". However, Gaganis *et al.* (2019) has found a strong and significant relationship between insurance companies' risk-taking and cultural characteristics, such as power distance, individualism and uncertainty avoidance. This research aims to investigate the relationships between CSR and RLG and the impact of NC on this relationship. Finally, in this study, the researcher sought to investigate the relationships between CSR and RLG, as well as determining whether NC moderates the relationship between these two elements. Therefore, this research will organise and conduct a comprehensive literature review of relevant studies and discuss what the research states so far, with the aim of identifying any potential gaps in the literature.

4.3 Theoretical Framework

There are several key theoretical frameworks that apply to this topic. Those theories that are of particular relevance will be highlighted and, accordingly, this section examines corporate governance theories related to CSR, as well as social contract and virtue theories related to RLG and NC. CSR as one of the financial accounting practices is related to different fields, including corporate behaviour, management, ethics and social (Rwegasira, 2000; Solomon, 2007; Bebchuk and Weisbach, 2010). Therefore, it is difficult to rely on one theory, such as agency theory alone, in interpreting and explaining the relationship between CSR and other issues such as religiosity (Chen and Roberts, 2010; Sharma, 2013). Therefore, this study will rely on different theories from different fields to study and analyse the relationship between CSR, RLG and NC. While CSR will be analysed using the agency theory, religiosity will be analysed using virtue theory and finally, social contract will be applied to NC to find the moderating effect between CSR and RLG. These theories have been selected because they are powerful in explaining the relationships between CSR, RLG and NC.

4.3.1 Agency Theory

Agency theory is one of the most important theories in studying CSR. However, it is worth mentioning that social influence and self-interest are also a powerful source of managers' motivations (Moore and Loewenstein, 2004; Kish-Gephart *et al.*, 2014). The key driver of personal behaviour has been defined as, "an enticement to do wrong by promise of pleasure or gain" (Tenbrunsel, 1998, p. 332), and as being incentivised to make decisions in order to obtain self-interest goals or rewards (Freitas *et al.*, 2002; Fishbach and Shah, 2006; Cianci *et al.*, 2014). Agency theory provides a framework to examine how the different incentives rising between the principal (company) and agent (managers) impact on the agent's choice of an ethical or unethical decision (Jensen and Meckling, 1976; Eisenhardt, 1989). Agency theory presumes that corporates can be viewed based on a conflict of interests between principles (shareholders) and agents (managers) in different types of corporates (Deckop *et al.*, 2006). Accordingly, agency theory assumes that agents (managers) have a self-interest in the environment, which can lead them to influence corporate decisions in a way that increases their own benefits (Baiman, 1982; Fama and Jensen, 1983).

Existing literature suggests a link between corporate governance practices and CSR (Ntim and Soobaroyen, 2013a). La Porta *et al.* (2000a) state that corporate governance is a set of rules, mechanisms and regulations that protect external investors against expropriation by firms' managers. In addition, previous studies show that agency theory contributes by clarifying the association between religions and CSR (Brammer *et al.*, 2007; Murphy and Smolarski, 2018). Consistent with prior research (Ramasamy *et al.*, 2010; Ariely, 2012; Du *et al.*, 2014), this study asserts that managers making decisions based on their own self-interest is less ethical than making decisions based on the company's interest. According to agency theory, when managers have an opportunity to act for personal gain, they are more likely to make decisions that are consistent with their self-interests, despite profit-maximising corporate interests (Beaudoin *et al.*, 2018). While agency theory has been applied in a few individual-level studies on corporate managers' decisions to support CSR (Gond *et al.*, 2017), the current study employs a number of additional theories as previously mentioned to produce findings that can be more generalised in this area.

4.3.2 Social Contract Theory

Social contract theory is a concept in the philosophy of ethics, which is viewed as an agreement between a person's ethics and political obligations with another person within a society. It has more recently been applied to the study of business ethics. In business, social contract theory includes the businesses' obligations to the communities in which they operate as well as a global obligation. This includes corporate governance or philanthropy and CSR. In terms of the contract forming process, there are two processes that come together. The first, ''spontaneous formation'', is achieved by a group of people coming together to negotiate solutions for problems. The second process of cultural change is referred to as ''gradual'' and this is a process of cultural evolution (Boyd and Richerson, 1988). From another perspective, social contract theory also assumes that social contracts are beneficial from the perspective of the individual and society.

Gray *et al.* (1996, p. 6) describe society as, "a series of social contracts between members of society and society itself". In CSR, the business may not work in a responsible way because of its commercial interest, and how society implicitly expects business to work (Moir, 2001). Donaldson and Dunfee (1999) has developed the integrated social contracts theory as a model for managers to make decisions in an ethical context. Companies that adopt the concept of social contracts describe their participation as part of their contract with their societies (Moir, 2001). Donaldson (1982) views the business and society relationship from a philosophical standpoint. He argues that the existence of an implicit social contract between business and society and this contract implies some indirect obligations of business towards society.

The main idea of this theory is that business works by public agreement, in order to constructively serve society's needs to its satisfaction (Van Marrewijk, 2003). The societal approach is shown to be a strategic response to changing the state of affairs and new corporate challenges such as CSR (Omran and Ramdhony, 2015). Ramanathan (1976) states that social components vary with different social groups to which the organisations are supposed to be obligated by a social contract. Finally, it is possible to determine organisations' contributions to society by their non-market contributions to the welfare of society (Mohamed *et al.*, 2014).

4.3.3 Virtue Theory

The theories for the study of religion, through most of the 20th century, have been categorised into two broad approaches: theological or philosophical. These theories were inspired by the natural sciences in the last decade of the century (Stausberg, 2009). Grcic (2013) mentions that various religious studies and philosophical traditions displayed the existence of some universal moral virtues. Therefore, there is a need to understand ethics from the perspective of virtues in contrast to other approaches (Peterson and Seligman, 2004). Virtue theory is the oldest normative tradition in Western philosophy, having its roots in ancient Greek civilization (Arjoon, 2000). The contemporary resurgence of virtue theory occurred in the late seventies and early eighties, primarily through the works of British philosopher, Philippa Foot (Foot, 2002) and Alasdair MacIntyre (MacIntyre, 2007).

Virtue theory suggests that the foundation of morality lies in the development of good character traits as virtues (Arjoon, 2000). It is therefore said, a person is good if he has virtues (Arjoon, 2000). Virtue theory implies that it is the cultivation of character or virtue that are preconditions and considerations of such rules in many cases. With regards to rights, Solomon (1992) suggests that the emphasis should move away from having rights for oneself to recognising the rights of others, which is what a virtuous person would promote. With respect to duties, the organisational structures would define roles and responsibilities. In addition, van Oudenhoven *et al.* (2012, P. 1) have defined virtues as, "morally good personal characteristics" which anyone can own or learn. They authors add that virtue can be considered to shape a subset of characteristics. The virtue approach states that ethics does not simply stem from specific acts of abstract principles, but the existence of a type of character embodying proper judgement to correctly respond to different complex conditions (Grcic, 2013). In addition, Grcic (2013, p. 416) states that, ''Virtue ethics grounds moral values in the personality structure and as such provides the necessary motivational element which deontological and teleological paradigms lack''. One of these motivations is the extent to which corporations' managers are encouraged to contribute to CSR based on their principles or level of religiosity.

Finally, virtue ethics have utilised the findings of different sciences to clarify and understand human action and how to generate ethical behaviours. That is because the virtue of responsibility or justice that allows us to recognise and respect the rights of others and societies, is the source of our obligation and sense of duty for the welfare and happiness of others. From the above, therefore, the theory of virtue is appropriate to study the extent to which the principles gained from religiosity impact on the corporations' managers' decisions and contribution to CSR.

4.3.4 The Rationale behind Using Multiple Theories

As a first step towards using virtue theory, social contract theory and agency together, it is prudent to acknowledge that corporate managers and their behaviour is shaped by social mechanisms, not just at the margin, but also at the core. Therefore, social mechanisms influence the conventions defining the roles that humankind inhabit, including that of agent and principal, as well as how they interact with one another in the same society (Wiseman *et al.*, 2012). Principles and virtues of managers who have been influenced by religiosity have a significant impact on determining the level of corporate responsibility. Religiosity is one mechanism, as an aspect of society that appears to play a role in how agents and principals see themselves and their interests.

Social contract theory is an agreement between a person's ethics and corporate obligations with another person within a society. Donaldson and Dunfee (1999) have developed social contracts theory as a model for managers to make decisions in an ethical context. Companies that adopt the concept of social contracts describe their participation as part of their contract with their societies (Moir, 2001). Donaldson (1982) views the business and societal relationship from a philosophical stance. He argues that an implicit social contract exists between business and society and that this contract implies some indirect obligations of business toward society. According to social contract theory, culture has a strong influence on corporate managers' behaviour. This, therefore, affects managers' decisions on CSR.

From an agency theory perspective, managers' interests affect the CSR level. However, any managerial misconduct, which may influence some social issues using corporate resources may affect their reputation and future career prospects (Conyon and He, 2011). This can be contrasted with social theory mentioned previously, which states that a person's physical and social environments are basically responsible for their behaviour, contributing to CSR. Given the mixed theoretical framework discussed above, and based on these arguments, the rationale for using a number of theories to investigate the links between RLG, CSR and NC become clearer.

4.4 Empirical Literature Review and Hypotheses Development

In this section, the study highlights the existing literature on the relationship between CSR and RLG and the link between CSR and NC, in addition to the moderating impact of NC on CSR-RLG nexus. As each part is discussed and completed, the hypotheses will be offered.

4.4.1 Existing Evidence on the Relationship between CSR and RLG

The relationship and effects of religiosity on personal behaviour have been widely explored in the literature of sociology and psychology research. But, there is far less research examining the effect of RLG on CSR, particularly as a cross-country study (Chatjuthamard-Kitsabunnarat *et al.*, 2014; Butt *et al.*, 2019; Cui *et al.*, 2019; Farooq *et al.*, 2019; Harjoto and Rossi, 2019). Nevertheless, some studies in finance, accounting and business have examined the role of religiosity in moulding corporate policy and responsibilities. For instance, Hilary and Hui (2009) have documented the significant impact of religion on firms' investment decisions and risk aversion. Grullon *et al.* (2009) have studied the impact of religion on executives' behaviour such as option backdating and earnings management. Agle and Van Buren (1999) have found a positive relationship between religiosity and attitudes toward CSR. In addition, Weaver and Agle (2002) have stated that religious self-identity can affect ethical behaviour.

Moreover, the relationship between religiosity and the business conduct of executives has been investigated and has provided indications that former does influence the latter (Graafland and Schouten, 2007). Also, McGuire *et al.* (2012) have examined the relationship between religions and financial reporting and have found a negative relationship between religiosity and abnormal accruals. They also have found a positive relationship between religiosity and real earnings management. This proposes that in religious areas, corporate managers are less likely to engage in financial reporting irregularities. There is a study, moreover, that has found that religious piety leads to stronger CSR (Chatjuthamard-Kitsabunnarat *et al.*, 2014). Furthermore, religiosity has been stated as one of the moral drivers that affect CSR levels (Hemingway and Maclagan, 2004). In addition, politics, culture and religion shape individual and collective decision-making processes related to CSR (Frynas and Stephens, 2015; Rupp and Mallory, 2015). Moreover, the results of the Elamer *et al.* (2019) study suggest that the presence of a Sharia (Islamic law) supervisory board positively influences risk disclosure levels.

Finally, RLG has been linked to two important effects: risk aversion and honesty (Miller and Hoffmann, 1995; Diaz, 2000; Hilary and Hui, 2009; Dyreng *et al.*, 2012). This points to a significant relationship between RLG and CSR. In addition, this relationship will motivate corporate managers to be more socially responsible and inspire stronger CSR. Based on the discussion above, and the role of adapting agency and virtue theories, this study expects that the impact of RLG on CSR will be positive. Thus, the following hypothesis will be tested:

H 1: There is a positive relationship between RLG and CSR.

4.4.2 Existing Evidence on the Relationship between CSR and NC

A number of studies have investigated the relationship between culture value and CSR (Baughn *et al.*, 2007; Campbell, 2007; Ringov and Zollo, 2007; Chih *et al.*, 2010; Suder and Atkinson, 2010; Kim and Scullion, 2011; Ho *et al.*, 2012; Hur and Kim, 2017; Gallen and Peraita, 2018). National culture has been defined as, ''beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation'' (Guiso *et al.*, 2006, p. 23). Different cultures vary in their link to CSR practices. However, from the extant research that examines the issues of CSR, many emphasise the influence of formal institutions, such as law and economics on CSR (Campbell, 2007; Chih *et al.*, 2010), as well as some that pay attention to informal institutions and national culture (Maignan, 2001; Waldman *et al.*, 2006; Ho *et al.*, 2012). NC has been shown to influence a wide range of corporate responsibility and policies (Aggarwal *et al.*, 2016). Matten and Moon (2008) argue that in a high individualism culture, companies generally conduct explicit CSR activities, such as donations to charities. Similarly, Griffin *et al.* (2019) have found that individualism is positively associated with CSR practices. In light of the Hofstede (1984) and Hofstede (2001) models, the line between the individual and the group is unclear in a collectivistic society. On the other hand, at the institutional level, it determines the nature of the relationship between the individual and the groups to which they belong, and their association with authority (Bochner and Hesketh, 1994; Kim, 1995). Large cross-cultural variations have been recognised in each of these domains.

Furthermore, extant literature supports a negative association between CSR and power distance. According to a number of researchers, companies originating from higher power distance countries present a low level of CSR (Peng *et al.*, 2014; Thanetsunthorn, 2015; Halkos and Skouloudis, 2017). However, the association between power distance and CSR may also be positive (Ho *et al.*, 2012). Additionally, Ringov and Zollo (2007) have found a negative association between masculinity and CSR, as well as the work of Ho *et al.* (2012), which has found partial support for this relationship. In contrast, there is evidence that people from low uncertainty avoiding culture are more likely to be risk-takers (Hofstede, 1983). The high level of uncertainty avoidance culture makes people control or handle uncertainty through formal institutions or rules (Hofstede and Minkov, 2010). This risk-taking is highly linked to CSR actions.

Results from Thanetsunthorn (2015) suggest that the Hofstede's cultural dimensions have a significant influence on CSR practices, both positively and negatively, depending on the CSR dimension. Tran (2019) states that culture affects the manner in which societies approach CSR. Furthermore, it has been observed that there are important cultural influences on ideas of corporate social obligation and responsibility (Tran, 2019). Furthermore, customs, values, culture, and religion in terms of socially shared rules are treated as informal institutions (Li and Abiad, 1990). The rules or institutions in society have a different influence on the disclosure of CSR (Campbell, 2006). Therefore, based on the discussion above, along with adapting social contract and agency theories, this study anticipates that the relationship between NC and CSR will be strong. Thus, the following hypothesis will be tested:

H 2: There is a strong relationship between CSR and NC.

4.4.3 The CSR- RLG nexus: the Moderating Impact of NC

Some researchers have previously studied the effect of culture, but not in a cross-country study. Harrison and McKinnon (1986) have shown a methodological framework of mixed culture for analysing changes in corporate financial reporting regulation at the nation-specific level. This framework has been utilised to estimate the effect of NC on accounting performance through an analysis of accounting systems in Japan (Radebaugh *et al.*, 2006). However, weak religiosity results in a decline in CSR, with rising religiosity leading to stronger CSR (Chatjuthamard-Kitsabunnarat *et* *al.*, 2014). Also, different religions and different cultures affect the relationship a firm has with said cultures, based on location (Grullon *et al.*, 2009; Hilary and Hui, 2009; Dyreng *et al.*, 2012; Chintrakarn *et al.*, 2016).

Habisch *et al.* (2005) have found that differences in NC characteristics are caused by a wide variation of the current and future CSR developments across different countries. Moreover, Waldman *et al.* (2006) have investigated the impact of NC on CSR values as demonstrated in managerial decision-making. Their study has found that managers from countries characterised by institutional collectivism and low power distance tend to exhibit managerial behaviours positively linked to stakeholder issues, and community welfare. Moreover, culture is considered a fundamental framework element to understand the change in any social system. This is because culture affects social values, standard and behaviour within and across systems (Radebaugh *et al.*, 2006). Therefore, based on using virtue theory, social contract theory and agency theories, in addition to the discussion above, this study expects a moderating effect of NC dimensions on the relationship between CSR and RLG. Consequently, this study will test the following hypothesis:

H 3: NC has a moderating effect on the relationship between CSR and RLG

4.5 Research Design

This section discusses the research design which will be used to achieve the main objectives of this section. It begins by attempting to provide a comprehensive description of the data collection and research methodology that has been used in this study, as well as showing the data sources. In the next section, a clear explanation is given clarifying the rationale for the various data and methodological choices made during the study. The final part of the section aims to analyse the study results and provide an explicit indication of how sensitive or robust the empirical results obtained from the various data and methodological choices made by using alternative measurements and robustness estimate models. The remainder of this section is organised as follows: Subsection 4.5.1 presents the research philosophy. Subsection 4.5.2 describes the sample selection procedure, criteria and data sources. The research methodology including, research variables and measures, and regression models are discussed in subsection 4.5.3 with subsection 4.5.4 providing a conclusion and summary for this section.

4.5.1 Research Philosophy

Research philosophy is concerned with the nature of the research and the way in which it is produced. Processes of business and economic studies are probably shaped by the relationship between nature and the development of the study (Collis and Hussey, 2013; Saunders *et al.*, 2015). Generally, in terms of research philosophies, it cannot be said that one research philosophy is far superior to the others, however, one approach may be more appropriate at a particular juncture, depending on the nature of research, the kind of research questions involved and the way in which the research is being approached. Therefore, to acquire a comprehensive understanding of the researched phenomena, one of the fundamental requirements involves asking about and understanding the research paradigm (Bernard and Bernard, 2013; Saunders *et al.*, 2015). Therefore, the rationale for the selected research philosophy is considered an important stage in conducting any social science research (Saunders *et al.*, 2015). There are two main research philosophy paradigms that will be employed, those being positivism and interpretivism (Becker *et al.*, 2012; Bernard and Bernard, 2013).

Positivism relates to the philosophical position of the natural scientist and entails working with an observable social reality to generalisations that are in the public (Saunders *et al.*, 2015). This confirms that the positive emphasis on the pure scientific experimental approach is designed to give pure data and facts that are not influenced by human interpretation or bias. Positivism researchers are interested in both observable and measurable data, which is converted to generalise outcomes (Saunders *et al.*, 2015). Collis and Hussey (2013) and Saunders *et al.* (2015) have mentioned that positivism researchers' beliefs and values have no effect on positivism approaches. Researchers using this approach depend on historical scientific observations to predict the future of economic trends. However, due to some generalisation problems, this could lead to phenomenon which cannot be measured being disregarded (Galliers, 1991).

At the other end of the spectrum, interpretivism, according to Willis *et al.* (2007) usually seeks to understand a particular context, and the core belief of the interpretive paradigm is that reality is socially constructed. Furthermore, interpretivism includes the accepting and seeking of multiple perspectives, practising iterative and emergent data collection techniques, promoting participatory and holistic research and going beyond the inductive and deductive approach (Willis *et al.*, 2007). In order to explore the understanding of participants, an interpretive methodology provides a context that allows the examining of what the participants in a study have to say about their experiences. It has been argued that the goal of interpretivism is to value subjectivity. In addition, interpretivism philosophy avoids the idea that objective research on human behaviour is possible (Willis *et al.*, 2007). Therefore, the interpretivism paradigm and qualitative methods are often used when researchers are seeking to examine experiences, understandings and perceptions of individuals for their data to uncover reality rather than relying on numbers or statistics (Thanh and Thanh, 2015).

Based on the discussion above, and the nature of what is being discussed here, this study has chosen to adopt the positivism paradigm. This approach is appropriate because this relies on using a huge volume of highly structured data, using deductive quantitative techniques. It also involves the selection of a sample, measurements, analysis and reaching a conclusion about the hypotheses. According to Saunders *et al.* (2015), deductive researchers should build theories, hypotheses, research models and strategies. This study's hypotheses state that there is a positive influence of religiosity on CSR practices, as well as national cultural dimensions influencing CSR. Finally, national culture dimensions can moderate CSR-RLG nexus. In addition, this research is based on adopting an empirical quantitative methodology and will attempt to answer the research questions to achieve the study aims and objectives.

According to Saunders *et al.* (2015), a well-structured study can be qualified to investigate or explain an existing phenomenon. Saunders *et al.* (2015) state that positivism is more desirable and beneficial if the nature of the problem requires identifying and understanding factors influencing an outcome. Therefore, this study adopts positivism to examine its objectives, which are as follows: (i) investigate the relationship between CSR and RLG globally; (ii) explore the relationship between CSR and NC; (iii) determine the moderating effect of NC dimensions on the relationship between the CSR and RLG. Consequently, the deductive research approach is selected because hypotheses have been developed using a theoretical approach linked to the previous literature, and data has been gathered and analysed later in order to confirm the hypotheses. Finally, to examine the research hypotheses and achieve the research objectives, the quantitative research approach has been employed in this research by relying on secondary data from 2005 to 2018, with these being collected from different databases.

4.5.2 Samples Selection and Data

4.5.2.1 Sample Selection

The initial data collected to investigate the relationship between CSR and RLG and the moderating impact of NC on the relationship between CSR- RLG, has been based on a cross-country analysis covering data consisting of 199 countries. This covers the available data for all of this study's variables, with complete data available for the period covering 2005 to 2018, generating 2,786 countries-year observations. However, due to the missing data in some study's variables, the final sample has covered only 79 countries for the period 2010 to 2017, which has been used to achieve the aims of this research (Table 11). In addition, these countries have been compared in terms of country-level characteristics. Unlike the existing studies, this study will cover all the countries (both developing and developed countries) around the world which have data available, thereby seeking to fill this gap in CSR literature.

Table 11: Study three sample size

	Total Sample Size	**Final Sample Size**
No. of Countries	**199**	**79**
Periods	**2005 - 2018**	**2010 - 2017**
No. of Observations	**2,786**	**438**

4.5.2.2 Data and Sources

In order to investigate the relationship between CSR, RLG and NC, all data used in this study will be secondary data taken from several databases (see Table 12), as follows: (I) CSR variables extracted from CSRHub, the latest available data is from 2019 which covers 79 countries; ESG collected from ASSET4 ESG via the DataStream for the period from 2002 to 2017 for 48 countries; (II) RLG variables will be collected from the Pew Research Center for the period from 2010 for 233 countries; RLG2 variables will be collected from Worldmapper Datasets for the period from 2005 for 212 countries; (III) NC variables, which cover all the 6 dimensions of NC; Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long Term Orientation and Indulgence, will be obtained from Hofstede, which were updated in 2018 for 102 countries. The control variables used in this study include GDP Constant Prices, Investment to GDP and General Government Revenue to GDP collected from The International Monetary Fund (IMF) for the period from 1980 to 2018 for 198 countries. Strength of Auditing and Reporting Standards has been collected from The Global Competitiveness Index of the period from 2007 to 2017 for 161 countries. GDP Growth, Imports Goods & Services, Exports Goods & services and Exchange Rate data has been collected from Knoema for the period 2007 to 2018 and includes 161 countries. Corruption Perceptions has been collected from the Corruption Perceptions Index. Finally, Voice and Accountability and Political Stability and Absence of Violence/Terrorism data has been gathered from The World Bank Group (The Worldwide Governance Indicators (WGI) project) for the period from 1996 to 2017, which has been updated in 2018 to cover 214 countries, see (Table 12).

Table 12: Study three variables databases and sources

Variables	Database and Sources	Websites	Accessed
Dependent Variable:			
CSR	CSRHub represents the world's comprehensive databases for CSR and sustainability.	CSRHub	03/2019
ESG	ASSET4 ESG via the DataStream	DataStream	12/2018
Independent:			
Religious	Pew Research Center	PRC	12/2018
Religions	Worldmapper-Datasets Government Restrictions Index	GRI	12/2018
Moderating Variables: (Natural Culture dimensions)			
Power Distance	Hofstede, The 6 dimensions of national culture	Hofstede	01/2019
Individualism			
Masculinity			
Uncertainty Avoidance			
Long Term Orientation			
Indulgence			
Control Variables			
Macro-economic variables			
GDP Constant Prices	The International Monetary Fund (IMF)	IMF	11/2018
Investment to GDP			
General Government Revenue to GDP			
Strength of Auditing and Reporting Standards	The Global Competitiveness Index. World Economic Forum.	Weforum	11/2018
GDP Growth	Index of Economic Freedom (Knoema)	Knoema	11/2018
Imports Goods & Services			
Exports Goods & services			
Exchange Rate			
Corruption Perceptions	Corruption Perceptions Index 2018	Transparency	01/2019
Governance variables			
Voice and Accountability	The World Bank Group The Worldwide Governance Indicators (WGI) project	WGI	11/2018
Political Stability and Absence of Violence/Terrorism			

4.5.2.3 The Criteria and Reasons for Selecting the Final Sample

The final sample used in this research is based on four criteria: (i) the data of each variable should be from the same database for all countries to ensure fairness when comparing countries; (ii) the database covers a sufficiently large number of countries in the world, so that the study is not limited to a specific area, thus precluding the possibility of generalisation; (iii) the period of data collection should be within the study period, which runs from 2005 to 2018 and has been updated based on what is currently available; (iv) the final sample will be selected taking into account the available data of the country studied in all study variables. Thus, the study period or the number of countries may be limited depending on the data available for all of this study's variables in the different databases.

4.5.3 Research Methodology

This section discusses the quantitative research methodology used to answer the questions posed by this study, namely: (i) What is the relationship between CSR and RLG? (i) What is the relationship between CSR and NC? (iii) Can NC moderate the relationship between CSR and RLG? In particular, it discusses three main models examining the relationship between CSR, RLG and NC. This research will also discuss the scope of the selected topic, including where data will be acquired from and how it will be analysed. The adopted approach to research will be outlined. The scope of the topic, where data will be gathered and the approach to its analysis will be discussed. While this study is based on an empirical quantitative methodology, its principal purpose is to collect, describe and analyse the data to investigate the relationship between CSR and RLG, as well as between CSR and NC. The data gathered will help to ascertain whether NC has a moderating effect on the CSR-RLG nexus as a cross-country analysis. However, the researcher will consider some of the sources of variation in CSR and RLG across countries. Collecting, analysing and explaining the data are those elements of the research process required in order to understand the research phenomenon (Leedy and Ormrod, 2010).

This study will apply worldwide and will feature all the countries for which data is available, related to the research topic. However, this kind of research cannot be obtained directly from individuals and so will rely on using secondary data, which is available through world databases. Moreover, this research depends on theories that underpin the links investigated. This is then followed by developing hypotheses based on such theories and the previous literature review. These hypotheses will be scrutinised by being tested.

In this research, the relevant studies will be examined and divided into meaningful parts. Also, a number of sources and statistics will be used to collect the variables. A number of databases and sources will be used, including: World Development Indicators, The World Bank, Numbeo, The Global Competitiveness Index, CSRHub, ASSET4 ESG via the DataStream, Pew Research Center, Worldmapper-Datasets, Hofstede, The International Monetary Fund (IMF), The World Economic Forum, Knoema, Corruption Perceptions Index, The World Bank Group and The Worldwide Governance Indicators (WGI). After collecting data, it will be analysed using a number of techniques, including, but not limited to, Ordinary Least Squares (OLS) Regression, lagged effect and the Generalized Linear Model (GLM). Initially, it is expected that STATA will be used as the statistical analysis software, among others, in order to run different statistical models. It is hoped this strategy will provide a clear picture of the current trends of research in this area, thus providing an agenda for future research. It will also provide meaningful statistical data for regulators and governments.

4.5.3.1 Research Variables and Measures

The research data has been gathered in order to ascertain the connections, correlations and impact of each variable being measured, with this data being presented in the form of statistical data to demonstrate this. The research measures and proxies are grouped into many different types, presented in Table 13 with detailed information regarding how each variable will be measured and operates. Some content analysis techniques will be used for coding narratives, and graphs and pictures will be employed in organising the study variables' data. There are advantages to using quantitative measures, including the ability to measure the variables in greater detail with high levels of objectivity and reliability (Ntim, 2016). However, quantitative measures are often criticised for the high possibility of capturing disclosures (Milne and Adler, 1999; Unerman, 2000; Beattie *et al.*, 2004). In contrast, qualitative measures have the capacity to accurately measure the volume of quality and the meaning of the data (Marston and Shrives, 1991; Beattie and Thomson, 2007; Hooks and van Staden, 2011). Therefore, taking into account some of the limitations of quantitative measures with respect to the research quality index, the researcher has elected to adopt some alternative indexes with control variables. These will also be tested for subjective scales or measures, to bring a further degree of reliability and validity of the measurements.

First, in testing *H1*, the central independent variable is RLG, which seeks to measure the percentage of religious people in a country. In addition, the central dependent variable is CSR, by CSRHub Ratings, which seeks to measure the performance of companies in a country. CSRHub Ratings has four dimensions to measure the companies' performance at the national level for all countries in the world. These dimensions are; Employee, Community, Environment and Governance. The CSRHub Ratings measures the CSR performance of companies in a country.

Secondly, to test *H1, H2* and *H3*, the researcher will collect data of the main variables and a set of control variables from different datasets and sources, as some studies show different relationships between these variables. Thirdly, to test *H3* and to ascertain the effects of NC, which will cover the 6 dimensions including; Power Distance; Individualism; Masculinity; Uncertainty Avoidance; Long Term Orientation and Indulgence. These dimensions will be collected from the data from Hofstede's index for 102 countries. An interaction variable (RLG∗NC) will be created to investigate the moderating impact of the 6 dimensions of NC on CSR and RLG relationship. Finally, and to attenuate potential omitted variables bias (Petersen, 2009), the study includes an extensive number of control variables such as: Investment to GDP, GDP Constant Prices, GDP Growth, Corruption Perceptions, Strength of Auditing and Reporting Standards, Exchange Rate, General Government Revenue to GDP, Imports Goods & Services, Exports Goods & services, Voice and Accountability and Political Stability and Absence of Violence/Terrorism.

Table 13: Variables definition and measurement

Variables	Definition and Measurement
Dependent Variable	
Corporate Social Responsibility (CSR)	The CSRHub Ratings has four dimensions; Employee, Community, Environment and Governance. The CSRHub Ratings measure CSR performance of companies in a country. Index score ranges from 0 to 100, with a higher score representing a positive rating of CSR in a country.
Environmental, Social and Governance(ESG)	The ESG Ratings has three dimensions; Environmental, Social and Governance ESG performance of companies in a country, with higher scores indicating a positive rating of ESG in a country.
Independent Variable	
Religious	Percentage of religious in a country. Index score ranges from 0 to 100, with a higher score indicating the high percentage of religiosity in a country.
Religions	Percentage of religions in a country. Index score ranges from 0 to 100, with a higher score indicating the high percentage of religion in a country.
Moderator Variables: (Natural Culture dimensions)	
Power Distance	Percentage of the extent to which individuals accept a hierarchical order in which everybody has a place and which needs no further justification, with higher scores indicating more power distance.
Individualism	Percentage of the extent to which individuals are expected to take care of only themselves and their immediate families, with higher scores indicating more Individualism.
Masculinity	Percentage of the extent of the preference in society for achievement, heroism, assertiveness and material rewards for success, with higher scores indicating more masculinity.
Uncertainty Avoidance	Percentage of the extent to which the members of a society feel uncomfortable with uncertainty and ambiguity, with higher scores indicating more uncertainty avoidance.
Long Term Orientation	Percentage of the extent to which society encourage thrift and efforts in modern education as a way to prepare for the future, with higher scores indicating long term orientation
Indulgence	Percentage of the extent to which society allows relatively free gratification of basic and natural human drives related to enjoying life and having fun, with higher scores indicating more indulgence.
NC*CSR	Interaction variable between national culture dimensions (i.e., Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long Term Orientation or Indulgence) and CSR.

Control Variables	
Macro-economic variables:	
Investment to GDP	Percentage of total investment to GDP.
GDP Constant Prices	Percentage change of the GDP Gross domestic product constant prices.
GDP Growth	The annual percentage growth rate of GDP based on constant local currency.
Corruption Perceptions	Percentage of corruption perceptions uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean.
Strength of Auditing and Reporting Standards	Percentage of the strength of auditing and reporting standards where high scour is the best.
Exchange Rate	The exchange rate determined by national authorities or to the rate determined in the legally sanctioned exchange market. It is calculated as an annual average based on monthly averages (local currency units relative to the U.S. dollar).
General Government Revenue to GDP	General government revenue as a percentage of GDP.
Imports Goods & Services	Percentage imports of goods and services comprise all transactions between residents of a country and the rest of the world.
Exports Goods & services	Percentage exports of goods and services comprise all transactions between residents of a country and the rest of the world.
Governance variables:	
Voice and Accountability	Measures the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and free media, with higher scores indicating more voice and accountability. Estimate of ranges from -2.5 (weak) to 2.5 (strong)
Political Stability and Absence of Violence/Terrorism	Measures perceptions of the likelihood of political instability and/or politically-motivated violence, with higher scores indicating more political stability and absence of violence. Estimate of ranges from -2.5 (weak) to 2.5 (strong)

4.5.3.2 Regression Models

Ordinary least squares (OLS) regression has been used to test the hypotheses for this study. The dependent variable in this set of regressions is the extent of accounting disclosure (EAD). Since it may be influenced by Natural Culture (NC) dimensions, Investment to GDP, GDP Constant Prices, Strength of Investor Protection, Tax rate to profits, Domestic Competition, Exchange Rate, General Government Revenue to GDP, Inflation Rate in addition to the Governance variables, among others, all are variables included in the regression analysis to control for confounding factors. Years and countries would be consedared in all regressions in order to control for their influence.

In order to achieve the objectives of this research and to test *H1*, as well as investigating the relationship between CSR and RLG, the empirical examination will start with the estimation of a regression model, which represents equation (1), in the following form:

$$\boldsymbol{CSR_{it} = \alpha_0 + \beta_1 RLG_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \tag{1}$$

However, to test *H2* and to examine the relationship between CSR and NC, a regression model, equation (2), in the following form is estimated:

$$\boldsymbol{CSR_{it} = \alpha_0 + \beta_1 NC_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \tag{2}$$

Finally, to test *H3* and to examine the moderating influence of NC on the relationship between CSR and RLG, a regression model, equation (3), in the following form is estimated:

$$\boldsymbol{CSR_{it} = \alpha_0 + \beta_1 RLG_{it} + \beta_2 NC_{it} + \beta_3 (RLG * NC)_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \tag{3}$$

Where;

CSR; is the Corporate Social Responsibility (Dependent Variable)

RLG; is the Religiosity (Independent Variable)

NC; is the National Culture dimensions (Moderate Variable)

CONTROLS; is the (Control Variables)

4.5.4 Summary

To sum up, this section has focused on the study design used in this research. It seeks to achieve four main objectives. Firstly, it attempts to describe the data and research methodology. In this regard, the data, its sources, the sample selection procedure and the main research methodology used in this study have been comprehensively described. The main types of data used in this research are CSR, RLG and NC, in addition to the control variables. These have been mainly collected from different databases and sources such as: CSRHub, ASSET4 ESG via the DataStream, Pew Research Center, Worldmapper Datasets, Hofstede, The International Monetary Fund (IMF), The World Economic Forum, Knoema, Corruption Perceptions Index, The World Bank Group and The Worldwide Governance Indicators (WGI). This research data covers 79 countries for the period 2010 to 2017, resulting in 438 countries-year observations. The second objective of this section has been to explain the rationale for the data selection, its sources, sampling procedure, research methodology and sensitivity analyses, which will be explicitly discussed throughout the research. Thirdly, this section attempts to highlight the strengths and limitations of the various methodological choices. Moreover, the weaknesses and strengths of the data, its sources, the estimated models, the various proxies and measurement of the independent, the dependent, the moderating and the control variable, will be discussed throughout this research. The final objective in this section has been to offer an indication of the extent to which the empirical results obtained are strong enough to support alternative estimations and explanations.

4.6 Descriptive Statistics and OLS Assumptions

This section discusses the data and the Ordinary Least Squares (OLS) regression assumptions and seeks to achieve three main objectives. Firstly, it elucidates how outliers in the study variables were dealt with. Secondly, it presents detailed descriptive statistics of the dependent (CSR), the independent (RLG) and the control variables. Finally, it tests the OLS regression assumptions of multicollinearity, autocorrelation, normality, homoscedasticity and linearity. The rest of the subsections are organised as follows: Subsection 4.6.1 reports detailing descriptive statistics for the dependent, independent and the remaining independent variables. Subsection 4.6.2 tests OLS assumptions and provides an overall summary.

4.6.1 Summary Descriptive Statistics

Panel A of Table 14 (below) reports the descriptive analysis of data relating to the dependent variable, which is corporate social responsibility (CSR) with a mean of 52.21%, with a standard deviation of 5.61%, as well as environmental, social and governance (ESG) with a mean of 50.5%, and a standard deviation of 8.21%. Panel B of Table 14 (below) reports the religious (RLG) having a mean of 91.50% and a standard deviation of 13.28%, with a minimum of 28.7% and a maximum of 99.90%. Panel C of Table 14 (below) presents the moderating variable, which is national culture (NC), and which includes the following six variants: power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence. These will be used separately to determine the moderating influence on the relationship between CSR-RLG. Finally, panel D in Table 14 (below) presents the control variables. To attenuate potential omitted variables bias (Petersen, 2009), the study will utilise an extensive number of control variables which are considered to have an influence on CSR among RLG. These variables have therefore been incorporated into the figures in order to give a more accurate account of their influence on CSR. The control variables have been divided into two main categories: Firstly, macro-economic variables including; Investment to GDP, GDP Constant Prices, GDP Growth, Corruption Perceptions, Strength of Auditing and Reporting Standards, Exchange Rate, General Government Revenue to GDP, Imports Goods & Services, and Exports Goods & services. Secondly; Governance variables including; Voice and Accountability, and Political Stability and Absence of Violence/Terrorism.

Table 14: Descriptive statistics of dependent, independent and control variables

Variable	Obs.	Mean	Std. Dev.	Min	Max
Panel A: Dependent Variable:					
Corporate Social Responsibility (CSR)	720	0.522	0.056	0.420	0.670
Environmental, Social and Governance (ESG)	573	0.505	0.082	0.306	0.681
Panel B: Independent Variable:					
Religious (RLG)	1,773	0.915	0.133	0.287	0.999
Religions (RLG2)	2,674	0.943	0.084	0.502	0.999
Panel C: Moderating Variables: (Natural Culture dimensions)					
Power Distance	1,442	0.643	0.206	0.130	1.000
Individualism	1,442	0.388	0.218	0.080	0.900
Masculinity	1,442	0.475	0.182	0.080	0.950
Uncertainty Avoidance	1,414	0.643	0.205	0.230	0.990
Long Term Orientation	1,218	0.429	0.232	0.040	1.000
Indulgence	1,148	0.480	0.236	0.000	1.000
Panel D: Control Variables					
Macro-economic variables:					
Investment to GDP	2,538	0.229	0.095	0.000	0.536
GDP Constant Prices	2,630	0.040	0.036	-0.077	0.142
GDP Growth	2,484	0.038	0.041	-0.094	0.177
Corruption Perceptions	2,459	0.417	0.203	0.120	0.930
Strength of Auditing and Reporting Standards	1,529	0.666	0.125	0.369	0.908
General Government Revenue to GDP	2,632	0.312	0.126	0.110	0.724
Imports Goods & Services	2,464	0.063	0.110	-0.240	0.477
Exports Goods & services	2,478	0.054	0.098	-0.242	0.428
Exchange Rate	1,517	5.664	18.722	0.004	133.083
Governance variables:					
Voice and Accountability	2564	-0.055	0.992	-2.180	1.610
Political Stability and Absence of Violence/Terrorism	2568	-0.069	0.979	-2.500	1.420

4.6.2 Tests of OLS Assumptions and Bivariate Correlation Analyses

The correlation coefficient measures the extent to which two variables tend to change together. In contrast, the Pearson correlation evaluates the linear relationship between two continuous variables. A relationship is linear when a change in one variable is associated with a proportional change in the other variable. Pearson correlation is used to evaluate whether increases in a variable are associated with a decrease in another variable. The Spearman correlation evaluates the monotonic relationship between two continuous or ordinal variables. In a monotonic relationship, the variables tend to change together, but not necessarily at a constant rate. The Spearman correlation coefficient is based on the ranked values for each variable rather than the raw data. The Spearman correlation is often used to evaluate relationships involving ordinal variables. For example, one might use a Spearman correlation to evaluate whether the order in which employees complete a test exercise is related to the number of months they have been employed.

Table 15 (below) shows the results of correlation matrices for these study variables in order to examine multicollinearities among variables. In this research, the coefficients from Pearson and Spearman are used as a robustness check. The direction and magnitude of coefficients shown in correlation matrices are almost the same, indicating non-existence of non-normality problems. Additionally, the coefficient of both Pearson's and Spearman's shows that the level of correlation among variables used is relatively weak, indicating non-existence of serious multicollinearity problems. In addition, the values of Variance Inflation Factor (VIF) reported in Table 16 (below) are less than 10, indicating that there are no serious multicollinearity problems in the model (Field, 2009). The presence of heteroscedasticity was tested using the Breusch-Pagan test (Breusch and Pagan, 1979), which gave a p-value of 0.000, indicating that heteroscedasticity is not present in this model. This means a p-value < 0.05, giving a null hypothesis, which is an indicator of homoscedasticity and therefore a rejection of the null hypothesis. However, it can also be noted from Table 16 (below) that there is a negative association between RLG, as the main independent variable, and control variables such as GDP Constant Prices, GDP Growth, Strength of Auditing and Reporting Standards, General Government Revenue to GDP, Imports Goods & Services, and Exchange Rate, indicating that at country-level these variables might affect RLG, which might in turn, affect the association between CSR and RLG. There is also a positive link between RLG and some control variables such as Investment to GDP, Corruption Perceptions, and Exports Goods & services, indicating that at country-level these variables might, with high levels of RLG, increase the GDP level.

Table 15: Pearson's and Spearman's correlation matrices of the variables

	CSR	RLG	INVGDP	GDPCOP	GDPGRO	CORRP	SARS	GGRGDP	IMPGS	EXPGS	EXCHR	VOICA	PSAVT
CSR	1	0.190***	-0.051	-0.050	-0.028	-0.065	-0.083*	-0.009	-0.061	0.022	-0.113*	0.098*	-0.136***
RLG	0.283***	1	-0.125***	0.144***	0.075**	-0.405***	-0.367***	-0.162***	-0.004	0.012	0.020	-0.275***	-0.328***
INVGDP	0.019	-0.174***	1	0.237***	0.218***	0.002	-0.103***	-0.150***	0.132***	0.061**	0.142***	-0.111***	0.017
GDPCOP	0.014	0.141**	0.527***	1	0.826***	-0.292***	-0.244***	-0.200***	0.490***	0.484***	0.103***	-0.340***	-0.240***
GDPGRO	0.006	0.081	0.437***	0.837***	1	-0.215***	-0.136***	-0.177***	0.458***	0.427***	0.110***	-0.271***	-0.163***
CORRP	-0.121	-0.341***	-0.168***	-0.317***	-0.217***	1	0.736***	0.395***	-0.127***	-0.091***	-0.186***	0.717***	0.697***
SARS	-0.153	-0.215***	-0.105*	-0.170***	-0.135**	0.775***	1	0.252***	-0.146***	-0.12***	-0.222***	0.565***	0.584***
GGRGDP	-0.202	-0.157***	-0.255***	-0.398***	-0.321***	0.443***	0.266***	1	-0.062**	-0.084***	-0.223***	0.325***	0.414***
IMPGS	-0.056	-0.030	0.187***	0.466***	0.420***	-0.141**	-0.086	-0.080	1	0.434***	0.054*	-0.149***	-0.078***
EXPGS	0.018	-0.085	0.277***	0.429***	0.423***	-0.110*	-0.118*	-0.136**	0.509***	1	0.068*	-0.090***	-0.041
EXCHR	-0.124	-0.045	0.216***	0.154**	0.137**	-0.203***	-0.278***	-0.197***	0.103*	0.140**	1	-0.211***	-0.110***
VOICA	0.128**	-0.302***	-0.294***	-0.406***	-0.288***	0.663***	0.483***	0.284***	-0.124**	-0.112*	-0.169***	1	0.656***
PSAVT	-0.159	-0.436***	0.065	-0.245***	-0.170***	0.769***	0.582***	0.499***	-0.019	0.049	-0.060	0.552***	1

Notes: * p < 0.05, ** p < 0.01, *** p < 0.001. The upper right half of the table shows Spearman's non-parametric correlation coefficients, whereas the bottom left half of the table contains Pearson's parametric correlation coefficients. Variables are defined as follows; Corporate Social Responsibility (CSR), Religious (RLG), Investment to GDP (INVGDP), GDP Constant Prices (GDPCOP), GDP Growth (GDPGRO), Corruption Perceptions (CORRP), Strength of Auditing and Reporting Standards (SARS), General Government Revenue to GDP (GGRGDP), Imports Goods & Services (IMPGS), Exports Goods & services (EXPGS), Exchange Rate (EXCHR), Voice and Accountability (VOICA), and Political Stability and Absence of Violence/Terrorism (PSAVT).

4.7 Empirical Results and Discussion

This section is concerned with discussing the empirical results, with a focus on three main goals: firstly, to investigate the link between CSR and RLG and, secondly, to explore the link between CSR and NC. In this regard, estimated OLS regression results based on the OLS regression model will be reported and discussed. Thirdly, this section examines whether NC can moderate the relationship between CSR and RLG as well as discussing the findings relevant to the literature. The rest of this section is organised as follows: Subsection 4.7.1 discusses the OLS regression results of the link between CSR and RLG to test hypothesis 1. Subsection 4.7.2 discusses the OLS regression results of the link between CSR and NC to test hypothesis 2. Subsection 4.7.3 reports the OLS regression results of the CSR-RLG nexus and the moderating impact of NC to test hypothesis 3. Subsection 4.7.4 covers the robustness analyses.The lagging structure model is presented in subsection 4.7.5. Subsection 4.7.6 considers the alternative measurement of CSR (ESG) and the final subsection (4.7.7) considers the alternative measurement of religiosity. The end of this chapter concludes by initially comparing and then summarising the regression results.

4.7.1 OLS Regression Results of the Link between CSR and RLG

This study examines the association between CSR and RLG. This study employs OLS regression models to test *H1* and examine this link. The analysis begins with the basic OLS regression model specified as follows:

$$\boldsymbol{CSR_{it} = \alpha_0 + \beta_1 RLG_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \qquad (1)$$

Where CSR refers to corporate social responsibility, RLG refers to religious responsibility and to attenuate potential omitted variables bias (Petersen, 2009), a number of extensive control variables have been included, denoted by the expression CONTROLS. Table 16 (below) reports OLS regression results of RLG on CSR. The coefficient of RLG on CSR in Model 3 of Table 16 is positive (0.125) and statistically significant (P-value= 0. 000), thus providing support for Hypothesis 1, which states there is a positive relationship between CSR and RLG. The economic significance of this link is indicated by the coefficient of 0.125 in Model 3, which suggests that ceteris paribus, an increase of one unit of the standard deviation of RLG, for example, can be expected to lead to an approximate 1.66 % (0.133*0.125*100) increase in RLG, implying a 1.66 % increase in CSR level. This evidence suggests that the higher the level of RLG of countries is, the higher the level of CSR they engage in. This positive relationship suggests that an increase in RLG will be accompanied by an increase in CSR. This means that corporate managers with a higher level of religiosity are more likely to engage in corporate social responsibility in that country, which is consistent with the prediction that RLG has a positive influence on CSR at the country level. This is also consistent with the findings of Grullon *et al.* (2009); Hilary and Hui (2009); Frynas and Stephens (2015) and Rupp and Mallory (2015), all of whom have highlighted that religion positively shapes the individual and collective decision-making processes related to CSR, as well as highlighting that religious self-identity can influence ethical corporate behaviour. Weaver and Agle (2002) have documented the positive impact of religion on firms' investment decisions and CSR. Furthermore, Agle and Van Buren (1999) have found a positive relationship between religiosity, attitudes and exercise towards CSR. The results of this study concur with that of Hemingway and Maclagan (2004), who have found that religiosity is one of the moral drivers that affect CSR levels.

The evidence in this study at country level supports agency theory and suggests that corporate manager behaviour and characteristics influence their contribution to CSR in the companies they work in. This is consistent with previous studies which show that agency theory is expected to contribute to explaining the association between RLG and CSR (Brammer *et al.*, 2007; Murphy and Smolarski, 2018). Furthermore, social contract theory includes the businesses' obligations to the communities they work in. Companies that adopt the concept of social contract will describe their participation as part of the expectation of society (Moir, 2001). Donaldson (1982) explains that there exists an implicit social contract among business and community and this contract indicates some indirect obligations of business towards the community.

Moreover, as the behaviour of corporate managers may be affected by the community they live in, this will affect their decisions, whether at the level of CSR or otherwise. However, the evidence provided in this study supports and correlates with social contract theory which declares that a person's physical and social environments are basically responsible for their behaviour. In addition, religion shapes the individual and collective decision-making processes related to CSR (Frynas and Stephens, 2015; Rupp and Mallory, 2015). Finally, religiosity has been linked to two important effects, which are risk aversion and honesty (Miller and Hoffmann, 1995; Diaz, 2000; Hilary and Hui, 2009; Dyreng *et al.*, 2012). This leads to a significant relationship between RLG and CSR. While agency theory has been applied in a few individual-level studies on corporate managers' decisions to support CSR (Gond *et al.*, 2017), the current study employs agency theory, besides social contract theory and virtue theory, to identify the RLG influence on CSR, as well as the moderating effect on NC on this relationship. Therefore, the arguments outlined above correspond to the results of this study higlighting the link between CSR and RLG.

Table 16: OLS regression results of RLG influence on CSR

Dependent Variable	Model 1			Model 2			Model 3		
Corporate Social Responsibility (CSR)	**CSR**	**(t)**	**VIF**	**CSR**	**(t)**	**VIF**	**CSR**	**(t)**	**VIF**
Independent Variable: Religious (RLG)	0.070***	(5.15)	1.00	0.125***	(3.80)	1.36	0.125***	(3.77)	1.36
Control Variables: Macro-economic variables									
Investment to GDP				0.169	(1.62)	1.87	0.171	(1.61)	1.9
GDP Constant Prices				-0.111	(-0.30)	4.70	-0.107	(-0.28)	4.87
GDP Growth				-0.064	(-0.34)	3.46	-0.072	(-0.36)	3.75
Corruption Perceptions				0.001	(0.01)	5.19	0.002	(0.02)	5.22
Strength of Auditing and Reporting Standards				-0.127	(-1.44)	2.78	-0.128	(-1.43)	2.79
General Government Revenue to GDP				-0.088	(-1.33)	1.69	-0.089	(-1.32)	1.69
Imports Goods & Services				-0.041	(-0.92)	1.58	-0.044	(-0.96)	1.7
Exports Goods & services				0.071	(0.99)	1.55	0.069	(0.96)	1.61
Exchange Rate				-0.001**	(-2.85)	1.18	-0.001**	(-2.80)	1.18
- Governance variables									
Voice and Accountability				0.028**	(3.36)	2.13	0.028**	(3.31)	2.14
Political Stability and Absence of Violence/Terrorism				-0.004	(-0.34)	3.63	-0.004	(-0.34)	3.64
Year=2010							0	(.)	
Year=2011							0.001	(0.44)	1.8
Year=2012							-0.002	(-0.45)	2.01
Year=2013							-0.001	(-0.30)	2.05
Year=2014							-0.001	(-0.15)	2.01
Year=2015							-0.001	(-0.31)	1.93
Year=2016							-0.002	(-0.49)	1.93
Year=2017							-0.002	(-0.55)	1.9
Constant	0.462***	(38.72)		0.489***	(6.03)		0.491***	(6.06)	
Observations	711			438			438		
R^2	0.036			0.269			0.269		
Adjusted R^2	0.035			0.248			0.236		
F	26.52			3.782			2.591		
Prob > F	0.000			0.000			0.003		

Notes: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

4.7.2 OLS Regression Results of the Link between CSR and the 6 NC Dimensions

In order to test *H2* and investigate the relationship between CSR and the NC dimensions, this research employs OLS regression models (2). The analysis begins with the OLS regression model specified as follows:

$$\boldsymbol{CSR_{it} = \alpha_0 + \beta_1 NC_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \quad (2)$$

Where CSR refers to corporate social responsibility, NC refers to the six dimensions of national culture and, finally, CONTROLS refers to the control variables. Table 17 (below) reports OLS regression results of the six dimensions of NC on CSR. These dimensions include; power distance, individualism, masculinity, uncertainty avoidance, long-term orientation and indulgence. Some of the six dimensions of NC have a positive relationship with CSR while others have a negative relationship. Individualism and indulgence give a positive relationship with CSR to varying degrees, while power distance, masculinity, uncertainty avoidance and long-term orientation give a negative relationship with CSR to varying degrees, see (Table 17).

First of all, the coefficient of individualism on CSR in Model 2 of Table 17 is positive (0.142) and statistically significant (P-value= 0.010). The economic significance of this association is indicated by the coefficient of 0.142 in Model 2, which suggests that ceteris paribus, an increase of one unit of the standard deviation of individualism, for example, can be expected to lead to an approximate 3.10 % (0.218*0.142*100) increase in individualism rate, implying 3.10 % increase in CSR. This evidence suggests that the higher the level of individualism of countries, the higher CSR they engage in. This positive relationship suggests that an increase in individualism will be accompanied by an increase in CSR.

The current study’s results are consistent with those of Gray and Vint (1995). The authors found that the relationship between accounting disclosures, reporting and individualism was statistically highly significant. Khlif *et al.* (2015) have found that individualism has a strong influence on profitability and corporate social and environmental disclosure (CSED). In addition, Chand *et al.* (2012) have found that individualism has a significant effect on accounting reporting when interpreting and applying selected IFRS containing uncertainty expressions.

Moving on, the coefficient of masculinity on CSR in Model 3 of Table 17 (below) is negative (-0.130) and statistically significant (P-value= 0.009). The economic significance of this association is indicated by the coefficient of -0.130 in Model 3, which suggests that ceteris paribus, an increase of one unit of the standard deviation of masculinity, for example, can be expected to lead to an approximate 2.37 % (0.182*0.130*100) increase in the masculinity rate, implying a 2.37 % decrease in CSR. This data suggests that the higher the level of masculinity of countries is, the lower the level of CSR they engage in will be. This negative relationship suggests that an increase in masculinity will be accompanied by a decrease in CSR. The results of this study are consistent with Pacheco Paredes and Wheatley (2017), who have found a negative correlation between real earnings management and masculinity. Moreover, Peng *et al.* (2014) have found a negative relationship between masculinity and CSR. Furthermore, it has been observed that intrinsic attributions of CSR initiatives interfere with the negative relationship between masculinity and CSR perceptions (Hur and Kim, 2017).

The effect of the coefficient of uncertainty avoidance on CSR in Model 4 of Table 17 is negative (-0.126) and statistically significant (P-value= 0.000). The economic significance of this link is indicated by the coefficient of -0.126 in Model 4, which suggests that ceteris paribus, an increase of one unit of the standard deviation of uncertainty avoidance, for example, can be expected to lead to an approximate 2.58 % (0.205*0.126*100) increase in uncertainty avoidance, implying a 2.58 % decrease in CSR. This implies that the higher the level of uncertainty avoidance of countries is, the lower the level of CSR they engage in will be. This negative relationship suggests that an increase in uncertainty avoidance will be accompanied by a decrease in the CSR. Influence of uncertainty avoidance has been studied by a number of researchers, for instance, Garcia-Sanchez *et al.* (2013) have detected that institutions located in societies which are characterised by higher uncertainty avoidance are more sensitive to publishing CSR reports. Furthermore, Pacheco Paredes and Wheatley (2017) have found a negative association between reporting real earnings management and Hofstede's measures of uncertainty avoidance. Kim *et al.* (2018) have also observed a negative relationship between uncertainty avoidance and CRS. Therefore, the results of this study provide evidence that there is a direct association between CSR and NC dimensions. The significant results of NC dimensions such as individualism, masculinity and uncertainty avoidance and their impact on CSR suggest that there is a strong influence of NC on CSR. This also supports Hypothesis 2 and is analogous with a number of studies cited above. The results are also broadly indicative of, and provide support for the social contract theory perspective.

However, the remaining dimensions of NC have an insignificant impact on CSR. For instance, the coefficient of power distance on CSR in Model 1 of Table 17 is negative (-0.015) and statistically insignificant (P-value= 0.785). The economic insignificance of this association is indicated by the coefficient of -0.0149 in Model 1, which suggests that ceteris paribus, an increase of one unit of the standard deviation of power distance, for example, can be expected to lead to around a 0.31 % (0.206*0.0149*100) increase in the power distance rate, implying a 0.31 % decrease in CSR. This evidence suggests that the higher the level of power distance of the countries is, the lower the level of CSR they engage in will be. This negative relationship suggests that an increase in power distance will be accompanied by a decrease in CSR.

Looking at another coefficient, the effect of long-term orientation on CSR in Model 5 of Table 17 is negative (-0.0062) and statistically insignificant (P-value= 0. 879). The economic insignificance of this association is indicated by the coefficient of -0.006 in Model 5, which suggests that ceteris paribus, an increase of one unit of the standard deviation of long-term orientation, for example, can be expected to lead to an approximate 0.14 % percent (0.232*0.006*100) increase in long-term orientation, implying a 0.14 % percent decrease in CSR. This figure suggests that the higher the level of long-term orientation of countries is, the lower the level of CSR they engage in will be. This negative relationship implies that an increase in long-term orientation will be accompanied by a decrease in CSR. When the coefficient of indulgence on CSR in Model 6 of Table 17 is considered, this is observed as being positive (0.004) and statistically insignificant (P-value= 0.907). The economic insignificance of this association is indicated by the coefficient of 0.0043 in Model 6, which suggests that ceteris paribus, an increase of one unit of the standard deviation of indulgence, for example, can be expected to lead to an approximate 0.10 % (0.236*0.004*100) increase in indulgence rate, implying a 0.10 % increase in CSR. This evidence suggests that the higher the level of indulgence of the countries is, the higher the level of CSR they engage in will be. This positive relationship suggests that an increase in indulgence will be accompanied by an increase in CSR.

Social contract theory is a concept in the philosophy of ethics which states that there is an agreement between a person's ethical obligations with another person within a society. In business, social contract theory includes the corporates' obligations to the communities in which they work; this includes philanthropy and CSR. On the other hand, agency theory assumes that agents (managers) have a self-interest in the environment, which can lead them to influence corporate decisions in a way that increases their own benefits (Baiman, 1982; Fama and Jensen, 1983). Consequently, this study's results support the social contract theory and agency theory and are consistent with them.

Accordingly, the results from this study highlighting the link between CSR and NC are also consistent with a number of research findings such as Gray and Vint (1995); Chand *et al.* (2012); Garcia-Sanchez *et al.* (2013); Peng *et al.* (2014); Khlif *et al.* (2015); Hur and Kim (2017); Pacheco Paredes and Wheatley (2017) and (Kim *et al.*, 2018). This may suggest that CSR is influenced by NC dimensions and that it is the result of neighbourhood dynamics and their effects. Therefore, according to the social contract theory, this emphasises the role that a person's physical and social environments play on their behaviour and performance; NC does seem to have an effect on CSR. This link is also supported by some of the literature. All of these aforementioned arguments are consistent with the results of this study.

Table 17: OLS regression results of NC influence on CSR

Dependent Variable Corporate Social Responsibility (CSR)	Model 1 Power Distance		Model 2 Individualism		Model 3 Masculinity		Model 4 Uncertainty Avoidance		Model 5 Long Term Orientation		Model 6 Indulgence	
	CSR	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**
Independent Variable												
Power Distance	-0.015	(-0.27)										
Individualism			0.142*	(2.68)								
Masculinity					-0.130**	(-2.73)						
Uncertainty Avoidance							-0.126***	(-3.88)				
Long Term Orientation									-0.006	(-0.15)		
Indulgence											0.004	(0.12)
Control Variables: Macro-economic variables												
Investment to GDP	0.050	(0.33)	0.020	(0.14)	0.054	(0.44)	-0.010	(-0.06)	0.033	(0.25)	0.001	(0.01)
GDP Constant Prices	0.085	(0.19)	0.514	(1.31)	-0.099	(-0.22)	-0.043	(-0.12)	0.166	(0.30)	-0.114	(-0.23)
GDP Growth	-0.086	(-0.33)	-0.281	(-1.16)	-0.067	(-0.25)	-0.131	(-0.52)	-0.157	(-0.52)	0.036	(0.12)
Corruption Perceptions	0.009	(0.11)	0.039	(0.68)	0.005	(0.06)	-0.061	(-0.97)	-0.020	(-0.29)	0.003	(0.05)
Strength of Auditing and Reporting Standards	-0.084	(-0.75)	-0.146	(-1.47)	-0.026	(-0.22)	-0.131	(-1.24)	0.007	(0.08)	0.016	(0.17)
General Government Revenue to GDP	-0.061	(-0.74)	-0.158	(-1.80)	-0.141	(-1.80)	-0.013	(-0.19)	-0.018	(-0.16)	0.061	(0.60)
Imports Goods & Services	-0.063	(-1.19)	-0.009	(-0.18)	-0.064	(-1.26)	-0.024	(-0.49)	-0.084	(-1.45)	-0.156**	(-2.78)
Exports Goods & services	0.029	(0.28)	-0.060	(-0.64)	0.066	(0.80)	-0.001	(-0.01)	-0.036	(-0.32)	0.030	(0.33)
Exchange Rate	-0.001	(-1.43)	-0.001	(-1.30)	-0.001	(-1.95)	-0.001*	(-2.06)	-0.001	(-1.02)	-0.001	(-0.32)
- Governance variables												
Voice and Accountability	0.018	(1.46)	0.008	(0.66)	0.018*	(2.15)	0.021*	(2.28)	0.018	(1.50)	0.018	(1.37)
Political Stability and Absence of Violence	-0.014	(-0.84)	-0.011	(-0.94)	-0.017	(-1.24)	-0.010	(-0.79)	-0.010	(-0.70)	-0.022	(-1.42)
Year=2011	-0.001	(-0.14)	0.002	(0.74)	0.001	(0.08)	-0.001	(-0.32)	-0.004	(-1.05)	-0.008	(-1.61)
Year=2012	-0.004	(-0.67)	0.001	(0.01)	-0.004	(-0.58)	-0.005	(-0.79)	-0.011	(-1.49)	-0.015*	(-2.10)
Year=2013	-0.004	(-0.55)	0.001	(0.21)	-0.004	(-0.57)	-0.004	(-0.67)	-0.010	(-1.42)	-0.016*	(-2.38)
Year=2014	-0.002	(-0.29)	0.002	(0.45)	-0.003	(-0.43)	-0.002	(-0.39)	-0.009	(-1.10)	-0.016*	(-2.37)
Year=2015	-0.002	(-0.42)	0.001	(0.06)	-0.003	(-0.53)	-0.002	(-0.32)	-0.008	(-1.34)	-0.013*	(-2.43)
Year=2016	-0.003	(-0.51)	-0.001	(-0.12)	-0.003	(-0.54)	-0.002	(-0.34)	-0.008	(-1.53)	-0.012*	(-2.10)
Year=2017	-0.001	(-0.20)	0.002	(0.36)	-0.001	(-0.26)	0.003	(0.28)	-0.006	(-1.19)	-0.011*	(-2.28)
Constant	0.592***	(4.79)	0.588***	(7.37)	0.633***	(7.22)	0.735***	(7.43)	0.531***	(5.58)	0.493***	(5.02)
Observations	390		350		382		390		342		326	
R^2	0.126		0.282		0.266		0.263		0.088		0.151	
Adjusted R^2	0.081		0.241		0.228		0.225		0.034		0.098	
F	0.950		1.619		1.896		2.367		1.532		2.631	
Prob > F	0.531		0.095		0.038		0.008		0.124		0.005	

Notes: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

4.7.3 OLS Regression Results of the CSR-RLG nexus, the Moderating Impact of NC

To investigate the moderating impact of the six dimensions of NC on the CSR-RLG nexus, six OLS regressions (equation 3) will be used, due to the six different dimensions of NC. Therefore, each dimension will be used separately in a model as follows:

$$CSR_{it} = \alpha_0 + \beta_1 RLG_{it} + \beta_2 NC_{it} + \beta_3 (RLG * NC)_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it} \quad (3)$$

Where CSR refers to corporate social responsibility, RLG refers to religiosity, and NC refers to the six dimensions of national culture, which include: power distance, individualism, masculinity, uncertainty avoidance, long term orientation and indulgence, and RLG*NC refers to their respective interaction variables including; RLG*Power_Distance, RLG*Individualism, RLG*Masculinity, RLG*Uncertainty_Avoidance, RLG*Long_Term_Orientation and RLG*Indulgence. Finally, CONTROLS refers to the control variables. Everything else remains the same as defined in equation (1). Table 18 reports the OLS regression results of RLG on CSR, and the moderating impact of the six NC dimensions. Some of the interaction variables have a positive moderating impact and others have a negative moderating impact with the CSR-RLG nexus, see (Table 18).

Therefore, the results suggest that the six dimensions of NC moderate the CSR-RLG nexus. For instance, Model 4 of Table 18 presents the findings of the moderating effect of uncertainty avoidance. The coefficient of RLG on CSR of Model 4 is positive (0.396) and statistically significant (P-value= 0.002), suggesting a strong positive association between RLG and CSR among countries with a low level of uncertainty avoidance. Additionally, the coefficient of uncertainty avoidance on CSR is positive (0.210) and statistically insignificant (P-value= 0.094), indicating a negative association between uncertainty avoidance and CSR among countries that have a low RLG. However, the coefficient of the interaction variable RLG*Uncertainty_Avoidance on CSR is negative (-0.411) and statistically significant (P-value= 0.013), indicating a negative association between uncertainty avoidance and CSR among countries that have a high level of RLG. Therefore, the negative coefficients of RLG*Uncertainty_Avoidance in Model 4 of Table 18 suggest that high uncertainty avoidance is associated with low CSR, which is consistent with the prediction that NC dimensions can moderate CSR-RLG nexus and have an influence on CSR.

Model 5 of Table 18 presents the findings of the moderating effect of long term orientation. The coefficient of RLG on CSR of Model 5 is positive (0.672) and statistically significant (P-value= 0.000), suggesting a strong positive link between CSR and RLG among countries with a low level of long term orientation. Additionally, the coefficient of long-term orientation on CSR is positive

(0.773) and statistically significant (P-value= 0.001), indicating a positive association between long-term orientation and CSR among countries that have a low RLG. In contrast, the coefficient of the interaction variable RLG*Long-Term_Orientation on CSR is negative (-0.810) and statistically significant (P-value= 0.002), indicating a negative association between long-term orientation and CSR among countries that have a high level of RLG. Hence, the negative coefficients of RLG*Long-Term_Orientation in Model 5 of Table 18 suggest that high long-term orientation is associated with low CSR, which is also consistent with the prediction that NC dimensions can moderate CSR-RLG nexus and have an influence on CSR.

Looking at another coefficient, the effect of the coefficient of RLG on CSR of Model 6 is negative (-0.073) and statistically insignificant (P-value= 0.313), suggesting a positive correlation between CSR and RLG among countries with a low level of indulgence. Additionally, the coefficient of indulgence on CSR is negative (-0.572) and statistically significant (P-value= 0.000), indicating a negative association between indulgence and CSR among countries that have a low RLG. However, the coefficient of the interaction variable RLG*Indulgence on CSR is positive (0.604) and statistically significant (P-value= 0.001), indicating a positive link between indulgence and CSR among countries that have a high level of RLG. Therefore, the positive coefficients of RLG*Indulgence in Model 6 of Table 18 suggest that high Indulgence is associated with high CSR, which is also consistent with the prediction that NC dimensions can moderate the CSR-RLG nexus and have an influence on CSR. Consequently, with regard to the interaction variables of RLG*Uncertainty_Avoidance, RLG*Long-Term_Orientation and RLG*Indulgence, the significant results presented in Model 4, Model 5 and Model 6 in Table 18 offer evidence of a moderating impact of uncertainty avoidance, long-term orientation and indulgence on the CSR-RLG nexus, which largely supports hypothesis (H3) in this study, as well as the predictions of the optimal agency, social contract and virtue theories.

The remaining dimensions of NC moderate the CSR-RLG nexus, which are perhaps an indication of insignificant findings. For instance, Model 1 of Table 18 presents the findings of the moderating effect of power distance. The coefficient of RLG on CSR of Model 1 is positive (0.091) but statistically insignificant (P-value= 0.655), suggesting a weak relationship between CSR and RLG among countries with a low level of power distance. On the other hand, the coefficient of power distance on CSR is negative (-0.113) and statistically insignificant (P-value= 0.711), indicating a negative association between power distance and CSR among countries that have a low RLG. In contrast, the coefficient of the interaction variable RLG*Power_Distance on CSR is positive (0.076) and statistically insignificant (P-value= 0.807), indicating a positive association between power distance and CSR among countries that have a high level of RLG. Hence, the positive coefficients of RLG*Power_Distance in Model 1 of Table 18 suggest that high power distance is associated with high CSR, which supports the prediction that NC dimensions can moderate the CSR-RLG nexus and have an influence on CSR.

In addition, Model 2 of Table 18 presents the findings of the moderating effect of individualism. The coefficient of RLG on CSR of Model 2 is positive (0.161) but statistically insignificant (P-value= 0.109), suggesting a positive association between RLG and CSR among countries with a low level of individualism. The coefficient of individualism on CSR is also positive (0.231) and statistically insignificant (P-value= 0.272), indicating a positive association between individualism and CSR among countries that have a low RLG. In contrast, the coefficient of the interaction variable RLG*Individualism on CSR is negative (-0.093) and statistically insignificant (P-value= 0.685), indicating a negative association between individualism and CSR among countries that have a high level of RLG. Therefore, the negative coefficients of RLG*Individualism in Model 2 of Table 18 suggest that high individualism is associated with low CSR, which also supports the prediction that NC dimensions can moderate the CSR-RLG nexus and have an influence on CSR.

Finally, Model 3 of Table 18 presents the findings of the moderating effect of masculinity. The coefficient of RLG on CSR of Model 3 is positive (0.203) but statistically insignificant (P-value= 0.078), suggesting a weak association between RLG and CSR among countries with a low level of masculinity. Furthermore, the coefficient of masculinity on CSR is positive (0.059) and statistically insignificant (P-value= 0.638), indicating a positive association between masculinity and CSR among countries that have a low RLG. In contrast, the coefficient of the interaction variable RLG*Masculinity on CSR is negative (-0.190) and statistically insignificant (P-value= 0.307), indicating a negative association between masculinity and CSR among countries that have a high level of RLG. Hence, the negative coefficients of RLG*Masculinity in Model 3 of Table 18 suggest that high masculinity is associated with low CSR, which also supports the prediction that NC dimensions can moderate the CSR-RLG nexus and have an influence on CSR.

Overall, by scrutinising Table 16, it is can be seen that the interaction term, RLG*Uncertainty_Avoidance has a significant negative moderating effect on the relationship between RLG and CSR with (β -0.411, t= -2.58), (P-value= 0.013), (Models 4). In other words, when the level of uncertainty avoidance has a low score, this indicates that CSR is improved. In addition, the interaction variable of RLG*Long_Term_Orientation has a significant negative moderating effect on the relationship between RLG and CSR with (β -0.810, t= -3.26), (P-value= 0. 002), (Models 5). This means that when the level of long-term orientation has a low score, less long-term orientation can potentially improve CSR. Moreover, the interaction term, RLG*Indulgence has a significant positive moderating effect on the relationship between RLG and CSR with (β 0.604, t=

3.61), (P-value= 0.001), (Models 6). In other words, when the level of indulgence has a high score, this indicates that CSR is improved. Therefore, these results suggest there is a moderating effect of NC on the relationship between RLG and CSR, all of which supports Hypothesis 3 of this study, which indicates a moderating effect of NC on the CSR_ RLG nexus.

Looking at the interaction variables of RLG*Power_Distance, RLG*Individualism, and RLG*Masculinity, it is noted that they have an insignificant impact on the relationship between CSR and RLG (Model 1,2,3) as follows, RLG*Power_Distance (β 0.076, P-value= 0.807), RLG*Individualism (β -.093, P-value= 0.685), and finally, RLG*Masculinity (β -0.189, P-value= 0.307). However, despite these insignificant impacts, these results also support Hypothesis 3.

Accordingly, the results from this study broadly support Hypothesis 3 which states that NC has a moderating effect on the link between CSR and RLG. This evidence, in turn, supports social contract theory, agency theory and virtue theory, and also suggests that having a high NC in place is expected to have an impact on the association between CSR and RLG. This means that a high NC rate is likely to increase the ability of managers to contribute to CSR. This is consistent with prior research in this area that has found a moderating effect of NC dimensions (Askary *et al.*, 2008; Jiang *et al.*, 2015; Power *et al.*, 2015; Karaibrahimoglu and Cangarli, 2016; Nam, 2018; Gaganis *et al.*, 2019). For instance, Askary *et al.* (2008) emphasise that large power distance, high uncertainty avoidance and collectivisms negatively influence professionalism and financial reporting. Moreover, Nam (2018) has examined cultural moderation and found that NC has a decreased anti-corruption effect on government performance. Likewise, Karaibrahimoglu and Cangarli (2016) have found the moderation of national cultural values on the link between auditing and reporting standards and the ethical behaviour of firms. Moreover, Cetinguc *et al.* (2019) have observed the moderating effect of indulgence on corporate relationships. Finally, Power *et al.* (2015) highlight the moderating influence of NC on investment at the plant level in environment and safety practices. Overall, this study's findings suggest that NC moderates the link between CSR and RLG, and thus provide support for Hypothesis 3 (see table 19). Specifically, the findings indicate that the association between CSR and RLG is positively strong in countries with strong NC values.

Table 18: OLS regression results of CSR-RLG nexus, the moderating impact of NC

Dependent Variable Corporate Social Responsibility (CSR)	**M1: Power Distance**		**M2: Individualism**		**M3: Masculinity**		**M4: Uncertainty Avoidance**		**M5: Long Term Orientation**		**Indulgence**	
	CSR	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**
Independent Variable: Religious	0.091	(0.45)	0.161	(1.64)	0.203	(1.80)	0.396**	(3.33)	0.672***	(4.69)	-0.073	(-1.02)
Moderating Variables												
Power Distance	-0.113	(-0.37)										
Individualism			0.231	(1.11)								
Masculinity					0.059	(0.47)						
Uncertainty Avoidance							0.210	(1.71)				
Long Term Orientation									0.773***	(3.72)		
Indulgence											-0.572***	(-3.83)
Interaction variable: RLG*NC	0.076	(0.25)	-0.093	(-0.41)	-0.190	(-1.03)	-0.411*	(-2.58)	-0.810**	(-3.26)	0.604***	(3.61)
Control Variables: Macro-economic variables												
Investment to GDP	0.117	(0.94)	0.089	(0.72)	0.089	(0.79)	0.085	(0.73)	-0.032	(-0.29)	0.0325	(0.36)
GDP Constant Prices	-0.075	(-0.17)	0.296	(0.80)	-0.180	(-0.39)	-0.230	(-0.68)	0.017	(0.03)	-0.410	(-0.90)
GDP Growth	-0.093	(-0.38)	-0.263	(-1.12)	-0.071	(-0.28)	-0.132	(-0.53)	-0.231	(-0.89)	0.057	(0.22)
Corruption Perceptions	-0.004	(-0.04)	0.046	(0.76)	0.013	(0.17)	-0.032	(-0.56)	-0.007	(-0.13)	0.044	(0.83)
Strength of Auditing and Reporting Standards	-0.086	(-0.79)	-0.159	(-1.71)	-0.028	(-0.24)	-0.143	(-1.60)	0.070	(0.95)	0.050	(0.56)
General Government Revenue to GDP	-0.081	(-1.07)	-0.175*	(-2.21)	-0.129	(-1.86)	-0.007	(-0.11)	-0.039	(-0.42)	0.034	(0.39)
Imports Goods & Services	-0.041	(-0.84)	0.008	(0.18)	-0.051	(-1.09)	0.010	(0.25)	-0.031	(-0.66)	-0.108*	(-2.05)
Exports Goods & services	0.069	(0.70)	-0.021	(-0.24)	0.093	(1.14)	0.050	(0.63)	-0.015	(-0.15)	0.050	(0.62)
Exchange Rate	-0.001	(-1.82)	-0.001	(-1.79)	-0.001*	(-2.10)	-0.001**	(-3.44)	0.001	(0.06)	0.001	(0.21)
- Governance variables												
Voice and Accountability	0.014	(1.14)	0.006	(0.53)	0.019*	(2.30)	0.016	(1.83)	0.026*	(2.17)	0.022	(1.73)
Political Stability and Absence of Violence	-0.003	(-0.16)	-0.003	(-0.26)	-0.012	(-0.94)	-0.003	(-0.22)	0.001	(0.07)	-0.017	(-1.35)
Year=2011	0.001	(0.16)	0.003	(0.98)	0.001	(0.26)	0.001	(0.15)	-0.003	(-0.87)	-0.007	(-1.47)
Year=2012	-0.002	(-0.39)	0.001	(0.09)	-0.003	(-0.39)	-0.002	(-0.40)	-0.008	(-1.19)	-0.015*	(-2.10)
Year=2013	-0.002	(-0.26)	0.002	(0.34)	-0.002	(-0.38)	-0.001	(-0.22)	-0.007	(-1.15)	-0.016*	(-2.31)
Year=2014	-0.001	(-0.14)	0.001	(0.43)	-0.002	(-0.33)	-0.001	(-0.13)	-0.008	(-1.08)	-0.017*	(-2.67)
Year=2015	-0.001	(-0.23)	0.001	(0.04)	-0.003	(-0.45)	-0.001	(-0.06)	-0.008	(-1.34)	-0.014*	(-2.48)
Year=2016	-0.002	(-0.33)	-0.001	(-0.13)	-0.002	(-0.47)	-0.001	(-0.09)	-0.008	(-1.46)	-0.012	(-2.00)
Year=2017	-0.002	(-0.38)	-0.001	(-0.07)	-0.002	(-0.44)	-0.001	(-0.14)	-0.007	(-1.47)	-0.011*	(-2.23)
Constant	0.534*	(2.19)	0.443***	(3.98)	0.428**	(3.27)	0.379**	(2.87)	-0.128	(-0.85)	0.540***	(4.77)
Observations	390		350		382		390		342		326	
R^2	0.239		0.386		0.318		0.450		0.317		0.367	
Adjusted R^2	0.196		0.346		0.279		0.418		0.272		0.323	
F	1.962		2.564		3.302		3.400		4.351		10.33	
Prob > F	0.027		0.004		0.000		0.000		0.000		0.000	

Notes: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 19: Summary of study three the findings and hypotheses

Hypotheses	Descriptions	Results
H1	There is a positive relationship between CSR and RLG	Accepted
H2	There is a strong relationship between CSR and NC	Mixed
H3	NC has a moderating effect on the relationship between CSR and RLG	Mixed

4.7.4 Robustness Analyses (GLM)

A number of studies have been carried out on robust parametric General Linear Models (GLMs) (Diedrichsen and Shadmehr, 2005; Wager *et al.*, 2005; Penny *et al.*, 2007). The GLM provides an alternative to the OLS model. The appeal of the GLM is given by the fact that the mean and variance functions are directly based on the original (arithmetic) scale, with the relationship between the two determined by the assumed distribution.

Additionally, the expected value of the dependent variable is associated with the independent variables using a specific function (Buntin and Zaslavsky, 2004). This research employs GLM testing, as it produces more robust results than OLS regression. The GLM tests are based on a vector of correlated random variables rather than on a single scalar random variable. Hence their prediction is based on a maximum likelihood or Bayesian inference rather than the least-squares procedure. A GLM consists of a random component, a linear predictor, and a smooth and invertible linearizing link function (McCullagh and Nelder, 1989). In addition, to remedy the probability of normality and variance issues, Skinner *et al.* (2003) have incorporated the use of GLM in the regression adjustment framework for count data and Jearkpaporn *et al.* (2003) have explored GLM in a regression adjustment procedure. Therefore, this study uses the GLM regression model to address the probability of normality and variance issues.

The analyses conducted in section 4.7.1 to examine the association between CSR and RLG has used the OLS regression model, and has found a positive impact of RLG on CSR. To strengthen the results, this research will examine the association between CSR and RLG by using GLM. GLM will be used instead of the OLS model by using the same variables, which have been used in equation 1, in an attempt to validate the model. The OLS estimation adjusted for optimal lags shows a significant positive association between CSR and RLG. More importantly, from the underlying standpoint of hypothesis one, it shows a significant positive impact of RLG on CSR.

Table 20 (Model 4) reports the GLM regression results of RLG on CSR. The coefficient of RLG on CSR in Model 4 is positive (0.251) and statistically significant (P-value= 0.000), thus providing strong support with the primary result, which is the positive influence of RLG on CSR. The economic result of this association is indicated by the coefficient of 0.251 in Model 4, which suggests that an increase of one unit of the standard deviation of RLG, for example, can be expected to lead to around a 3.33 % (0.133*0.251*100) increase in RLG, implying a 3.33 % increase in CSR. This evidence suggests that the higher the level of RLG of countries is, the higher the level of CSR they engage in will be.

Table 20, in addition, shows a comparison between the results of both the main analysis (Model 1) and the robustness analysis (Model 4) side by side. In general, it can be easily recognised from Table 20 that the results of the robustness analysis strongly reflect the results of the main analysis. More specifically, the robustness results of Model 4 in Table 20 show a positive and statistically significant coefficient of the effect of RLG on CSR, again with a strong correlation to the primary analysis of this study. Therefore, this result reports the same direction of the coefficient of RLG on CSR, which is positive, thus providing support for Hypothesis 1, which states a positive association between CSR and RLG. Consequently, the robustness result is very close to the results of the main model. The similarity of results for the two models, therefore, suggests that the initial evidence of the positive relationship between CSR and RLG is robust.

4.7.5 Lagging Structure Model

The Granger Test for causality is a technique which has been used in this research in order to explore the direction of causality between RLG and CSR across all the countries. It is expressed as:

$$\boldsymbol{CSR_{it} = \alpha_0 + \beta_1 RLG_{it-1} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it}} \tag{4}$$

Therefore, in the last set of robustness tests, verification of the stability of the evidence to potential endogeneity bias stemming from reverse causality has been carried out. Accordingly, in order to mitigate concerns related to reverse causality between RLG and CSR, Model 5 in Table 20 re-estimated the independent variable (RLG) being one-period lagged (t-1) (Hilary and Hui, 2009; Oikonomou *et al.*, 2012; Chang *et al.*, 2014; Oikonomou *et al.*, 2014). This regression in equation (4) has the same control variables as in the main equation (1). As we can see from Model 5 in Table

20, lower lagged RLG Granger cause lower CAR. However, due to the use of lagged variables, the sample is shrunk from (438) to (383) observations.

Table 20 also shows that Models 1 and 5 are relatively similar in terms of the value of adjusted R2, as it is 0.236 in the simple OLS model and 0.238 in the lagged model. The F-value is 2.59 and 2.61 in the main OLS and the lagged structure model, respectively. Therefore, Models 1 and 5 in Table 20 show that the results presented in the two models are relatively similar, indicating that the findings of the study remained fairly robust using a lagged structure model. Additionally, the significant results from the Granger causality test confirm that RLG leads to CSR.

4.7.6 Alternative Measurement of CSR (ESG)

Seeking to further the credibility for the findings of this research, an alternative measurement for CSR was used, which is Environmental, Social and Governance (ESG). A number of prior studies have employed the term ESG interchangeably with CSR (Kocmanova and Docekalova, 2013; Fatemi *et al.*, 2017; Wang *et al.*, 2018; Conway, 2019; Egginton and McBrayer, 2019; Garcia *et al.*, 2019; Utz, 2019). Accordingly, this study has adopted the same methodology and uses ESG as a measurement for CSR. In order to assess the sensitivity of the main results of this study of CSR measurement, CSR in equation (1) was replaced by ESG. Therefore, equation (1) was re-estimated to be as follows:

$$ESG_{it} = \alpha_0 + \beta_1 RLG_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it} \qquad (5)$$

Where everything is defined as it is in equation (1) except that (ESG), Environmental, Social and Governance is used as a dependent variable instead of CSR. Table 20 reports the OLS regression results of RLG on ESG. The coefficient of RLG on ESG in Model 2 of Table 20 is positive (0.0895) and statistically significant (P-value= 0.014), thus providing support for the main result that there is a positive relationship between CSR and RLG. The economic result of this association is indicated by the coefficient of 0.0895 in Model 2, which suggests that ceteris paribus, an increase of one unit of the standard deviation of RLG, for example, can be expected to lead to about a 1.19% (0.133*0.090*100) increase in RLG, implying a 1.19 % increase in ESG level. This evidence suggests that the higher RLG is for countries, the higher the level of ESG they engage in will be. This positive relationship suggests that an increase in RLG will be accompanied by an increase in ESG. Table 20 also shows a comparison between the results of both the main analysis (Model 1) and the alternative analysis (Model 2) side by side. In general, it can be easily discerned from Table 20 that the data from the alternative results closely mirror the results of the main analysis.

The coefficient of RLG on ESG in Model 2 of Table 20 is positive, which is the same direction of the coefficient of RLG on CSR in Model 1 (also positive 0.125) and statistically significant (P-value= 0. 000), which is positive in this case. Consequently, the alternative result closely resembles the results of the main model, Model 1 and 2 of Table 20. The results of Model 2 as summarised in Table 20 generally support the results of the main analysis that provide positive support for Hypothesis 1, which states a positive association between CSR and RLG. The similarity of results for the two models and the fact that the coefficients for both go in the same direction suggests that the initial evidence of the positive relationship between CSR and RLG is robust.

4.7.7 Alternative Measurement of Religious

As was the case with ESG, an alternative measurement for Religious (RLG) was sought to further enhance the credibility of the study findings. Accordingly, this study has adopted the same methodology and uses an alternative measurement for RLG. In order to assess the sensitivity of the main results of this study of RLG measurement, RLG in equation (1) was replaced by RLG2. Therefore, equation (1) was re-estimated to be as follows:

$$CSR_{it} = \alpha_0 + \beta_1 RLG2_{it} + \sum_{i=1}^{n} \beta_i CONTROLS_{it} + \epsilon_{it} \tag{5}$$

where everything is defined as it is in equation (1) except in (RLG2), the percentage of religions in a country as a dependent variable instead of RLG 7.4 reports the OLS regression results of RLG2 on CSR. The coefficient of RLG2 on CRS in Model 3 of Table 20 is positive (0.195) and statistically significant (P-value= 0.001), thus providing support for the main result, that there is a positive association between CSR and RLG. The economic result of this association is indicated by the coefficient of 0.195 in Model 3, which suggests that ceteris paribus, an increase of one unit of the standard deviation of RLG2, for example, can be expected to lead to about a 1.64 % (0.195*0.084*100) increase in RLG2, implying a 1.64 % increase in ESG level. This evidence suggests that the higher of RLG2 is for countries, the higher the level of CSR they engage in will be. This positive relationship suggests that an increase in RLG will be accompanied by an increase in ESG. Table 20 also shows a comparison between the results of both the main analysis (Model 1) and the alternative analysis (Model 2) side by side. In general, it is possible to discern from Table 20 that the data from the 2nd alternative results closely resemble those from the results of the main analysis.

The coefficient of RLG2 on ESG in Model 3 of Table 20 is positive, which is the same direction of the coefficient of RLG on CSR in Model 1 (also positive 0.125) and statistically significant (P-value= 0. 000), which is positive in this case. Consequently, the 2nd alternative result closely matches that of the results in the main model, Model 1 and 3 of Table 20. The results of Model 3 as summarised in Table 20 generally support the results of the main analysis that provide positive support for Hypothesis 1 as well. The similarity of results for the three models and the fact that the coefficients for all go in the same direction suggests that the initial evidence of the positive relationship between CSR and RLG is robust.

Table 20: Comparison of the alternative, robustness and main results of CSR-RLG nexus

Dependent Variable	Model 1 (Main) OLS		Model 2 ESG		Model 3 RLG2		Model 4 GLM		Model 5 Lagging	
CSR	**CSR**	**(t)**	**ESG**	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**	**CSR**	**(t)**
Independent Variable										
Religious RLG	0.125***	(3.77)	0.090*	(2.60)	----	----	0.251***	(6.97)	0.126***	(3.67)
Religions RLG2	----	----	----	----	0.195**	(3.42)	----	----	----	----
Control variables: Macro-economic variables										
Investment to GDP	0.171	(1.61)	0.079	(0.59)	0.248*	(2.07)	0.343***	(3.81)	0.174	(1.59)
GDP Constant Prices	-0.107	(-0.28)	-2.389***	(-5.08)	-0.067	(-0.17)	-0.186	(-0.48)	-0.098	(-0.23)
GDP Growth	-0.072	(-0.36)	1.357**	(3.32)	-0.091	(-0.44)	-0.176	(-0.57)	-0.063	(-0.32)
Corruption Perceptions	0.002	(0.02)	-0.139*	(-2.09)	0.011	(0.15)	0.013	(0.25)	0.008	(0.12)
Strength of Auditing and Reporting Standards	-0.128	(-1.43)	0.075	(0.68)	-0.179	(-1.92)	-0.256***	(-3.62)	-0.145	(-1.58)
General Government Revenue to GDP	-0.089	(-1.32)	0.157	(1.91)	-0.065	(-0.92)	-0.176**	(-3.27)	-0.093	(-1.39)
Imports Goods & Services	-0.044	(-0.96)	0.127*	(2.13)	-0.058	(-1.14)	-0.084	(-0.96)	-0.029	(-0.49)
Exports Goods & services	0.069	(0.96)	0.237*	(2.54)	0.063	(0.80)	0.125	(1.31)	0.034	(0.36)
Exchange Rate	-0.001**	(-2.80)	0.001	(1.86)	-0.001**	(-2.82)	-0.001***	(-3.80)	-0.001**	(-2.82)
- Governance variables										
Voice and Accountability	0.028**	(3.31)	0.039**	(3.50)	0.028**	(3.30)	0.052***	(6.91)	0.027**	(3.29)
Political Stability and Absence of Violence	-0.004	(-0.34)	0.002	(0.12)	-0.008	(-0.64)	-0.008	(-0.90)	-0.003	(-0.25)
Year=2011	0.001	(0.44)	-0.007	(-0.84)	0.001	(0.12)	0.002	(0.08)	0	(.)
Year=2012	-0.002	(-0.45)	0.007	(0.45)	-0.005	(-0.89)	-0.005	(-0.27)	-0.004	(-0.85)
Year=2013	-0.001	(-0.30)	0.008	(0.50)	-0.003	(-0.64)	-0.004	(-0.19)	-0.003	(-0.60)
Year=2014	-0.001	(-0.15)	0.011	(0.83)	-0.002	(-0.34)	-0.003	(-0.14)	-0.002	(-0.37)
Year=2015	-0.001	(-0.31)	0.036**	(2.93)	-0.003	(-0.56)	-0.004	(-0.19)	-0.002	(-0.55)
Year=2016	-0.002	(-0.49)	0.052***	(3.97)	-0.004	(-0.85)	-0.005	(-0.25)	-0.003	(-0.75)
Year=2017	-0.002	(-0.55)	0.019	(0.99)	-0.003	(-0.75)	-0.005	(-0.25)	-0.003	(-0.84)
Constant	0.491***	(6.06)	0.353**	(3.22)	0.426***	(4.65)	-0.718***	(-10.9)	0.501***	(5.99)
Observations	438		236		422		438		383	
R^2	0.269		0.478		0.266		----		0.274	
Adjusted R^2	0.236		0.433		0.232		----		0.238	
F	2.591		13.07		2.579		----		2.609	
Prob > F	0.003		0.000		0.004		----		0.003	

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

4.8 Conclusion

This study investigates the links between CSR and RLG and also examines the moderating effect of NC on these constructs. It expands the scope of prior literature (Agle and Van Buren, 1999; Brammer *et al.*, 2007; Grullon *et al.*, 2009; Hilary and Hui, 2009; Frynas and Stephens, 2015; Rupp and Mallory, 2015; Murphy and Smolarski, 2018), by examining these relationships internationally based on cross-country data. Furthermore, it explores the moderating effect of cultural values on these constructs. The findings indicate that there is a strong positive relationship between CSR and RLG, and that this link is moderated by NC. This study, therefore, presents a number of contributions and implications which will be discussed in this section.

4.8.1 Theoretical Contribution

This study employs a developed multi-theoretical framework adapted to CSR, RLG and NC related-countries. In particular, according to agency theory, managers have self-interests and tend to direct corporate decisions towards achieving their own benefits (Baiman, 1982; Fama and Jensen, 1983; Magill and Quinzii, 2002; Mahoney and Thorne, 2005). Therefore, engaging in CSR activities might be for private interests. In particular, some characteristics of religious culture might make managers keener to engage in CSR practice. Agency theory provides a framework to examine how the different incentives arising between the principal (company) and agent (managers) impact whether the agent takes an ethical or unethical decision (Jensen and Meckling, 1976; Eisenhardt, 1989). In addition, previous studies show that agency theory is expected to contribute to explaining the association between religions and CSR (Brammer *et al.*, 2007; Murphy and Smolarski, 2018). Consistent with prior research (Ramasamy *et al.*, 2010; Ariely, 2012; Du *et al.*, 2014), it has been observed that managers making a decision with self-interest are less ethical than making a decision with a company interest.

Agency theory has been applied in a few individual-level studies on corporate managers' decisions to support CSR (Gond *et al.*, 2017). The current study employed agency theory, besides social contract theory and virtue theory, to identify the RLG influence on CSR, as well as the moderating effect on NC on this relationship. Accordingly, religiosity might motivate managers to engage in CSR to maximise corporate purposes since this, in turn, might positively affect their performance. In contrast, social contract theory includes the corporates' obligations to the communities in which they work. This includes corporate governance or philanthropy and CSR. However, social contract theory assumes that social contracts are also beneficial from the perspective of the individual and society. Gray *et al.* (1996, p. 6) describe society as, "a series of social contract between members of society and society itself". In CSR, the business may not work in a responsible way because it is in its commercial interest, but because it is how society implicitly expects business to work (Moir, 2001).

By using virtue theory, social contract theory and agency in conjunction, it is accepted that corporate managers and behaviour are shaped by social mechanisms, not just at the margin, but also at the core. Therefore, social mechanisms influence the conventions defining how agent and principal interact with one another in the same society (Wiseman *et al.*, 2012). Principles and virtues of managers who are influenced by religiosity have a significant impact on determining the level of corporate responsibility. Religiosity is one of the mechanisms which can be identified that appears to play a role in how agents and principals see themselves and their interests.

In addition, based on the social contract theory and virtue theory, it is presumed that managers are good stewards for shareholders and that they consider the needs of shareholders and other stakeholders (Davis *et al.*, 1997; Chrisman *et al.*, 2007; Godos-Diez *et al.*, 2011). Accordingly, managers will engage in CSR as long as it is the correct action to take for shareholders and other stakeholders. This is regardless of whether managers are motivated to do so. Accordingly, a strong association is expected between CSR and RLG based on this framework. In addition, this study contributes to the extent of accounting literature by examining the links between CSR and NC. Furthermore, this study extends the prior literature of CSR and RLG by providing new insights into the moderating effect of national cultural values on this link.

4.8.2 Empirical Contributions

This study contributes to the extant literature on CSR and religiosity by using cross-country data. In addition, it explores the moderating effect and links of national cultural dimensions on them. Furthermore, this study employs an international sample, comprising of 438 observations from 2010 to 2017, derived from 79 countries, whereas many of the prior empirical research has been based on single countries. The findings of this study make at least three new contributions to the extant literature. Firstly, this study provides evidence of a significant positive relationship between RLG and CSR. This supports agency theory, where managers are expected to engage in CSR for private benefits, especially with such incentives to make decisions in order to obtain self-interest goals or rewards (Freitas *et al.*, 2002; Fishbach and Shah, 2006; Cianci *et al.*, 2014). In addition, personal behaviour has been defined as, “an enticement to do wrong by promise of pleasure or gain” (Tenbrunsel, 1998, p. 332). However, a strong religiosity level can align the interests of managers with those of shareholders. Therefore, the contribution of managers who are more religiously inclined will lead to them pursuing strategic activities. These might include CSR activities if they have impacts on corporate value. Indeed, the study found evidence of a significant positive effect of RLG on CSR.

Secondly, this study provides evidence of a strong relationship between CSR and NC dimensions. These relationships show a significant link between CSR and NC dimensions such as individualism, masculinity and uncertainty avoidance. This was explained based on the agency theory and social contract theory, wherein, social contract theory includes the corporates' obligations to the communities in which they work. This includes corporate governance or philanthropy and CSR. Consequently, these findings suggest that culture value can be used as an effective tool in aligning managers' interests with those of both shareholders and stakeholders, as well as their societies.

Finally, the study found evidence of the moderating effects of NC on the associations between religiosity and CSR. The results generally show that the link between RLG and CSR is stronger in countries with a high level of uncertainty avoidance, long-term orientation and indulgence. This is consistent with the notion that managers in these cultures need to be motivated to engage in activities for the common good. This was also reflected in the form of a stronger positive effect of religiosity on CSR in countries with a high level of uncertainty avoidance, long-term orientation and indulgence cultures. Collectively, the findings of this research provide new evidence for the links between RLG and CSR, which has the moderating influence of NC dimensions.

4.8.3 Implications of the Research Findings and Recommendations

Despite the limitations linked to this study, several implications can be highlighted with respect to the use of the cultural dimensions and their applications in influencing the relationship between CSR and RLG in various countries. Policy and decision-makers, as well as governments in all countries can clearly see how the findings from this study shed light on previously under-researched areas and how they differ from other studies. In addition, some corporations may be motivated to engage further with their CSR, such that they see it as being potentially important for improving corporate performance. This study could also encourage decision-makers and corporate managers to engage more in CSR through the implementation of their corporate policies. It could also provide general guidelines showing countries how CSR is affected by levels of RLG. The findings of this study have also demonstrated how NC can moderate the relationship between CSR and RLG.

Based on the above, this research has a number of potential implications for CSR related corporates, regulators, and governments.

Firstly, with respect to CSR, this study's findings show significant differences between countries of the effects of RLG on CSR, as well as the effects of NC on CSR. The findings show a significant positive effect of RLG on CSR. Given the high level of religiosity associated within a country, corporates are encouraged to engage in CSR in order to increase their positive reputation and standing in society. Consequently, the findings highlight strong CSR performance might be gained through having a high percentage of religious managers. In return, CSR engagement is positively affected by cultural value. Furthermore, the findings of this research show that corporates should be careful when designing CSR reports, given that these CSR reports can be designed in a manner where they can be positively affected by RLG and cultural value.

Secondly, for governments and regulatory authorities, given the findings of the positive effect of religiosity in pursuing CSR engagement, they are encouraged to strengthen the cultural environment by carefully perusing the relevant reforms. This could help to encourage corporates to engage in CSR to a greater extent. Moreover, the findings suggest that corporations should consider managers' cultural values as an important factor while encouraging CSR and designing CSR reports. Since there is a positive relationship between CSR and RLG, consideration should be given to increase the proportion of religious corporate managers, which in turn could help to increase the overall level of CSR. Where CSR is a requirement for societies, as well as governments and others, the implication is that governments and corporations must continually update their rules and regulations in order to attempt to increase CSR levels. In addition, governments and regulatory authorities (given the findings of the positive effect of religiosity on pursuing CSR engagement) are encouraged to strengthen the cultural environment by carefully perusing the relevant reforms.

Thirdly, given the strong moderating effect of NC on the link between CSR and RLG, these findings may motivate individuals to make decisions to increase RLG by encouraging certain types of cultural behaviour or practices, which could influence CSR. This also needs to filter through to managers, who must be encouraged to take into account the impact of culture on the behaviour of individuals and the level of information they need. Finally, the findings suggest that corporations should consider managers' cultural values as an important factor while encouraging CSR and designing CSR reports.

4.8.4 Research Limitations and Agenda for Future Research

Despite the efforts made to investigate CSR and RLG, as well as the moderating influence of national culture (NC) on the CSR-RLG nexus, and despite the fact that the findings of this research are considered to be highly important and robust, there are some limitations which need to be highlighted. Firstly, there is no distinction between developing and developed countries, which means that the difference of culture and its impact on this relationship may be influenced by the type of state being considered (i.e. developing or developed country). Even where, for example, developed nations are considered, it is plausible that two advanced nations may be susceptible to quite diverging cultural influences, which in turn could result in marked differences in the relationship between CSR and RLG. This indicates that there are other underlying reasons, which may affect the CSR-RLG nexus and these must also be analysed and discussed, despite the significance that culture has in the link between these two factors.

Secondly, despite the fact that the study was able to cover a large initial volume of data (199 countries) for the period from 2005 to 2018, generating 2,786 countries-year observations, it should be noted that the final sample was only based on 438 observations for the period 2010 to 2017, belonging to 79 countries. This was due to some missing data for CSR during the entire period. It is noteworthy that this study data, including the dependent and independent variables as well as the control variables, has been obtained from different databases, resulting in missing or non-homogeneous data in countries and years. This factor has influenced the final sample size, which in turn may have had an impact on the outcome of this study.

Accordingly, as more data becomes available over the passage of time, future research may include more variables in the analyses, such as education, technological and political etc. Future research can specifically examine the effects of each type of religions (e.g., Islam, Christianity, Judaism and others) on CSR. Additionally, obtaining future study variables from comparable or similar bases will reduce data loss and increase the final sample size. Finally, this study can help to open new paths for further research. Given the evidence of the influence of RLG on CSR in general, this study provides a pathway for future studies to traverse which may focus on specific kinds of religions linked to specific aspects of accounting. Furthermore, the evidence of this study for CSR-RLG link motivates future research to investigate the moderating effects of other country-level characteristics.

Chapter 5 Thesis Conclusion

5.1 Introduction

External environment factors (EEFs) such as law, economy, culture, religiosity, government, accountability and owner structure play an important role in influencing financial accounting practices (FAPs). In addition, the interests of corporate managers play an important role in influencing their performance and participation. As discussed in this thesis, the culture in which managers are living and the communities to which they belong are important factors in determining their willingness or lack of willingness to disclose financial or accounting information. Additionally, cultural values have a strong power to influence corporate managers' contributing to CSR. On the other hand, high crime rate in society is also a factor that puts pressure on people in general and corporate managers, in particular, to disclose less accounting or financial information to others. However, a high level of religiosity supports corporate managers in participating in CSR. This thesis, therefore, examines critical links in these areas.

In accounting literature, it is argued that the relationship between EEFs and some of the FAPs and how they affect or are affected by each other has intensified in recent decades. Nevertheless, most EEFs have unique characteristics. Some EEFs are likely to affect the behaviour of both corporate managers and stakeholders. For example, a high crime level might make corporate managers more aggressive in terms of putting pressure on managers to produce high returns, leading to accounting or financial information being hidden. In contrast, a high level of RLG might affect corporate managers' behaviour in some decisions, such as increasing engagement in CSR.

Despite the importance of understanding the relationship between EEFs and FAPs and its unique characteristics,, it is worth noting that it has not received much research attention in the form of cross-country studies. Further, previous studies, which have been applied to certain countries, have yielded only speculative results on these relationships and little that can be generalised.

This thesis, therefore, has tried to address some of limitations with previous research by broadening its scope and using eight main objectives: Firstly, it has sought to provide a systematic theoretical and empirical literature review of existing literature linking FAPs and EEFs, to strengthen the cognizance of the existence of EEFs, particularly those influencing or being influenced by FAPs. Secondly, it has aimed to analyse the current literature and its limitations to help shape the agenda for potential future research. Thirdly, it attempts to investigate the relationship between the EAD and CR globally. Fourthly, it has sought to explore the relationship between CR and NC dimensions. It has also sought to determine the moderating effect of NC dimensions on the relationship between the EAD and CR. The sixth goal strives to investigate the relationship between CSR and RLG cross-country. The seventh objective has involved exploring the relationship between CSR and NC dimensions. Finally, this study has attempted to determine the moderating effect of NC dimensions on the relationship between CSR and RLG cross-country.

Given the lack of evidence from cross-country studies on these issues and the mixed results reported in other contexts for these relationships, this study seeks to explore these issues in greater detail using a variety theoretical frameworks as a source to hopefully highlight a number of key findings. The main findings of the three studies of this thesis are briefly summarised below.

5.2 Thesis Summary

This thesis consists of three studies that focus on the influences of financial accounting practices on the external environment factors and vice versa. This is done by way of three studies; the first study reviews accounting literature linking different financial accounting practices with many EEFs. Meanwhile, the second study investigates the influence of CR on EAD, determining how NC moderated that relationship. Finally, the third study investigates the relationship between CSR and RLG, taking into account the influence of NC on this relationship. These studies highlighted the possible effects of countries' characteristics, particularly social characteristics, in shaping corporate decisions on these issues.

5.2.1 Summary of Study One

The first study seeks to deliver a systematic literature review, whether theoretical or empirical, of existing accounting literature linking FAPs and EEFs, by focusing on different EEFs such as culture, religion, law, finance, crime, corruption, corporate social responsibility, auditing, taxation, corporate performance, government, accountability and corporate ownership structure. This study hopes to strengthen the existing body of accounting literature in a number of ways: Firstly, the main aims of this review are to explore different themes within FAPs and EEFs using the SLR methodology and to strengthen the cognizance of the existence of EEFs, particularly those influencing or being influenced by many FAPs. Secondly, analysing the current accounting literature and its limitations should also help shape the agenda for potential future research. Thirdly, this type of in-depth review could assist policymakers in their efforts to understand the influence of FAPs on societies.

A number of studies have found that different FAPs have a significant relationship with various EEFs. (La Porta *et al.*, 1997; La Porta *et al.*, 1998; La Porta *et al.*, 1999a; La Porta *et al.*, 1999b; La Porta *et al.*, 2000a; La Porta *et al.*, 2002; Stulz and Williamson, 2003; McGuire *et al.*, 2011; Nurunnabi, 2015a). The literature has also highlighted how EEFs are considered major influences on different FAPs and are influenced by variance FAPs. Roberts *et al.* (2005) state that a significant number of factors affect different practices of accounting, including politics, economics, law, taxation, corporate financing, accounting profession and religion. In many countries, multiculturalism, societal behaviour and legal economic systems can produce various influence on the application of FAPs. Baker and Barbu (2007), Nobes (1998) and Gray (1988) have examined the causes of cross-country variations in FAPs, citing national culture, political systems and religion, law, economics, and corporate performance.

Given the major economic importance and influence of EEFs on FAPs, the first study of this thesis seeks to fill the literature gap by obtaining an overview of the relationship between EEFs and FAPs in different sectors, as well as extend the current understanding of both the existing theoretical and empirical evidence on how FAPs influences and/or are influenced by EEFs. In addition, identifying the potential limitations or weaknesses of previous studies in order to propose areas for future research. After comprehensive reviews of the existing academic literature on the relationship and interplay between FAPs and EEFs, the main findings of this review reveal that, firstly, there is a strong relationship between various FAPs and EEFs. Secondly, the influence of accounting disclosure on societies observed is significant and should not be underestimated. Several studies have found an impact of culture on accounting disclosure and transparency as well.

The third matter to acknowledge is the impact and interplay between NC and its link with corruption and crime level. It is also true to say that the level of RLG does influence the behaviour and actions of corporate managers, which in turn shapes different FAPs, particularly in the realms of CSR. There were a number of pieces of research reviewed which demonstrated a strong relationship between religiosity and CSR.

Accounting is generally linked with economics, this is a fact that cannot be ignored. Additionally, national economic culture can, directly and indirectly, affect FAPs. Moreover, government transparency has been found to engender greater accountability and promote good governance, both of which may trickle down in affecting and changing the behaviour of corporate managers. In addition, corruption at government level has been found to demonstrate a weakening or partial erosion of corporate governance, which consequently influences the level of FAPs practised, promoted and developed in a country. Furthermore, corruption, it seems, can play a key role in the decision-making process of FAPs and engaging in CSR.

Finally, it should be noted that the serious nature of crime and corruption mean that their influences can be felt at several levels; socially, economically and politically. According to a number of studies, a criminal environment exerts a significant influence on corporate performance and influences the manner in which corporations act. Therefore, in countries with a high level of safety, companies' productivity and performance are better. It is therefore clear that sound corporate governance underpinned by different FAPs can have a strong impact on reducing corruption and crime level in general. These findings are consistent with or similar to those of much previous empirical research into the links between different EEFs and diverse FAPs (La Porta *et al.*, 1997; La Porta *et al.*, 1998; La Porta *et al.*, 1999a; La Porta *et al.*, 1999b; La Porta *et al.*, 2000a; La Porta *et al.*, 2002; Stulz and Williamson, 2003; McGuire *et al.*, 2011; Nurunnabi, 2015a).

5.2.2 Summary of Study Two

The second study of this thesis empirically investigated the association between the extent of accounting disclosure (EAD) and crime rate (CR), as well as the moderating effects of dimensions of national culture (NC) on this link. The results suggest several conclusions. The first result indicates that high crime rates are counterproductive to EAD. These results show that corporate managers of companies located in countries with high levels of crime do not wish to expand accounting and financial information. This may be because they are affected by the communities in which they live and that crime rates being generally high in their environment may be the key factor that leads them to commit financial crimes such as corruption. This means they are not disclosing certain financial information in order to protect their interests.

Secondly, CR was found to have a negative association with different dimensions of NC, such as power distance negative, uncertainty avoidance negative and long-term orientation, while Indulgence was found to have a positive influence on countries' CRs. This suggests that higher proportions of power distance, uncertainty avoidance and long-term orientation lead to lower crime rates in a country. By contrast, lower proportions of Indulgence lead to lower crime rates in a country. This shows the strong impact of NC on CRs. The stronger the NC, the lower the CR in a country.

Thirdly, NC plays a positive moderating role in the relationship between EAD and CR. The results indicate that a strong NC strengthens the negative association between the EAD and CR in a country. For instance, they show that companies based on high masculinity and uncertainty avoidance cultures seem to strengthen the negative link between EAD and CR. The findings of this study are generally analogous with the predictions of the developed multi-theoretical frameworks of agency theory (Jensen and Meckling, 1976; Eisenhardt, 1985; Urquiza *et al.*, 2010), social theory (Shaw and McKay, 1942; Callinicos, 1999), and strain theory (Merton, 1938; Agnew *et al.*, 1996). These findings are broadly similar to prior empirical research which has been conducted on EAD and CRs (Jensen *et al.*, 2010; Agyei-Mensah, 2017; Mazzi *et al.*, 2018; Elamer *et al.*, 2019). A summary of study two's findings is illustrated in Table 21 below.

Table 21: Summary of study two findings

Study Two' Findings	Relationships
There is a negative relationship between the extent of accounting disclosure and crime rate.	**Negative association**
❖ **There is a strong relationship between crime rate and dimensions of national culture:** • The influence of power distance on CR is negative and statistically significant. • The influence of uncertainty avoidance on CR is negative and statistically significant. • The influence of long-term orientation on CR is negative and statistically significant. • The influence of indulgence on CR is positive and statistically significant. • The influence of individualism on CR is positive and statistically insignificant. • The influence of masculinity on CR is negative and statistically insignificant.	Mixed association: Negative Negative Negative Positive Positive Negative
❖ **National culture has a moderating effect on the relationship between the extent of accounting disclosure and crime rate:** • The influence of the interaction variable CR*Masculinity on EAD is positive and statistically significant. • The influence of the interaction variable CR*Uncertainty_Avoidance on EAD is positive and statistically significant. • The influence of the interaction variable CR*Power_Distance on EAD is negative and statistically insignificant. • The influence of the interaction variable CR*Individualism on EAD is positive and statistically insignificant. • The influence of the interaction variable CR*Long_Term_Orientation on EAD is positive and statistically insignificant. • The influence of the interaction variable CR*Indulgence on EAD is positive and statistically insignificant.	Mixed association: Positive Positive Negative Positive Positive Positive

5.2.3 Summary of Study Three

The third study empirically examines the relationship between CSR and RLG, as well as exploring the moderating effects of the dimensions of NC on this relationship. This study has revealed several findings: First, consistent with agency and social theory, the results show a positive association between CSR and corporate managers' RLG level. This suggests that corporate managers who have a high-level of RLG are more socially responsible than those without a religion. This supports the notion that the level of RLG positively affects engaging in CSR activities at the country level.

Second, CSR was found to have a negative link with different dimensions of NC such as masculinity and uncertainty avoidance, while individualism has a positive influence on CSR. This suggests that higher proportions of masculinity and uncertainty avoidance lead to lower CSR in a country. By contrast, it can be inferred that lower proportions of individualism lead to lower CSR in a country. This shows the strong impact of NC on engagement in CSR.

Third, NC plays a positive moderating role in the relationship between CSR and RLG. The results show that a strong NC strengthens the positive association between CSR and RLG in a country. For instance, companies based on high uncertainty avoidance and long-term orientation cultures seem to strengthen the positive association between CSR and RLG.

The findings of this study are generally in line with the predictions of the developed multi-theoretical frameworks from agency theory (Baiman, 1982; Fama and Jensen, 1983; Freitas *et al.*, 2002; Fishbach and Shah, 2006; Cianci *et al.*, 2014), social contract theory (Boyd and Richerson, 1988; Gray *et al.*, 1996), and virtue theory (Arjoon, 2000; Peterson and Seligman, 2004; Stausberg, 2009; Grcic, 2013). These findings are also consistent with prior empirical research on the links between CSR and RLG (Weaver and Agle, 2002; Graafland and Schouten, 2007; Hilary and Hui, 2009; Chatjuthamard-Kitsabunnarat *et al.*, 2014; Frynas and Stephens, 2015; Rupp and Mallory, 2015). A summary of study three's findings is illustrated in Table 22 below.

Table 22: Summary of study three findings

Study Three' Findings	Relationships
❖ **There is a positive relationship between corporate social responsibility and religiosity level.**	Positive association.
❖ **There is a strong relationship between corporate social responsibility and the 6 dimensions of national culture:** • The influence of individualism on CSR is positive and statistically significant. • The influence of masculinity on CSR is negative and statistically significant. • The influence of uncertainty avoidance on CSR is negative and statistically significant. • The influence of power distance on CSR is negative and statistically insignificant. • The influence of long-term orientation on CSR is negative and statistically insignificant. • The influence of indulgence on CSR is positive and statistically insignificant.	Mixed association: • Positive • Negative • Negative • Negative • Negative • Positive
❖ **National culture has a moderating effect on the relationship between corporate social responsibility and religiosity level:** • The influence of the interaction variable RLG*Uncertainty_Avoidance on CSR is negative and statistically significant. • The influence of the interaction variable RLG*Long_Term_Orientation on CSR is negative and statistically significant. • The influence of the interaction variable RLG*Indulgence on CSR is positive and statistically significant. • The influence of the interaction variable RLG*Power_Distance on CSR is positive and statistically insignificant. • The influence of the interaction variable RLG*Individualism on CSR is negative and statistically insignificant. • The influence of the interaction variable RLG*Masculinity on CSR is negative and statistically insignificant.	Mixed association: • Negative • Negative • Positive • Positive • Negative • Negative

5.3 Thesis Implications

Overall, this thesis provides sufficient, varied evidence that EEFs play a significant role in shaping FAPs and are affected by them, where external environmental factors such as laws, regulations, corruption, crime rates, religiosity, differences of cultures, governments and others have an impact on the performance and decisions of corporate managers. Moreover, given the unique characteristics of countries and the absence of empirical evidence in this context, this thesis has a number of important implications.

Firstly, in view of the evidence of the negative effect of CR on EAD, managers of companies located in societies with high CRs, whether financial or otherwise, influence EAD or financial information disclosed to others. The recommendations of this study strongly encourage locating companies in places where CRs are low and also encourages attempting to reduce CRs, a move which can help to raise the efficiency of corporate managers' performance, as well as raising the level of disclosure and transparency.

Secondly, the dimensions of NC have a significant impact on the relationship between the EAD and CR. This means that a society's culture helps to mitigate or increase the negative relationship between EAD and CR. In addition, corporations are encouraged to evaluate the effects of dimensions of national culture on managers' behaviour, especially in societies with a high CR. This also urges companies to take into account the cultural aspect of managers, which helps to determine the best decision-makers to help achieve the company's objectives and serve their interests. This means avoiding bad decisions from corporate managers who are affected by the NC in which they live as well as the prevailing CRs in their community.

Thirdly, given the evidence of the positive effect of RLG on CSR, managers of companies located in societies with high levels of RLG positively influence their engagement in CSR activities. This study's recommendations strongly encourage locating companies in places where RLG is high, which helps raise the efficiency of corporate managers' performance, as well as raising the level of contribution to CSR. Thus, the level of RLG should be taken into consideration to help raise the performance of corporate managers in making decisions about CSR and related activities.

Fourthly, dimensions of NC have a significant impact on the relationship between CSR and RLG. This means that the culture of a society can help to mitigate or increase the positive relationship between CSR and RLG. In addition, these corporations are encouraged to evaluate the effects of dimensions of NC on managers' behaviour, especially in societies with a low level of religiosity. This also encourages corporations to take into account the cultural aspect of managers, which helps to determine the best decisions to help achieve the company's objectives and serve their interests.

This means avoiding bad decisions from corporates' managers who are affected by the national culture in which they live as well as by crime rates in their community.

Finally, this study has some important implications for governments and regulations. Governments, especially in those countries with a high CR, are encouraged to motivate corporations to establish branches in areas with low CR. This is in order to reduce the negative influence of CR on the performance and behaviour of corporate managers, which in turn can influence the EAD. Furthermore, given the evidence of the positive association between CSR and RLG and the influence of dimensions of NC on this relationship, governments are encouraged to strengthen their laws and regulations, particularly those, which support engagement in CSR practices. In addition, the recommendations of this study generally encourage regulators to take into account the effects of NC and the level of RLG in making decisions that are affected by these factors and affect the performance of companies in general. Furthermore, regulators are encouraged to strengthen corporate governance guidelines and motivate corporations to engage more in CSR. Therefore, the EAD and engagement in CSR might promote a corporation’s reputation and thus help protect stakeholders’ rights.

5.4 Thesis Contributions

After a comprehensive review of the previous studies, it is clear a dearth of literature devoted toward specifically considering the link between different financial FAPs and the disparate variety of EEFs exists. Most of the existing studies conducted have been based on a single country or a few countries. In addition, some studies have used insufficient samples which have made it difficult to form any meaningful generalisations. Furthermore, a number of studies have excluded important moderating variables such as dimensions of NC. Accordingly, this thesis expands on prior literature in attempting to provide a deeper insight into the links between FAPs and EEFs.

Firstly, by employing the SLR technique in the first study, this enabled the researcher to comprehensively review the existing academic literature on financial accounting practices of the theoretical and empirical studies. This research also makes a useful number of contributions to knowledge: Initially, it exposes a significant area of divergence in accounting literature linking different EEFs with various FAPs. In addition, it identifies existing gaps in accounting literature linking these two elements. Moreover, it contributes by identifying the limitations of the literature reviewed in trying to provide suggestions to reduce these limitations.

Furthermore, by focusing on theoretical studies, the first study of this thesis contributes by increasing the understanding of the theories that have been used to investigate the relationship between EEFs and FAPs, which provides the opportunity to offer suggestions for future theoretical research. Therefore, this study seeks to provide suggestions on the direction that future research should take and how it might address the current gaps in accounting literature linked to studying the interplay between EEFs and FAPs. Finally, this study may help the international standard setters and decision-makers to take into account the influence of EEFs on FAPs, which may help them to make and formulate sound decisions based on what they have learned about them.

Secondly, based on an international sample covering 142 countries for the period 2012 to 2018, the second study provides the first empirical evidence for cross-country data, using a quantitative methodology in order to offer new insights by exploring the relationship between the EAD and CR, as well as the influence of dimensions of NC on CR. The findings provide evidence that the particular characteristics of countries play a crucial role in these links. To the best of the researcher's knowledge, this study is the first of its kind to provide evidence of the effects of the dimensions of NC on the link between EAD and CR.

Thirdly, using a sample covering 79 countries for the period 2010 to 2017, the third study provides detailed empirical evidence of the links between CSR and RLG, as well as the effect of some of the dimensions of NC on CSR. The findings again provide evidence that the particular characteristics of countries play a crucial role in all of these links.

Unlike most previous empirical literature in this domain, which has relied upon using either a single country or a small number of countries, this thesis has broadened the research area considerably based as it is on an international sample of 142 countries. This might help in understanding the how the different countries investigated are affected by these links, especially in terms of cultural values. Additionally, this study contributes to the studies of countries by providing new evidence that countries' characteristics are a crucial factor in determining the extent of EEFs, which can influence different financial FAPs, including the EAD and CSR.

Finally, this thesis develops a multi-theoretical framework in order to better understand the associations between the links investigated. In particular, it makes significant contributions to developing a multi-theoretical framework that includes insights from the agency, social, strain, social contract and virtue theories. The results of this thesis could be employed in developing hypotheses and interpreting the results on the associations between EAD and CR, as well as the associations between CSR and RLG.

5.5 Thesis Limitations and Suggestions for Future Research

Studies of the relationship between financial accounting practices and external environmental variables have attracted much attention in recent years, but it is still a vast domain and there remain many gaps to consider. The findings of this thesis attempt to fill several gaps in the accounting literature by providing a systematic literature review and empirical evidence from cross-country data on a number of important links. Despite the robustness and importance of its findings, as well as making several contributions to the previous body of work in this area, it also has a number of limitations and weaknesses that should be acknowledged.

First, in the first study, the review examined more than 1,200 articles to reach the final number of articles reviewed which accounted for 371 articles; just over a quarter of those that were originally examined. However, there may be research that was not included either because it did not meet the quality standards by ABS 2015 rank or was non-compliant with the inclusion or exclusion criteria. Nevertheless, the number of articles reviewed in this research are significant when compared with the samples used in previous reviews (Harrison and McKinnon, 1999; Tranfield *et al.*, 2003; Moher *et al.*, 2009; Hassan and Marston, 2010). This, therefore, may have led to losing some related published articles. This encourages future revisions to use multiple ranks to contain more research as well as research in different ways to ensure coverage of the largest number of studies possible. Accordingly, as more articles become available, future research is encouraged to revisit these links by including more EEFs in the future review.

Second, in this study, there is no distinction between developing and developed countries, which means that the difference of culture and its impact on this relationship may be influenced by the type of country being considered (i.e. developing or developed). Even where, for example, developed nations are considered, it is plausible that two advanced nations may be susceptible to quite diverging cultural influences, which in turn could result in marked differences in the relationship between FAPs and EEFs, and the link between EAD and CR, as well as in the relationship between CSR and RLG. Additionally, this indicates that there are other underlying reasons, which may affect the EAD-CR nexus and CSR-RLG nexus, respectively. These must also be analysed and discussed despite the significance that culture has in the link between these factors.

Third, the initial data collected for the second study covered a large volume of data consisting of some 199 countries, as demonstrated in the information gathered from The World Bank. This covered the data available for the period from 2005 to 2018, generating 2,786 countries-year observations. However, due to some missing data in the main and control variables of the second study data, the final sample in the second study was only able to feature 523 observations for the period from 2012 to 2018, based on 142 countries. Additionally, the initial data collected for the third study covered a large volume of data also consisting of some 199 countries, as illustrated by the Pew Research Center database. This covered the data available for the period from 2005 to 2018, generating 2,786 countries-year observations. However, due to missing data once more in the control variables of the third study's data, the final sample was only able to feature 438 observations for the period from 2010 to 2017, based on 79 countries. This is because there were a number of missing data elements for these variables during the entire period. It is also worth noting that this study data, including the dependent and independent variables as well as the control variables, have been obtained from different databases, resulting in missing or non-homogeneous data in terms of countries and years. This had an effect on the final sample size, which may have also influenced the final outcomes of this study.

Fourth, the second study limited its analysis to the overall effect of CR on EAD. However, the distinction between financial and non-financial crimes could influence the EAD in varying proportions. Furthermore, the third study limits its analysis to the effects of RLG in general on CSR. However, the influence of a specific religion, not all religions could have a different impact on CSR in varying proportions.

Accordingly, as more data becomes available over the passage of time, the future review may include more variables in its reviews, such as education and technology on FAPs. Future research could also specifically examine the effects of financial crimes on EAD, as well as, the effect of a specific religion (e.g., Islam, Christianity and Judaism) on CSR. Additionally, obtaining future study variables from comparable bases will reduce data loss and increase the final sample size. Finally, this study can help open new paths for further research. Given the evidence of the influence of CR on EAD and the effect of RLG on CSR in general, it provides a pathway for future studies to traverse. Such studies might focus on a specific religion linked to specific aspects of accounting. Furthermore, the evidence of this study for EAD-CR and CSR-RLG links may motivate future research to investigate the moderating effects of other country-level characteristics. Therefore, future studies can investigate the moderating influence of The Worldwide Governance Indicators (WGI) on the links between EAD and CR, as well as CSR and RLG.

Appendix A List of Articles by Academic Journal and ABS Rate

Journal subject field	Journal title	Articles	Ratings
Accounting	Accounting Review	6	4*
	Journal of Accounting Research	3	4*
	Accounting, Organisations and Society	10	4*
	Journal of Accounting and Economics	2	4*
	Contemporary Accounting Research	1	4
	Review of Accounting Studies	1	4
	Abacus	5	3
	Critical Perspectives on Accounting	6	3
	Accounting and Business Research	3	3
	Accounting Forum	5	3
	Accounting Horizons	1	3
	Accounting, Auditing and Accountability Journal	10	3
	Journal of International Accounting, Auditing and Taxation	1	3
	British Accounting Review	2	3
	European Accounting Review	2	3
	International Journal of Accounting	6	3
	Journal of Accounting and Public Policy	2	3
	Management Accounting Research	1	3
	Advances in Accounting (incorporates "Advances in International Accounting")	3	2
	Journal of International Accounting Research	2	2
	Australian Accounting Review	1	2
	Research in Accounting Regulation	1	2
	International Journal of Accounting, Auditing and Performance Evaluation	2	2
	Journal of Applied Accounting Research	1	2
	Sustainability Accounting, Management and Policy Journal	2	2
	Accounting Research Journal	1	2
	Current Issues in Auditing	1	2
	International Journal of Disclosure and Governance	2	2
	Journal of Accounting and Organisational Change	2	2
	Journal of Accounting in Emerging Economies	2	2
	Managerial Auditing Journal	3	2
	Public Money and Management	1	2
	Qualitative Research in Accounting and Management	1	2
	Asia-Pacific Journal of Accounting and Economics	1	2
	Journal of Accounting Education	1	2

	Journal of Islamic Accounting and Business Research	1	1
	Spanish Journal of Finance and Accounting	2	1
	Total	98	26.42%
Business History and Economic History	Business History Review	1	4
	Journal of Economic History	1	3
	Total	2	0.54%
Economics, Econometrics and Statistics	American Economic Review	3	4*
	Journal of Political Economy	4	4*
	Quarterly Journal of Economics	3	4*
	Journal of Economic Literature	2	4
	Journal of Law, Economics and Organisation	2	3
	Journal of Public Economics	4	3
	Review of Economic Dynamics	1	3
	American Economic Journal: Applied Economics	1	3
	Journal of Comparative Economics	1	3
	Public Choice	1	3
	Cambridge Journal of Economics	1	3
	Economica	1	3
	American Journal of Economics and Sociology	1	2
	Economics of Transition	1	2
	European Journal of Political Economy	3	2
	Journal of Economic Studies	1	2
	Journal of Institutional and Theoretical Economics	1	2
	Oxford Review of Economic Policy	1	2
	Journal of Cultural Economics	1	2
	Applied Economics	1	2
	Pacific Economic Review	1	2
	Resources Policy	2	2
	Journal of Developing Areas	3	1
	Journal of Economics and Business	1	1
	International Journal of Social Economics	2	1
	Journal of Interdisciplinary Economics	1	1
	Applied Economics Letters	2	1
	European Journal of Law and Economics	1	1
	International Journal of Political Economy	1	1
	Total	48	12.94%
Social Science	American Journal of Sociology	1	4*
	American Sociological Review	3	4*
	Annual Review of Sociology	1	4*
	Social Science and Medicine	1	4
	Socio-Economic Review	3	3
	World Development	2	3

	Journal of Development Studies	1	3
	Kyklos	1	3
	International Journal of Sociology and Social Policy	1	1
	Total	14	3.77%
Operations Research and Management Science	European Journal of Operational Research	1	4
	Annals of Operations Research	1	3
	Total	2	0.54%
Organisation Studies	Organisation Science	2	4*
	Organisation Studies	2	4
	Systemic Practice and Action Research	1	2
	Total	5	1.35%
Psychology (Organisational)	Journal of Applied Psychology	1	4
	Total	1	0.27%
Finance	Journal of Finance	10	4*
	Journal of Financial Economics	6	4*
	Review of Financial Studies	1	4*
	Journal of Corporate Finance	5	4
	Journal of Financial and Quantitative Analysis	3	4
	Annual Review of Financial Economics	1	3
	Journal of Banking and Finance	5	3
	Journal of Financial Intermediation	2	3
	Corporate Governance: An International Review	10	3
	Journal of Financial Stability	1	3
	Financial Review	1	3
	Journal of Financial Services Research	1	3
	Journal of Empirical Finance	1	3
	European Journal of Finance	1	3
	Corporate Governance: the International Journal of Business in Society	4	2
	International Review of Financial Analysis	1	3
	Journal of International Financial Management and Accounting	1	2
	Finance Research Letters	3	2
	International Tax and Public Finance	1	2
	Journal of Multinational Financial Management	1	2
	International Journal of Business Governance and Ethics	1	2
	Pacific-Basin Finance Journal	1	2
	Review of Accounting and Finance	1	2
	Corporate Ownership and Control	6	1
	Journal of Applied Corporate Finance	1	1
	Total	69	18.60%
General Management, Ethics	Academy of Management Journal	2	4*
	Academy of Management Review	8	4*
	Business Ethics Quarterly	3	4

and Social Responsibility	Journal of Management Studies	1	4
	British Journal of Management	2	4
	Academy of Management Perspectives	2	3
	Journal of Business Ethics	42	3
	Journal of Business Research	1	3
	California Management Review	3	3
	European Management Review	1	3
	Business and Society	2	3
	Journal of Corporate Citizenship	1	3
	Management Decision	1	2
	Journal of Intellectual Capital	1	2
	Canadian Journal of Administrative Sciences	1	2
	Business Ethics: A European Review	4	2
	Journal of Management, Spirituality & Religion	2	1
	Journal of Management and Governance	1	1
	Total	78	21.02%
International Management Ethics And Social Responsibility	Journal of Management	1	4*
	Emerging Markets Review	2	2
	Total	3	0.81%
Sector Studies	International Journal of Tourism Research	1	2
	Energy Journal	1	3
	Total	2	0.54%
Public Sector and Health Care	Governance: An International Journal of Policy Administration and Institutions	1	3
	International Review of Administrative Sciences	1	3
	Public Management Review	1	3
	Public Administration and Development	2	2
	International Journal of Public Administration	1	2
	Policy Studies	1	2
	Public Policy and Administration	1	2
	International Public Management Journal	1	2
	Total	9	2.43%
Regional Studies, Planning and Environment	Corporate Social Responsibility and Environmental Management	2	1
	Total	2	0.54%
Information Management	Government Information Quarterly	1	3
	Journal of Management Information Systems	1	1
	Total	2	
Human Resource Management and Employment Studies	International Journal of Human Resource Management	2	3
	Human Resource Management Review	1	3
	Total	3	0.81%
Innovation	R and D Management	1	3

	Total	1	0.27%
International Business and Area Studies	Journal of international business studies	6	4*
	Journal of World Business	2	4
	Management and Organisation Review	1	3
	Management International Review	1	3
	International Business Review	1	3
	Journal of International Management	1	3
	Third World Quarterly	1	2
	Asia Pacific Business Review	1	2
	International Journal of Emerging Markets	1	1
	Cross Cultural Management: An International Journal	1	1
	Asia Pacific Journal of Management	2	1
	Total	18	4..85%
Management Development and Education	Issues in Accounting Education	2	2
	Journal of Management Development	1	1
	Total	3	0.81%
Marketing	Journal of Marketing	2	4*
	International Marketing Review	1	3
	Corporate Communications: An International Journal	1	1
	International Journal of Bank Marketing	1	1
	Total	5	1.35%
Entrepreneurship and Small Business Management	Small Business Economics	2	3
	Journal of Small Business and Enterprise Development	1	2
	Total	3	0.81%
Strategy	Strategic Management Journal	2	4*
	Long Range Planning	1	3
	Total	3	0.81%
	The total number of articles reviewed in different academic journals	371	100%

Appendix B Number of Empirical Articles in the Review Themes

Reviewed Themes	Articles No.
Financial and Economic Environment relationship with Accounting Practice	
Financial	8
Economic	17
Total	25
Accounting Practice Relationship with Legal, Tax and Political Environment	
Legal/Law	27
Tax/Taxation	13
Political	17
Total	57
Accounting Practice Relationship with Ownership, Governments and Accountability	
Ownership Structure	31
Governments	16
Accountability	8
Total	55
Religiosity and Accounting Practice	
Religiosity	23
One religion	20
Total	43
National Culture and Accounting Practice	
National Culture	58
Total	58
Crime, Corruption and Accounting Practice	
Crime	16
Corruption	56
Total	72
Total Articles	310

Appendix C Number and List of Theories Found in this Review

Theories	Brief definition
First: Corporate Governance and Accounting Theories	
Agency theory	73
Legitimacy Theory	
Stakeholders Theory	
Accountability theory	
Positive theory	
Total Articles	
Second: Sociological, Behavioural and Culture Theories	
Social contract theory	28
Strain Theory	
Social Capital Theory	
Social Impact Theory	
Hofstede - Gray theory	
Expectancy Theory	
Decision-Making theory	
Behavioral-Decision theory	
Planned Behavior theory	
Mary Douglas's cultural theory	
Total Articles	
Third: Economic, Legal and Political Theories	
Institutional Theory	58
Signalling Theory	
Trade-off Theory	
Game Theory	
Transaction Cost Theory	
Market Failure Theory	
Political Process theory	
Political Theory	
Legal Origin Theory	
Law and Finance Theory	
Total Articles	
Total Theoretical Articles	**159**

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