Chapter 1
Research on Earnings Management:
Bbibliometric Analysis

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ABSTRACT

This chapter intends to contribute to the analysis and comparison of the earnings management (EM) practices through a bibliometric review of the existent literature, in order to understand the current state of EM research, as well as to identify the main determinants for these kind of practices in firms. Although there are extensive research on EM, no recent study tries to update the current state of the research over this topic. To do so, a bibliometric analysis is conducted. The study describes the evolutional research studies published in the digital library Scopus, between 2010 and 2019, and compares the results obtained in evolutionary terms. It ends up concentrating the bibliometric analysis in the Scopus database, leading to a total database of 2,377 documents. Regarding the most recent articles published, the years of 2019 and 2020 were studied, ending with a final sample of 389 articles. Research avenues are provided based on these results and more recent published articles regarding EM.

INTRODUCTION

No bibliometric research should start without previously defining what the main subject under analysis is. The study concentrate on earnings management articles published in the recent years of 2010-2019. As well, what is earnings management? Earnings management is the use of accounting techniques to produce financial statements that present an overly positive view of a company's business activities and financial position. Many accounting rules and principles require that a company's management make judgments in following these principles. Earnings management takes advantage of how accounting rules are applied and creates financial statements that inflate or "smooth" earnings. These earnings smoothness has as a main consequence the loss of credibility over the firm by stakeholders if mistakes are to be found, or even if these earnings manipulations come out to the public (Flayyih et al., 2020).

This chapter intends to analyze the firms' motivation to implement earnings management (EM) practices and their consequences on firms, by trying to understand how the literature has researched the topic in recent years. By doing this through a bibliometric analysis, the authors are able to find the main reported determinants for this behavior in comparative terms among the different fields of analysis.

The authors are faced with the EM problem when management deliberately exerts their influence to change the truth and fairness of a financial statement. The goal is to conceal the real economic condition or to obtain private gains of contractual outcomes, which are accounting-based (Healy and Wahlen, 1999). There are various methods of EM calculation, being one of the main research gaps in this field of study (Agustia et al., 2020), as it was also possible to infer from our bibliometric analysis. A deeper understanding of these different measurements and the respective literature review the study leave for ongoing work. Moreover, other research gaps have been identified concerning EM and debt financing, earnings control, gender and EM, board characteristics and EM (including behavioral biases), as well as, business strategy and bankruptcy risks relationship with EM. The authors do not intend to present a literature review, but yes a bibliometric analysis stating clearly what are the relevant topics being analyzed in more recent years (2010-2019) and the current state of research, since there is a lack of studies in this respect, as it was possible to identify and is clearly stated at the conclusions section. Additionally, and respecting the book title, the authors have an additional section relating to corporate governance and EM's present state of research.

As will be evidenced in the next section, these results report different findings that could lead us to other research fields. As such, it is intended to present the state of the current literature regarding research on earnings management. The first document researching under the keyword earnings management was published in 1974 according to our bibliometric research. The rest of this chapter develops as follows. Section two presents a brief literature review on the EM topic and its relationship with corporate governance. Section three presents the general status of earnings management research from 2010 to 2019. Section four presents the redefinition of our research and focuses it on the most recent published articles in the years 2019 and 2020, while section five provides some insights for possible future research regarding the recent scientific research and the literature that relates corporate governance and earnings management (2018-2020). Section six concludes this chapter.

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