Review of: "Corporate giving as earnings quality signal: some new evidence from Nigeria"

Ming Zhang[1]

1 Jilin University

Potential competing interests: No potential competing interests to declare.

Comments to the authors

I appreciate the paper very much. This paper mainly investigates the impact of corporate giving on earnings quality of firms. However, I believe that the paper still has the following issues that need improvement.

First, as mentioned by authors, in the context of some underdeveloped economies, empirical analysis lacks a large number of available samples, resulting in a lack of economic significance in statistical significance. However, the authors only consider using listed companies in Nigeria as research samples and ultimately obtained only 300 firm-year observations, which makes me concerned about the accuracy of the empirical results of this study. I suggest that the authors consider expanding the regional scope of the research sample. For example, companies from underdeveloped economies similar to Nigeria can also be used as research samples. I expect the authors may be able to draw more convincing research conclusions through cross-border data.

Second, in the introduction, I think the authors should mention the reasons for choosing listed companies in Nigeria as research samples. If the authors choose listed companies in Nigeria as their research sample, they should state the implications of this research for CSR research in other underdeveloped economies.

Third, based on agency theory, stakeholder theory, and legitimacy theory, authors propose that companies committed to donation have higher levels of earnings quality. However, the empirical results of this study show that corporate giving have no significant impact on the earnings quality. I think the authors should explain the reasons for the inconsistency between hypotheses and empirical results from an economic perspective rather than just a statistical perspective.

Fourth, in the hypothetical development section, the authors mention that existing research has yielded inconsistent conclusions on the relationship between corporate giving and earnings quality. On this basis, the authors believes that companies committed to donation activities typically have higher levels of earnings quality. However, the authors' theoretical analysis does not fully convince me that corporate giving can promote the improvement of earnings quality. Perhaps the authors need more in-depth theoretical analysis to support their hypothesis.

Fifth, I think the loss of discretionary accruals in 2012 does not justify the sample period starting in 2013. Perhaps the authors need to explain why the calculation of discretionary accruals in 2012 was lost. Besides, the authors also need to explain why the sample period ended in 2018.

Sixth, I think the control variables chosen by the authors are reasonable. However, I think that the authors need to consider more variables that may have an impact on the earnings quality or earnings management as control variables, such as corporate governance characteristics (Choi et al., 2013; Sáenz González & García-Meca, 2014), economic policy uncertainty (Kim & Yasuda, 2021).

Sáenz González, J., & García-Meca, E. (2014). Does corporate governance influence earnings management in Latin American markets? Journal of Business Ethics, 121(3), 419-440. 10.1007/s10551-013-1700-8

Choi, B. B., Lee, D., & Park, Y. (2013). Corporate social responsibility, corporate governance and earnings quality: Evidence from Korea. Corporate Governance: An International Review, 21(5), 447-467.

Kim, H., & Yasuda, Y. (2021). Economic policy uncertainty and earnings management: Evidence from Japan. Journal of Financial Stability, 56, 100925.

Seventh, I think the authors should focus on analyzing descriptive statistical results of discretionary accruals (ABS_DA) and CSR donations (CSRD).

Eighth, in further analysis, the authors discuss whether the relationship between corporate giving and earnings quality will change due to the sign of discretionary accruals. I think this analysis is of great significance because the differences in the sign of discretionary accruals may be the reason for the inconsistent relationship between CSR and earnings management. I think the authors should analyze this in depth.

Ninth, the authors use 2SLS analysis to exclude endogeneity issues arising from reverse causality. However, I think that the authors should state the instrumental variables they selected in the 2SLS analysis and discuss the rationality of the instrumental variable selection. Besides, they should implement some tests related to instrumental variables, including under-identification test, weak instruments test, and over-identification test.