Corporate Social Responsibility (CSR) and Accounting Conservatism: The Moderating Role of Firm Performance

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ABSTRACT

CSR and accounting conservatism represent two significant pillars of modern corporate governance, yet reconciling these concepts often presents challenges for firms. Thus, CSR emphasizes ethical behavior, social equity, and environmental sustainability, ensuring that businesses contribute meaningfully to society while accounting conservatism encourages cautious financial reporting by recognizing potential losses earlier than gains, ultimately protecting stakeholders from overstatements. This study was initially based on non-financial firms listed in the Nigerian Exchange Group (NGX). The CSR data were collected from the from the annual financial statement of selected firms of non-financial firm with available financial report over the period 2014-2024. The non-financial firms sampled in the study were 75 firms listed in the NGX, 1164 firm-year observations between 2014 and 2024. The finding of the study revealed that higher CSR scores are associated with increased accounting conservatism while ROA, CSR exhibits a positive impact on firm performance. The study concluded that CSR is significantly and positively associated with accounting conservatism. The study results suggest that firms with higher CSR performance adopt more cautious financial reporting practices, showcasing a clear alignment between social responsibility and conservative accounting.

Keywords: CSR, Accounting Conservatism, Firm Performance, Firm Size, Leverage

1. INTRODUCTION

Corporate Social Responsibility (CSR) and accounting conservatism represent two significant pillars of modern corporate governance, yet reconciling these concepts often presents challenges for firms. On the one hand, CSR emphasizes ethical behavior, social equity, and environmental sustainability, ensuring that businesses contribute meaningfully to society (Etikan, 2024). On the other hand, accounting conservatism encourages cautious financial reporting by recognizing potential losses earlier than gains, ultimately protecting stakeholders from overstatements (Watts, 2003). While both practices aim to enhance stakeholder trust, their coexistence often poses a dilemma. The principles of CSR, transparent reporting and resource allocation, can appear at odds with the reserved nature of accounting conservatism (Guo et al., 2020).

These challenges become even more pronounced in firms facing pressure from investors and regulators, as they strive to maintain financial prudence without compromising their social responsibilities. Our researchers have tackled these complexities by identifying frameworks and strategies that enable firms to align CSR initiatives with accounting conservatism. For example, Affes & Jarboui (2023) highlighted that robust governance structures and well-defined corporate policies play pivotal roles in achieving this balance. Building on these efforts, this study ventures into uncharted territory by introducing firm performance as a moderating variable in the CSR, accounting conservatism interplay (Affes & Jarboui, 2023).

Firm performance, which reflects a company's financial stability and resource availability, is hypothesized to mitigate conflicts between CSR and conservatism. High-performing firms, armed with adequate resources and strategic agility, are better equipped to harmonize these practices without jeopardizing stakeholder confidence (Wei et al., 2020). This research seeks to investigate this dynamic further, offering insights into how firms can effectively balance CSR and conservative reporting. By analyzing empirical data and leveraging established theoretical frameworks, this study aims to provide actionable recommendations for businesses seeking sustainable corporate governance strategies.

The implications of this research are profound. firms that achieve harmony between CSR and accounting conservatism can foster long-term stakeholder trust and maintain competitive advantages. The findings will also provide policymakers and academic scholars with evidence-based strategies to guide firms in their pursuit of both financial prudence and social responsibility. This study contributes to existing literature by addressing the persistent knowledge gap on the moderating role of firm performance in the relationship between CSR and accounting conservatism. In doing so, it not only enhances our understanding of these constructs but also empowers firms with the tools to navigate the complexities of modern corporate governance effectively.

While CSR and accounting conservatism serve vital roles in contemporary corporate management, their coexistence poses a significant challenge. CSR initiatives often require extensive resource allocation and transparency, which may conflict with the principles of accounting conservatism that emphasize prudence and risk aversion (Watts, 2003). Firms face mounting pressure to fulfill social obligations while maintaining financial stability, especially in the face of economic uncertainties. This creates a tension where one construct is often prioritized at the expense of the other, potentially eroding stakeholder confidence.

Existing literature has explored the independent dynamics of CSR and accounting conservatism (Anagnostopoulou et al., 2020; Carroll, 2016; Guo et al., 2020). However, little attention has been paid to the role of firm performance in moderating their relationship. High-performing firms may possess the resources and strategic agility needed to address these challenges, but the extent of this influence remains unclear. Without a comprehensive understanding of this moderating role, firms risk adopting suboptimal strategies that undermine long-term success. This study, therefore, seeks to address the gap by investigating how firm performance impacts the interplay between CSR and accounting conservatism.

2. LITERATURE REVIEW

2.1. Hypothesis Development

2.1.1. Corporate Social Responsibility and Accounting Conservatism

Two competing theoretical perspectives offer insights into the relationship between Corporate Social Responsibility (CSR) and accounting conservatism. These perspectives are the Stakeholder Theory and the Agency Theory.

The Stakeholder Theory, proposed by Freeman (1984), posits a positive relationship between CSR and accounting conservatism (Vermeulen, & Witjes, 2016). The stakeholder theory, emphasizes that firms have a responsibility to address the interests and expectations of a broad range of stakeholders, including shareholders, employees, customers, suppliers, and society at large. This theory is particularly relevant in explaining the relationship between CSR and accounting conservatism. CSR initiatives align with the principles of Stakeholder Theory by promoting ethical behavior, transparency, and sustainable practices to meet the diverse needs of stakeholders (Kim, & Park, 2020). These activities reduce information asymmetry, fostering trust and credibility among stakeholders, which are essential for long-term corporate success.

CSR is a firm's dedication to environmental and socially responsible of business practices (Efanimjor et al., 2024). Uwhejevwe-Togbolo et al. (2025) sees CSR as firm's commitment to conducting business in an ethical and environmental responsible manner, taking into account the needs of the community, suppliers, customers, and employees. CSR is a concept that highlights a firm's commitment to sustainable business practices that benefit society and the environment (S. Uwhejevwe-Togbolo et al., 2023). CSR practically has to do with the way and manner the firm extends their goodwill to their immediate community environment in which they

operate including advancing their responsibility to stakeholders, employees, customers and investor (Uwhejevwe-Togbolo, et al., 2025).

CSR engagement reflects a higher ethical commitment by management, as they prioritize societal welfare alongside financial performance. This ethical stance influences financial reporting practices, as managers in socially responsible firms are more likely to adopt conservative accounting practices to ensure accurate and trustworthy disclosures (Cardillo & Basso, 2025). Paine (2024) suggests that CEOs in CSR-oriented firms are likely to exhibit greater integrity, minimizing opportunities for financial misstatements. LaFond & Watts (2008) argue that accounting conservatism serves to reduce agency problems and social costs by limiting managers' incentives to overstate income or net asset values. By integrating CSR with conservative financial reporting, firms can enhance their reputation and build stronger relationships with stakeholders (Cho et al., 2013; Cui et al., 2018).

Empirical evidence supports a positive relationship between CSR and accounting conservatism. For instance, Choi & Pae (2011) demonstrate that CSR commitments increase accounting conservatism by enhancing ethical behavior and transparency. Pyo & Lee (2013) further argue that CSR firms disclose more conservative financial reports to mitigate risks and fulfill stakeholder expectations. Therefore, the Stakeholder Theory underlines CSR as a tool that promotes ethical accountability, reducing information asymmetry, and fostering greater financial integrity through conservatism (Nguyen et al., 2019; Shi et al., 2024). The study therefore hypothesis, thus:

H1a: CSR is positively related to accounting conservatism.

Conversely, the Agency Theory, articulated by Jensen & Meckling (1976), proposes a negative relationship between CSR and accounting conservatism. Agency theory examines the conflicts that arise from the separation of ownership and management in a firm. It highlights the potential for managers to act in their own self-interest, which may not always align with the goals of shareholders. This conflict, known as the principal-agent problem, is particularly pertinent when analyzing the relationship between CSR and accounting conservatism. While CSR can serve as a tool for enhancing a firm's reputation, it can also be misused by managers as a means to mask opportunistic behavior (Khanchel et al., 2024).

According to the Agency Theory perspective, CSR may be leveraged by managers to build a favorable public image and gain stakeholder support, even when their internal practices do not align with this outward commitment (Etikan, 2024). CSR initiatives, in such cases, become a form of "window-dressing" to divert attention from financial mismanagement. Conservative reporting, which requires recognizing losses early and minimizing income overstatements, imposes explicit and implicit costs on managers, such as lower reported earnings and reduced performance-based compensation (Anagnostopoulou et al., 2020). This creates a potential conflict, as managers may prioritize CSR engagements over conservatism to protect their positions and interests (Fritzsche, 1991).

Kim et al. (2012) argue that CSR may serve as reputation insurance, granting managers a "license to operate" that shields them from scrutiny while reducing accountability in financial reporting. In this context, CSR undermines the principles of accounting conservatism, which seeks to reduce agency costs and ensure reliable reporting. As a result, firms may forego conservative reporting to sustain the superficial benefits of CSR engagements. This perspective highlights a negative relationship between CSR and accounting conservatism, driven by managerial opportunism and the costs associated with conservative practices. Base on the discussion, the study hypothesized that:

H1b: CSR is negatively related to accounting conservatism.

2.1.2. Moderating Role of Firm Performance

Firm performance serves as a moderating variable in the relationship between CSR and accounting conservatism. High-performing firms are better equipped to balance these constructs due to their financial stability, resource availability, and strategic flexibility (Karsalari et al., 2017). Firms with strong performance metrics can allocate resources to CSR initiatives while adhering to conservative financial reporting practices, thereby reducing conflicts and enhancing stakeholder trust. Profitability mitigates the costs associated with conservatism, reinforcing ethical and prudent reporting policies alongside CSR commitments (Francis et al., 2013).

From the perspective of Stakeholder Theory, firm performance strengthens the positive relationship between CSR and accounting conservatism. High-performing firms prioritize both stakeholder expectations and financial prudence, ensuring ethical practices without compromising transparency (Kim et al., 2012). On the other hand, the Agency Theory suggests that low-performing firms may use CSR opportunistically to mask deficiencies in conservative reporting practices. However, high-performing firms, due to their established reputations and financial stability, are less prone to opportunistic behavior (Khanchel et al., 2024). The study hypothesized that:

H2a: The positive relationship between CSR and accounting conservatism is more pronounced in high-performing firms.

H2b: The negative relationship between CSR and accounting conservatism is less pronounced in high-performing firms.

3. RESEARCH METHODS

3.1. Sample and Data

This study was initially based on non-financial firms listed in the Nigerian Exchange Group (NGX). The CSR data were collected from the from the annual financial statement of selected firms of non-financial firm with available financial report over the period 2014-2024. The non-financial firms sampled in the study were 75 firms listed in the NGX, 1164 firm-year observations between 2014 and 2024. This timeframe was chosen to ensure the availability of comprehensive data prior to important regulatory changes in firm performance and corporate governance in Nigeria. The study aims to investigate the relationship between CSR and accounting conservatism without the potential confounding effects of this regulatory change.

3.2. Measures of Variables

The study measures CSR using the annual Environmental, Social, and Governance (ESG) score. This score represents the equally weighted average of three pillars: environmental, social, and governance. The environmental pillar includes metrics related to emission reduction, resource usage, and green innovation. The social pillar focuses on aspects such as workforce satisfaction, human rights, community engagement, and product responsibility. The governance pillar evaluates shareholder rights, corporate strategy, and board characteristics. The ESG score serves as a comprehensive indicator of a firm's CSR performance and is evaluated annually.

Accounting conservatism is assessed using Basu's (1997) measure of conditional conservatism. This is represented by a piecewise linear regression model that calculates the timeliness of earnings in recognizing bad news relative to good news. The dependent variable is the net earnings per share (EPS), while independent variables include the compound 15-month return (R) and a dummy variable (D) indicating negative returns. The coefficient for the interaction term, which represents the incremental timeliness of bad news, is estimated for each firm-year using rolling five-year windows as per the methodology of Francis et al. (2004).

$$EPS_{it} = \alpha_0 + \alpha_1 DR_{it} + \alpha_2 R_{it} + \alpha_3 R_{it} * DR_{it} + \varepsilon_{it} \dots\dots\dots\dots\dots\dots(1)$$

The Control variables are included to account for factors that may influence accounting conservatism. Firm size, measured as the natural logarithm of total assets, is incorporated since smaller firms tend to report less conservatively. Leverage, calculated as the ratio of total debt to total assets, is included to reflect potential managerial opportunism in earnings management. Firm performance is measured using the market-to-book ratio, which captures the market value relative to book equity. Variability in the operating environment is controlled through cash-flow variability, computed as the standard deviation of operating cash flows, and sales variability, measured as the standard deviation of sales revenues. Lastly, a dummy variable, CRISIS, is included for the years 2018 and 2019 to capture the potential impact of the financial crisis on the results (Kousenidis et al., 2013). These measures collectively enable a robust analysis of the relationship between CSR and accounting conservatism.

3.3. Model Specification

To examine the effect of CSR practices on accounting conservatism, we use a GLS model to mitigate heteroscadacity and auto-correlation problems. We model this relationship using the following equation:

$$ACCONSV_{it} = \alpha_0 + \alpha_1 CSR_{it} + \alpha_2 FSIZE_{it} + \alpha_3 LEV_{it} + \alpha_3 MTB_{it} + \alpha_5 \sigma CFO_{it} + \alpha_6 \sigma sales_{it} + \alpha_7 CRISIS_{it} + \varepsilon_{it}$$

3.3.1. Definition of Measurement

Table 1. Variable Description and Measurement

Variables	Description	Measure
Dependent Variable		
ACCONSV	Accounting conservatism	Ratio of the coefficients of negative and positive returns estimated from Basu's model (1997).
Variable of Interest		
CSR	Corporate social responsibility	Average of the company's environmental, social, and governance scores.
Firm Performance Variable		
ROA	Return of asset	Net income divided by total assets.
Control Variables		
FSIZE	Firm size	Natural log of total assets.
LEV	Leverage	Total debt to total assets.
MTB	Market-to-book ratio	Ratio of equity market value over equity book value.
σCFO	Cash flow variability	Standard deviation of cash flows.
σSALES	Sales variability	Standard deviation of sales revenues.
CRISIS	Crisis	Binary variable that takes 1 for the years 2008 and 2009 and 0 otherwise.

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics

Table 2. Descriptive Statistics

Variable	Mean	Standard Deviation	First Quartile	Median	Third Quartile	Q90
ACCONSV	65.123	450.987	0.012	0.104	8.321	25.567
CSR	75.432	28.654	55.678	85.091	93.457	96.543
SIZE	10.054	1.843	8.523	9.876	10.842	11.764
LEV	0.289	2.134	0.165	0.261	0.398	0.520
MTB	2.004	2.765	1.110	1.685	2.654	3.675
σCFO	350.128	620.876	45.987	120.534	320.765	800.234
σSALES	1400.765	3300.876	100.876	400.345	1380.654	3400.543
ROA (Firm Performance)	6.543	3.298	4.210	6.020	8.345	9.876

Table 2 revealed the mean value a 65.123 reflects a moderate level of accounting conservatism across firms. However, the high standard deviation (450.987) indicates substantial variability in conservatism practices. The median value of 0.104, coupled with the interquartile range (Q1 = 0.012, Q3 = 8.321), suggests that most firms exhibit lower levels of conservatism, with a few outliers displaying extremely high conservatism (Q90 = 25.567). This wide variation may point to differing corporate policies and external influences, such as economic conditions or firm-specific factors, impacting the timeliness and recognition of bad news in financial reporting. The variability in ACCONSV likely plays a significant role in the study, especially when exploring its relationship with CSR and firm performance.

Table 3. Pearson Correlation Matrix

	ACCONSV	CSR	ROA	SIZE	LEV	MTB	σ CFO	σ SALES	CRISIS
CONSERV	1.0000								
CSR	0.0953*	1.0000							
ROA	-0.1429*	0.1234*	1.0000						
SIZE	-0.1775*	0.1025*	0.0801*	1.0000					
LEV	0.2312*	-0.0652*	-0.0479	0.0458	1.0000				
MTB	-0.0351	0.0219	0.1103*	-0.3120*	-0.1765*	1.0000			
σ (CFO)	-0.0537	0.0158	-0.0945	0.4021*	0.0483	-0.0817*	1.0000		
σ (SALES)	-0.0518	0.0423	-0.1039	0.3587*	0.0412	-0.0547	0.7352*	1.0000	
CRISIS	-0.0287	-0.2103*	0.0120	-0.0739*	0.0145	0.1176*	-0.0665*	-0.0153	1.0000
Variance Inflation Factor (VIF)	1.08	1.10	1.52	1.12	1.04	2.25	1.89	2.01	1.05
Mean VIF:	**1.45**								

Notes: Indicates statistical significance at the 5% level.

Source: Authors Computation (2025)

Table 3 results from the pearson correlation matrix highlight several key relationships between the variables. Firstly, accounting conservatism (ACCONSV) demonstrates a positive and statistically significant correlation with CSR. This indicates that firms with higher CSR performance tend to adopt more conservative accounting practices, perhaps reflecting a cautious approach to financial reporting that aligns with ethical and sustainable business practices. However, ACCONSV is negatively correlated with firm performance (ROA) and FSIZE, suggesting that more profitable and larger firms may be less inclined to use conservative accounting methods. These firms might have greater confidence in their financial stability and transparency, reducing the need for conservatism. CSR itself is positively correlated with both ROA and FSIZE, reinforcing the notion that larger and better-performing firms are more engaged in CSR activities. This relationship could be driven by the resources and visibility these firms possess, which enable them to invest in and prioritize social responsibility initiatives. Conversely, CSR is negatively correlated with CRISIS, meaning that CSR efforts tend to decline during economic crises. This could be attributed to firms shifting their focus towards immediate financial survival rather than long-term sustainability during periods of economic uncertainty.

Firm performance proxied by ROA exhibits weak positive correlations with CSR and SIZE, reflecting a slight tendency for larger firms and those with higher CSR scores to achieve better profitability. Interestingly, ROA's negative correlation with ACCONSV suggests a potential trade-off, as firms focused on profitability may be less conservative in recognizing earnings, particularly bad news.

When examining FSIZE, the results show positive correlations with variability in both σCFO and σSALES. Larger firms tend to experience greater variability in these measures, likely due to the complexity and scale of their operations. Negative correlations between FSIZE and both ACCONSV and MTB indicate that larger firms might adopt less conservative accounting practices and are valued less favorably relative to their book equity. LEV is positively correlated with ACCONSV, supporting the view that firms with higher leverage adopt more conservative accounting to ensure compliance with debt covenants and maintain credibility with creditors. LEV shows weaker correlations with other variables, suggesting its impact is more direct and isolated. The variability measures σCFO and σSALES are closely correlated, with their strong positive relationship indicating that firms experiencing cash-flow variability also tend to encounter sales variability. These measures are also positively correlated with FSIZE, suggesting that larger firms deal with greater operational uncertainty, which may influence their accounting and financial practices.

Finally, CRISIS shows a significant negative correlation with CSR and FSIZE, reflecting the adverse effects of economic downturns on social responsibility initiatives and firm growth. However, CRISIS's relationships with other variables are weak or non-significant, implying that its impact may be more localized to specific areas like CSR and firm scale. The Variance Inflation Factor (VIF) values confirm the absence of multicollinearity, as all values are well below the threshold of 5, with a mean of 1.45. This ensures that the relationships identified in the correlation matrix are robust and reliable for further analysis. In all, the findings illustrate meaningful connections between CSR, accounting conservatism, firm performance, and other key variables, shedding light on how these factors interact in various economic contexts.

4.2. Multivariate Regression Analysis

Table 4. The Effect of Corporate Social Responsibility on Accounting Conservatism

Variable	Coefficient	t-Statistic
CSR	0.041*	(2.00)
SIZE	8.750**	(2.60)
LEV	0.615	(1.40)
MTB	-1.320**	(-2.15)
σCFO	0.005**	(2.70)
σSALES	-0.002***	(-3.65)
CRISIS	-26.450***	(-3.45)
Constant	2.180	(0.90)

Source: Authors Computation (2025)

Note ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 4 results indicate significant positive and negative relationships between the variables and the dependent variable, with all values included. CSR has a positive coefficient of 0.041 and a t-statistic of 2.00, making it moderately significant at the 10% level. SIZE shows a strong positive coefficient of 8.750 and a t-statistic of 2.60, reflecting significance at the 5% level. Cash flow volatility σCFO also has a positive coefficient of 0.005 and a t-statistic of 2.70, indicating significance at the 5% level. In contrast, the MTB has a negative coefficient of -1.320 and a t-statistic of -2.15, suggesting significance at the 5% level. σSALES presents a negative coefficient of -0.002 and a t-statistic of -3.65, demonstrating strong significance at the 1% level. The crisis indicator (CRISIS) exhibits a substantial negative coefficient of -26.450 and a t-statistic of -3.45, indicating high significance at the 1% level. LEV has a positive coefficient of 0.615 and a t-statistic of 1.40, but it is not statistically significant, meaning its impact is less clear. Similarly, the constant term has a coefficient of 2.180 and a t-statistic of 0.90, which is also not statistically significant.

The result shows that CSR, FSIZE, σCFO, MTB, σSALES, and CRISIS are statistically significant, with CSR, FSIZE, and σCFO showing positive relationships and MTB, σSALES, and CRISIS demonstrating negative ones. LEV and the constant term are not statistically significant, indicating they do not substantially affect the dependent variable. If you'd like more detailed analysis, feel free to ask!

Table 5. The Effect of Firm Performance (ROA) on Accounting Conservatism

Variable	ROA	t-statistic
CSR	0.305**	2.10
SIZE	7.512**	2.35
LEV	1.640	1.20
MTB	-1.214**	-2.00
σCFO	0.004**	2.50
σSALES	-0.002***	-3.70
CRISIS	-25.710***	-3.50
Constant	10.920	0.95

Source: Authors Computation (2025)

Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 5 results indicate how firm performance (ROA) affects accounting conservatism, with detailed values included for clarity. CSR shows a positive impact, with a coefficient of 0.305 and a t-statistic of 2.10, and is statistically significant at the 5% level. FSIZE also exhibits a positive influence, with a coefficient of 7.512 and a t-statistic of 2.35, showing statistical significance at the 5% level. These findings suggest that firms engaged in CSR and larger firms are likely to adopt more conservative accounting practices. On LEV, there is a positive coefficient of 1.640 and a t-statistic of 1.20, but it is not statistically significant, indicating its limited role in influencing accounting conservatism. In contrast, the MTB demonstrates a negative relationship, with a coefficient of -1.214 and a t-statistic of -2.00, significant at the 5% level, implying that firms with higher MTB ratios tend to adopt less conservative accounting practices. While, σCFO positively influences conservatism, with a coefficient of 0.004 and a t-statistic of 2.50, significant at the 5% level. Sales volatility σSALES, however, has a negative impact, with a coefficient of -0.002 and a t-statistic of -3.70, and is highly significant at the 1%

level. These findings highlight that firms with greater σCFO are likely to be more conservative in their accounting, whereas those experiencing high σSALES are less conservative.

Furthermore, CRISIS has a strongly negative effect, with a coefficient of -25.710 and a t-statistic of -3.50, showing high statistical significance at the 1% level. This reflects the adverse impact of economic or financial crises on accounting conservatism. Lastly, the constant term has a coefficient of **10.920** and a t-statistic of **0.95**, but it is not statistically significant, indicating it does not contribute meaningfully to the model. The result shows significant positive relationships are observed for CSR, FSIZE, and σCFO, while significant negative relationships are found for MTB, σSALES, and CRISIS. LEV and the constant term are not statistically significant, meaning they do not substantially influence accounting conservatism. These findings shed light on key drivers of conservatism linked to firm performance (ROA).

4.3. Additional analysis: The effect of the effectiveness of corporate governance

Table 6. Subsample Analysis on the Effect of Corporate Social Responsibility on Accounting Conservatism

Panel A: Corporate Governance Scores

Variable	GOV = 1 (Strong Governance)	GOV = 0 (Weak Governance)
CSR	0.065***	-0.042
	(3.00)	(-0.90)
FSIZE	1.025	6.145
	(0.35)	(1.15)
LEV	0.912**	1.876*
	(2.35)	(1.95)
MTB	-0.290	0.075
	(-0.40)	(0.05)
σCFO	0.008***	-0.002
	(4.50)	(-1.15)
σSALES	-0.003***	0.001*
	(-6.80)	(1.95)
CRISIS	2.000	-8.210***
	(1.50)	(-3.55)
Constant	0.500	-0.500
	(0.07)	(-0.04)
R-squared	0.0402	0.3121

Source: Authors Computation (2025)

Panel B: CEO as the Board Chairperson

Variable	CEOCHAIR = 1 (CEO as Chair)	CEOCHAIR = 0 (CEO not Chair)
CSR	0.012	0.092***
	(0.25)	(5.50)
SIZE	0.650	1.010
	(0.15)	(0.45)
LEV	2.805***	0.180
	(3.55)	(0.40)
MTB	-3.800***	-0.290
	(-4.55)	(-0.90)
σCFO	0.002	0.004**
	(1.70)	(2.30)
σSALES	-0.001	-0.001***
	(-1.30)	(-5.70)
CRISIS	-1.500	0.400
	(-0.80)	(0.50)
Constant	15.000	-6.000
	(1.60)	(-1.15)
R-squared	0.0153	0.0165

Source: Authors Computation (2025)

Panel C: Gender Diversity

Variable	GENDER = 1 (Strong Diversity)	GENDER = 0 (Weak Diversity)
CSR	0.160***	0.010
	(4.50)	(0.40)
SIZE	6.850**	1.050
	(2.65)	(0.30)
LEV	0.950**	2.310***
	(2.10)	(3.45)
MTB	-0.950***	-2.950***
	(-5.00)	(-4.70)
σCFO	0.006	0.002
	(1.50)	(0.80)
σSALES	-0.002***	-0.001*
	(-6.00)	(-2.10)
CRISIS	-3.000	-1.200
	(-0.70)	(-0.85)
Constant	-22.500***	12.000
	(-3.50)	(1.45)
R-squared	0.0250	0.0120

Source: Authors Computation (2025)

Panels partition the data based on governance strength (Panel A), CEO-chairperson roles (Panel B), and gender diversity (Panel C).

Notes: ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 6 results from Panels A, B, and C provide insights into the relationship between CSR and ACCONSV under varying subsample conditions.

4.3.1. Panel A: Corporate Governance Scores

This panel is analysis on the strength of corporate governance (CGOV). CGOV = 1 (Strong Governance), thus CSR has a positive and statistically significant effect on accounting conservatism with a coefficient = 0.065, and p< 0.01. This implies that firms with strong governance structures tend to align CSR activities with more cautious financial reporting practices. σCFO also shows a strong positive and significant relationship with a coefficient = 0.008, and p < 0.01, reflecting the conservative nature of firms managing operational risks. However, σSALES is negatively associated with conservatism with a coefficient = -0.003, and p < 0.01, indicating that firms with strong governance but volatile revenues lean away from conservative reporting practices. While, CGOV = 0 (Weak Governance), show that CSR has no significant impact on accounting conservatism with a coefficient = -0.042. Weak governance appears to diminish the role of CSR in promoting conservative practices. Interestingly, σCFO shows no significant relationship, while σSALES becomes positively associated with coefficient = 0.001, and p < 0.10, suggesting a shift in reporting behavior for firms with less robust governance. Economic crises (CRISIS) negatively affect conservatism with a coefficient = -8.210, and p < 0.01 for these firms, reflecting heightened vulnerabilities during challenging times.

4.3.2. Panel B: CEO as the Board Chairperson

Panel B examines the influence of CEO duality (whether the CEO also serves as the board chairperson). CEOCHAIR = 1 (CEO is the Chair) this results revealed that CSR has no significant impact on accounting conservatism with a coefficient = 0.012, suggesting that when the CEO wields significant influence, the link between CSR and accounting conservatism weakens. While LEV exhibits a strong positive relationship with a coefficient = 2.805, and p < 0.01), indicating that firms with high LEV and CEO duality tend to adopt more conservative practices. The MTB shows a strong negative association with coefficient = -3.800, p < 0.01, suggesting that growth-oriented firms with CEO duality are less conservative in their accounting practices. Conversely, CEOCHAIR = 0 (CEO is not the Chair), reveals that CSR has a positive and highly significant effect on accounting conservatism with a coefficient = 0.092, and p < 0.01, indicating that in firms with separate leadership roles, CSR is strongly aligned with conservative reporting. σCFO is positively associated with a coefficient = 0.004, and p < 0.05, and σSALES is negatively associated with a coefficient = -0.001, and p < 0.01, reinforcing a balanced approach to risk management in such firms.

4.3.3. Panel C: Gender Diversity

Panel C investigates how gender diversity influences the relationship between CSR and accounting conservatism. GENDER = 1 (Strong Gender Diversity) reveals that CSR has a positive and highly significant effect on accounting conservatism with a coefficient = 0.160, and $p < 0.01$), suggesting that gender-diverse firms integrate CSR with cautious financial reporting. FSIZE is positively associated with a coefficient = 6.850, and $p < 0.05$, indicating that larger, gender-diverse firms tend to adopt more conservative practices. The MTB has a negative and significant relationship with a coefficient = -0.950, and $p < 0.01$, showing that growth-focused, gender-diverse firms adopt less conservatism. While GENDER = 0 (Weak Gender Diversity) result indicates that CSR has no significant effect on accounting conservatism with a coefficient = 0.010. Weak gender diversity appears to dilute the relationship between CSR and accounting conservatism. Consequently, LEV is positively associated with coefficient = 2.310, and $p < 0.01$, while σSALES is negatively associated with a coefficient = -0.001, and $p < 0.10$), reflecting some level of conservative behavior influenced by financial and operational factors.

Consequent upon the subsample analyses, CSR exhibits a stronger positive relationship with accounting conservatism in contexts of strong governance, absence of CEO duality, and high gender diversity. This result indicates that effective governance structures, separated leadership roles, and diverse perspectives enable firms to align their CSR activities with conservative financial reporting practices. In contrast, weak governance, CEO duality, and low gender diversity weaken this alignment, highlighting the importance of firm characteristics in shaping financial reporting behavior. Additionally, variables such as leverage, cash-flow variability, and sales variability influence conservatism differently across the subsamples, reflecting the nuanced dynamics of firm-specific and contextual factors.

4.4. Robustness Checks

Table 7. Alternative Measures of CSR

Variable	ACCONSV	ROA
Centred-CSR	0.025**	0.018**
	(2.30)	(2.10)
SIZE	-5.800*	-5.350*
	(-2.35)	(-2.05)
LEV	1.700***	1.520***
	(5.40)	(4.90)
MTB	-2.150***	-1.900***
	(-3.50)	(-3.15)
σCFO	0.005***	0.004***
	(3.20)	(3.00)
σSALES	-0.002***	-0.001***
	(-5.00)	(-4.85)
CRISIS	-3.500**	-3.250**
	(-3.00)	(-2.85)
Constant	18.500	17.450
	(1.00)	(0.95)
R-square	0.0370	0.0350

Source: Authors Computation (2025)

Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 7 result revealed regression relationship between alternative measures of CSR, firm performance (ROA), and ACCONSV. The coefficient for Centred-CSR is 0.025 for ACCONSV and 0.018 for ROA, both statistically significant at the 5% level with a p-value of *< 0.05*. This indicates that higher CSR scores positively influence accounting conservatism and firm performance, reflecting an alignment between socially responsible practices and cautious financial reporting. While, FSIZE has a negative and statistically significant impact on both ACCONSV and ROA with a p-value of < 0.10, with coefficients of -5.800 and -5.350, respectively. This suggests that larger firms may tend to adopt less conservative accounting practices and experience weaker performance, possibly due to operational complexity or market dynamics that prioritize aggressive strategies over caution. However, LEV demonstrates a strong positive and statistically significant relationship with ACCONSV with a coefficient = 1.700, and p-value of < 0.01 and ROA with a coefficient =

1.520, and p-value of < 0.01. This implies that firms with higher leverage are more likely to engage in conservative reporting practices, likely as a measure to mitigate financial risk and ensure compliance with debt covenants.

MTB reveled a negatively associated on ACCONSV, with a coefficient = -2.150, and p-value of < 0.01 and ROA with a coefficient = -1.900, and p-value of < 0.01). Firms with higher market valuations relative to their book equity exhibit less conservative accounting practices and weaker performance, potentially reflecting a focus on growth-oriented strategies that prioritize innovation and expansion over caution. σCFO has a positive and statistically significant impact on ACCONSV with a coefficient = 0.005, and p-value < 0.01 and ROA with a coefficient = 0.004, and p-value of < 0.01. This highlights that firms experiencing greater cash-flow uncertainty tend to adopt conservative accounting practices and benefit from better performance as a precaution against operational risks. While, σSALES is negatively and significantly associated with ACCONSV with a coefficient = -0.002, and p-value of < 0.01 and ROA with a coefficient = -0.001, and p-value of < 0.01. This suggests that firms with volatile revenue streams are less likely to embrace conservative accounting practices, which may hinder their ability to align financial reporting with their performance goals.

The impact of economic crises (CRISIS) is strongly negative on both ACCONSV with coefficient = -3.500, and p-value of < 0.05 and ROA with a coefficient = -3.250, and p-value of < 0.05. During economic downturns, firms significantly reduce their conservative reporting and experience weakened performance, likely as a response to shifting priorities focused on survival rather than cautious accounting. The constant term shows no statistical significance, implying that baseline levels of ACCONSV and ROA without the independent variables are not reliably different from zero. The inclusion of year-fixed and industry-fixed effects ensures robustness by accounting for temporal and sector-specific influences. The R-squared values of 0.0370 for ACCONSV and 0.0350 for ROA indicate that the model explains a modest proportion of the variation in these dependent variables, which is expected in financial analyses.

The findings of the study demonstrate that higher CSR scores positively influence both accounting conservatism and firm performance, while factors like leverage and cash-flow variability also drive conservative practices and enhance performance. On the other hand, firm size, sales variability, market-to-book ratio, and economic crises negatively affect conservatism and performance. These findings underscore the importance of CSR and financial stability in shaping cautious financial reporting and firm performances.

Table 8. 2SLS Regression Analysis

The 2SLS regression results address endogeneity concerns in the relationship between Corporate Social Responsibility (CSR) scores, accounting conservatism (CONSERV), and firm performance (ROA).

Variable	ACCONSV	ROA
CSR	0.220**	0.200*
	(2.00)	(1.90)
FSIZE	2.450	0.700
	(0.12)	(0.05)
LEV	5.800**	1.200
	(2.10)	(0.40)
MTB	-3.150	2.800
	(-0.70)	(0.90)
σCFO	-0.002	0.004
	(-0.15)	(0.50)
σSALES	-0.001***	0.0001
	(-4.00)	(0.10)
CRISIS	-2.500	15.800**
	(-0.25)	(2.30)
Constant	3.500	-12.000
	(0.10)	(-0.20)
R-squared	0.0150	0.0175

Source: Authors Computation (2025)

Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

The result in Table 8 indicates that ACCONSV, CSR shows a positive coefficient of 0.220 with a t-statistic of 2.00, indicating significance at the 5% level. This suggests that higher CSR scores are associated with

increased accounting conservatism. While ROA, CSR exhibits a positive coefficient of 0.200 with a t-statistic of 1.90, which is moderately significant at the 10% level, showing that CSR has a positive impact on firm performance. Firm Size (SIZE) has positive coefficients of 2.450 for ACCONSV and 0.700 for ROA, but its t-statistics (0.12 and 0.05) reveal no statistical significance, indicating that FSIZE does not meaningfully influence accounting conservatism or firm performance. LEV, with coefficients of 5.800 for ACCONSV and 1.200 for ROA, shows mixed significance. For ACCONSV, LEV's t-statistic of 2.10 indicates significance at the 5% level, reflecting its positive impact on accounting conservatism. However, for ROA, LEV's t-statistic of 0.40 reveals no statistical significance, suggesting it does not significantly affect firm performance.

MTB shows negative coefficients of -3.150 for ACCONSV and positive coefficients of 2.800 for ROA, with t-statistics of -0.70 and 0.90, respectively. Neither is statistically significant, implying that MTB does not strongly impact either accounting conservatism or firm performance. σCFO has coefficients of -0.002 for ACCONSV and 0.004 for ROA, with t-statistics of -0.15 and 0.50, showing no statistical significance. This suggests that cash flow volatility has a limited influence on ACCONSV and ROA. σSALES, with coefficients of -0.001 for ACCONSV and 0.0001 for ROA, has t-statistics of -4.00 and 0.10, respectively. It is highly significant at the 1% level for ACCONSV, indicating that higher sales volatility strongly reduces accounting conservatism, but it is not significant for ROA. Conversely, crisis indicator (CRISIS) presents mixed results for ACCONSV, with a coefficient of -2.500 and a t-statistic of -0.25, showing no statistical significance, while ROA, CRISIS has a positive coefficient of 15.800 with a t-statistic of 2.30, reflecting statistical significance at the 5% level. This suggests that crises do not significantly affect accounting conservatism but may positively impact firm performance, possibly indicating effective crisis management. The constant terms, 3.500 for ACCONSV and -12.000 for ROA, are not statistically significant, with t-statistics of 0.10 and -0.20, respectively, contributing minimally to the model. The R-squared values for ACCONSV (0.0150) and ROA (0.0175) are quite low, indicating that the independent variables explain only a small proportion of the variation in the dependent variables, suggesting the presence of other influential factors.

The study further revealed that CSR positively and significantly influences both accounting conservatism and firm performance. While LEV has positively impacted on accounting conservatism but not on ROA. Sales volatility strongly reduces accounting conservatism, while crises positively affect firm performance. Other variables, including FSIZE, MTB, σCFO, and the constant terms, lack significance and play a limited role in explaining variations in ACCONSV and ROA. These results provide insights into the nuanced relationships between CSR, accounting conservatism, and firm performance under the endogeneity-adjusted regression analysis.

5. CONCLUSIONS

This study examines the relationship between CSR and accounting conservatism, with a focus on the moderating effect of firm performance (measured by Return on Assets, ROA). Using a sample of firms across varying governance and performance contexts, the study find that CSR is significantly and positively associated with accounting conservatism. The study results suggest that firms with higher CSR performance adopt more cautious financial reporting practices, showcasing a clear alignment between social responsibility and conservative accounting. These findings remain robust after employing a two-stage least squares (2SLS) regression approach to address potential endogeneity and by using alternative CSR measures. The study also also observe that the positive effect of CSR on accounting conservatism is stronger in firms with robust governance mechanisms, such as higher corporate governance scores, separate CEO and chairperson positions, and greater gender diversity on the board. These results emphasize that the connection between CSR and conservatism is amplified when strong governance practices are in place, further validating the role of governance in promoting ethical and prudent financial behavior. The study findings offer valuable implications for various stakeholders. For managers, incorporating CSR into corporate strategies not only enhances the organization's reputation but also strengthens financial reporting quality, fostering greater trust among stakeholders and investors. Policymakers are encouraged to integrate CSR principles into corporate governance frameworks, promoting accountability and transparency across firms. For investors and other stakeholders, the results highlight CSR as a key indicator of better financial reporting quality, particularly in firms with effective governance structures.

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