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# Banking Performance under the Lens of Earnings Management: A Theoretical and Bibliometric Systematic Review

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**ABSTRACT**

This study conducts a systematic literature review (SLR) combined with bibliometric analysis to examine earnings management (EM) practices in the banking sector and their implications for financial performance. Following the PRISMA guidelines, the methodology employed a rigorous search strategy using specific keyword combinations, including "earnings management" and "bank", across the ScienceDirect and Scopus databases to capture relevant literature published between 2011 and 2024. Strict inclusion criteria were applied, restricting the final sample to peer-reviewed academic journal articles written in English that explicitly focused on commercial banking institutions, thereby excluding conference proceedings, book chapters, and studies on non-financial firms. This selection process yielded a final core sample of 520 articles for bibliometric mapping. The synthesis identifies key themes, including the influence of governance mechanisms, macroprudential frameworks, discretionary loan loss provisioning, and emerging issues such as digital transformation and Environmental, Social, and Governance (ESG) integration. Findings reveal that bank EM serves as both a strategic response to regulatory and market pressures and a signaling tool to maintain investor confidence. However, it often undermines transparency in reporting. Theoretically, this review extends Positive Accounting Theory by incorporating sustainability considerations and refines Signaling Theory by highlighting potential distortions in information asymmetry when disclosure quality is weak. Crucially, the conclusions offer vital policy implications for regulatory bodies. Policymakers must mandate standardized ESG-based reporting frameworks and enforce stricter oversight on discretionary loan loss provisions to curtail opportunistic accounting behavior. Additionally, macroprudential authorities should synchronize banking governance reforms with international transparency standards to insulate global financial markets from systemic risks, thereby ensuring long-term bank stability and protecting stakeholder trust in highly volatile economic environments.

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## INTRODUCTION

Earnings management (EM) in the banking sector refers to the intentional modification of financial reports to present a more favorable view of an institution's financial position than the underlying economic reality (Healy & Wahlen, 1999; Dechow et al., 2010). In banks, this practice is typically executed through discretionary loan loss provisions (DLLP), cash flow manipulation, and the timing of revenue and expense recognition (Ceccobelli & Giosi, 2019; Agustia et al., 2020). Although such actions may temporarily strengthen reported figures and satisfy market or regulatory expectations, they erode the reliability of financial information, distort stakeholder decision-making, and weaken trust in the financial system (George & Ebiaghan Orits, 2023; Khoufi & Kareem, 2024). The consequences, however, are not confined to individual institutions. Empirical evidence links bank EM directly to systemic fragility: banks that managed earnings more aggressively before 2007 subsequently exhibited significantly higher tail risk, and the resulting stock price crashes preceded a deterioration in operating performance, which allows regulators to read them as early warning signals of distress (Cohen et al., 2014). Income smoothing is likewise more pronounced among systemically important European banks than among non-systemic ones (Peterson & Arun, 2018), EM demonstrably reduces the cost efficiency of ECB-supervised banks (Proença et al., 2023), and banks intensify discretionary provisioning precisely when they approach financial distress and their loss-absorbing capacity is weakest (Ben Rejeb et al., 2024). Because banks are central to liquidity management and capital allocation, opacity generated at the level of a single institution can therefore propagate into system-wide fragility.

The motivations behind EM practices are shaped by both internal drivers and external pressures. Internally, managers often prioritize short-term objectives such as meeting earnings forecasts, influencing stock prices, or signaling financial soundness to attract investors and maintain regulatory compliance (Valaskova et al., 2021; Ozili, 2022). These incentives can conflict with long-term goals of transparency, accountability, and sustainable financial performance. From an external perspective, banks face intense scrutiny from regulators, credit rating agencies, and competitive market forces, which can create pressures to manage earnings opportunistically (Hung et al., 2018). The interplay of these factors illustrates EM as a strategic yet controversial tool that can benefit or harm the institution, depending on the context and the degree of its application (Peterson & Arun, 2018).

Governance mechanisms and regulatory frameworks jointly condition the extent to which these incentives translate into actual reporting discretion, and they constitute the single most frequently examined set of constraints in the literature. Internal governance structures such as independent boards, audit committees, and high-quality external audits limit opportunistic reporting behavior (Mahrani & Soewarno, 2018; Kanagaretnam et al., 2014). Externally, risk-based supervision and capital adequacy requirements discourage excessive risk-taking and income smoothing and encourage more conservative reporting (Mathuva & Nyangu, 2022; Sari et al., 2023; Pereira & Alves, 2017), while differences between Islamic and conventional regulatory regimes shape the nature and extent of EM, particularly in provisioning and income recognition (Elnahass et al., 2018). Market discipline serves as a third constraint, as higher market liquidity and credit market development reduce the scope for accrual manipulation (Lin et al., 2012; Ajina & Habib, 2017). These constraints, however, are not uniformly effective: financial crises, liquidity shortages, and rising non-performing loans intensify EM as banks attempt to preserve stability during distress (Ben Rejeb et al., 2024), and heightened competition induces manipulation as institutions strive to protect market share (Hung et al., 2018). Governance and regulation therefore function as moderators rather than as absolute deterrents, and this review treats them as such throughout.

Despite the extensive body of research on EM in non-financial corporations, studies focusing specifically on the banking industry remain fragmented. Existing literature often addresses isolated themes, such as the effect of governance or regulatory changes, without providing an integrated view of how these factors interact with EM practices to influence overall bank performance (Wu et al., 2016; Proença et al., 2023). Recent bibliometric reviews highlight an increasing number of studies on EM, particularly in connection with ESG, Islamic banking, and financial stability; however, there is limited synthesis of these themes to identify consistent patterns, theoretical underpinnings, and gaps in the knowledge base (Kolsi et al., 2023; Suripto, 2023). This gap underscores the need for a systematic review that consolidates prior findings, evaluates theoretical perspectives, and maps research trends to guide future investigations.

The present study addresses this gap through a systematic literature review (SLR) of EM in the banking sector, integrated with bibliometric analysis. Specifically, it aims to (i) synthesize empirical evidence on the relationship between EM and banking performance; (ii) examine the theoretical foundations underlying EM practices; and (iii) identify emerging research directions and gaps. The contribution of this review is deliberately narrower and deeper than that of the bibliometric reviews already available. Ahmad et al. (2023) map EM research across all industries and therefore treat banks as one sector among many; Sofian et al. (2022) restrict their synthesis to the corporate social responsibility–EM nexus, largely outside financial institutions; Sun et al. (2022) map accounting earnings in relation to economic growth rather than to firm-level reporting behavior; and Bui (2024) reviews the development of EM research without a banking-specific lens. Against this background, the present review makes three distinct contributions. First, it restricts the corpus exclusively to banking institutions over 2011–2024, so that the resulting thematic structure reflects the regulatory and provisioning mechanics specific to banks rather than generic accrual behavior. Second, it does not stop at descriptive mapping: the bibliometric clusters are read against and used to test two competing theoretical explanations (Positive Accounting

Theory and Signaling Theory), which allow the review to specify the conditions under which EM operates as a contracting response rather than as a market signal. Third, it converts the mapped structure into concrete regulatory implications concerning DLLP oversight and standardized ESG-based reporting, which prior sector-agnostic reviews are not positioned to derive.

To operationalize these contributions, the review is guided by three research questions. The first is a performance-analysis question concerned with the field's quantitative output; the second is a theoretical question; and the third is a science-mapping question concerned with the content of the most recent research frontier. The three questions are therefore addressed with different bibliometric instruments and do not overlap in scope:

1. How has the annual output of earnings management research in banking developed between 2011 and 2024 in terms of publication volume, citation impact, and author collaboration? (performance analysis; quantitative indicators only)
2. Which theoretical frameworks and conceptual perspectives dominate the explanation of earnings management practices in the banking sector, and how do they relate to one another? (theoretical synthesis)
3. Which thematic areas have entered the keyword co-occurrence network most recently, particularly between 2022 and 2024, and what research gaps do these emerging themes reveal? (science mapping; content of the recent frontier, not volume of output)

Question 1 therefore establishes how much has been published and how visible that work is, whereas Question 3 establishes what is being published now and what remains unexamined. Taken together, the three questions allow the review to move from the field's measurable structure to a forward-looking agenda aimed at strengthening financial transparency and stability in banking.

## ■ LITERATURE REVIEW

### Positive Accounting Theory (PAT)

Positive Accounting Theory (PAT) treats accounting policy as the outcome of rational interaction among contracting parties, in which managers select reporting methods that maximize the firm's utility within a complex structure of incentives and regulatory constraints (Watts & Zimmerman, 1990; Zhafir & Subroto, 2024). Because the banking industry is governed by dense regulation, explicit contracts, and continuous market pressure, PAT is particularly well-suited to explaining why banks engage in earnings management or adopt specific financial reporting methods, especially under economic uncertainty (Buallay et al., 2020).

Its three canonical hypotheses translate directly into the banking setting: the bonus plan hypothesis explains discretion motivated by compensation, the debt covenant hypothesis re-emerges as a regulatory capital hypothesis in which managers avoid breaching capital adequacy thresholds, and the political cost hypothesis explains why highly visible banks smooth volatile earnings to avoid political scrutiny and supervisory intervention. Within this framework, earnings management is understood as a rational managerial strategy in response to contractual, regulatory, and market pressures rather than as an aberration, since banks may alter reported results to influence stock prices or satisfy regulatory capital requirements (Ozili & Outa, 2019).

### Signaling Theory

Signaling Theory holds that parties with superior information, such as managers, transmit signals to less-informed parties, such as investors, to reduce information asymmetry (Spence, 1973). Applied to the banking sector, it explains how banks communicate their financial health through reporting choices that shape investor perceptions and, ultimately, market stability. By projecting a stronger financial position, a bank can obtain a competitive advantage, raise capital more cheaply, and demonstrate regulatory compliance (Cudia & Dela Cruz, 2018). A bank that maintains a high capital adequacy ratio, for instance, signals to investors that it is less likely to encounter financial difficulty (Gathara et al., 2023). Crucially, the theory also specifies the condition under which a signal carries information: it must be costly enough that a weak institution cannot credibly imitate it.

### Interaction between Positive Accounting Theory and Signaling Theory

PAT and Signaling Theory are not two alternative labels for the same phenomenon, nor are they merely complementary definitions; they describe two ends of the same reporting act and interact in three specific ways. First, they divide the phenomenon into sequential parts. PAT is a theory of supply: it predicts why a bank manager exercises accounting discretion, tracing that choice to the compensation, regulatory capital, and political cost pressures described above. Signaling Theory is a theory of demand: it explains how the resulting report is decoded by outside parties operating under information asymmetry. A single discretionary loan loss provision is therefore simultaneously a contracting response (PAT) and a message (Signaling Theory), and neither reading is complete without the other. PAT alone treats earnings management as private utility maximization and is silent about its market consequences; Signaling Theory alone treats financial reporting as communication but cannot explain the incentive structure that generates the message in the first place.

Second, the two mechanisms can reinforce one another, which explains the persistence of earnings management in banking. Income smoothing undertaken for contractual reasons under PAT, for example to remain above a regulatory capital threshold, produces exactly the low-volatility earnings path that markets read as a signal of soundness. The manager thus satisfies the contracting and signaling motives with a single accounting choice, thereby doubling the private benefit of discretion. This joint payoff is consistent with evidence that banks smooth earnings most intensively when both capital pressure and market scrutiny are high (Ozili & Outa, 2019; Peterson & Arun, 2018), and it explains why supervisory constraints on provisioning alone have proven insufficient to eliminate the practice.

Third, and most importantly, the two theories generate a testable tension. Signaling Theory requires that the signal be costly to separate strong banks from weak ones; PAT predicts that, where disclosure quality is weak and accounting discretion is cheap, weak banks will imitate the reporting behavior of strong ones. When they do, the separating equilibrium collapses into a pooling equilibrium: reported earnings lose informational content, and investors rationally discount the earnings of all banks. Information asymmetry is amplified rather than reduced. This is the precise mechanism through which earnings management, although profitable in the short term, damages performance and reputation over the longer horizon. It is consistent with evidence that banks with higher levels of earnings management subsequently report lower return on assets (ROA) and return on equity (ROE) (Alhadab & Own, 2017) and poorer reporting quality (Khoufi & Kareem, 2024). Governance mechanisms, audit quality, and supervisory oversight enter this framework not as external add-ons but as variables that raise the cost of a false signal, thereby restoring separation (Kanagaretnam et al., 2014; Ceccobelli & Giosi, 2019). The integrated proposition guiding this review is therefore that earnings management in banking is a rational contracting response whose informational value to outsiders is conditional on the strength of the disclosure and governance regime, and this dual lens is used below to interpret the governance–regulation cluster of the bibliometric map.

A systematic review combined with bibliometric analysis is the appropriate instrument for testing this proposition, because it enables a structured, transparent, and replicable synthesis of existing studies while simultaneously identifying influential authors, dominant themes, and research trends (Sun et al., 2022; Ahmad et al., 2023; Bui, 2024). The approach yields both a qualitative reading of the literature and a quantitative map of the research landscape.

## ■ RESEARCH METHODS

### Research Design

This study employed a systematic literature review (SLR) combined with bibliometric analysis to examine the development of research on earnings management in the banking sector. Integrating these approaches enabled a comprehensive evaluation of publication trends, influential authors, citation patterns, and the evolution of research themes while ensuring a transparent and replicable review process.

### Search Strategy

Relevant literature was collected from two major academic databases: Scopus and ScienceDirect. The initial search was managed through Publish or Perish software to maintain transparency. The search query used specific keyword strings: ("earnings management" OR "earnings manipulation") AND ("bank" OR "banking"), which was applied consistently across both databases, with minor syntax adjustments to match each database's search interface. The search was limited to publications from 2011 to 2024. The complete search strings and database-specific filters are presented in the Appendix (Table A1). This process identified an initial dataset of 1,107 records.

### Inclusion and Exclusion Criteria

To refine the initial pool of 1,107 documents into a highly relevant sample, specific screening criteria were established based on the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework.

Inclusion Criteria: (i) Peer-reviewed journal articles written in English; (ii) Empirical, theoretical, or qualitative studies

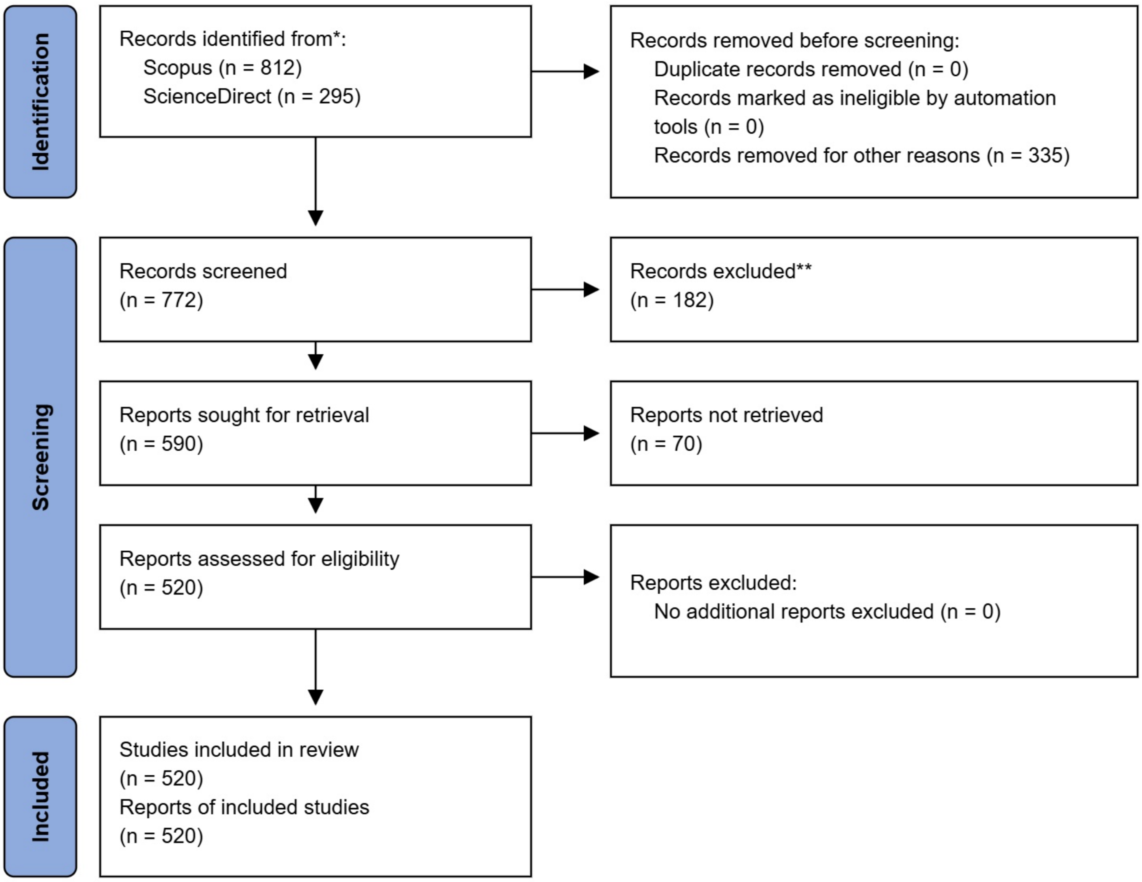


**Figure 1.** Diagram of the article selection process

focusing explicitly on earnings management practices in banking institutions (e.g., commercial, Islamic, or investment banks); (iii) Literature examining intersections with banking performance, risks, or governance.

Exclusion Criteria: (i) Non-journal outputs such as book chapters, conference proceedings, notes, and editorials; (ii) Duplicate articles cross-listed between Scopus and ScienceDirect; (iii) Studies exploring earnings management exclusively in non-financial corporate sectors.

To ensure the consistent application of the inclusion criteria across Scopus and ScienceDirect, a standardized verification protocol was implemented. Records were initially restricted to Document Type: Article using the filtering options available in each database. During title and abstract screening and full-text eligibility assessment, the publication type and status of each record were manually verified using bibliographic metadata and publisher information.

Review articles, editorials, commentaries, conference papers, book chapters, notes, letters, corrigenda, and other non-original research outputs were excluded. Records labeled as pre-print, article in press, or early access were further examined to confirm their publication status. Only articles formally published as the final version in peer-reviewed academic journals were retained. This verification procedure ensured that the final dataset consisted exclusively of original peer-reviewed journal articles and that the inclusion criteria were applied consistently across both databases.

The screening process consisted of duplicate removal, title and abstract screening, publication-type verification, and full-text eligibility assessment. The complete selection process is illustrated in the flow diagram (Figure 1), resulting in a final sample of 520 articles included in the bibliometric analysis (Gavana et al., 2025; Bui, 2024).

Figure 1 illustrates the study selection process. A total of 1,107 records were identified from Scopus (n = 812) and ScienceDirect (n = 295). Before screening, 319 records were removed because they did not meet the predefined eligibility criteria, including non-English publications and non-journal document types (e.g., conference proceedings and book chapters). A total of 772 records were screened, 182 records were excluded during title and abstract screening, 70 reports were not retrieved for full-text assessment, and 520 studies were ultimately included in the systematic review.

**Data Analysis**

The systematic literature review (SLR) process began with a database search that yielded 1,107 records, which were filtered through several stages to produce a final corpus of 520 studies. Table 1 reports the descriptive characteristics of this corpus.

**Table 1.** Description of research data

| Indicator | Value |
|---|---|
| Publication period | 2011–2024 |
| Number of publications | 520 |
| Total citations | 9,376 |
| Average citations per paper | 9.20 |
| Average authors per paper | 2.46 |

Table 1 summarizes the main characteristics of the dataset used in this study. The final dataset consists of 520 peer-reviewed journal articles published between 2011 and 2024. These publications have accumulated 9,376 citations, averaging 9.20 citations per paper, indicating that the topic has attracted considerable scholarly attention. In addition, the average of 2.46 authors per paper suggests that research on earnings management in the banking sector is commonly conducted through collaborative efforts among researchers.

To further explore the intellectual structure of the field, this study employed VOSviewer to construct bibliometric networks and visualize relationships among authors, keywords, and research themes. VOSviewer is widely used in bibliometric studies because it facilitates the analysis of scientific publications through citation, co-authorship, and keyword co-occurrence networks, thereby providing a clearer understanding of the development of a research field (Sofian et al., 2022).

## ■ RESULTS AND DISCUSSION

**Publication Volumes and Growth Trends**

In recent decades, the topic of earnings management has become a major concern in the accounting and finance literature. To illustrate the development of academic interest in this issue, Figure 2 below shows the number of publications on earnings management over a specified period.

Figure 2 presents the annual publication trend on earnings management in the banking sector between 2011 and 2024. Publication output rose substantially across the observation period. In 2011, only six articles were identified, indicating that research on earnings management in banking was still limited. Output then increased gradually, reaching 127 publications in 2016, marking the first pronounced surge in research activity.

Between 2017 and 2021, the annual count declined and remained relatively stable at 46 to 64 publications per year. This temporary decline should not be read as evidence of reduced scholarly interest; it may equally reflect ordinary fluctuations in annual output across the selected databases, as well as the effects of the predefined search strategy and eligibility criteria. Since the study did not investigate external factors such as database indexing policies or editorial practices, no

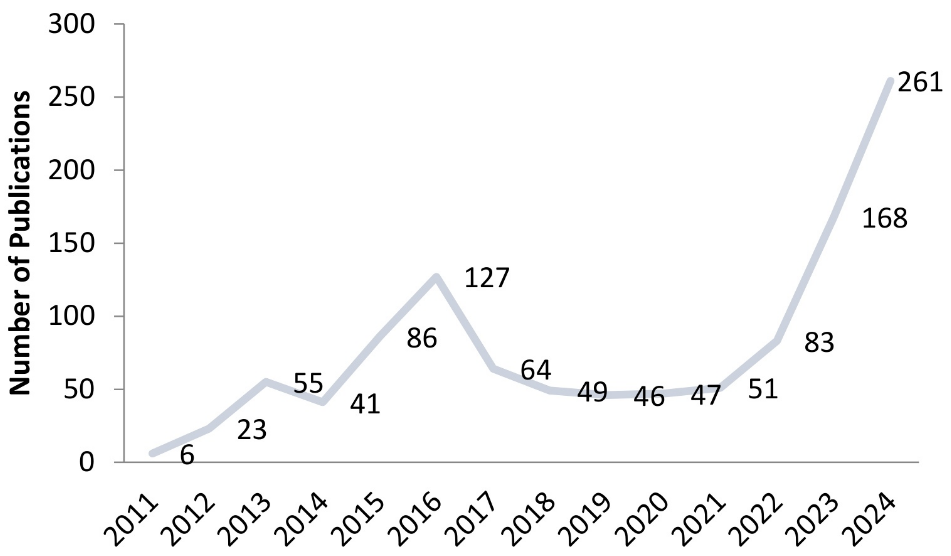


**Figure 2.** Development of earnings management research 2011-2024

causal interpretation of this pattern is offered.

Output recovered in 2022 with 83 publications, rose sharply to 168 in 2023, and peaked at 261 in 2024. The last three years of the observation window therefore account for the largest share of the corpus, indicating a renewed and substantial concentration of scholarly attention on earnings management in banking.

## Dominant Theoretical and Conceptual Perspectives in Earnings Management Research

Prior empirical studies were synthesized to clarify and consolidate the evidence base underpinning the theoretical perspectives above. Because an exhaustive tabulation would obscure rather than support the argument, Table 2 reports only the seven studies that contribute most directly to the review's focus, selected on two criteria: banks are the unit of analysis, and the study is among the most frequently cited within the corpus. The remaining studies, which either examine non-financial firms or address determinants of earnings management more generally, are reported in full in Appendix Table A2.

The studies summarized in Table 2 show that earnings management maintains a complex relationship with bank performance. As the central construct, EM is most often modeled as an independent variable exerting a negative effect on efficiency (Proença et al., 2023; Ab-Hamid et al., 2018), on firm value (Tulcanaza-Prieto & Lee, 2022), and on financial reporting quality (Khoufi & Kareem, 2024), while other studies position it as a mediating variable or as a mechanism conditioned by ownership structure and board characteristics (Saona & Muro, 2018). The theoretical apparatus is correspondingly plural: agency theory dominates, framing EM as a product of conflicts of interest between managers and shareholders, whereas signaling theory frames the same behavior as an attempt to shape investor and regulator perceptions. Within the ASEAN and Islamic banking context specifically, monitoring loan loss provisions is decisive, since provisioning discretion is the channel through which earnings management affects financial performance (Suripto, 2023).

**Table 2.** Summary of selected prior studies on earnings management in banking

| Article Title | Variables | Key Findings |
|---|---|---|
| "The Impact Of Earnings Management On The Performance Of ASEAN Banks" (Wu et al., 2016) | Independent variable: *earnings management*<br>Dependent variable: ASEAN banking performance | Earnings management negatively affects bank performance, indicating that higher earnings manipulation is associated with lower banking performance. |
| "Earnings management determinants: Comparison between Islamic and Conventional Banks across the ASEAN region" (Suripto, 2023) | *Independent* variable: *Company characteristics*<br>*Dependent* variable*: Earnings management* | Company characteristics significantly affect earnings management, with differences observed between Islamic and conventional banks. |
| "Bank Earnings Management and Tail Risk during the Financial Crisis" (Cohen et al., 2014) | Independent variable: *Bank Earnings Management*<br>Dependent variable: *Tail Risk* | Earnings management increases bank tail risk, particularly during periods of financial crisis. |
| "The effect of earnings management on bank efficiency: Evidence from ECB-supervised banks" (Proença et al., 2023) | *Independent* variable*: Earnings management*<br>Dependent variable: *Bank efficiency* | Earnings management negatively affects bank efficiency, indicating reduced operational performance. |
| "Does environmental, social, and governance performance mitigate earnings management practices? Evidence from US commercial banks" (Kolsi et al., 2023) | Independent variable: *Environmental, social, and governance (ESG) performance*<br>Dependent variable: *Earnings management: abnormal loan loss provisions (ALLP) and small positive profit or avoided losses (SPOS)* | ESG performance reduces earnings management practices, suggesting that sustainability initiatives enhance financial reporting quality. |
| "The Influence Of Earnings Management And Surplus Free Cash Flow On The Banking Sector Performance" (Thai et al., 2021) | Independent variables: *Earnings management and surplus free cash flow*<br>Dependent variable: *The state-owned bank* | Earnings management and surplus free cash flow negatively affect banking performance. |
| "Earnings Management Practices In The Banking Industry: The Role Of Bank Regulation And Supervision" (Ceccobelli & Giosi, 2019) | Independent variable: *Bank regulation*<br>Mediating variables: *Loan Loss Provisions, Income Smoothing*<br>Dependent variable: *Earnings Management t* | Stronger banking regulation and supervision reduce earnings management by lowering income smoothing and loan-loss provisioning manipulation. |

**Contemporary Topics and Emerging Themes**

Bibliometric mapping with VOSviewer identifies the topics that have recently attracted the greatest attention in the earnings management literature. These topics appear in clusters strongly connected to the central keyword, earnings management, and are marked either by the emergence of new terms or by an increase in link frequency within the network (Ahmad et al., 2023). Two visualization modes are reported. Network visualization displays the co-occurrence structure among the terms in the corpus and is shown in Figure 3; the overlay visualization, shown in Figure 4, superimposes publication year onto the same network to locate the temporal frontier of the field.

The term "earnings management" emerged as the main subject with the strongest and broadest relationships with other terms, such as *shadow banking*, *banking regulation*, *financial crisis*, and *bank stability*. A total of 520 articles were then grouped into 12 clusters, each of which can be identified based on the color of each keyword. Each of these clusters represents a different thematic area within this field of research and is characterized by specific keywords and research focuses.

The keyword co-occurrence analysis identifies earnings management as the central topic in the banking literature. This keyword is closely associated with a range of related topics, including banking regulation, financial stability, shadow banking, and financial crises, indicating that research on earnings management has developed across several interconnected areas. Although the bibliometric mapping generated 12 clusters, only the 5 largest were examined in detail because they contain the most frequently occurring keywords and represent the dominant research themes. The remaining clusters consist of only a small number of isolated keywords and therefore provide limited insight into the overall structure of the literature (Sun et al., 2022; Ahmad et al., 2023).

To facilitate interpretation, the identified keywords were subsequently organized into five broader categories: theoretical perspectives, research variables, governance and regulatory factors, banking context and emerging issues, and methodological and analytical topics. This classification does not replace the clustering results produced by VOSviewer; rather, it provides a clearer conceptual interpretation of the relationships among the keywords. The classification is presented in Table 3.

The first category, Theoretical Perspectives, represents the conceptual foundations most frequently used to explain earnings management in banking institutions. Agency problems and information asymmetry remain the dominant theoretical perspectives, reflecting the potential conflict of interest between managers and stakeholders. Previous

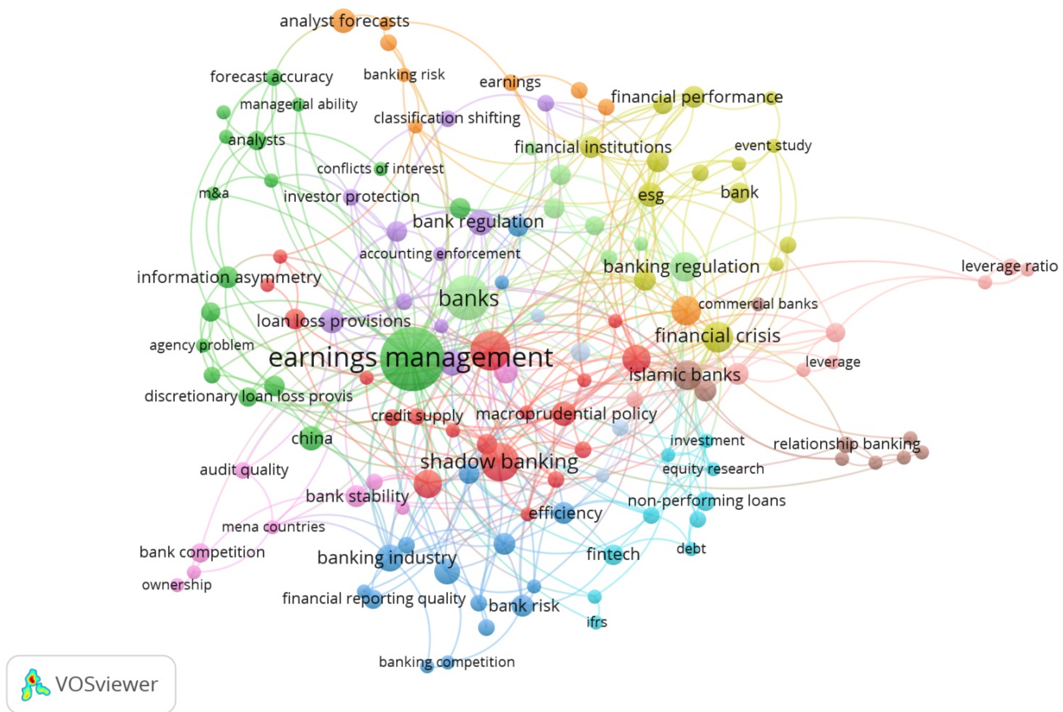


**Figure 3.** Network visualization

**Table 3.** Classification of research keywords by category

| Category | Keywords | Description |
|---|---|---|
| Theoretical Perspectives | Agency problem, information asymmetry, market discipline, investor protection, market efficiency | Keywords representing the theoretical foundations commonly used to explain earnings management behavior in the banking sector. |
| Research Variables | Earnings management, loan loss provisions, discretionary loan loss provision, earnings quality, financial reporting quality, income smoothing, financial performance, bank risk, liquidity risk, capital adequacy ratio, ownership structure, leverage | Variables frequently examined as determinants, proxies, or consequences of earnings management. |
| Governance and Regulatory Factors | Corporate governance, audit quality, accounting enforcement, financial regulation, macroprudential policy, bank regulation, risk management | Keywords related to governance mechanisms and regulatory frameworks affecting earnings management practices. |
| Banking Context and Emerging Issues | Banking industry, Islamic finance, shadow banking, banking competition, financial stability, climate change, COVID-19, financial crisis, emerging markets, ESG | Contextual topics and contemporary issues shaping research on earnings management in banking. |
| Methodological and Analytical Topics | Analyst forecasts, forecast accuracy, forecast dispersion, managerial ability, reporting quality, classification shifting, conditional conservatism | Keywords associated with research design, measurement approaches, and analytical perspectives used in previous studies. |

studies generally suggest that limited information available to investors and weak monitoring mechanisms increase managerial discretion in financial reporting. Conversely, stronger investor protection and effective market discipline are expected to reduce opportunities for earnings management (Cudia & Dela Cruz, 2018; Abbas, 2018).

The second category, Research Variables, includes the variables most frequently investigated in empirical studies. Commonly examined variables include loan loss provisions, discretionary loan loss provisions, earnings quality, financial reporting quality, bank risk, liquidity risk, capital adequacy ratio, ownership structure, and financial performance. Among these variables, discretionary loan loss provisions remain one of the most widely used proxies for measuring earnings management because bank managers have considerable flexibility in determining credit loss estimates (Ceccobelli & Giosi, 2019). This indicates that research has primarily focused on identifying both the determinants and the consequences of earnings management practices.

The third category, Governance and Regulatory Factors, highlights the importance of institutional mechanisms in influencing financial reporting practices. Keywords such as corporate governance, audit quality, accounting enforcement, financial regulation, macroprudential policy, and risk management frequently appear in the literature. These findings indicate that governance quality and regulatory oversight are widely regarded as important mechanisms for limiting opportunistic reporting behavior. Earlier studies consistently report that stronger supervision and higher audit quality improve the reliability of financial statements and reduce earnings management within banking institutions (Cohen et al., 2014).

The fourth category, Banking Context and Emerging Issues, reflects the expansion of research into broader economic and institutional settings. Besides conventional banking topics, recent studies increasingly examine earnings management in relation to shadow banking, Islamic finance, banking competition, financial crises, climate change, COVID-19, ESG, and emerging markets. The appearance of these topics suggests that earnings management is no longer viewed solely as an accounting issue but is increasingly examined in response to changes in the banking environment, regulatory developments, and sustainability concerns (Kolsi et al., 2023; Suripto, 2023).

The final category, Methodological and Analytical Topics, represents the approaches commonly employed to evaluate earnings management and reporting quality. Frequently occurring keywords include analyst forecasts, forecast accuracy, forecast dispersion, classification shifting, conditional conservatism, managerial ability, and reporting quality. These topics indicate that researchers increasingly combine accounting-based measures with market-based indicators to obtain a more comprehensive assessment of managerial reporting behavior under different institutional settings (Ab-Hamid et al., 2018; Proença et al., 2023).

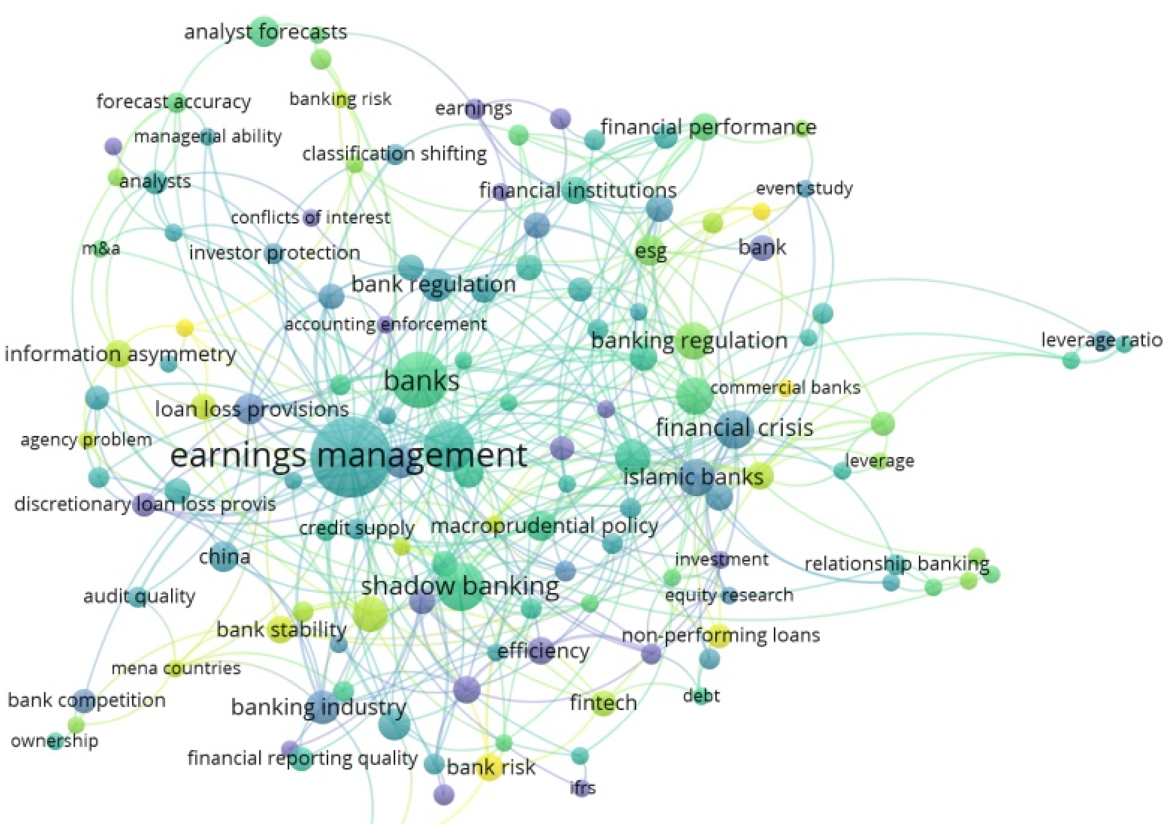


**Figure 4.** Overlay visualization

Earlier studies mainly focused on accounting discretion and financial reporting practices, whereas more recent studies have broadened their scope to include governance, regulation, financial stability, sustainability, and emerging banking issues. This development reflects the growing complexity of the banking industry and demonstrates that earnings management remains an important topic in banking research.

The overlay visualization maps the same keyword network against the year of publication, allowing the historical trajectory of research trends to be traced. The overlay visualization identifies the state of the art of earnings management research over time. Keywords from earlier years appear in darker shades, whereas those from the most recent years appear in the brightest shades, so that the brightest nodes correspond to the current research frontier. Prominent among these nodes is ESG (Environmental, Social, and Governance), which reflects growing attention to the role of sustainability and social responsibility in mitigating earnings management practices. Financial crisis, fintech, efficiency, leverage ratio, and relationship banking also appear among the recent themes, consistent with the dynamics of the global financial system and with digital transformation.

Earnings management is used to align financial reports with specific objectives, whether to improve market perception or to satisfy internal organizational needs (Healy & Wahlen, 1999; Dechow et al., 2010; Ekawarti et al., 2022). The practice materially affects bank performance in terms of financial results (Thai et al., 2021), risk profile (Sugiyanto & Murwaningsari, 2018), and stability (Wati & Malik, 2021).

The role of corporate accountability frameworks in this relationship is established here from the bibliometric evidence rather than asserted. Three features of the map support the argument. First, ESG (Environmental, Social, and Governance) does not appear as an isolated node: in the keyword classification reported in Table 3 it sits within the Banking Context and Emerging Issues category alongside climate change, COVID-19, and financial stability, and in the overlay visualization (Figure 4) it appears among the brightest, that is the most recent, nodes of the network. Second, corporate social responsibility (CSR) does not surface as a separate high-frequency keyword in the network at all, while ESG does; on the evidence of the map, CSR terminology has been absorbed into the broader ESG vocabulary rather than developing as an independent research stream, a shift also documented in the CSR–earnings management review by Sofian et al. (2022) and consistent with the accounting-quality evidence of Delis et al. (2018).

Third, and decisively, the direction of the ESG–EM relationship is not inferred from the map but taken from the primary studies contained within the corpus: ESG performance reduces abnormal loan loss provisions and loss-avoidance behavior in US commercial banks (Kolsi et al., 2023), and ESG performance is negatively associated with earnings management in emerging markets, with financial distress moderating that association (Almubarak et al., 2023).

Read together, these three observations support a bounded claim: within this corpus, ESG functions as an external monitoring mechanism that constrains accounting discretion. The claim is bounded because the cluster evidence establishes co-occurrence and recency, not causality; the causal direction rests on the individual studies cited, and the volume of such studies remains small relative to the governance and provisioning clusters, which is itself one of the gaps this review identifies.

The bibliometric analysis yields three principal findings that answer the research questions. First, with respect to publication volume and growth trajectory (RQ1), output expanded markedly over the observation window, with a first surge in 2016, a plateau between 2017 and 2021, and a sustained acceleration from 2022 onward, peaking at 261 publications in 2024. Earnings management therefore remains a growing rather than a maturing concern in the accounting and finance literature, particularly in the banking context.

Second, from the perspective of the main schools of thought, EM draws on several theoretical frameworks that offer distinct explanations of managerial behavior. Specifically, the dense concentration of variables within the regulatory and governance cluster, such as macroprudential supervision, banking regulation, and audit quality, reflects the extensive global literature on mitigating the classic Agency Problem. Within highly leveraged financial institutions, structural information asymmetry enables bank executives to opportunistically manipulate accounting metrics for personal utility maximization, such as securing performance-based bonuses or mitigating job insecurity (Healy & Wahlen, 1999; Hussain & Akbar, 2022).

In response to these agency conflicts, the literature demonstrates that rigorous external monitoring and governance frameworks are systematically co-studied as vital institutional checks. Concurrently, from the perspective of Legitimacy Theory, compliance with these evolving macroprudential standards is not merely a legal obligation but a strategic mechanism for cultivating and preserving organizational legitimacy within societal and institutional norms. In the banking sector, where public trust is a critical survival asset, the strategic deployment of financial reporting transparency is especially pronounced during periods of heightened regulatory oversight or systemic shocks, to repair and shield the institutional reputation (Ceccobelli & Giosi, 2019).

The close conceptual proximity between the regulatory cluster and the core technical accounting cluster, which is occupied predominantly by loan loss provisioning (LLP), discretionary LLP, and capital adequacy smoothing, is explained by the foundational hypotheses of PAT (Watts & Zimmerman, 1990; Ozili & Outa, 2019). Under the political cost hypothesis, highly visible commercial banks are incentivized to use accounting discretion to smooth volatile earnings trajectories and thereby avoid political scrutiny, punitive taxation, or sudden supervisory intervention.

The capital adequacy and debt covenant hypotheses provide a rational-choice foundation for specific discretionary adjustments: the bibliometric structure confirms that LLP manipulation is co-studied with regulatory capital thresholds and leverage requirements, consistent with a defensive contracting response.

Signaling Theory reframes the same technical manipulation from the opposite direction, treating EM not as opportunistic deception but as an intentional communication device through which management transmits stable signals about financial health to capital markets, reducing the cost of capital and sustaining investor confidence (Spence, 1973; Cudia & Dela Cruz, 2018). As argued in the theoretical section, these readings are not rivals but ends of a single mechanism, and the governance keywords that bind the two clusters together are precisely the variables that determine which reading dominates in practice.

Third, the latest topic analysis based on VOSviewer visualization shows that contemporary issues such as ESG (Environmental, Social, and Governance) (Kolsi et al., 2023), fintech (Jia et al., 2022), bank stability (Peng et al., 2020), financial distress (Ben Rejeb et al., 2024), and leverage ratio (Religiosa & Surjandari, 2021), corporate strategy (Luu Thu, 2023) has become a topic of considerable attention in recent literature. These emerging themes illustrate a critical evolution in the understanding of earnings management (EM). In the current banking landscape, sustainability initiatives and ethical considerations are increasingly integrated into corporate governance frameworks, influencing how EM practices are evaluated and controlled (Kolsi et al., 2023). Similarly, the rise of financial technology (fintech) has transformed traditional banking operations by enabling real-time reporting and data analytics, which can either enhance transparency or introduce new opportunities for earnings manipulation (Ozili, 2022). This intersection underscores the need for future research to explore how these factors shape EM behavior, regulatory oversight, and long-term bank performance in a rapidly digitized and socially conscious financial environment

## ■ CONCLUSION

The conclusion of this study indicates that earnings management practices in the banking sector are not merely rational responses to contractual and regulatory pressures, as explained by Positive Accounting Theory, but also function as reputation management strategies, particularly during periods of economic uncertainty. These findings further strengthen Signaling Theory by indicating that earnings management serves as a signal of stability to investors and regulators. However, the effectiveness of such signals can be distorted when disclosure quality is weak.

From a practical perspective, the synthesized literature emphasizes the critical importance of strengthening institutional disclosure frameworks, enhancing the macroprudential monitoring of loan loss provisions (LLP), and integrating comprehensive ESG reporting standards to curb opportunistic managerial discretion. For bank executives, the mapped trends suggest that aggressive earnings manipulation strategies are structurally associated with long-term reputational damage and heightened regulatory intervention, making operational transparency and sustainable corporate governance essential to preserving stakeholder trust and macroeconomic stability.

The study is nevertheless bounded by its reliance on two databases (Scopus and ScienceDirect), which excludes records indexed only in Web of Science or Dimensions, and by a bibliometric mapping approach that does not quantify effect sizes. Future research should therefore adopt multi-database search strategies, apply meta-analytic techniques to estimate the magnitude of the EM performance relationship, and extend the temporal scope of the evaluation. Conceptually and empirically, subsequent work should focus on earnings quality metrics, fintech-driven digital banking transformation, and evolving ESG compliance pressures, since the bibliometric map shows that these themes are recent and sparsely populated compared with the established governance and provisioning literature.

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## ■ DECLARATION OF GENERATIVE AI USAGE IN THE WRITING PROCESS

During the drafting and revision of this manuscript, the author used Gemini (an AI developed by Google) to refine sentence structure, improve grammatical accuracy, and ensure coherence in academic English. Following the use of this tool, the author thoroughly reviewed and edited the content as necessary and accepts full responsibility for the final text and scholarly integrity of the article.

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