

# **Nexus between Earning Management and Sustainability: A Paradigm from Emerging Economies**

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To keep pace with the global agendas, sustainable business and ethical reporting of the earnings have received considerable attention from the academia and industries in the emerging economies. In previous literatures, effect of Earnings Management (EM) has been measured from the single dimension of sustainability and disclosures. However, a very few studies have conducted on the association between earnings management and sustainability, highlighting the economic, social and environmental point of view in the low sustainability practicing industries like pharmaceuticals and chemicals. This study aims at investigating the relationship between earnings management and sustainability from three-dimensional point of view namely economic, social and environmental. This quantitative study was conducted on 32 listed Bangladeshi pharmaceutical and chemical firms, following the agency theory, with a 160 observations from five years panel data (2015-2019). Secondary panel data was collected from annual report and sustainability report through content analysis. Random effect Generalized Least Squares (GLS) regression model was employed in a panel data setting to investigate the aforementioned relationship. This statistical analysis revealed that earnings management does have significant relationship with economic and environmental dimension of sustainability. However, social dimension of sustainability does not have any significant relation with earnings management. Considering the both qualitative and quantitative perspective of sustainability we claim that, this study would assist the policymakers and investors to illustrate the future sustainable performance of the firm and detect earnings management from three multidimensional perspectives. Finally, this study recommends that, industry should develop some specific monitoring and legal evaluation criteria to control earnings management to accelerate the sustainable economic and social development.

**Keywords:** *Agency Theory, Auditor's Professional Judgement, Earnings Management, Environmental Risk and Reporting, Health Sector, Pharmaceutical and Chemical Industries, Sustainability, Sustainable Development Goal, Three Pillars of Sustainability*