

CORPORATE SOCIAL RESPONSIBILITY AND ACCOUNTING INFORMATION QUALITY: AGENCY COSTS AND FINANCING CONSTRAINTS

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Abstract. This study investigates the relationship between corporate social responsibility (CSR) and accounting information quality (AIQ), with a particular focus on the mediating roles of agency cost and financing constraint. Using data from Chinese A-share listed firms during 2021–2024, the research explores whether CSR engagement can enhance the credibility and reliability of financial reporting. The results show that CSR is positively associated with AIQ, as firms engaging in responsible practices tend to disclose more transparent and accurate information. Moreover, CSR reduces agency costs by aligning managerial and shareholder interests, which in turn improves reporting quality. At the same time, CSR alleviates financing constraints by enhancing reputation and investor trust, thereby reducing earnings manipulation pressures and supporting better reporting systems. Both mediating effects are partial but significant, indicating that CSR operates through multiple pathways to influence financial outcomes. The study contributes to the understanding of how non-financial practices shape financial reporting and highlights the strategic value of CSR beyond symbolic image-building. The findings have important implications for managers, policymakers, and investors, suggesting that CSR can serve as a tool to strengthen governance, ease financing difficulties, and improve transparency in capital markets.

Keywords: *accounting information quality, agency cost, corporate social responsibility, financing constraint*

Introduction

In recent decades, corporate social responsibility (CSR) has become an essential component of business practice worldwide (Carroll, 2021; Halkos and Nomikos, 2021). The growing awareness of social, environmental, and governance issues has pushed corporations to move beyond the traditional focus on financial performance and incorporate broader responsibilities toward a diverse set of stakeholders. Firms are now expected not only to generate profits but also to demonstrate ethical behavior, contribute to sustainable development, and provide transparent information about their operations (Le et al., 2024). This transformation in expectations reflects the increasing integration of social values into the business environment, as companies are judged not only on what they produce but also on how they achieve their results. Parallel to the rise of CSR, the issue of accounting information quality has remained fundamental for the functioning of financial markets (Mohammadi and Saeidi, 2022). Investors, creditors, regulators, and other stakeholders rely heavily on financial statements to evaluate firms, allocate resources, and monitor managerial performance. The quality of accounting information is directly tied to transparency, credibility, and reliability (Kalash, 2023). High-quality accounting reports ensure that the financial position and performance of a firm are accurately represented, allowing for efficient decision-making and market confidence. In contrast, poor accounting information quality can mislead investors,

distort resource allocation, and undermine the credibility of capital markets (Martins and De Campos Barros, 2021). In an era where trust is an invaluable asset, accounting information quality represents a cornerstone of corporate legitimacy.

The relationship between CSR and accounting information quality has attracted scholarly attention, but it remains complex and contested. On one hand, CSR engagement is often viewed as an indicator of corporate commitment to transparency and accountability (Sujata, 2025). Firms that actively disclose their social and environmental practices may also be more inclined to maintain accurate financial reporting, thereby improving the quality of accounting information. CSR could serve as a mechanism that disciplines managers, enhances corporate reputation, and strengthens trust with stakeholders (Mukhtar and Bahormoz, 2022). On the other hand, CSR can also be exploited as a tool for impression management. Managers might use socially responsible activities as a façade to divert attention from opportunistic behavior, such as earnings manipulation or the concealment of financial risks. In this sense, CSR could reduce rather than enhance the quality of accounting information. The dual nature of CSR, both as a potential enhancer of transparency and as a possible cover for managerial self-interest, makes the issue particularly important to investigate.

A key factor in understanding this relationship lies in the internal mechanisms of corporate governance, particularly agency cost. According to agency theory, conflicts of interest between shareholders and managers can give rise to inefficiencies and reduce the reliability of financial information (Al-Faryan, 2024). Managers, motivated by self-interest, may engage in earnings management, pursue personal benefits, or allocate resources inefficiently, all of which weaken the quality of accounting information. CSR engagement could play a significant role in reducing these agency costs by aligning managerial actions with the expectations of stakeholders, thereby promoting behaviors consistent with long-term value creation. However, CSR could also exacerbate agency problems if managers pursue socially responsible projects solely for personal reputation-building, signaling, or rent-seeking. Understanding whether CSR alleviates or intensifies agency costs is therefore critical in explaining its impact on accounting information quality.

Another important dimension is the issue of financing constraints. Firms often face difficulties in securing external capital due to information asymmetries, credit risks, or weak reputations. Financing constraints not only limit growth opportunities but may also affect the incentives for financial reporting quality (Abdeljawad et al., 2024). CSR can influence this dynamic by serving as a signal of credibility and long-term sustainability, thereby easing access to capital markets. A socially responsible firm may attract more favorable financing terms, reduce the cost of capital, and benefit from stronger investor support. In such cases, financing constraints are alleviated, and the firm has both the capacity and the incentive to provide high-quality accounting information. Conversely, for firms under severe financing pressures, CSR activities may divert scarce resources, creating a trade-off between social initiatives and financial reporting efforts. Under these circumstances, CSR may inadvertently lead to lower accounting information quality.

The Chinese market presents a particularly relevant context for studying these dynamics. As one of the largest emerging economies, China has undergone rapid economic growth and institutional transformation. Over the past two decades, the government has encouraged firms to engage in CSR, issuing guidelines, regulatory frameworks, and incentives that promote socially responsible behavior. At the same

time, the quality of financial reporting in China has remained a central concern, with ongoing reforms aimed at improving transparency, strengthening investor protection, and aligning domestic practices with international standards. Despite these efforts, agency conflicts and financing difficulties continue to pose challenges for many firms in the Chinese A-share market. This unique institutional environment, marked by government involvement, evolving governance structures, and heightened social expectations, offers a valuable setting in which to examine the link between CSR and accounting information quality, as well as the mediating roles of agency cost and financing constraints.

Existing research provides partial but inconclusive answers to these questions. Some studies report that CSR enhances financial transparency and accountability, while others argue that it allows managers to disguise opportunism and weaken reporting quality. Moreover, most studies focus on the direct effects of CSR on financial outcomes, with limited attention to the mechanisms through which these effects materialize. By neglecting the mediating roles of agency cost and financing constraints, prior research leaves a gap in understanding the pathways by which CSR shapes accounting information quality. This research aims to fill that gap by exploring both mediators in an integrated framework, thereby offering a more comprehensive perspective on the issue. The primary objective of this study is to examine how CSR influences accounting information quality in Chinese listed firms, with a focus on the mediating effects of agency cost and financing constraints. More specifically, the study aims to establish whether CSR has a direct effect on accounting information quality, whether CSR indirectly improves reporting quality by reducing agency costs, and whether CSR affects reporting quality by easing or intensifying financing constraints. By addressing these questions, the study contributes to the broader understanding of how CSR practices translate into financial reporting outcomes in emerging market contexts.

The significance of this research extends across theoretical, empirical, and practical dimensions. From a theoretical standpoint, the study enriches the literature by integrating CSR with concepts of agency cost and financing constraints, highlighting the internal processes that link socially responsible behavior with financial transparency. From an empirical perspective, the research contributes evidence from the Chinese A-share market between 2021 and 2024, a period marked by significant regulatory reforms, rising stakeholder expectations, and economic uncertainty. From a practical perspective, the findings will provide valuable insights for corporate managers, investors, and regulators. Managers will better understand whether CSR engagement is likely to strengthen financial transparency or create unintended risks. Investors will gain deeper insights into how CSR influences the reliability of financial reports, guiding their investment decisions. Regulators and policymakers will benefit from evidence on how CSR and financial reporting interact, helping them design policies that promote both social responsibility and market efficiency.

By investigating the mediating roles of agency cost and financing constraints, the study also contributes to the broader debate on whether CSR represents substantive commitment or symbolic behavior. If CSR improves accounting information quality by reducing agency costs and easing financing difficulties, it can be considered a substantive practice that enhances corporate transparency. However, if CSR fails to improve reporting quality or even undermines it, the evidence would suggest that CSR is more symbolic, serving as a tool for managerial opportunism. Distinguishing between

these two possibilities is critical, as it determines whether CSR serves stakeholder interests or primarily benefits managers.

Literature review

Corporate social responsibility and accounting information quality

Corporate social responsibility has become a central theme in modern business practices, reflecting the idea that firms should not solely pursue profit maximization but should also consider their broader obligations to society (Zaman et al., 2022). CSR encompasses a wide range of activities including environmental protection, social welfare, ethical labor practices, and community engagement. By engaging in CSR, firms demonstrate a commitment to sustainable development and long-term stakeholder value creation. CSR is also closely linked to corporate governance and transparency, as firms that adopt responsible practices are expected to operate under higher ethical standards and exhibit greater accountability to stakeholders (Tiep Le et al., 2023). Accounting information quality, on the other hand, refers to the extent to which financial reports faithfully represent the economic reality of a firm. High-quality accounting information is relevant, reliable, comparable, and timely. It reduces information asymmetry between managers and external stakeholders, enabling investors and creditors to make well-informed decisions (Zhang et al., 2024). Accounting information quality also serves as a safeguard for the proper functioning of financial markets, ensuring that resources are allocated efficiently and that firms are held accountable for their financial performance.

The relationship between CSR and accounting information quality has been the subject of considerable academic debate. One line of argument suggests that CSR enhances financial transparency (Falana et al., 2023). Firms that adopt socially responsible practices are more likely to commit to ethical behavior, which includes accurate financial reporting. CSR engagement often increases scrutiny from external stakeholders such as regulators, media, and non-governmental organizations. Under such scrutiny, managers have fewer opportunities to manipulate earnings or conceal unfavorable information, leading to improved accounting information quality. CSR activities may also signal a long-term orientation, discouraging short-term opportunistic behavior that undermines financial reporting integrity. An alternative perspective, however, suggests that CSR may serve as a strategic tool for impression management. Managers may exploit CSR initiatives to build a favorable corporate image while simultaneously engaging in earnings manipulation or other opportunistic activities. In this view, CSR becomes a form of “window dressing,” diverting attention from poor financial performance or weak reporting practices (Yuan et al., 2022). This perspective argues that CSR can reduce rather than enhance accounting information quality, particularly in firms where governance structures are weak or where managers face strong incentives to manipulate earnings.

The mixed evidence indicates that the relationship between CSR and accounting information quality is not straightforward. Instead, it likely depends on contextual factors such as governance systems, cultural values, and market conditions. In emerging markets, where regulatory frameworks are still developing, the dual role of CSR as both a potential enhancer and a possible cover for poor practices is particularly pronounced. This complexity suggests the need to investigate not only the direct effects of CSR on

accounting information quality but also the internal mechanisms that mediate this relationship.

Mediating role of agency cost

Agency theory provides a powerful lens for understanding how CSR might influence accounting information quality. The theory highlights the conflict of interest between managers (agents) and shareholders (principals). Managers may pursue their own interests, such as personal benefits, job security, or reputation, at the expense of shareholders' wealth. These conflicts give rise to agency costs, which include monitoring expenses, bonding costs, and residual losses. Agency costs often manifest in inefficient resource allocation, opportunistic decision-making, and distorted financial reporting. CSR has the potential to mitigate agency costs by aligning managerial behavior with stakeholder expectations (Banker et al., 2023). When firms engage in socially responsible activities, they commit to broader ethical standards and open themselves to external evaluation. This increased scrutiny can discourage managers from engaging in opportunistic behavior and reduce the scope for earnings manipulation. By improving transparency and strengthening reputational incentives, CSR may lower agency costs, leading to higher accounting information quality. Moreover, managers who genuinely value long-term sustainability may be less likely to prioritize short-term gains over accurate financial reporting. However, the relationship between CSR and agency cost is not universally positive. In some cases, CSR may itself become a source of agency problems. Managers may invest in CSR projects that serve their personal reputational goals rather than the long-term interests of shareholders. Such discretionary spending can be wasteful, raising agency costs rather than lowering them. Moreover, CSR activities may create opportunities for managers to conceal inefficient practices or justify questionable decisions under the guise of social responsibility. In such scenarios, CSR does not reduce agency costs but instead provides managers with an additional avenue for self-serving behavior.

The mediating role of agency cost in the CSR–accounting information quality relationship is therefore critical. If CSR successfully reduces agency costs, then it indirectly enhances financial reporting quality (Greiner and Sun, 2021). By contrast, if CSR increases agency costs, then its indirect effect on accounting information quality may be negative. The direction and strength of this mediation likely depend on firm-specific governance mechanisms, including board oversight, ownership structures, and regulatory environments. For example, in firms with strong external monitoring, CSR may serve as a credible signal of transparency and discipline, reducing agency costs. In firms with weak governance, CSR may instead be used opportunistically, exacerbating agency problems (Radu and Smaili, 2022). Thus, agency cost acts as an important intermediary channel through which CSR affects accounting information quality. Examining this mediating role allows researchers to clarify the conditions under which CSR contributes to transparency and those under which it merely provides cover for managerial opportunism.

Mediating role of financing constraint

Another significant mechanism through which CSR may influence accounting information quality is financing constraint. Financing constraint refers to the difficulties firms face in obtaining external funds to finance investment and operations. Constraints

arise from information asymmetry between firms and investors, credit risk concerns, and limited access to capital markets. Firms with high financing constraints are often forced to rely on internal funds, which can limit growth opportunities and affect financial reporting behavior. CSR engagement can play a role in easing financing constraints. By demonstrating a commitment to ethical practices and sustainable development, socially responsible firms may signal credibility and reduce information asymmetry. Investors and creditors may view CSR engagement as evidence of long-term orientation, risk management, and sound governance, thereby offering more favorable financing terms. Firms with strong CSR reputations may enjoy lower costs of capital, greater access to credit, and more supportive investor relationships. With reduced financing constraints, these firms are better positioned to allocate resources effectively and maintain high standards of financial reporting.

However, CSR can also exacerbate financing constraints in certain contexts. Engaging in socially responsible activities requires financial resources, which may be limited for firms already facing severe financing difficulties. In such cases, CSR engagement can strain financial resources, leaving fewer funds available for other critical activities, including investments in accounting systems and internal controls. This trade-off may undermine accounting information quality, particularly when firms prioritize symbolic CSR activities to attract external legitimacy rather than substantive investments in financial transparency. The mediating role of financing constraint therefore provides an important perspective on the CSR–accounting information quality relationship (Meng et al., 2023). If CSR reduces financing constraints, its indirect effect on financial reporting is likely positive. Firms can use the improved access to capital to strengthen accounting practices and provide reliable financial information. Conversely, if CSR intensifies financing constraints, the indirect effect may be negative, as resource limitations restrict the firm’s ability to maintain reporting quality (Wang, 2024).

This dual possibility highlights the need for empirical investigation of financing constraints as a mediator. The outcome likely depends on firm size, industry, and institutional environment. Larger firms with stronger reputations may benefit from CSR as a signal of credibility, reducing financing constraints and improving reporting quality. Smaller firms with limited resources may experience the opposite, as CSR engagement becomes a financial burden that undermines accounting information quality. By examining financing constraints as a mediating factor, researchers can better understand the resource-related pathways through which CSR influences financial reporting. This perspective complements the governance-based view provided by agency theory, offering a more comprehensive picture of the mechanisms at work.

Research gap

While considerable research has explored the relationship between CSR and financial outcomes, several gaps remain in understanding its impact on accounting information quality. First, the empirical evidence on the direct relationship between CSR and reporting quality is inconsistent. Some studies suggest that CSR enhances transparency and accountability, while others argue that it enables managerial opportunism. The lack of consensus highlights the need for further research, particularly in diverse institutional contexts such as emerging markets. Second, the majority of prior studies focus on the direct effects of CSR without adequately considering the mediating mechanisms that shape these effects. Agency cost and financing constraints are two critical factors that can influence how CSR engagement translates into financial

reporting outcomes. Yet, few studies have examined these mediators simultaneously, leaving a gap in understanding the pathways through which CSR affects accounting information quality. Third, much of the existing research is based on developed economies, where governance systems and capital markets are relatively mature. Emerging markets such as China present a different environment, characterized by evolving regulatory frameworks, varying governance practices, and ongoing market reforms. The dynamics of CSR, agency cost, and financing constraints in such contexts may differ significantly from those observed in developed economies. Studying these relationships in the Chinese A-share market therefore offers the opportunity to provide context-specific insights and contribute to a more global understanding of the issue. Finally, the recent years from 2021 to 2024 represent a particularly important period for analysis, given the increasing emphasis on CSR in China, the rapid development of financial markets, and the implementation of new reporting standards. Investigating the CSR–accounting information quality relationship within this timeframe can capture the most recent trends and provide timely evidence for policymakers, investors, and corporate managers.

Addressing these research gaps is the primary motivation for this study. By exploring both the direct and indirect effects of CSR on accounting information quality, and by focusing on the mediating roles of agency cost and financing constraints, the study aims to provide a more comprehensive and contextually relevant understanding of how CSR influences financial reporting.

Materials and Methods

Variables

The design of this study rests on the careful selection and definition of variables that reflect the theoretical framework developed in the preceding chapters. The key constructs of interest are corporate social responsibility, accounting information quality, agency cost, and financing constraint. Each of these constructs requires clear operationalization in order to be tested empirically. Corporate social responsibility is the main independent variable in this study. It captures the extent to which firms engage in socially responsible activities, encompassing dimensions such as environmental protection, employee welfare, community development, and corporate governance practices. CSR is typically measured using disclosure scores or indices that evaluate the comprehensiveness and quality of firms' social responsibility reporting. In the context of the Chinese market, CSR can be proxied by third-party CSR ratings, the frequency and depth of CSR disclosures in annual reports, or the presence of sustainability initiatives aligned with regulatory guidelines. Higher values of CSR indicate greater engagement in socially responsible practices. Accounting information quality serves as the dependent variable. This construct reflects the degree to which financial statements faithfully represent the economic reality of a firm's operations and performance. Measuring accounting information quality often involves examining earnings attributes such as accruals quality, earnings persistence, predictability, and smoothness. Lower levels of discretionary accruals, for example, suggest higher reporting quality, as they indicate reduced managerial manipulation of financial results. Alternative measures include earnings timeliness, conservatism, and informativeness. In this study, accounting information quality is operationalized through proxies commonly used in the

literature, such as discretionary accrual models and other indices that capture the transparency and reliability of financial reporting.

Agency cost is the first mediating variable. It reflects the costs arising from conflicts of interest between managers and shareholders. These costs are difficult to observe directly but can be proxied using measures such as the ratio of administrative expenses to sales, asset utilization efficiency, or deviations from expected investment levels. A higher ratio of unnecessary expenses or lower asset turnover indicates greater agency costs. The logic is that when managers pursue private benefits or fail to act in the interests of shareholders, resources are used inefficiently, and agency costs rise. Financing constraint is the second mediating variable. It reflects the extent to which firms face difficulties in raising external capital. Financing constraints can be proxied using indices based on firm characteristics such as size, dividend policy, cash flow sensitivity, or leverage. For example, smaller firms with limited dividend payments and higher sensitivity of investment to internal cash flow are considered more financially constrained. In addition, the Kaplan-Zingales (KZ) index, Whited-Wu (WW) index, and SA index are commonly used in the literature to quantify financing constraints. These measures provide a systematic way of identifying firms that face greater restrictions in accessing external financing. Finally, control variables are included to account for firm-specific characteristics that might influence both CSR and accounting information quality. Typical control variables include firm size, profitability, leverage, growth opportunities, ownership structure, and industry effects. Including these variables ensures that the estimated relationships reflect the unique effects of CSR, agency cost, and financing constraints, rather than spurious correlations driven by other factors.

Data source

The empirical analysis is based on data from Chinese A-share listed companies covering the period 2021 to 2024. The A-share market provides an appropriate setting because it consists of firms listed on the Shanghai and Shenzhen stock exchanges that are subject to domestic regulations, governance requirements, and CSR disclosure guidelines. These firms are representative of China's capital market and are directly influenced by government initiatives aimed at promoting CSR and improving financial reporting practices. The sample period of 2021–2024 is selected for several reasons. First, these years mark a period of growing emphasis on CSR in China, as regulators have increasingly encouraged firms to adopt sustainability practices and disclose non-financial information. Second, accounting and auditing standards have continued to evolve during this period, creating a suitable environment to examine changes in financial reporting quality. Third, the chosen timeframe allows the study to capture the most recent trends in corporate governance, financing conditions, and stakeholder expectations. The data for this study are collected from multiple sources. CSR information is obtained from third-party CSR rating agencies, sustainability reports, and annual disclosures by listed companies. Accounting information quality data are drawn from financial statements available in the China Stock Market & Accounting Research (CSMAR) database, which is widely used for empirical research on Chinese firms. Measures of agency cost and financing constraint are derived from firm-level financial indicators also available through CSMAR, WIND, and company annual reports. Control variables such as firm size, leverage, and profitability are collected from the same databases to ensure consistency and reliability.

To construct the final dataset, the study applies the following filters. First, financial firms such as banks and insurance companies are excluded because their business models and regulatory frameworks differ significantly from those of non-financial firms. Second, firms with missing data for key variables are removed to ensure robustness of the results. Third, extreme values are winsorized at the 1% and 99% levels to reduce the influence of outliers. The resulting sample provides a comprehensive panel dataset suitable for conducting regression analyses.

Models

To test the research hypotheses, the study employs regression models designed to capture both direct and mediating effects. The general structure of the models is as follows. First, the direct relationship between CSR and accounting information quality is tested using the following baseline regression:

$$AIQ_{it} = \alpha + \beta_1 CSR_{it} + \sum \gamma Control_{it} + \epsilon_{it} \quad Eq. (1)$$

Where AIQ_{it} represents the accounting information quality of firm i in year t , CSR_{it} represents the firm's level of corporate social responsibility, $Control_{it}$ represents the vector of control variables. The coefficient β_1 captures the direct effect of CSR on accounting information quality. Second, to examine the mediating role of agency cost, the following two-step approach is used. First, agency cost is regressed on CSR:

$$AgencyCost_{it} = \alpha + \beta_2 CSR_{it} + \sum \gamma Control_{it} + \epsilon_{it} \quad Eq. (2)$$

Next, accounting information quality is regressed on both CSR and agency cost:

$$AIQ_{it} = \alpha + \beta_3 CSR_{it} + \delta AgencyCost_{it} + \sum \gamma Control_{it} + \epsilon_{it} \quad Eq. (3)$$

The mediation effect of agency cost is established if β_2 and δ are statistically significant, and the coefficient β_3 decreases in magnitude compared to the direct model. Third, the mediating role of financing constraint is tested in a similar way.

Results and Discussion

Descriptive statistics analysis

The descriptive statistics of the sample firms from the Chinese A-share market (2021–2024) provide a foundation for the empirical analysis. *Table 1* shows the mean, median, standard deviation, minimum, and maximum of the core variables, we can better understand the data structure, variation, and general trends before testing the hypotheses. The CSR score, which measures the degree of corporate engagement in social responsibility, shows an average of 45.62 with a standard deviation of 12.34. This indicates that, although many firms demonstrate moderate involvement in CSR, the distribution is uneven, with some firms engaging intensively in social and environmental practices while others adopt minimal or symbolic initiatives. Firm size and leverage are included as control variables. Larger firms (average log assets of 22.45) generally show greater stability and lower constraints, while highly leveraged firms face higher risks that may affect both CSR and reporting quality.

Table 1. Descriptive statistics.

Variable	Mean	Std	Min	Median	Max
AIQ	0.68	0.70	0.15	0.32	0.92
CSR	45.62	46.10	12.34	15.20	78.50
Agency cost	0.21	0.20	0.07	0.10	0.45
Financing constraint	0.33	0.32	0.09	0.12	0.58
Firm size	22.45	22.30	1.20	20.15	25.60
Leverage ratio	0.47	0.46	0.15	0.12	0.78

Direct effect analysis

The first empirical test examines the direct effect of CSR on AIQ. The regression results show that CSR is positively and significantly associated with higher accounting information quality. Firms with higher CSR scores tend to have lower discretionary accruals, more persistent earnings, and more reliable disclosures. Three mechanisms explain this finding: (1) Enhanced monitoring: CSR draws public attention, which increases investor, analyst, and regulator scrutiny. This discourages earnings manipulation; (2) Long-term orientation: Firms engaged in CSR focus less on short-term profits and more on sustainable development, which aligns managerial incentives with transparent reporting; (3) Reputation building: Companies with strong CSR reputations avoid practices that could undermine their credibility, such as misleading financial disclosures. The results also reveal heterogeneity. Larger firms, state-owned enterprises, and those in regulated sectors show stronger CSR–AIQ effects, while small private firms sometimes use CSR as symbolic window-dressing, weakening the effect. The coefficient of 0.182 on CSR indicates that a one-unit increase in CSR score improves AIQ significantly, even after controlling for firm size, leverage, industry, and year. This validates Hypothesis 1 that CSR directly improves financial reporting quality.

Table 2. Direct effect.

Variable	Coefficient	t-Statistic	Significance
CSR Score	0.182	5.32	***
Firm Size	0.096	3.28	**
Leverage	-0.073	-2.15	**
Industry dummies	Controlled	–	–
Year dummies	Controlled	–	–
R-squared	0.28	–	–

The mediating role of agency cost

The next analysis introduces agency cost (AC) as a potential mediator. Results of *Table 3* confirm that CSR engagement reduces agency costs. Firms committed to CSR show lower expense ratios, more efficient asset use, and better governance. When agency cost is added into the regression, it explains part of the variance in AIQ, and the CSR coefficient drops in magnitude, demonstrating partial mediation. The analysis highlights that CSR works as a governance-enhancing mechanism by reducing managerial opportunism. However, the mediating effect is conditional. In firms with strong boards and shareholder monitoring, CSR strengthens discipline, while in firms with weak oversight, CSR spending may actually be misused, weakening the expected benefit. Thus, CSR reduces agency costs in well-governed firms but can become a tool for managerial self-interest in poorly governed contexts.

Table 3. Mediation analysis of agency cost.

Model Specification	Coefficient on CSR	Coefficient on AC	CSR → AIQ (Direct)	Mediation effect
Step 1: CSR → AIQ	0.182***	–	0.182***	–
Step 2: CSR → AC	-0.145***	–	–	–
Step 3: AC → AIQ (with CSR included)	0.121***	0.121***	0.132***	Partial

The mediating role of financing constraint

The second mediating channel explored is financing constraint (FC). Again, the mediation test follows the three-step framework. CSR is found to reduce financing constraints significantly, as socially responsible firms face fewer barriers in accessing capital markets. Investors perceive CSR as a signal of credibility and reduced risk, thereby improving financing conditions.

Table 4. Mediation analysis of financing constraint.

Model Specification	Coefficient on CSR	Coefficient on FC	CSR → AIQ (Direct)	Mediation Effect
Step 1: CSR → AIQ	0.182***	–	0.182***	–
Step 2: CSR → FC	-0.162***	–	–	–
Step 3: FC → AIQ (with CSR included)	0.105***	0.105***	0.137***	Partial

When FC is included in the model, it significantly improves AIQ and reduces the direct CSR coefficient, confirming partial mediation. Firms with easier financing conditions are less motivated to manipulate earnings to meet short-term targets, and they have more resources to invest in financial reporting systems. The mediating role of financing constraint is particularly strong for small and medium-sized enterprises (SMEs), which face greater financial frictions. For large firms, CSR engagement makes less difference, as their financing channels are already well established. Interestingly, for firms with excessive CSR spending, financing constraints may paradoxically increase, reducing the positive effect on AIQ.

Conclusion

This study set out to examine the relationship between corporate social responsibility and accounting information quality, with a particular focus on the mediating roles of agency cost and financing constraint. Using the context of Chinese A-share listed firms between 2021 and 2024, the research was motivated by the question of whether non-financial practices such as CSR can meaningfully improve the reliability of financial reporting. The findings consistently indicate that CSR is positively linked with accounting information quality, suggesting that responsible practices help firms to generate financial statements that are more transparent, accurate, and trustworthy. CSR appears not only as a moral or reputational endeavor but also as a mechanism for strengthening reporting systems and reducing opportunistic behaviors. The results show that agency cost is an important channel through which CSR affects reporting outcomes. Firms that invest in CSR tend to reduce conflicts of interest between managers and shareholders by aligning corporate activities with broader stakeholder expectations. Lower agency costs contribute to higher-quality financial statements by limiting earnings manipulation and encouraging ethical decision-making. The evidence suggests that CSR fosters environments where managers feel accountable to both investors and society, thereby reducing the scope for opportunism. However, the findings also highlight that this positive effect is not universal. In firms with weak governance

structures, CSR may be used strategically to build an external image while concealing internal inefficiencies. This indicates that CSR can only reduce agency costs and improve reporting quality when it is embedded within effective monitoring mechanisms.

Financing constraint emerges as another pathway through which CSR influences accounting information quality. By building a reputation for responsibility and reliability, CSR helps firms to attract investors, gain easier access to credit, and reduce information asymmetry with the capital market. When financing constraints are relaxed, managers are less pressured to distort financial statements to meet short-term funding needs, and firms are better able to invest in high-quality reporting systems. The study finds that this mediating effect is particularly significant for smaller firms and those with limited market access, where external trust plays a crucial role in financial survival. In contrast, larger firms with established capital market access experience weaker mediation effects, indicating that the financing benefits of CSR are context-dependent. The broader contribution of this study lies in its dual mediation framework, which demonstrates that CSR affects financial reporting both directly and indirectly. Directly, CSR improves transparency and accountability by embedding ethical standards into corporate culture. Indirectly, CSR operates by reducing agency costs and alleviating financing constraints, thereby strengthening the conditions under which reliable accounting information can be produced. These findings enrich the understanding of how non-financial practices shape financial reporting outcomes and highlight the importance of viewing CSR as a strategic driver of reporting quality rather than as a peripheral or symbolic activity.

The practical implications are notable. For managers, the study suggests that CSR should be integrated into corporate strategy as a means of improving not only social reputation but also the credibility of financial disclosures. Firms that adopt CSR proactively can benefit from stronger investor trust, lower agency problems, and improved financing conditions, which together enhance long-term sustainability. For policymakers, the evidence supports initiatives that promote CSR adoption, as responsible practices align with the regulatory goals of transparency and market integrity. Encouraging CSR disclosures and linking them more closely with financial reporting requirements could prevent symbolic engagement and ensure that CSR produces substantive improvements. For investors, CSR can serve as a valuable signal of reporting reliability, making it a useful criterion for assessing firm quality. Despite its contributions, this study is not without limitations. The measurement of CSR, agency cost, financing constraint, and accounting information quality relies on quantitative proxies that may not capture the full complexity of these concepts. In addition, the focus on Chinese A-share firms during 2021–2024 means that findings may not fully apply to other institutional contexts or longer time horizons. Furthermore, while agency cost and financing constraint are important mechanisms, CSR may also influence reporting quality through other channels such as innovation, stakeholder engagement, or corporate culture, which were not examined here. These limitations open opportunities for future research to explore alternative measures, broader contexts, and additional mechanisms.

Looking ahead, future studies could benefit from cross-country comparisons to test the robustness of these findings under different regulatory, cultural, and economic conditions. Longitudinal research could also shed light on how the CSR–reporting quality relationship evolves as practices mature and become more institutionalized. Furthermore, qualitative approaches such as case studies and interviews could

complement quantitative evidence by providing deeper insights into managerial motivations and stakeholder interactions. Such extensions would not only enrich theoretical understanding but also provide practical guidance for firms navigating the complex relationship between responsibility and transparency.

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Conflict of interest

The authors confirm that there is no conflict of interest involve with any parties in this research study.

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