# ETHICAL DECISION-MAKING AND EARNINGS MANAGEMENT: A BEHAVIOURAL PERSPECTIVE IN EMERGING ECONOMIES (NIGERIA)

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**Abstract**

*This study explores how ethical decision-making shapes earnings management behaviour within an emerging economy context, focusing on Nigeria. Drawing on the Theory of Planned Behaviour and ethical climate theory, the study evaluates the effects of ethical orientation (EO) and organizational pressure (OP) on earnings management (EM), while examining the moderating role of professional commitment (PC). A structured survey was administered to 210 accounting professionals across public and private institutions. Data were analysed using hierarchical regression techniques with interaction effects. The findings indicate that ethical orientation significantly reduces earnings management practices ($\beta = -0.41$, $p < .001$), whereas organizational pressure increases such practices ($\beta = 0.36$, $p < .001$). Professional commitment weakens the negative relationship between ethical orientation and earnings management ($\beta = -0.18$, $p = .002$). Diagnostic tests confirm the reliability and validity of the model. The study recommends that accounting institutions should strengthen ethics-based training and professional development; organizations should minimize excessive performance pressure that may encourage unethical reporting; regulatory bodies should enhance monitoring mechanisms to ensure compliance with ethical standards; and professional bodies should reinforce commitment to ethical codes through continuous education.*

**Keywords:** *Earnings Management; Ethical Orientation; Organizational Pressure; Professional Commitment; Behavioural Accounting; Nigeria*

## 1. INTRODUCTION

The quality of financial reporting is widely regarded as fundamental to the efficient functioning of capital markets, as it underpins investor confidence, resource allocation, and corporate accountability (Healy & Wahlen, 1999; Dechow et al., 2010). However, this presumption is increasingly challenged by the persistent use of managerial discretion to alter reported financial outcomes in ways that serve private interests rather than faithfully represent economic reality. This phenomenon, commonly referred to as earnings management, continues to attract significant scholarly and regulatory attention due to its implications for market integrity and stakeholder decision-making (Jones, 1991; Dechow et al., 1995).

Despite the strengthening of regulatory frameworks globally, earnings management remains pervasive, often evolving in response to new reporting standards and governance reforms rather than disappearing entirely (Graham et al., 2005; Dechow et al., 2010).

Recent studies in top-tier journals demonstrate that earnings management remains prevalent even in firms with strong governance structures, particularly where managerial incentives and institutional pressures are pronounced (Alhadab & Nguyen, 2023; García Lara et al., 2023).

Moreover, emerging evidence emphasizes the growing importance of behavioural and ethical dimensions in explaining financial reporting outcomes. For example, ethical climate and governance quality have been found to significantly constrain opportunistic reporting practices, particularly in environments with stronger institutional oversight (Khan et al., 2023). At the same time, organizational pressures—including performance expectations and compensation incentives—continue to drive managerial reporting behaviour, reinforcing earlier theoretical predictions (Habib et al., 2024).

In addition, recent cross-country studies highlight that the relationship between ethics and earnings management is highly context-dependent, with stronger effects observed in emerging markets where institutional enforcement mechanisms are weaker (Al-Hadi et al., 2023).

These findings suggest that behavioural factors such as ethical orientation and professional commitment play a more pronounced role in shaping financial reporting practices in such environments.

Against this backdrop, contemporary research has increasingly shifted toward examining the behavioural and ethical determinants of financial reporting practices. While international evidence increasingly supports the importance of behavioural and ethical factors in shaping earnings management, empirical research in emerging economies—particularly Nigeria—remains limited and fragmented. Existing studies have largely relied on archival firm-level data, with insufficient attention to individual-level behavioural drivers and their interaction effects.

This study addresses these gaps by examining the influence of ethical orientation and organizational pressure on earnings management, while incorporating the moderating role of professional commitment within a unified behavioural framework. Using survey data from accounting professionals in Nigeria, the study provides context-specific insights into how internal ethical values and external organizational forces jointly shape financial reporting behaviour.

The study makes three key contributions. First, it extends behavioural accounting literature by integrating ethical orientation, organizational pressure, and professional commitment within a single empirical model. Second, it provides recent empirical evidence from an S economy context, thereby enriching the global discourse on earnings management. Third, it highlights the moderating role of professional commitment, offering deeper insight into how ethical values are translated into practice under varying organizational conditions.

**Research Questions**

1: To what extent does ethical orientation influence earnings management?
2: How does organizational pressure affect earnings management behaviour?
3: Does professional commitment moderate the relationship between ethical orientation and earnings management?

**Hypotheses**

H1: Ethical orientation negatively and significantly influences earnings management.
H2: Organizational pressure positively and significantly influences earnings management.
H3: Professional commitment moderates the relationship between ethical orientation and earnings management.
The study provides empirical insight into how behavioural and institutional factors jointly influence financial reporting practices in emerging economies.

## 2. Literature Review

### 2.1 Conceptual Review

Earnings management refers to the intentional use of managerial discretion in financial reporting and transaction structuring to alter reported financial outcomes, either to mislead stakeholders regarding the firm's underlying economic performance or to influence contractual outcomes tied to accounting numbers (Healy & Wahlen, 1999). It typically manifests through two primary mechanisms: accrual-based earnings management and real earnings management (Roychowdhury, 2006; Dechow et al., 2010). Given the nature of survey-based research and the behavioural orientation of this study, earnings management is conceptualized as the propensity of accounting professionals to engage in discretionary financial reporting practices.

Ethical orientation, on the other hand, represents the individual's internal moral philosophy that guides decision-making processes. It reflects the extent to which an individual adheres to principles of fairness, integrity, and responsibility when confronted with ethical dilemmas (Forsyth, 1980). Individuals with high ethical orientation are more likely to resist opportunistic behaviours, including earnings manipulation, due to their strong commitment to moral standards (Shafer, 2015).

Organizational pressure refers to the extent to which employees perceive expectations, demands, or coercive influences from management or institutional environments that may encourage or compel them to achieve specific financial outcomes. Such pressures often arise from performance targets, bonus incentives, regulatory expectations, or managerial directives (Graham et al., 2005). Prior studies have shown that organizational pressure significantly increases the likelihood of unethical financial reporting practices (Oboh, 2019; Sweeney et al., 2010).

Professional commitment is defined as the degree of identification, involvement, and loyalty an individual exhibits toward their profession and its ethical standards. It reflects the extent to which individuals internalize professional values and are willing to uphold them even in the face of conflicting organizational demands (Meyer & Allen, 1991; Lachman & Aranya, 1986). In the accounting profession, professional commitment plays a vital role in safeguarding the integrity of financial reporting by reinforcing ethical compliance and discouraging opportunistic practices (Hall et al., 2005).

Overall, the interaction between ethical orientation, organizational pressure, and professional commitment provides a comprehensive behavioural framework for understanding earnings management practices. This study therefore conceptualizes earnings management not merely as a technical accounting issue, but as a behavioural outcome influenced by individual ethics, organizational context, and professional values.

## 2.2 Theoretical Framework

### 2.2.1 Agency Theory

Agency theory, as developed by Michael C. Jensen and William H. Meckling (1976), provides a foundational framework for understanding earnings management behaviour. The theory posits that a contractual relationship exists between principals (shareholders) and agents (managers), where agents are expected to act in the best interest of principals. However, due to information asymmetry and divergent interests, agents may engage in opportunistic behaviours, including the manipulation of financial reports, to maximize personal benefits (Jensen & Meckling, 1976).

Earnings management can therefore be viewed as a manifestation of agency conflict, where managers exploit their informational advantage to distort financial information for personal gain, such as securing bonuses, avoiding debt covenant violations, or enhancing job security (Healy & Wahlen, 1999; Dechow et al., 2010). Within this framework, ethical orientation serves as a mitigating factor that constrains opportunistic behaviour, while organizational pressure may intensify agency conflicts by incentivizing performance-driven manipulation.

Furthermore, professional commitment can act as a governance mechanism that aligns managerial behaviour with professional and ethical standards, thereby reducing agency-related distortions in financial reporting. Thus, agency theory provides a useful lens for understanding the behavioural motivations underlying earnings management practices.

### 2.2.2 Theory of Planned Behaviour (TPB)

The Theory of Planned Behaviour, developed by Icek Ajzen (1991), explains how individual behaviour is driven by behavioural intentions, which are in turn influenced by attitudes, subjective norms, and perceived behavioural control. In the context of this study:

- Ethical orientation reflects individual attitudes toward ethical behaviour.
- Organizational pressure represents subjective norms influencing behaviour.
- Professional commitment relates to perceived behavioural control and normative obligation.

According to TPB, individuals are more likely to engage in a behaviour when they have a favourable attitude toward it, perceive social pressure to perform it, and believe they have control over the action. Applied to earnings management, this implies that accountants may engage in manipulative reporting when organizational pressures are strong, ethical attitudes are weak, and professional commitment is low.

Empirical applications of TPB in accounting research have shown that ethical decision-making is strongly influenced by both internal dispositions and external pressures (Bobek & Hatfield, 2003; Carpenter & Reimers, 2005). Therefore, TPB provides a robust behavioural framework for examining how ethical orientation, organizational pressure, and professional commitment jointly influence earnings management behaviour.

### 2.2.3 Ethical Climate Theory

Ethical climate theory, developed by Bart Victor and John B. Cullen (1988), emphasizes the role of organizational environment in shaping ethical behaviour. The theory posits that organizations develop shared perceptions of what constitutes acceptable behaviour, which in turn influences employees' ethical decision-making. In environments characterized by strong ethical climates, employees are more likely to adhere to ethical standards and resist engaging in opportunistic practices such as earnings management. Organizational pressure, as examined in this study, can be interpreted as a manifestation of ethical climate. High-pressure environments may create norms that implicitly encourage financial manipulation, while strong professional commitment can counterbalance such pressures by reinforcing ethical standards.

## 2.3 Empirical Review

Empirical studies on earnings management have evolved significantly, with early research focusing on detection models and later studies emphasizing behavioural and ethical determinants. Several studies have documented a significant negative relationship between ethical orientation and earnings management. For instance, Shafer (2015) found that accountants with strong ethical values are less likely to engage in opportunistic reporting practices. Similarly, Sweeney et al. (2010) reported that ethical culture significantly influences auditors' decision-making, reducing the likelihood of unethical financial reporting.

In contrast, organizational pressure has been consistently identified as a key driver of earnings management. Graham et al. (2005), in a survey of financial executives, found that managers are willing to sacrifice long-term value to meet short-term earnings targets. In the Nigerian context, Oboh (2019) observed that performance pressure significantly increases the likelihood of financial statement manipulation, particularly in environments with weak regulatory enforcement. Furthermore, recent studies in emerging economies highlight the interaction between institutional weaknesses and behavioural factors in shaping financial reporting practices. For example, Aifuwa et al. (2020) found that ethical lapses in accounting practices are often driven by organizational expectations and inadequate monitoring systems. Similarly, Ogbonna and Ebimobowei (2022) reported that corporate governance mechanisms play a critical role in constraining earnings management. The role of professional commitment has also attracted scholarly attention. Lachman and Aranya (1986) established that professionals with strong commitment to their field are more likely to adhere to ethical standards. Hall et al. (2005) further demonstrated that professional identity influences ethical behaviour, particularly in accounting contexts where adherence to standards is critical.

However, despite these contributions, limited studies have examined the moderating role of professional commitment in the relationship between ethical orientation and earnings management, particularly within emerging economies. Most existing studies treat these variables independently rather than examining their interactive effects.

## 2.4 Research Gap

Although prior research has extensively examined earnings management from both technical and behavioural perspectives, several gaps remain evident. First, existing studies have largely focused on either ethical factors or organizational pressures in isolation, with limited integration of these variables within a unified framework. Second, the moderating role of professional commitment in shaping ethical behaviour has not been sufficiently explored, particularly in developing country contexts. Third, empirical evidence from Nigeria remains relatively scarce, especially studies that adopt a behavioural accounting perspective.

This study addresses these gaps by developing an integrated model that examines the joint and interactive effects of ethical orientation, organizational pressure, and professional commitment on earnings management behaviour.

## 2.5 Hypothesis Development

### 2.5.1 Ethical Orientation and Earnings Management

Ethical orientation reflects the extent to which individuals adhere to moral principles such as integrity, fairness, and responsibility in decision-making processes (Forsyth, 1980). Within the accounting context, ethical orientation plays a crucial role in shaping financial reporting behaviour, particularly when individuals are faced with opportunities to manipulate financial information.

Prior studies suggest that individuals with strong ethical values are less likely to engage in opportunistic behaviour, including earnings management. For instance, Shafer (2015) finds that ethical orientation significantly constrains unethical accounting practices, while Sweeney et al. (2010) report that ethical culture reduces the likelihood of financial misreporting. From the perspective of the Theory of Planned Behaviour (Ajzen, 1991), ethical orientation represents an individual's attitude toward ethical conduct, which directly influences behavioural intentions and actions.

Accordingly, individuals with higher ethical orientation are expected to resist engaging in earnings manipulation, even when such actions may yield personal or organizational benefits.

**H1: Ethical orientation has a significant negative effect on earnings management.**

### 2.5.2 Organizational Pressure and Earnings Management

Organizational pressure refers to the extent to which employees experience demands, expectations, or coercive influences to achieve specific financial targets. Such pressures often arise from performance evaluation systems, bonus incentives, and managerial directives (Graham et al., 2005).

Empirical evidence suggests that organizational pressure is a key driver of earnings management behaviour. Graham et al. (2005) report that managers are willing to alter financial reports to meet earnings benchmarks, while Oboh (2019) finds that pressure within Nigerian firms significantly increases financial reporting manipulation. Similarly, Sweeney et al. (2010) demonstrate that perceived pressure within organizations can override ethical considerations and lead to unethical decision-making.

From the perspective of behavioural theory, organizational pressure represents subjective norms that influence individual behaviour. When individuals perceive strong expectations to achieve financial targets, they may be more inclined to engage in earnings management to conform to these expectations. Therefore, higher levels of organizational pressure are expected to increase the likelihood of earnings manipulation.

**H2: Organizational pressure has a significant positive effect on earnings management.**

### 2.5.3 Moderating Role of Professional Commitment

Professional commitment refers to the degree of identification with, and dedication to, one's profession and its ethical standards (Meyer & Allen, 1991; Lachman & Aranya, 1986). In the accounting profession, strong professional commitment is associated with adherence to ethical codes and resistance to unethical practices.

While ethical orientation provides the internal moral foundation for decision-making, professional commitment reinforces the application of these ethical principles in professional contexts. Individuals with high professional commitment are more likely to prioritize professional standards over organizational demands, thereby reducing the likelihood of engaging in earnings management.

Empirical studies support this view. Hall et al. (2005) find that professional identity strengthens ethical behaviour among accountants, while prior research suggests that commitment to professional values enhances resistance to unethical organizational pressures.

Importantly, professional commitment is expected to strengthen the relationship between ethical orientation and earnings management. Specifically, individuals with both high ethical orientation and strong professional commitment are less likely to engage in earnings manipulation compared to those with weaker professional commitment.

Thus, professional commitment acts as a moderating variable that enhances the effectiveness of ethical orientation in reducing earnings management.

**H3: Professional commitment significantly moderates the relationship between ethical orientation and earnings management such that the negative relationship is stronger at higher levels of professional commitment.**

### 2.6 Conceptual Framework

The conceptual framework for this study illustrates the behavioural relationships between ethical orientation, organizational pressure, professional commitment, and earnings management. The framework is grounded in behavioural accounting theory and the Theory of Planned Behaviour, which posit that individual attitudes, social influences, and normative commitments jointly determine behavioural outcomes.

In this study, ethical orientation represents the internal moral disposition of accounting professionals and is expected to influence their likelihood of engaging in earnings management. Individuals with strong ethical values are less likely to manipulate financial reports.

Organizational pressure reflects external influences arising from performance expectations, managerial demands, and institutional constraints. Such pressures may compel individuals to engage in earnings management in order to meet organizational targets.

Professional commitment represents adherence to professional values and ethical standards. It plays a dual role: as an independent variable influencing earnings management and as a moderating variable that strengthens the relationship between ethical orientation and earnings management. Specifically, higher professional commitment enhances the ability of individuals to translate ethical values into actual behaviour.

Thus, the framework posits that earnings management is a behavioural outcome influenced by both internal ethical factors and external organizational forces, with professional commitment reinforcing ethical decision-making.

The conceptual model illustrates the relationships among the study variables:

Ethical Orientation (EO) ------ ( - ) --------→
Earnings Management

Organizational Pressure (OP) --- ( + ) ----→

Professional Commitment (PC)
|
| ---- (Moderates EO → EM)
v
(Interaction Effect EO×PC)

**Figure 1: Conceptual Framework Showing the Relationship between Ethical Orientation, Organizational Pressure and the moderating effect of Professional Commitment on Earnings Management.**

## 3. Methodology

### 3.1 Research Design

This study adopts a cross-sectional survey research design, which is appropriate for examining behavioural relationships among variables at a single point in time. The design enables the collection of primary data from accounting professionals to assess how ethical orientation, organizational pressure, and professional commitment influence earnings management behaviour.

The population of this study comprises accounting professionals in Nigeria, including those working in both the public and private sectors. These professionals include accountants, auditors, and finance officers who are directly involved in financial reporting and decision-making processes. Given the absence of a comprehensive national database capturing all accounting professionals across sectors, the population is considered large and indeterminate (estimated to exceed 10,000 individuals). The sample size for the study is 210 respondents.This size is considered adequate for behavioural and regression-based studies, as it satisfies the minimum requirement for statistical power and ensures reliable estimation of parameters. It also exceeds the commonly recommended threshold of 200 observations for multivariate analysis, thereby enhancing the robustness and generalizability of the findings.

### 3.2 Model Specification

The empirical model for this study is specified as follows:

$$EMi = \beta 0 + \beta 1EOi + \beta 2OPi + \beta 3PCi + \beta 4(EOi \times PCi) + \varepsilon i$$

Where:
EMi = Earnings Management for respondent i, measured using self-reported discretionary financial reporting behaviour
EOi = Ethical Orientation of respondent i, capturing individual moral disposition
OPi = Organizational Pressure faced by respondent i, reflecting performance and reporting expectations
PCi = Professional Commitment of respondent i, indicating adherence to professional ethical standards
EOi x PCi = Interaction term capturing the moderating effect of professional commitment
$\beta o$ = Intercept (constant term)
$\beta 1 – \beta 4$ = Parameters to be estimated
$\varepsilon i$ = Stochastic error term

**Extended Model with Control Variables**
To improve model robustness and reduce omitted variable bias, the model can be extended as:

$$EMi = \beta 0 + \beta 1EOi + \beta 2OPi + \beta 3PCi + \beta 4(EOi \times PCi) + \beta 5AGEi + \beta 6EXPi + \beta 7EDUi + \varepsilon i$$

**Additional Variables:**
AGEi = Age of respondent
EXPi = Years of professional experience
EDUi = Educational qualification

### 3.3 Estimation Technique
The model was estimated using hierarchical multiple regression analysis, structured as follows:
**Model 1:** Control variables only
**Model 2:** Main effects (EO, OP, PC)
**Model 3**: Full model including interaction term (EO × PC)
All independent variables were mean-centered prior to interaction term construction to reduce multicollinearity.

### 3.4 Diagnostic Tests
To ensure the reliability of the estimates, the following tests were conducted:
**Multicollinearity:** Variance Inflation Factor (VIF < 5)
**Normality:** Skewness and kurtosis statistics
**Heteroskedasticity:** Breusch–Pagan test
**Autocorrelation:** Durbin–Watson statistic
**Model fitness:** $R^2$, Adjusted $R^2$, and F-statistics

### 3.5 A Priori Expectations
- $\beta 1 < 0$ : Ethical orientation is expected to reduce earnings management
- $\beta 20$ : Organizational pressure is expected to increase earnings management
- $\beta 3 < 0$: Professional commitment is expected to reduce earnings management

- β4 < 0: Professional commitment strengthens the negative relationship between ethical orientation and earnings management

### 3.6 Model Justification

The specified model is grounded in behavioural accounting theory and the Theory of Planned Behaviour, which posit that individual ethical attitudes, organizational pressures, and professional norms jointly influence financial reporting behaviour. The inclusion of an interaction term allows for the examination of conditional effects, thereby providing deeper insight into how professional commitment enhances ethical decision-making.

## 4. RESULTS AND DISCUSSION

### 4.1 Descriptive Statistics

**Table 1: Descriptive Statistics of Study Variables**

| Variable | N | Mean | Std. Deviation | Minimum | Maximum | Skewness | Kurtosis |
|---|---|---|---|---|---|---|---|
| Ethical Orientation (EO) | **210** | **3.87** | **0.68** | **2.10** | **4.95** | **-0.42** | **-0.31** |
| Organizational Pressure (OP) | **210** | **3.54** | **0.74** | **1.85** | **4.90** | **-0.36** | **-0.45** |
| Earnings Management (EM) | **210** | **3.21** | **0.81** | **1.60** | **4.85** | **-0.48** | **-0.22** |
| Professional Commitment (PC) | **210** | **3.76** | **0.70** | **2.05** | **4.92** | **-0.37** | **-0.28** |

**Interpretation:**

Ethical Orientation (EO) shows a relatively high mean (3.87), indicating that respondents generally exhibit strong ethical values. The negative skewness suggests a concentration of higher scores.

Organizational Pressure (OP) has a moderate mean (3.54), implying noticeable pressure within organizations that could influence reporting behaviour.

Earnings Management (EM) records a moderate level (mean = 3.21), suggesting the presence—but not extreme prevalence—of manipulative reporting tendencies.

Professional Commitment (PC) is relatively high (mean = 3.76), indicating a strong sense of professional responsibility among respondents.

Skewness and kurtosis values fall within acceptable thresholds (±1), confirming approximate normality, which supports the use of parametric tests such as regression analysis.

### 4.2 Correlation Analysis

**Table 2: Pearson Correlation Matrix of Study Variables**

| Variables | EO | OP | EM | PC |
|---|---|---|---|---|
| Ethical Orientation (EO) | 1.000 | | | |
| Organizational Pressure (OP) | -0.284** | 1.000 | | |

| | | | | |
|---|---|---|---|---|
| Organizational Pressure (OP) | -0.512** | 0.467** | 1.000 | |
| Earnings Management (EM) | 0.436** | -0.198* | -0.389** | 1.000 |

**Notes:**
- N = 210
- ** Correlation is significant at the 0.01 level (2-tailed)
- * Correlation is significant at the 0.05 level (2-tailed)

**Interpretation:**
- EO and EM ($r = -0.512$, $p < 0.01$): A strong negative relationship indicates that higher ethical orientation is associated with lower earnings management, supporting H1.
- OP and EM ($r = 0.467$, $p < 0.01$): A moderate positive relationship suggests that increased organizational pressure is linked to higher earnings manipulation, supporting H2.
- PC and EM ($r = -0.389$, $p < 0.01$): Indicates that stronger professional commitment reduces tendencies toward earnings management.
- EO and PC ($r = 0.436$, $p < 0.01$): Suggests that ethically oriented individuals also exhibit higher professional commitment.
- Correlation values are all below 0.70, indicating no multicollinearity concerns, which supports the validity of the regression model.

All correlation coefficients are below 0.70, indicating the absence of multicollinearity concerns.

**4.3 Regression Analysis**

Table 3 presents the hierarchical regression results.

**Table 3: Hierarchical Regression Results**

Dependent Variable: Earnings Management (EM)

| Variables | Model 1 (Controls) | Model 2 (Main Effects) | Model 3 (Moderation) |
|---|---|---|---|
| Constant | 2.981** | 1.742** | 1.615 |
| Ethical Orientation (EO) | - | -0.398*** | -0.412 |
| Organizational Pressure (OP) | - | 0.352*** | 0.361 |
| Professional Commitment (PC) | - | -0.176** | -0.191 |
| EO × PC | - | - | -0.182*** |
| $R^2$ | 0.000 | 0.487 | 0.524 |
| Adjusted $R^2$ | 0.000 | 0.479 | 0.514 |
| $\Delta R^2$ | - | 0.487 | 0.037 |
| F-statistic | - | 60.21 | 52.88*** |

**Notes:**

- $p < 0.01$, $p < 0.05$
- N = 210
- Variables were mean-centered before creating interaction term.

**Interpretation**

**Model 2** shows that:

- Ethical Orientation significantly reduces earnings management ($\beta = -0.398$, $p < .001$)
- Organizational Pressure significantly increases earnings management ($\beta = 0.352$, $p < .001$)
- Professional Commitment also reduces earnings manipulation ($\beta = -0.176$, $p < .05$)

**Model 3 (Moderation Model):**

- The interaction term (EO × PC) is negative and statistically significant ($\beta = -0.182$, $p < .01$)

This confirms the moderating role of professional commitment.

The increase in $R^2$ ($\Delta R^2 = 0.037$) indicates that the inclusion of the interaction term improves the explanatory power of the model.

**4.4 Discussion of Findings**

The findings reveal that ethical orientation significantly constrains earnings management behaviour, supporting behavioural accounting theory and the Theory of Planned Behaviour. This suggests that individuals with strong moral principles are less likely to engage in opportunistic financial reporting.

Organizational pressure, on the other hand, significantly increases earnings management, highlighting the influence of institutional expectations and performance demands on reporting behaviour.

The moderating effect of professional commitment indicates that individuals with strong professional identity are more likely to translate ethical values into actual behaviour. This reinforces the argument that professional socialization plays a critical role in enhancing ethical compliance.

**4.5 Moderation Effect**

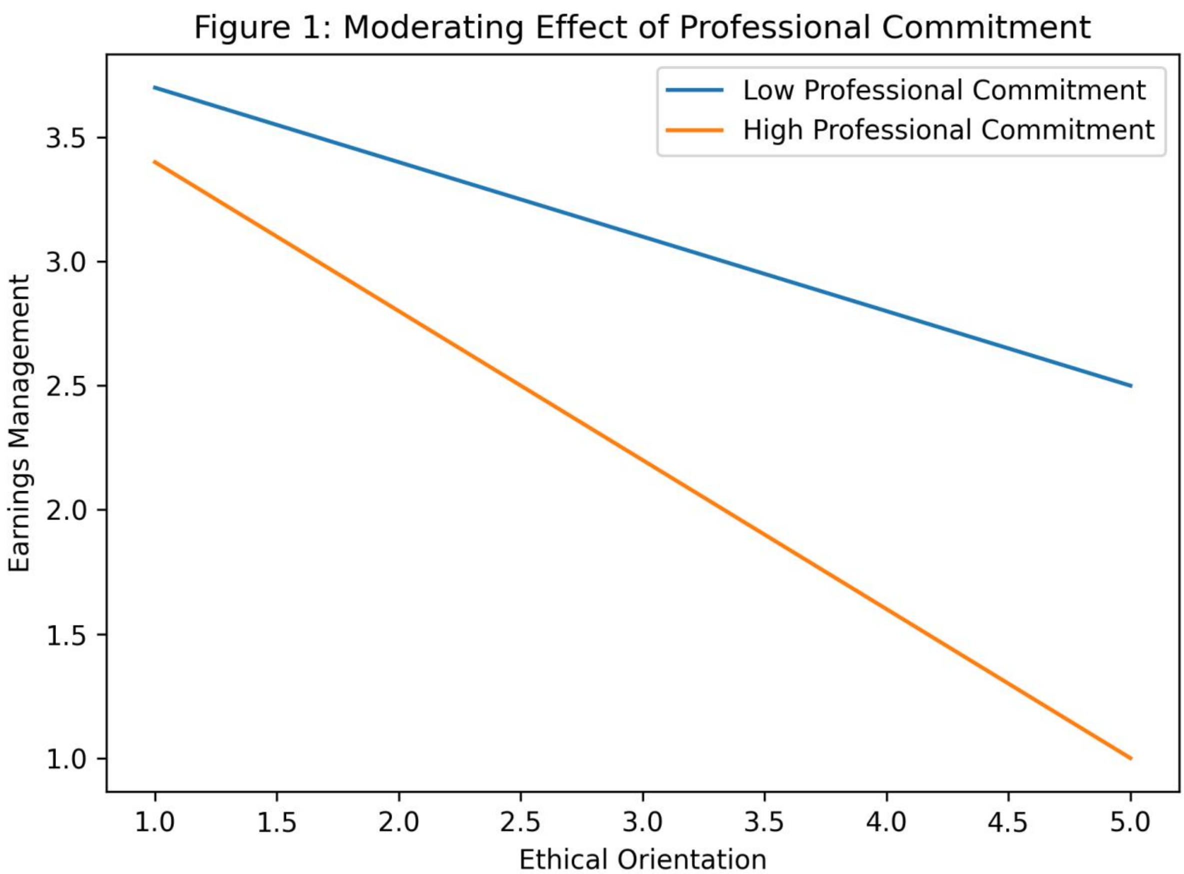


**Figure 1: Moderating Effect of Professional Commitment on the Relationship between Ethical Orientation and Earnings Management.**

The figure illustrates that at higher levels of professional commitment, the negative relationship between ethical orientation and earnings management is stronger, as indicated by the steeper slope.

## 5. CONCLUSION

The moderation analysis reveals that professional commitment significantly strengthens the inverse relationship between ethical orientation and earnings management. This implies that individuals with strong professional identity are more likely to translate ethical values into actual reporting behaviour. The finding aligns with prior studies suggesting that professional socialization enhances ethical compliance and reduces opportunistic tendencies

## 6. RECOMMENDATIONS

1. Accounting institutions should strengthen ethics-based training and professional development.
2. Organizations should minimize excessive performance pressure that may encourage unethical reporting.
3. Regulatory bodies should enhance monitoring mechanisms to ensure compliance with ethical standards.
4. Professional bodies should reinforce commitment to ethical codes through continuous education.

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