

# A META-ANALYTIC REVIEW OF THE IMPACT OF FINANCIAL REPORTING QUALITY ON FIRM VALUE AND PERFORMANCE: EVIDENCE FROM SYSTEMATIC LITERATURE SYNTHESIS

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## Abstract

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This study conducts a systematic review combined with meta-analysis to quantify the overall effect of financial reporting quality (FRQ) on firm value, thereby addressing inconsistencies in prior empirical findings (Chen et al., 2023; Gaio & Raposo, 2011). Based on data from 22 reputable Scopus-indexed articles (including 41 effect sizes) screened following the PRISMA procedure, the study employs a random-effects model to estimate the correlation coefficient. The results confirm that FRQ has a positive and statistically significant impact on firm value, with an overall correlation coefficient of  $r = 0.091$ , supporting the predictions of agency theory (Jensen & Meckling, 1976) and signaling theory (Spence, 1973). Further analysis indicates that the market reacts more sensitively to accrual-based earnings management ( $r = 0.181$ ) than to real earnings management. Although a high level of heterogeneity exists across studies ( $I^2 > 98\%$ ) due to differences in measurement approaches, the findings remain robust after publication bias tests. The study provides important implications for managers and policymakers regarding the role of information transparency in reducing agency costs and maximizing firm value.

**Keywords:** Financial Reporting Quality, Firm Value, Meta-Analysis, Systematic Review, Earnings Quality, Information Asymmetry, Corporate Governance

**Authors' individual contribution:** Conceptualization — T.T.H.T.; Methodology — T.T.H.T.; Validation — N.H.D.; Formal Analysis — N.H.D.; Investigation — T.T.H.T.; Data Curation — T.T.H.T.; Writing — Original Draft — T.T.H.T.; Writing — Review & Editing — T.T.H.T. and N.H.D.; Visualization — T.T.H.T.; Supervision — N.H.D.; Project Administration — T.T.H.T.

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## 1. INTRODUCTION

Financial reporting quality (FRQ) has long been considered a fundamental pillar ensuring transparency and efficient resource allocation in global capital markets. In the presence of the separation between

ownership and control, which generates agency conflicts and information asymmetry, the financial reporting system serves as a core monitoring mechanism that reduces investors' information risk (Etengu et al., 2026; Healy & Palepu, 2001; Jensen & Meckling, 1976; Lampiris et al., 2025). From

a theoretical perspective, seminal studies such as Lambert et al. (2007) argue that high-quality accounting information lowers the cost of capital, thereby increasing the present value of future cash flows and improving firms' market valuation.

Although theoretical frameworks predict a positive relationship between FRQ and firm value, empirical evidence over the past two decades has produced inconsistent and dispersed findings.

A dominant research stream, exemplified by a broader set of empirical studies (Alsufy et al., 2020; Chen et al., 2023; Dang et al., 2020; Gaio & Raposo, 2011; Intara et al., 2024; Nguyen et al., 2025), confirms that constraining earnings management and enhancing transparency exert a strong positive effect on firm value (measured by Tobin's Q). In contrast, several studies conducted in emerging markets or weak legal environments report mixed results, with FRQ being statistically insignificant or even negatively associated with market value due to institutional and ownership-structure characteristics (Abner & Ferrer, 2019; Hutagaol-Martowidjojo et al., 2019). This inconsistency largely stems from the diversity in FRQ measurement approaches, ranging from accruals quality to real earnings management, as well as differences in estimation methods across studies (Dechow et al., 2010).

The dispersion of empirical findings has created a substantial research gap: the absence of a systematic quantitative synthesis capable of drawing generalized conclusions about the direction and magnitude of FRQ's true impact on firm value. Most prior reviews remain primarily qualitative narrative surveys and have not adequately addressed bias arising from sample size or methodological heterogeneity (Dechow et al., 2010; Healy & Palepu, 2001).

To address this gap, the present study conducts a meta-analysis combined with a systematic review based on 41 rigorously selected effect sizes following the PRISMA procedure. The primary novelty of this research lies in applying meta-analytic statistical techniques to estimate the overall effect size of FRQ on firm value while quantifying heterogeneity across primary studies. Unlike individual empirical studies, this paper further examines the moderating role of measurement approaches by comparing the differential impacts of accrual-based earnings management and real earnings management on investor valuation.

The contributions of this study are threefold. First, from a theoretical standpoint, the study provides aggregated empirical evidence supporting a positive relationship between FRQ and firm value, thereby contributing to the literature on agency theory and signaling theory. Second, the study helps to explore potential sources of inconsistencies in prior findings, suggesting that markets may respond more sensitively to accrual-based measures than to real activity manipulation (Abbas & Ayub, 2019). Finally, the findings offer important implications for policymakers and investors regarding the necessity of incorporating institutional and corporate governance contexts when evaluating earnings quality, rather than relying solely on accounting-based indicators.

The remainder of this paper is structured as follows. Section 2 presents the theoretical background and develops the research hypothesis.

Section 3 details the research methodology, including the systematic literature review protocol and the meta-analytic study selection process. Section 4 reports the research results, encompassing the bibliometric analysis, qualitative systematic review, and quantitative meta-analysis findings. Section 5 discusses the synthesized results and explores the reasons for differences across primary studies. Section 6 concludes the paper, outlining the theoretical, practical, and policy implications derived from the findings, noting its limitations and suggesting directions for future research.

## 2. LITERATURE REVIEW

### 2.1. Underlying theories

Agency theory posits that the separation between ownership and control generates conflicts of interest, allowing managers to pursue personal objectives rather than maximizing firm value (Jensen & Meckling, 1976). In this context, FRQ is viewed as an effective monitoring mechanism that constrains earnings management and reduces agency costs, thereby improving market valuation. According to signaling theory, in an environment of imperfect information, firms send credible signals to distinguish themselves from low-quality firms (Spence, 1973). Transparent financial reporting represents a positive signal of managerial capability and growth prospects, supporting improvements in Tobin's Q. Meanwhile, information asymmetry theory suggests that informational disparities lead to adverse selection and moral hazard (Akerlof, 1970); thus, transparency enhances the efficiency of capital markets (Healy & Palepu, 2001).

### 2.2. The mechanisms linking FRQ to firm value

Financial reporting quality affects firm value through several important economic mechanisms. First, high-quality accounting information reduces information risk, thereby lowering the firm's risk premium and cost of capital (Lambert et al., 2007). Empirical evidence indicates that higher accrual quality is associated with a lower cost of capital (Francis et al., 2005), which increases the present value of future cash flows and firm value. Second, higher FRQ enhances the reliability of accounting earnings, limits undesirable volatility and earnings manipulation, and earnings quality measures are closely related to stock returns and valuation (Dechow et al., 2010). Finally, information transparency improves capital allocation efficiency, FRQ reduces overinvestment and underinvestment, thereby strengthening long-term firm value (Biddle et al., 2009).

### 2.3. Hypothesis development

Based on agency theory and signaling theory, FRQ plays a crucial role in mitigating information asymmetry and agency costs between managers and shareholders (Jensen & Meckling, 1976). Transparent financial information enables investors to evaluate future cash flows more accurately, reduces estimation risk and the cost of capital, and consequently

enhances firm value (Lambert et al., 2007). Empirical evidence from a wide range of studies (Alsufy et al., 2020; Chen et al., 2023; Dang et al., 2020; Gaio & Raposo, 2011; Intara et al., 2024; Nguyen et al., 2025) confirms that markets assign higher valuations to firms with superior earnings quality. Conversely, earnings management that distorts real operating performance or involves accrual manipulation often negatively affects firm value (Abbas & Ayub, 2019; Chen et al., 2023; Tulcanaza-Prieto & Lee, 2022). Although some mixed or insignificant evidence exists in certain emerging markets (Abner & Ferrer, 2019; Folajimi et al., 2023; Hutagaol-Martowidjojo et al., 2019), the literature overall supports the following hypothesis:

*H1: Financial reporting quality has a positive effect on firm value.*

### 3. RESEARCH METHODOLOGY

#### 3.1. Systematic literature review protocol

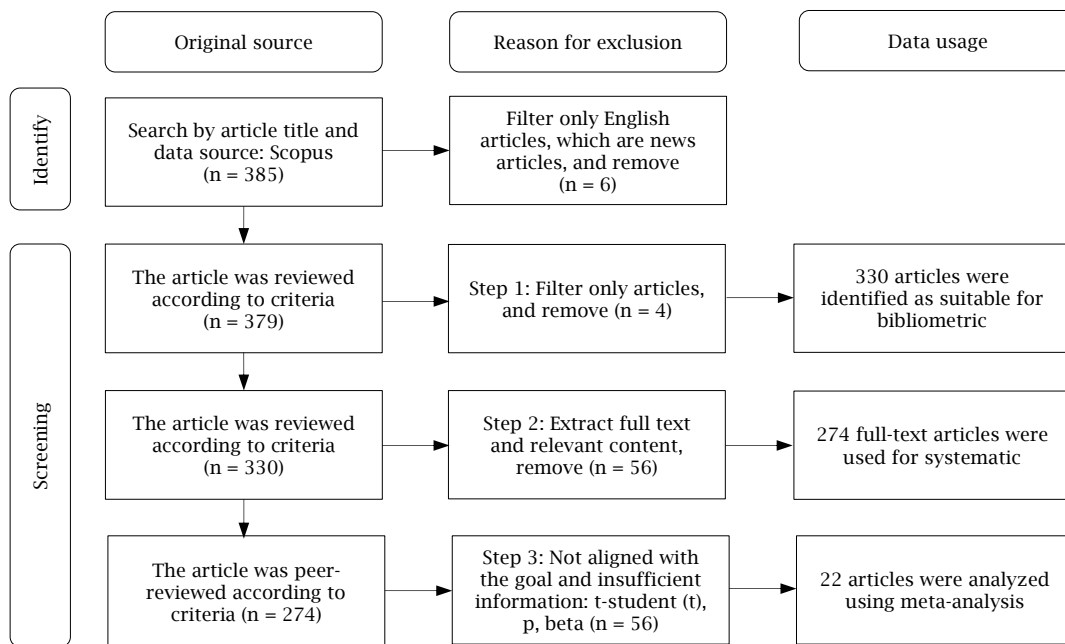
This study employs a systematic review approach following the guidelines to ensure transparency and

replicability (Page et al., 2021). The procedure consists of four stages: identification, screening, eligibility assessment, and final inclusion. Data were collected from the reputable academic database Scopus to ensure the quality and international coverage of the selected studies.

The search period includes articles published from 1992 to 2025, reflecting the strong development of FRQ research over the past two decades. The search keywords were: (“financial reporting quality” OR “earnings quality” OR “accounting quality” OR “accrual quality” OR “discretionary accruals” OR “earnings management”) AND (“firm value” OR “firm’s value” OR “Tobin’s Q” OR “market value”).

The selection criteria included: 1) quantitative empirical studies; 2) examination of the relationship between FRQ and firm value; 3) provision of sufficient estimated coefficients and statistical information to compute effect sizes; 4) publication in peer-reviewed journals. Theoretical studies, case studies, unpublished dissertations, and articles lacking sufficient statistical data were excluded.

Figure 1. PRISMA flow diagram for screening studies on the impact of FRQ on firm value



Source: Authors' elaboration.

#### 3.2. Study selection process

The data coding procedure was designed using a standardized coding sheet to ensure consistency and reliability in evidence synthesis. For each study, the following information was collected: 1) author and publication year; 2) country/region; 3) sample size; 4) FRQ measurement method; 5) firm value proxy; 6) main estimated coefficient; 7) standard error or t-statistic; 8) regression method employed. The coding was performed independently by two researchers and reconciled through discussion to minimize subjective bias. To ensure comparability,

coefficients were standardized into correlation coefficients ( $r$ ) and converted into Fisher's  $Z$  to stabilize variance (Borenstein et al., 2021). The meta-analysis was conducted under both fixed-effects and random-effects models, with preference given to the random-effects model due to contextual heterogeneity across studies. Heterogeneity was assessed using the  $Q$  statistic and  $I^2$  index. Publication bias was examined using funnel plots, the Egger test (Egger et al., 1997), and the trim-and-fill method (Duval & Tweedie, 2000). Meta-regression analysis was employed to investigate the moderating roles of measurement approach, market context, estimation techniques, and firm value proxies.

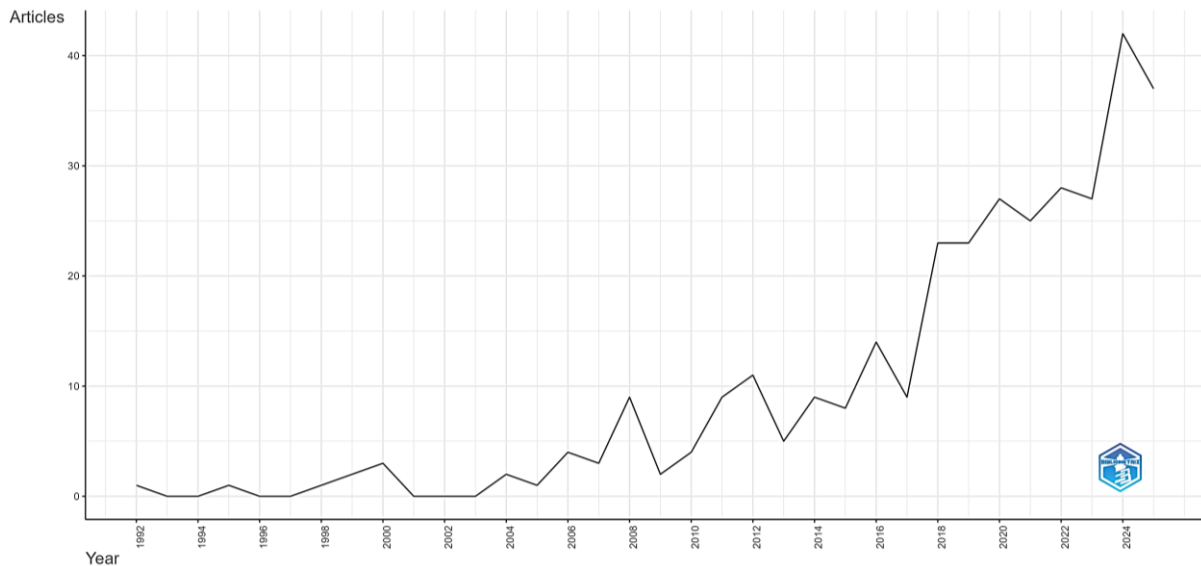
Although this study primarily employs a PRISMA-compliant systematic review and a frequentist meta-analysis to quantify the overall effect size, several alternative methods could also be suitable for synthesizing literature in this domain. For qualitative synthesis, a narrative review or a scoping review could be utilized to deeply explore the theoretical nuances and map the diverse conceptualizations of FRQ across different institutional contexts without the strict statistical requirements of a meta-analysis. On the quantitative side, alternative approaches such as Bayesian meta-analysis could be applied to incorporate prior knowledge and probabilities into the effect size estimation. Additionally, meta-analytic structural equation modeling (MASEM) serves as a robust alternative method that could be employed to simultaneously test complex mediating and moderating pathways, such as corporate governance mechanisms, between FRQ and firm value.

## 4. RESEARCH RESULTS

### 4.1. Bibliometric analysis results

Figure 2 illustrates the strong temporal growth of research on FRQ and firm value. Before 2005, the number of publications was limited and scattered, reflecting an early stage of scholarly interest and the formation of the theoretical foundation. Following the 2008 global financial crisis, the volume of studies increased substantially, with a particularly clear acceleration from 2016 onward. The period 2018-2024 recorded rapid and stable growth, peaking in 2024, indicating that this topic has become a central research stream in empirical finance and accounting. The continuously increasing trend also implies methodological diversification, including panel regressions, generalized method of moments (GMM) techniques, and more recent systematic reviews and meta-analyses. This pattern confirms both the timeliness of the topic and the need for comprehensive quantitative synthesis in the present study.

Figure 2. Annual scientific production

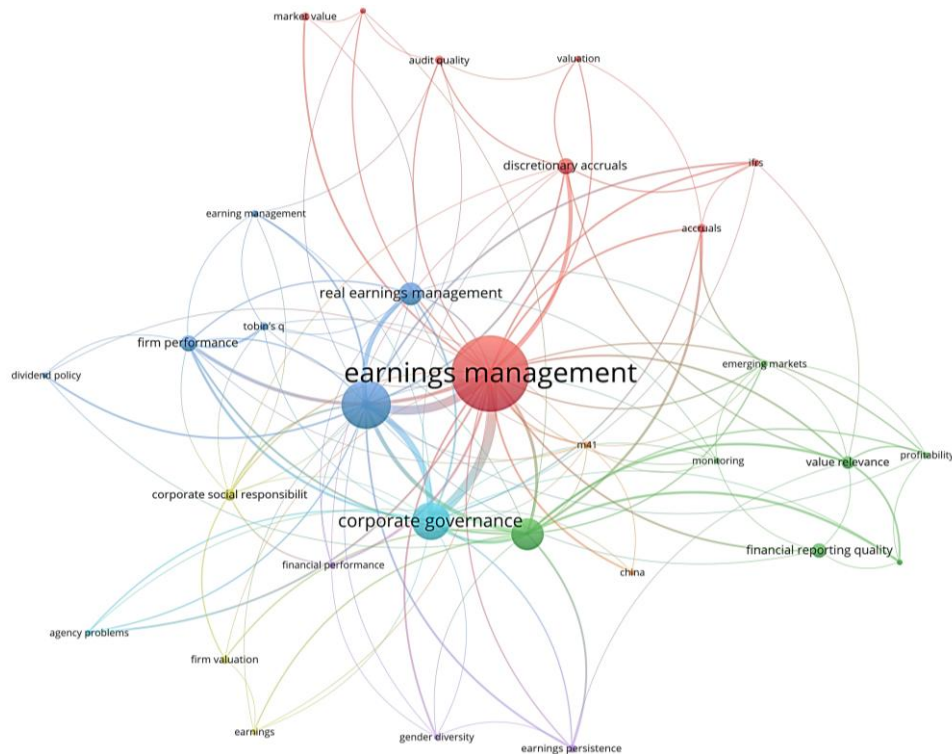


Source: Authors' elaboration using Bibliometrix.

The bibliometric analysis presented in Figure 3 depicts the intellectual structure of the research topic, organized closely around the largest central node, "earnings management". This central position reflects the pivotal role of earnings manipulation behavior, including both accrual-based adjustments

and real activities, in measuring FRQ and its impact on market valuation. The network structure is divided into three main thematic clusters, representing different theoretical and empirical research approaches.

Figure 3. Keyword co-occurrence



Source: Authors' elaboration using VOSviewer.

First, the red cluster concentrates on core concepts such as “discretionary accruals”, “accruals”, “audit quality”, and “IFRS.” This group represents the traditional research stream approaching FRQ through accrual quality and the role of institutional frameworks. Studies in this cluster commonly employ the modified Jones model to measure abnormal accruals as a proxy for earnings manipulation and then examine its negative impact on firm value through the agency cost mechanism (Eissa & Kamal, 2025; Lisboa et al., 2025). In addition, audit quality (Alshammari, 2025; Igbinoia & Ekwueme, 2024; Siladjaja et al., 2022) and the adoption of international accounting standards (Radwan & Xiongyuan, 2024; Uzun Kocamış et al., 2026; Xiong et al., 2023) are considered important external monitoring mechanisms that constrain earnings management behavior and improve the value relevance of accounting information for investors.

Second, the blue cluster closely links the keywords “real earnings management” (REM), “firm performance,” and “Tobin’s Q.” This cluster reflects a shift in the literature toward examining the direct relationship between real earnings management and firm performance/value. Unlike accrual-based manipulation, REM directly affects cash flows and core business operations and therefore often generates more severe long-term consequences for firm value, commonly measured using Tobin’s Q (Kim & Kim, 2018; La Soa et al., 2025; Lee & Chun, 2023). Recent studies in this cluster also indicate that REM may weaken the relationship between financial performance and overall firm value, particularly when considered alongside non-financial factors.

Third, the green cluster emphasizes the keywords “financial reporting quality”, “value relevance”, and “emerging markets”. This group reflects research on the value relevance of accounting information, particularly in emerging markets such as Vietnam (Dinh et al., 2020; La Soa et al., 2025), Indonesia (Shahwan et al., 2024), and Brazil (Gao et al., 2025). In these markets, FRQ serves as an important signal that reduces information asymmetry and improves stock valuation (Alsufy et al., 2020). Notably, the strong connection between the “corporate governance” node and other clusters on the map highlights the important moderating role of governance mechanisms. Effective corporate governance (e.g., board independence and institutional ownership) is a key factor in constraining earnings management and strengthening the positive effect of FRQ on firm value (Hudaib, 2025; Lisboa et al., 2025; Saleh & Mansour, 2024). Overall, the network structure indicates a shift in the literature from measuring isolated financial indicators toward a multidimensional integrated approach. Contemporary studies increasingly consider FRQ not in isolation but in relation to corporate social responsibility (Charoensuk et al., 2025; Ekawati, 2025; Saji & Rajeev Kumar, 2025) and governance mechanisms to provide a more comprehensive explanation of firm value dynamics.

The results derived from the author’s co-citation map (Figure 4) illustrate the foundational intellectual structure of the research topic, organized into academic clusters with clearly differentiated theoretical traditions.

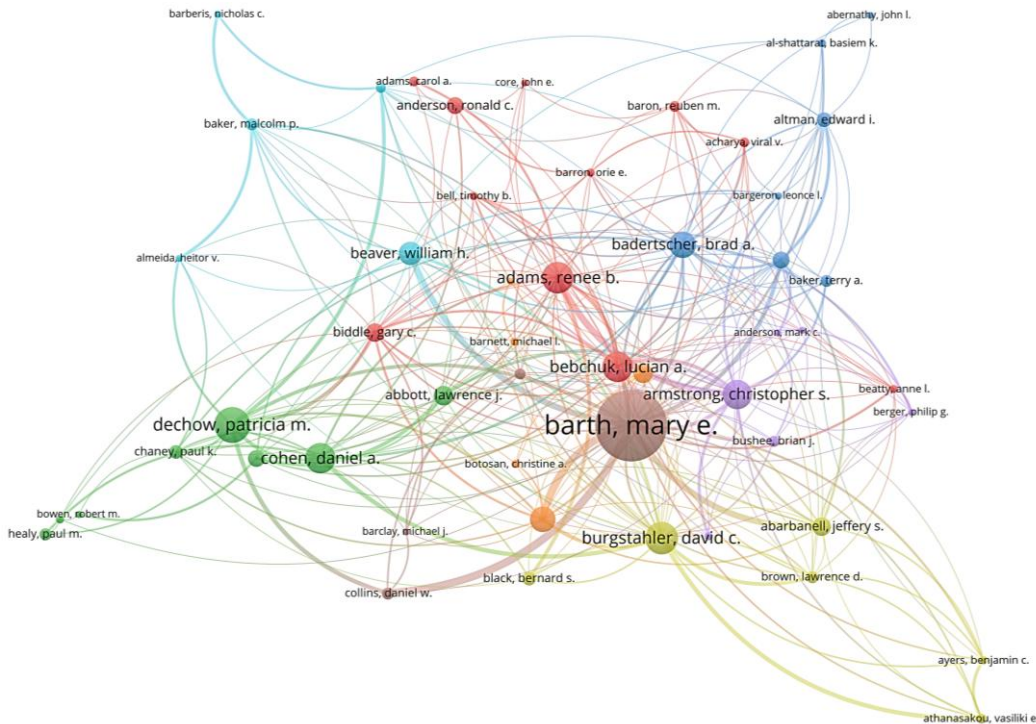
First, the central cluster (orange) revolves around the authors, Barth, M. E. and

Burgstahler, D. C., representing the dominant research stream on value relevance. Scholars in this group establish the theoretical foundation for the direct linkage between accounting information quality and stock market reactions. Subsequent studies within this stream typically examine the explanatory power of earnings and book value for fluctuations in firm value, particularly across different market contexts (Choi et al., 2025).

Second, the green cluster, with prominent nodes, such as Dechow, P. M., Healy, P. M., and

Cohen, D. A., reflects the theoretical pillar of earnings management. This group provides classic measurement models for accruals and real earnings management to assess earnings quality. Measures developed within this stream, notably the modified Jones model and the Dechow-Dichev model, are widely used to detect earnings manipulation arising from agency problems and information asymmetry (Eissa & Kamal, 2025; Kustono & Effendi, 2016).

Figure 4. Author's co-citation analysis



Source: Authors' elaboration using VOSviewer.

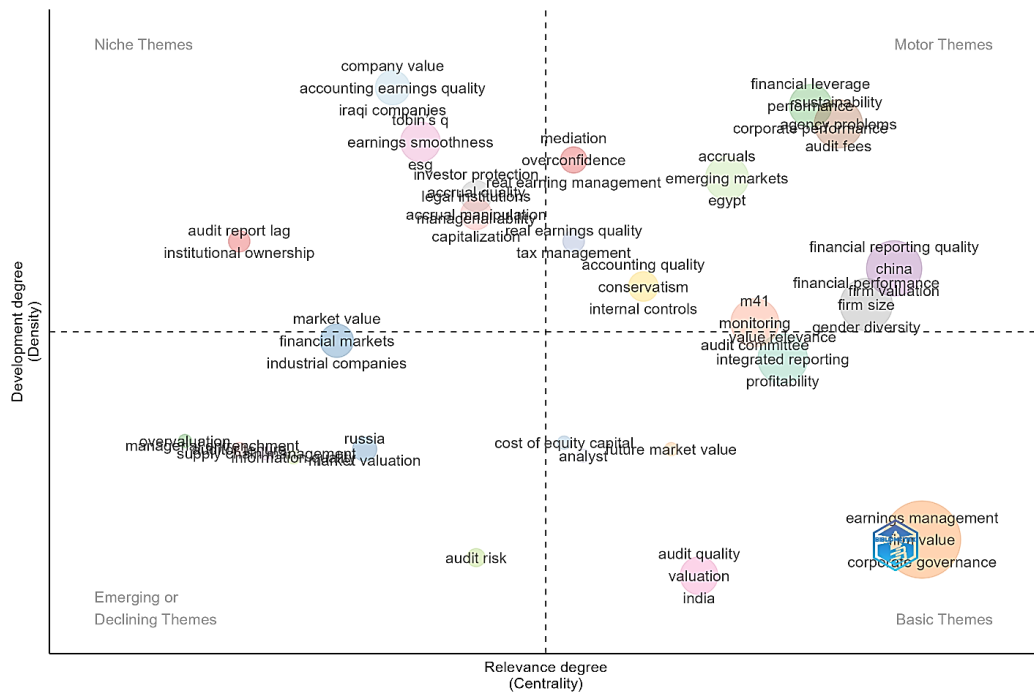
Third, the red cluster focuses on scholars such as Bebbchuk, L. A., Armstrong, C. S., and Biddle, G. C. (together with Adams, R. B.), emphasizing the role of corporate governance. This research stream clarifies the monitoring mechanisms of boards of directors and ownership structure in constraining managerial opportunism, thereby protecting shareholder interests and enhancing firm value. The linkage of this cluster with others reinforces the view that effective corporate governance is a key factor in ensuring the transparency of financial reporting (Bisetia, 2024).

Finally, the blue cluster, represented by Beaver, W. H. and Badertscher, B. A., is closely associated with research on the reliability and predictive ability of accounting information. Studies

within this group typically examine how markets price earnings components and the long-term valuation effects of earnings management strategies (such as income-decreasing behavior) (Hwang & Lee, 2012).

Overall, the network structure indicates that research on the impact of FRQ on firm value is built upon three main theoretical pillars: 1) agency theory, 2) information asymmetry theory, and 3) the value relevance framework. The interaction among these clusters reflects an integrative research trend in which FRQ is not merely considered an accounting variable but rather the outcome of complex interactions among managerial incentives, monitoring mechanisms, and market reactions.

Figure 5. Thematic map



Source: Authors' elaboration using Bibliometrix.

The analytical results (Figure 5) depict the multidimensional intellectual structure of the research field, distributed into four distinct zones based on two axes: centrality (reflecting importance and connectivity with other topics) and density (reflecting the internal development and maturity of a theme).

First, the motor themes group (upper-right quadrant) includes keyword clusters with high centrality and high development, acting as the primary theoretical and practical drivers of the field's evolution. Prominent topics in this group include "financial leverage", "sustainability", "corporate performance", and "agency problems". The presence of sustainability and agency problems in this region indicates the growing interest in integrating non-financial factors into firm performance evaluation (Alharasis, 2025; Saji & Rajeev Kumar, 2025), while reinforcing the role of agency theory in explaining the relationship between capital structure, reporting quality, and firm value (Alhadi et al., 2021; Almhairat et al., 2024; Herghiligiu et al., 2024; Lisboa et al., 2025). Studies in this group commonly incorporate financial leverage as either a monitoring mechanism or a risk factor influencing earnings management decisions and market valuation.

Second, the Basic Themes group (lower-right quadrant) focuses on the most fundamental and core concepts of the field, including "earnings management", "firm value", and "corporate governance". The position of this group (high centrality but lower density than motor themes) suggests that these topics are foundational and widely connected across the research network, yet still offer substantial room for expansion and deeper investigation (Harb et al., 2025; Sanjaya et al., 2025). In particular, the close linkage between earnings management and corporate governance reflects

the dominant research stream examining governance mechanisms as important moderating factors in financial reporting behavior and firm valuation (Al-Zaqeba et al., 2022; Kapoor & Goel, 2025; Sulimany, 2024). Additionally, themes related to integrated reporting and audit committees appear in this area, emphasizing the shift toward comprehensive information quality assessment and the role of internal monitoring (Almaqoushi & Powell, 2021; Darminto et al., 2024).

Third, the niche themes group (upper-left quadrant) includes highly specialized topics such as "accounting earnings quality", "earnings smoothness", "company value", and "Tobin's Q". These themes exhibit strong internal development but limited connections with other clusters, typically focusing on technical accounting aspects such as measuring earnings quality through smoothness (Munjal & Singh, 2025; Munjal et al., 2021), or context-specific studies in markets such as Iraq (Al-Nasser et al., 2025). The presence of investor protection and legal institutions in this region also indicates that studies on legal frameworks and investor protection are often developed as independent research streams or within specific market contexts (Ünsal Memis & Çetenak, 2012; Xu et al., 2023).

Finally, the emerging/declining themes group (lower-left quadrant) contains topics such as "audit risk", "cost of equity capital", "managerial entrenchment", and "market valuation" in particular country settings (e.g., Russia and India). This position suggests two possibilities: either these are emerging topics gaining increasing attention (such as supply chain management in relation to firm value) (Firmansyah & Ardi, 2020; Siladjaja & Markonah, 2020), or they are themes gradually reaching maturity. Notably, the relationship between audit risk and market valuation is being

reconsidered in light of recent crises or regulatory changes (Gao et al., 2025; Mohapatra et al., 2021). Overall, the strategic map structure shows a strong convergence among earnings management, governance mechanisms, and market context (particularly emerging markets) in research on the FRQ-firm value relationship. The research trend is shifting from a sole focus on financial metrics toward integrating sustainability and strategic governance factors (Charoensuk et al., 2025; Saji & Rajeev Kumar, 2025).

## 4.2. Systematic review

### 4.2.1. Methodological characteristics of the studies

The selected studies reveal diversity in variable measurement approaches and estimation techniques. Regarding FRQ measurement, the most common method is the use of discretionary accruals based on the modified Jones model as a proxy for earnings management (Almari et al., 2021; Chen et al., 2023). In addition, some studies measure REM using abnormal cash flows and production costs (Abbas & Ayub, 2019), while others focus on earnings attributes such as persistence, predictability, and timeliness (Dang et al., 2020; Hutagaol-Martowidjojo et al., 2019). For firm value, Tobin's Q is the dominant proxy reflecting market expectations of growth potential (Subanidja et al., 2016; Tulcanaza-Prieto & Lee, 2022), alongside accounting performance indicators such as return on assets (He et al., 2022). In terms of estimation methods, panel data regression using fixed-effects or random-effects models is widely applied (Alsufy et al., 2020), together with advanced techniques such as GMM or SEM to address endogeneity issues (Abner & Ferrer, 2019; Garanina, 2024).

**Trend of the FRQ→firm value relationship:** The literature review indicates that the impact of FRQ on firm value is predominantly positive, although clear heterogeneity remains. Most studies document that higher FRQ (or lower earnings management) increases firm value by reducing information asymmetry and agency costs (Alsufy et al., 2020; Chen et al., 2023; Dang et al., 2020; Gaio & Raposo, 2011; Intara et al., 2024; Nguyen et al., 2025). However, some empirical studies find no statistically significant relationship between earnings management behavior and firm value (Abner & Ferrer, 2019; Malahim et al., 2022). Notably, contradictory results appear in certain emerging markets, where FRQ shows a negative association with market valuation, or fraudulent and earnings management activities positively affect firm value in the short term (Folajimi et al., 2023; Hutagaol-Martowidjojo et al., 2019).

### 4.2.2. Documented transmission mechanisms

FRQ affects firm value primarily through reducing information asymmetry, thereby strengthening investor confidence and lowering estimation risk (Alsufy et al., 2020; Tulcanaza-Prieto & Lee, 2022). A direct consequence is a decline in the cost of capital, as capital providers demand lower risk premiums for transparent and reliable information (Dang et al., 2020; Intara et al., 2024; Siladjaja et al., 2022). Moreover, high FRQ reduces market frictions

and financial constraints, improving access to financing and liquidity (Alsufy et al., 2020; Khan & Shoaib, 2024). Finally, high-quality accounting information serves as a signaling mechanism guiding resource allocation, enhancing investment efficiency, and preventing managerial misallocation decisions (Abbas & Ayub, 2019; Li et al., 2024).

### 4.2.3. Identified moderating factors

The relationship between FRQ and firm value is heterogeneous and influenced by important moderating variables. IFRS adoption, although expected to enhance transparency, shows mixed results; its effectiveness depends largely on managerial incentives and enforcement mechanisms across countries rather than on the standards themselves (Hutagaol-Martowidjojo et al., 2019; Leung, 2016). In terms of governance environment, strong investor protection and corporate governance play a crucial role in reinforcing the positive effect of FRQ on market valuation while constraining earnings management behavior (Intara et al., 2024; Tulcanaza-Prieto & Lee, 2022). Audit quality also mitigates the negative effects of low-quality information (Subanidja et al., 2016). Finally, market characteristics, particularly during financial crises, increase the sensitivity of firm value to fluctuations in earnings quality (Chen et al., 2023).

### 4.2.4. Research gaps

The literature review reveals significant gaps that need to be addressed to strengthen the theoretical understanding of the FRQ-firm value relationship. First, there is a lack of multinational or cross-institutional comparative studies, as most existing research focuses on single-country datasets in specific emerging markets such as Jordan, Vietnam, or Russia (Alsufy et al., 2020; Dang & Pham, 2022; Garanina, 2024; Hung et al., 2023; Hung & Van, 2020a, 2020b; Hung et al., 2020; Thanh Dong et al., 2025; Van Khanh & Hung, 2020). Second, endogeneity and causal inference issues remain insufficiently addressed in many traditional regression models, although some recent studies have begun applying GMM or two-stage least squares (2SLS) to mitigate estimation bias (Tulcanaza-Prieto & Lee, 2022). Finally, comparisons across FRQ measurement approaches remain limited; most studies rely on accrual-based measures rather than integrating multidimensional metrics such as persistence, predictability, or real earnings management to comprehensively capture earnings quality (Darminto et al., 2024; Leung, 2016).

## 4.3. Meta-analysis results

The meta-analysis results (Table 1) indicate that FRQ has a positive and statistically significant effect on firm value (FV). The overall corrected correlation coefficient reaches  $r = 0.091$  ( $k = 41$ ;  $z = 3.79$ ;  $p < 0.001$ ), with a 95% confidence interval of [0.044; 0.139], implying a positive but small association according to Cohen's benchmark. Subgroup analysis reveals substantial differences across FRQ proxies. Specifically, accrual-based earnings management (EM) exhibits the strongest effect ( $r = 0.181$ ;  $p = 0.0046$ ), whereas random-effects model is not

statistically significant ( $r = 0.068$ ;  $p = 0.1598$ ). Earnings quality (*EQ*) shows a positive but modest influence ( $r = 0.04$ ;  $p = 0.012$ ).

However, heterogeneity across studies is extremely high ( $I^2 = 98.19\%$ ;  $Q = 1203.12$ ;  $p < 0.001$ ), suggesting considerable variation in institutional contexts, variable measurements, and estimation methods. This implies the necessity of considering

moderate variables such as the legal environment, capital market development, or corporate governance mechanisms. Overall, the empirical evidence supports the hypothesis that FRQ contributes to enhancing firm value, although the magnitude of the effect depends substantially on measurement approaches and research conditions.

**Table 1.** Summary of the impact of FRQ on firm value

Content	Number of effect sizes (k)	Corrected r	SE	z	Prob	95% CI
Overall	41	0.091	0.02401	3.79	0.0002	[0.044, 0.139]
EM -> FV	15	0.181	0.06373	2.84	0.0046	[0.056, 0.306]
REM -> FV	6	0.068	0.04823	1.41	0.1598	[-0.027, 0.162]
EQ -> FV	20	0.04	0.01594	2.51	0.0120	[0.009, 0.071]

Note: Heterogeneity:  $\tau^2 = 0.0209$ ;  $I^2 (%) = 98.19$ ;  $H^2 = 55.19$ . Test of homogeneity:  $Q = \chi^2(40) = 1203.12$ ;  $Prob > Q = 0.0000$ .

Table 2 reports the comparison between the fixed-effects and random-effects models, revealing a substantial difference in the estimated effect size. The fixed-effects model estimates the corrected correlation coefficient  $r = 0.057$  ( $p < 0.001$ ), whereas the random-effects model produces a higher estimate ( $r = 0.091$ ;  $p < 0.001$ ). This discrepancy reflects considerable heterogeneity among primary studies, implying that the

homogeneity assumption underlying the fixed-effects model is inappropriate. Sensitivity analysis after excluding outlier studies ( $k = 38$ ) shows the coefficient declining to  $r = 0.059$  but remaining statistically significant ( $p < 0.01$ ), confirming the relative robustness of the findings. Overall, the evidence supports a positive yet modest effect of FRQ on firm value.

**Table 2.** Summary of the impact of FRQ on firm value by estimation method

Content	Number of effect sizes (k)	Corrected r	SE	z	p	95% CI
Fixed effects	41	0.057	0.0029	19.46	0.0000	[0.051, 0.062]
Random effects	41	0.091	0.024	3.79	0.0002	[0.044, 0.139]
Random effects (Outlier sensitivity)	38	0.059	0.0177	3.33	0.0009	[0.024, 0.094]

Table 3 presents the meta-regression results, indicating that the measurement of FRQ is a key source of heterogeneity in estimating its impact on firm value. In the univariate model, the proxy variable *EQ\_FRQ\_measure* has a negative and statistically significant coefficient ( $\beta = -0.122$ ;  $p < 0.05$ ), implying that the earnings-quality-based measurement reduces the magnitude of the correlation relative to the reference group. This result remains consistent and becomes stronger in the multivariate model ( $\beta = -0.145$ ;  $p < 0.01$ ),

confirming the moderating role of the FRQ measurement choice. In contrast, *REM\_FRQ\_measure* and the firm value measures (*Book\_FV*, *Market\_FV*) are not statistically significant. The country context variable (*Country\_type*) also shows no meaningful effect. Overall, the evidence suggests that methodological differences, particularly those related to earnings quality measurement, are the primary explanation for heterogeneity across studies.

**Table 3.** Meta-regression results of the impact of FRQ on firm value

Variable	Univariate meta-regression			Multivariate meta-regression
	FRQ measurement	Firm value measure	Country context	
<i>EQ_FRQ_measure</i>	-0.122** [-2.33]			-0.145*** [-2.66]
<i>REM_FRQ_measure</i>	-0.102 [-1.44]			-0.078 [-0.97]
<i>Book_FV_measure</i>		-0.0693 [-0.75]		-0.0798 [-0.80]
<i>Market_FV_measure</i>		-0.0336 [-0.39]		-0.0812 [-0.96]
<i>Country_type</i>			-0.05 [-0.75]	-0.107 [-1.55]
_cons	0.169*** [4.16]	0.100*** [3.70]	0.0997*** [3.74]	0.208*** [4.44]
N	41	41	41	41

The regression-based Egger test (random-effects) indicates the presence of small-study effects. The bias coefficient  $\beta_1 = 1.85$  with a standard error of 0.628 ( $z = 2.94$ ;  $p = 0.0033$ ), allowing rejection of the null hypothesis ( $H_0: \beta_1 = 0$ ). This suggests the possibility of publication bias or

effect size inflation in studies with small sample sizes. Consequently, the overall estimated relationship between FRQ and firm value may be overstated. Additional corrective analyses (e.g., trim-and-fill) are therefore required to assess the robustness of the findings.

The nonparametric trim-and-fill analysis (random-effects model) shows that no studies were imputed (imputed = 0). The pooled effect size remains unchanged at 0.091 before and after adjustment, with a 95% confidence interval [0.044; 0.139]. This implies that although the Egger test suggests potential small-study effects, the trim-and-fill procedure does not detect clear evidence of publication bias distorting the overall estimate. Accordingly, the positive effect of FRQ on firm value can be considered relatively stable and statistically robust.

## 5. DISCUSSION

### 5.1. Interpretation of the synthesized results

The meta-analytic results derived from 22 studies, with a primary-study sample size ( $k = 41$ ), provide empirical evidence confirming a positive and statistically significant relationship between FRQ and firm value. Based on the overall correlation coefficient, this finding supports hypothesis *H1* and is consistent with the predictions of agency theory (Jensen & Meckling, 1976) and signaling theory (Spence, 1973). Specifically, high-quality financial reporting functions as an effective monitoring mechanism that mitigates information asymmetry and agency costs, thereby reducing the cost of capital and increasing firms' market valuation (Lambert et al., 2007).

These findings align with the mainstream empirical literature across both developed and emerging markets, such as Chen et al. (2023) and Gaio and Raposo (2011), indicating that capital markets respond positively to transparent information. Notably, subgroup analysis reveals that FRQ measured through the limitation of accrual-based earnings management exhibits a stronger effect ( $r = 0.181$ ) compared with random-effects model. This suggests that investors tend to be more sensitive to, and penalize more heavily, direct accounting manipulation recorded in financial statements than operational adjustments, which are inherently more difficult to detect (Abbas & Ayub, 2019; Cohen & Zarowin, 2008). However, the high level of heterogeneity ( $I^2 > 98\%$ ) also indicates that the strength of this relationship is strongly influenced by contextual factors such as the institutional environment and corporate governance mechanisms across countries.

### 5.2. Why do results differ across studies?

The substantial heterogeneity observed across studies ( $I^2 > 98\%$ ) primarily stems from differences in variable measurement approaches and institutional contexts. First, the choice of FRQ proxy generates clear divergence in findings. Studies focusing on discretionary accruals typically report a strong negative impact of earnings management on firm value, whereas measures based on random-effects model often produce mixed or statistically insignificant results due to the inherently less detectable nature of such practices (Abbas & Ayub, 2019; Tulcanaza-Prieto & Lee, 2022).

Second, institutional environments and corporate governance mechanisms play a critical moderating role. In emerging markets, where

investor protection is relatively weak, the impact of FRQ may diminish or vary depending on ownership structure and dividend policy, leading to heterogeneous outcomes such as a negative association between FRQ and Tobin's Q (Hutagaol-Martowidjojo et al., 2019; Intara et al., 2024). Finally, the adoption of endogeneity-controlling estimation techniques (e.g., GMM or 2SLS) generally produces more conservative and distinct estimates compared with traditional ordinary least squares models (Khan & Shoaib, 2024).

## 6. CONCLUSION

The meta-analytic findings strongly reinforce the predictive validity of agency theory (Jensen & Meckling, 1976) and signaling theory (Spence, 1973) in the modern financial context. Empirical evidence confirms that FRQ is not merely a matter of regulatory compliance but functions as a core governance mechanism that reduces information asymmetry and the cost of capital, thereby enhancing firm value (Lambert et al., 2007). A key theoretical contribution of this study lies in clarifying the heterogeneous transmission mechanism: markets react more sensitively and penalize accrual-based earnings management more severely than real activity manipulation (Abbas & Ayub, 2019). This finding suggests that future valuation frameworks should more closely integrate accounting measurement characteristics and institutional context to comprehensively explain variations in market valuation (Leuz et al., 2003).

The findings provide important practical implications for stakeholders. For managers, improving FRQ and constraining earnings management, particularly accrual manipulation, is an essential strategy to reduce the cost of capital and maximize market value (Abbas & Ayub, 2019). For investors, FRQ should be treated as a core risk-screening criterion; combining earnings quality analysis with corporate governance assessment enhances the accuracy of forecasting future cash flows and firm prospects (Intara et al., 2024; Siladjaja et al., 2022). Finally, regulators should prioritize strengthening legal frameworks and audit quality oversight to mitigate information asymmetry, especially in emerging markets where investor protection remains limited (Malahim et al., 2022; Subanidja et al., 2016).

The high heterogeneity across studies underscores the crucial role of institutional environments in determining the effectiveness of accounting information. Policymakers should enhance legal enforcement and investor protection mechanisms, particularly in emerging markets where information risk remains high (Dang et al., 2020; Garanina, 2024). Adoption of international accounting standards is necessary to improve transparency, but it must be accompanied by strict compliance monitoring to ensure substantive rather than merely formal quality (Hutagaol-Martowidjojo et al., 2019; Leung, 2016). In addition, regulators should impose stringent sanctions against earnings management while promoting effective corporate governance mechanisms to reduce information asymmetry and stabilize capital markets (Siladjaja et al., 2022; Tulcanaza-Prieto & Lee, 2022).

This study provides synthesized empirical evidence on the relationship between FRQ and firm value through a meta-analysis based on 41 effect sizes. The results confirm that FRQ has a positive and statistically significant impact on firm value, with an overall correlation coefficient of  $r = 0.091$ . This finding supports hypothesis *H1* and is consistent with agency theory and signaling theory, indicating that high-quality disclosure reduces information asymmetry, lowers the cost of capital, and enhances investor confidence (Jensen & Meckling, 1976; Lambert et al., 2007).

However, the study also documents substantial heterogeneity, reflecting variations in research contexts and measurement approaches. Specifically, the impact of FRQ is stronger when measured using accrual-based proxies than random-effects model, implying that markets react more sensitively to direct accounting manipulation recorded in financial statements (Abbas & Ayub, 2019). At the same time, corporate governance is identified as a key factor reinforcing this relationship, particularly in emerging markets (Intara et al., 2024; Tulcanaza-Prieto & Lee, 2022). Accordingly, managers are advised to treat FRQ as a core strategic instrument

for value maximization rather than merely a compliance requirement. For policymakers, improving disclosure regulations and audit oversight is necessary to protect investors and enhance capital market efficiency (Garanina, 2024).

This study also has several limitations. First, the high heterogeneity among primary studies and indications of publication bias require caution when generalizing the findings. Second, FRQ measures are predominantly accrual-based rather than multidimensional constructs such as persistence or predictability. Despite these limitations, this paper is highly important for future research as it establishes a robust quantitative baseline that synthesizes two decades of fragmented empirical evidence. By clarifying the specific impact of different FRQ measurement approaches, this study provides a reliable foundation for subsequent scholars. Therefore, future research should build upon these synthesized findings to expand to cross-country comparisons to test institutional effects and integrate non-financial variables, such as environmental, social, and governance, in order to more comprehensively explain the transmission mechanism.

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