

The Effect of Earnings Management on Financial Performance Through Tax Avoidance in Jordan's Tourism-Linked Service Ecosystem

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ABSTRACT

This paper examines whether the earnings management affects the financial performance directly, and indirectly through the tax avoidance, within an expanded, tourism-linked service ecosystem in Jordan, and it deliberately widens the analytical boundary beyond the formal, five-firm Hotels and Tourism subsector to include the accommodation, the transport and mobility, the visitor-facing services, and the food-and-beverage supply firms that operationally serve the visitor economy. The study analyses an unbalanced panel of 35 firms listed on the Amman Stock Exchange, comprising 276 firm-year observations that cover the pre-COVID period of 2016–2019 and the recovery period of 2021–2024, while the peak disruption year of 2020 is excluded. The models include the firm and year fixed effects with the firm-clustered standard errors, and the mediation pathway is tested using a 1,000-replication firm-cluster bootstrap. The earnings management is found to be positively and significantly associated with the return on assets, the return on equity and the Tobin's Q, and it strongly predicts the tax avoidance. The tax avoidance, in turn, is positively associated with all three performance measures, and it carries a statistically significant indirect effect that mediates the earnings-management-to-performance relationship. By contrast, none of the pre/post-COVID slope differences is statistically significant, indicating a continuity, rather than a discrete recovery-period break. The contribution of the paper consists from demonstrating how the empirical conclusions shift once the analytical lens is widened from a formal industry classification to the wider, operationally linked service-and-supply network, and the paper remains explicit about the observational nature of the design and the resulting limits on the causal interpretation of the reported associations.

Keywords: Earnings management; tourism-linked ecosystem; tax avoidance; financial performance; panel data; COVID-19; Jordan

1. Introduction

The data on the financial performance is often seen as one of the best measures of a firm in terms of the sustainability, the operational efficiency, and the general state of the health of a firm. This information is critical for the stakeholders such as the investors, the managers, the regulators and the creditors, and it helps them to assess the profit-generating capability of a company as well as the efficient resource allocation and the strategic objectives of a company. The financial performance of a firm is measuring how well the firm executes its role within its economic environment through various indicators and ratios (Giovanelli et al., 2023). Thus, the sound financial performance is a prerequisite, and it plays an important role in the long-term success of the firms, because the companies want to generate an adequate earnings in order to attract the investors and the funding from the providers of the capital, so as to reinvest into their operations (Duncan et al., 2023; Korkhaty et al., 2020). Additionally, it should be noted that the creditworthy companies typically receive a better credit ratings, and this enhances their ability to borrow and lowers their financing expenses (Wang et al., 2022). The sustainable financial performance in the firms nowadays often necessitates the incorporation of the wider, stakeholder-oriented responsibilities that go beyond the traditional profitability metrics.

Over the past few years, the companies have become acutely aware that the sound financial management practices can provide the long-term value creation and the improved transparency and stakeholder relations. In this regard, the financial management practices like the earnings management and the tax avoidance have been widely discussed, since they might affect the corporate financial outcomes across the corporate finance literature. The Agency Theory suggests that the managers might engage in the earnings management, and thereby use the discretionary accounting choices to affect the reported financial results and to meet the market expectations or the performance targets (Meckling & Jensen, 1976). Although these practices may improve the performance of the firms in the short run, they may obscure the firm's genuine financial health, and they can erode the stakeholder confidence when revealed (Gunny, 2010; Chakroun et al., 2022). The tax avoidance strategies are, similarly, frequently used by the firms in order to minimize the tax obligations and to maximize the after-tax profits, towards improving the short-term firm performance. However, a more aggressive tax planning strategies might also lead to the ethical issues and the regulatory scrutiny that would hurt the corporate image and the long-term finance (Handayani, 2020; Nguyen et al., 2021). In the many instances, the earnings management practices may also impact on the corporate tax strategies, because the managers can use the discretionary accounting decisions to inflate or deflate the taxable income and therefore their taxes.

During the economic crises, the need to study these relationships has become more apparent. The COVID-19 pandemic led to the unprecedented financial and operational difficulties for the firms globally, and many companies had to adopt the strategic financial measures in response, as a way to sustain the liquidity and to allay the investor fears. Under those conditions of the uncertainty, the firms might resort more to the earnings management and the tax avoidance strategies in order to balance the declining revenue and to provide the stability on the financial statements (Putri & Rochayatun, 2024). The phenomenon that leads to the managerial motivations towards the earnings management or the tax planning strategies becomes more intense in the times of the crisis, due to the economic disruptions and the financial uncertainty (Comporek & Shchyrba, 2024). In a related vein, Gonçalves et al. (2021) show that the relationship between the corporate social responsibility and the earnings management is itself moderated by the economic cycle, and this suggests that the crisis periods can systematically alter how the sustainability-oriented reporting incentives interact with the reporting discretion. These matters, particularly with regard to the Jordanian tourism sector, are significant, since it is one of the most important economic sectors in Jordan. The tourism is an essential field of the income, the employment, and a high-impact contributor to the Jordan's GDP (Al-Nsour, 2021). However, with the international travel bans and the closure of the international

borders, as well as the restrictions on the tourism activities in the various destinations, this sector has been one of the most adversely impacted businesses during the COVID-19 pandemic. These disruptions caused a drastic drop in the arrivals, and the tourism revenues severely put the businesses under the financial pressure (Qwader & Alosaibat, 2020). Therefore, the companies in this sector might have been needed to implement the financial maneuvers such as the earnings management and the tax avoidance, as an adaptation to the financial distress, for sustaining their financial performance during the crisis period and after that.

Although the financial conduct is increasingly gaining a traction, the current research shows a conflicting evidence on its effect on the financial performance. The earnings management and the tax avoidance may improve the short-term financial performance, because they lead to the higher profits on the books, as well as the lower taxes owed. In contrast, other studies contend that these practices can result in the long-term risks of the reputational damage, the regulatory punishment and the drop in the trust from the stakeholders (Jati et al., 2019; Nguyen et al., 2021; Gao et al., 2023). Hence, an essential research void exists regarding the impact of the earnings management on the financial performance via the tax avoidance, specifically in the emerging economies during the crises periods. Few studies have explored these relationships in the tourism industry, which is susceptible to the global crises like the COVID-19 pandemic.

On that basis, this research constructs a conceptual model which shows the direct financial-performance effect of the earnings management, and the indirect effect through the tax avoidance. Within this framework, the tax avoidance should act as a mediating mechanism that ties the manager-specific financial reporting practices to the financial outcomes. Accordingly, this study attempts to fill the mentioned research gap by investigating the earnings-management and financial-performance nexus, with the tax avoidance as a mediator, in the Jordanian tourism sector. The analysis examines these relationships pre- and post-COVID-19, in order to inform our understanding of how the corporate financial decisions and the reporting behaviour might differ in the times of the economic turmoil. In this way, the study adds to the existing literature for a better understanding of the corporate financial behaviour, and it provides deeper theoretical and empirical insights in both the crisis-affected industries and the emerging market contexts.

2. Literature Review

2.1 Earning Management

The earnings management is a tactic employed by the companies in order to manipulate the corporate statements, often to present a more favorable picture of the financial performance. While some degree of the earnings management is considered necessary for the adjusting to the seasonal fluctuations or the one-time events, the excessive or the fraudulent practices can mislead the investors and the stakeholders (Baskaran et al., 2020). The accounting literature offers a varied definition of the earnings management, and this reflects the lack of a universal consensus. Some scholars define it as the deliberate interference in the external corporate reporting process, in order to achieve the specific personal benefits, and this includes the use of the managerial discretion in structuring the reports to influence the contractual outcomes or to mislead the stakeholders about the company's financial health (Healy & Wahlen, 1999). Others argue that the earnings management falls within the Generally Accepted Accounting Principles (GAAP), and it represents either the conservative accounting practices or the arbitrary manipulations for the appearance. Thus, the earnings management is a contested notion within the accounting writing, since some researchers have accused it of being a proper exercise in interpreting the slackness of the accounting, and others of a perceived insidious activity that compromises the credibility and the transparency of the financial disclosure.

Such literature identifies two major types of the earnings management, namely the accrual-based earnings management (AEM), and the real earnings manipulation (REM). The AEM includes the changes in the accounting estimates and the accruals that do not immediately impact the cash flows, such as the depreciation policies or the provisions. In contrast, the REM affects the actual operating

activities, such as the production decisions, the discretionary expenditures, or the sales timing (Enomoto et al., 2015), and it builds on the accrual-based detection approach originally developed by Dechow et al. (1995). While the AEM has a higher chance of being flagged by the auditors and the regulators, since the higher audit quality and the unqualified audit opinions have been shown to constrain the extent of the earnings management (Krismiaji & Sumayyah, 2023), the REM is typically more insidious in the long run, as it impacts the business processes and the decisions directly. Various motives play the influential roles in the earnings management, and they guide the company's plans to hold their income in check, save on the taxes, maintain the dividends stability, and meet the targets for the performance-based compensation (Dechow & Skinner, 2000; Kong, 2024; Ungureanu et al., 2023). Consistent with this, Ariyani and Noeraini (2023) find that the tax planning, the deferred tax expenses and the managerial ownership are significant drivers of the earnings management, and this reinforces the link between the reporting discretion and the tax-related incentives examined in this study. The shivers of the economic uncertainty, including the international crises, sharpen the incentives to engage in the earnings management, as the firms struggle to sustain the confidence of the investor base and the liquidity. The technological dimension of the earnings management has also received a recent attention: Alshehadeh et al. (2025) show that the adoption of the Internet of Things is associated with the creative accounting practice when big data is involved, and this suggests that the digitalisation of the corporate reporting environment does not by itself eliminate the managerial discretion over the reported earnings, and may in some settings create new channels through which it is exercised.

2.2 Tax AVOIDANCE

The tax avoidance is now one of the most important topics discussed in the corporate finance and the public-policy circles (Hanlon & Heitzman, 2010). The tax avoidance is generally defined as any reduction in the amount of the explicit taxes paid relative to the pre-tax accounting earnings, either by the legal tax planning strategies (Hanlon & Slemrod, 2009). However, a distinction needs to be made with regard to the tax evasion, which entails the illegal means such as the underreporting or the hiding of the assets, versus the tax avoidance, which is in accordance with the relevant tax laws (Pohan, 2014). However, the aggressive tax planning strategies are still a contentious issue, due to the potential to erode the government revenues and the associated ethical implications around the corporate social responsibility.

The prior studies note a number of different mechanisms by which the firms engage in the tax avoidance, including the taking advantage of the loopholes in the regulation, the shifting of the profits to the low-tax jurisdictions, and the reducing of the taxable income through the financial planning (Effendi et al., 2022), with Dyreng et al. (2008) further showing that such a tax-avoidance behaviour tends to persist within the firms over the long horizons, rather than reflecting a one-off reporting choices. The recent evidence continues to link the tax avoidance directly to the earnings-management channel emphasised in this study: Darmawan et al. (2026), examining the Indonesian manufacturing firms, find that the earnings management has a positive and significant effect on the tax avoidance, and this reinforces the view that the discretionary reporting and the tax positioning are jointly determined managerial choices, rather than independent decisions. The firm-level ownership structure also shapes this behaviour: Chen et al. (2010) find that the family firms are, on average, less tax aggressive than the non-family firms, and this points to the ownership concentration as a further determinant of the tax-avoidance intensity alongside the institutional quality. Although these tactics may reduce the after-tax profitability, they can also create a reputational risk and a regulatory scrutiny if viewed as too aggressive. Therefore, the ethical considerations are important in determining the corporate tax behaviour (Essen et al., 2019), while it has been shown that the professional commitment and the ethical awareness also influence the attitudes towards the tax planning practices (Rizqi & Pratiwi, 2024). Thus, the tax avoidance became especially relevant during the COVID-19

era, as the governments were unable to finance the public health responses and the economic stimulus programs without the tax revenues. Simultaneously, the firms were under the extreme financial strain, and they had overwhelming incentives to reduce the tax liabilities in order to conserve the cash flow and to keep up the appearances on the performance variables. Such a context underlies the dilemma between the corporate financial continuity on one side, and the wider social obligations on the other. The most recent evidence continues to sharpen the understanding of how the tax avoidance and the earnings management interrelate in the emerging-market settings. Besoain Cornejo and Sepulveda-Velasquez (2025), studying a sample of the listed firms from the Pacific Alliance economies, find that the income tax assessment itself encourages the higher levels of the earnings management, and this supports the view that the tax pressure is not merely a consequence of the reporting discretion but also one of its drivers. In a similar vein, Almulhim and Metwally (2025), examining the Egyptian Stock Exchange, report a significant positive impact of the tax avoidance on the level of the earnings management, and they further show that the board gender diversity and the board independence weaken this relationship, while the CEO duality does not moderate it, and this underscores the relevance of the board governance characteristics alongside the tax positioning. The Jordanian and Gulf context specifically has also attracted a growing attention: Al-Taani et al. (2025) show that the tax and the customs policies materially influence the success of the supply chains in Jordan, Alseikh et al. (2026) explore how the artificial intelligence can be implemented to reduce the tax evasion, and Al Matrooshi et al. (2025) find that the VAT revenues mediate the relationship between the tax evasion and the wider economy in the UAE. Taken together, this body of recent regional and international evidence reinforces the theoretical expectation, adopted in the present study, that the earnings management and the tax avoidance are interlocked managerial choices, rather than separate phenomena.

2.3 FINANCIAL PERFORMANCE

The financial performance is a key indicator of a company's economic health and operational effectiveness. It reflects the company's ability to use its resources efficiently in order to generate the profit and to achieve its strategic objectives. However, in the empirical studies on the corporate governance, the financial performance is typically measured using the financial ratios such as the return on assets (ROA), the return on equity (ROE), and the liquidity indicators, among others, which represent the aspects of the profitability, the operational efficiency, and the debt sustainability (Siew et al., 2021). These indicators are used across the various sectors, in order to evaluate the company performance and to guide the strategic choices (Motsoetla, 2024). The review of the literature on the factors affecting the financial performance finds that both the internal managerial decision within the organization and the external environmental factors influence the financial performance. Conceptually, the improved financial performance can be correlated with the quality corporate governance, the transparent and reliable financial reporting, which also underpins a more efficient debt contracting (Armstrong et al., 2010), as well as the prudent strategic management practices (Andrinaldo et al., 2024; Iqbal et al., 2024). Moreover, a financial strategy including the tax planning and the cost management can directly affect the profitability as well as the firm value (Dewi, 2024), and Nuryaman et al. (2024) show that this profitability-firm value relationship is itself moderated by the firms' leverage levels, which is one reason why the leverage is retained as a control variable in the present study. But the financial performance will be dramatically different due to the external shocks like the economic crises, which disrupt the operations, depress the demand and increase the uncertainty. For example, many global sectors were detrimentally impacted by the COVID-19 pandemic, and this prompted the organizations to reassess their financial approach and to adjust to the substantial changes in the market conditions (Mwazito & Mwanzia, 2023; Suryani et al., 2023). It should be noted that the

financial performance remains a multi-faceted aspect that cannot be effectively quantified only through the profitability ratios, since the market condition, the firm growth and the macroeconomic context are relevant factors to the corporate success overall (Verawati et al., 2023; Jarbou et al., 2024).

The Jordanian evidence on the determinants of the financial performance has also expanded recently, and it lends direct support to several of the control variables retained in the present study. Alhadab et al. (2025) show that the corporate governance mechanisms are significant determinants of both the bank profitability and the market valuation in Jordan, which is consistent with the treatment of the governance-related variables as controls in the models below. In a related contribution, Ananzeh (2024) traces the evolution of the corporate governance in Jordan across the pre- and post-2017 reform periods, and this offers a useful institutional backdrop for interpreting the firm-level results reported later in the paper. Shatnawi et al. (2024) further show that the corporate environmental responsibility is positively associated with the corporate performance among Jordanian firms, which is broadly consistent with the stakeholder-theory expectation that the responsible conduct and the financial performance can move together, rather than being in a strict trade-off.

This study utilises the Agency Theory and the Stakeholder Theory, in order to account for the motivations of the earnings management and the tax avoidance, together with their consequences on the financial performance. Most of these variants, however, find the complementing perspectives in various theories explaining the managerial behaviour during the corporate decision-making. Where the agency theory is concerned with the conflicts of interest between the managers and the shareholders generated by the information asymmetry, the stakeholder theory is more focused on a firm's responsibilities toward the multiple stakeholders impacted by the corporate activities.

3.1 Agency Theory

The Agency Theory (Jensen & Meckling, 1976) is the framework that describes the conflicts of interest between the shareholders (the principals) and the managers (the agents), due to their differing interests when the decision-making is delegated from the principals to the agents. As the managers have a better information than the firm itself, they may engage in the opportunistic behaviour, in order to maximize the private benefits over the value created for the shareholders. In this context, the earnings management is used to manipulate the realized financial performance, so as to meet the specific targets, to enable the payment of the bonuses, or to attract the external funding (Amidu et al., 2019). Likewise, the manager may implement the tax avoidance strategy, in order to maximize the after-tax profit and to enhance the short-term financial indicators (Putra et al., 2019). The aggressive financial practices can expose the firms to the reputational and the regulatory risks, and this underscores the significance of the effective corporate governance mechanisms in curbing the agency conflicts (Sonia & Suparmun, 2019; Nofsinger, 2022).

3.2 Stakeholder Theory

The Stakeholder Theory was proposed by Edward Freeman (1984), and it shifted the corporate responsibility away from the shareholder orientation to a broader group of the stakeholders including the employees, the customers, the regulators, and the society in general. Against this backdrop, even if the promising practices such as the earnings management or the aggressive tax avoidance produce the financial-behaviour effects in the short term, their long-term negative impacts on the stakeholder trust and the corporate legitimacy may offset any immediate benefit that arises from the earning of points out of the transparency (Gunny, 2010; Chakroun et al., 2022). As a result, the stakeholder theory highlights the importance of the responsible governance and the sustainability-oriented practices, in order to act as the transparency and accountability mechanisms for the corporate decision-making (Freudenreich et al., 2020).

3. Hypothesis Development

The research hypotheses are formulated based on the theoretical and the empirical literature on the earnings management, the tax avoidance and the financial performance of the entities. The extant studies have already shown that the managerial incentives, the corporate governance mechanisms and the external pressures can all play an important role in shaping the financial reporting behaviour as well as the tax strategies. Notably, the earnings management has the potential to influence the corporate performance and the tax-related decision making, which can then inversely impact the financial outcomes. From these theoretical and empirical foundations, several hypotheses are developed below.

2.3.1 Earnings Management and Financial Performance

The relationship between the earnings management and the financial performance has been widely discussed in the accounting and the finance literature. From the Agency Theory perspective, the agent (the manager) can use the discretionary accounting features to meet his own goals, such as being compensated based on the performance, retaining their jobs, or meeting the investment community expectations. From this perspective, the managers can inflate the reported earnings, in order to paint an overly rosy picture of the firm's financial status. Such practices can lead to the short-term gains in the financial indicators and a better investor perception, which in turn can lead to a better prices for the stock, helping the firms to fulfill the market's expectations (Meckling & Jensen, 1976). The Stakeholder Theory offers an alternative perspective, and it suggests that the firms are responsible not exclusively to the shareholders, but also to a wider array of the stakeholders. Under this viewpoint, the aggressive earnings management can have a backlash on the stakeholder trust and the corporate image when appropriately disclosed, and it may also mislead the investors and the stakeholders, often resulting in the regulatory scrutiny and the long-term financial decline.

The empirical studies provide a contradictory results concerning the effect of the earnings management on the financial performance. According to some studies, in the short run, the earnings management has a significant positive effect on the profitability and the financial indicators of the corporations, as the managers are able to achieve the earnings targets and to influence the market perception positively. For example, Rahman et al. (2013) reported that the companies practicing the earnings management exhibited a stronger short-term profitability, and thus a better stock market performance. In line with this, Tullah and Tullah (2023) found that the companies that engaged in the mergers and acquisitions frequently used the earnings manipulation to temporarily boost their financial performance. In contrast, other research emphasizes the adverse long-term effects of the earnings manipulation. Gunny (2010) and Chakroun et al. (2022) theoretically proposed that the excessive earnings management can hurt the corporate credibility and result in a decline of the financial performance, once the stakeholders become aware of the distortions in the financial statements. Towards these theoretical arguments and the empirical findings, the following hypothesis is offered:

H1: Earnings management has a significant impact on financial performance.

The COVID-19 pandemic offers a special context in which firms experienced huge economic uncertainty and operational disruption. In these times, managers might exercise more earnings management practices aiming to smooth the financial reports and thus keep investors faith. In the study, Putri and Rochayatun (2024) highlighted that earnings management techniques were extensively employed by firms in the pandemic period to negate revenue decline and operational challenges. This denotes that in the post-pandemic period, the impact of earning management on financial performance may have been amplified. Thus, the following hypothesis was put forward:

H1a: Earnings management has a stronger impact on financial performance after the COVID-19 pandemic.

2.3.2 Earnings Management and Tax Avoidance

The earnings management and the tax avoidance are closely interconnected with the managerial incentives and the corporate financial strategies. The Agency Theory suggests that the managers can include the opportunistic behavior, such as the earnings manipulation and the tax-avoidance behaviour, in their agenda in order to boost the financial performance and to minimize the corporation tax burdens. The managers may have an impact on the taxable income and reduce the tax obligations by adjusting the accounting estimates or strategically timing the recognition of the revenues and the expenses, and this behaviour allows the firms to show a robust financial performance, while taking advantage of the lower tax expenses.

The Stakeholder Theory posits that the aggressive tax avoidance and the earnings manipulation increase the firms' exposure to the reputational risks and the scrutiny of the regulators. There are ever-increasing stakeholder expectations for the fair contributions to the public finances by the relevant corporations, and for a trustable financial profit reporting. In the cases where the companies are considered to be excessively engaging in the earnings management or the tax avoidance, the trust may erode between the key stakeholders, and this is detrimental to the corporate image and the financial performance in the long run. The extant empirical evidence supports an association between the earnings management and the tax avoidance. Jati et al. (2019), Ningsih (2017) and Amidu et al. (2019) concluded that the firms with strong patterns of the earnings management are more prone to utilize the tax avoidance strategies, in order to minimize the taxable income. Even so, other literature suggests that these practices can attract the regulatory scrutiny and increase the long-term legal risks (Nguyen et al., 2021; Chen et al., 2021). Based on these theoretical frameworks and the empirical findings, the following hypothesis is proposed:

H2: Earnings management significantly affects tax avoidance.

The corporate tax strategies may also be influenced by the economic disruptions like the COVID-19 pandemic. In the times of the financial strain and the volatility, the companies may engage more aggressively in both the earnings management and the tax avoidance, in order to preserve their financial health and the liquidity. Putri and Rochayatun (2024) reported that, during the pandemic, the companies aggressively practiced the earnings management, and this indicates that the companies may apply an aggressive tax planning practices in these times. Thus, the following hypothesis is formulated:

H2a: Earnings management has a stronger effect on tax avoidance after the COVID-19 pandemic.

2.3.3 Tax Avoidance and Financial Performance

The tax avoidance is a strategic financial decision that affects the financial performance and the financial results of the corporations. According to the Agency Theory perspective, the tax avoidance is often considered a valid managerial strategy for improving the firm value, by reducing the taxes and increasing the net income. The tax minimization increases the important financial metrics, including the return on assets and the net income, in order to increase the shareholder equity. While the Stakeholder Theory continues to be used, which speaks of the firms' responsibilities beyond the society as a whole, a highly aggressive tax avoidance could lead to the reputational risk and the increased scrutiny from the regulators, the governments and the public. The stakeholders would be concerned that the firm is shirking its fair share of the tax contribution, exposing itself to a reputational and a regulatory risk that would negatively impact the long-term financial performance. The empirical research thus far has produced a mixed findings regarding the financial impact of the tax avoidance. Savitri et al. (2020) and Handayani (2020) find that the increased profitability and the lower tax costs are factors that can, in turn, positively influence the financial performance. Conversely, Nguyen et al. (2021) and Jati et al. (2019) argue that the excessive tax avoidance may reduce the firm value through

the reputational risk and the regulatory scrutiny. Drawing on these theoretical foundations and the empirical results, the present study proposes the following hypothesis:

H3: Tax avoidance has a significant impact on financial performance.

The COVID-19 pandemic heightened financial strain on businesses, prompting firms to implement a myriad of practices for retaining liquidity and stabilizing performance. Multiple studies suggest that firms intensified tax planning during the pandemic, given the revenue perdition and uncertainty in health. Consequently, the effects of tax avoidance on financial performance might have strengthened during the post-pandemic time. Accordingly, the present study proposes the following hypothesis:

H3a: Tax avoidance has a stronger effect on financial performance after the COVID-19 pandemic.

2.3.4 Tax Avoidance as a Mediator

Beyond the separate direct associations proposed in H1 and H3, the Agency Theory suggests that the earnings management and the tax avoidance are not independent managerial choices, but jointly determined instruments: the managers who exercise discretion over the reported earnings are also positioned to exercise discretion over the taxable income, so that part of the earnings-management-to-performance relationship should operate indirectly, through the tax avoidance, rather than solely through a direct path. The tax avoidance is therefore proposed as a mediating mechanism linking the earnings management to the financial performance, and this mediated pathway is tested formally using a firm-cluster bootstrap procedure. This mediating role is consistent with the recent international evidence: Wijaya et al. (2025) report that the tax avoidance mediates the relationship between the earnings management and the dividend policy among the Indonesian firms, and Mai et al. (2025) similarly bridge the earnings management and the tax avoidance within a corporate-governance framework in an emerging-market setting, which together support treating the tax avoidance as a transmission channel rather than as an independent outcome. Accordingly, the following hypothesis is proposed:

H4: Tax avoidance mediates the relationship between earnings management and financial performance.

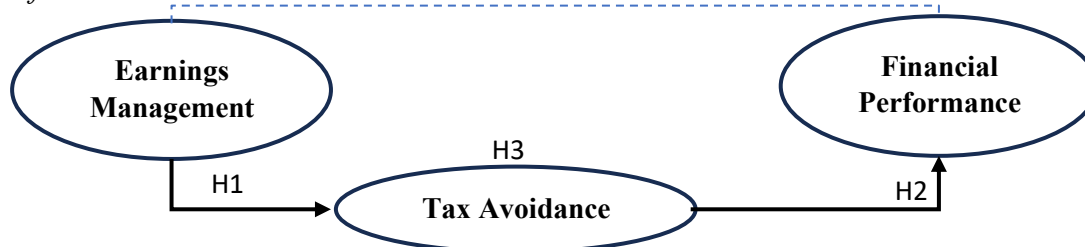


Figure (1): Research Model

4. Methodology

The study uses a quantitative explanatory panel design based on the archival secondary data. The unit of the analysis is the firm-year. The panel estimation is appropriate, because it separates the within-firm changes from the stable organisational attributes and the common annual shocks. The design is associational: the available data do not provide an external instrument, a policy discontinuity or a random treatment capable of identifying the causal effects. The user-specified population is the expanded tourism-linked ecosystem represented in the parent thesis database. It includes all 31 ASE service firms in the database and four listed food-and-beverage supply firms (Jordan Dairy, Jordan Poultry Processing & Marketing, Jordan Vegetable Oil Industries and Nutri Dar). The final panel comprises 35 firms and 276 observations. Thirty-four firms are observed in each pre-COVID year and all 35 in each recovery year. This is an intentionally inclusive functional boundary, rather than the ASE's formal Hotels and Tourism subsector. It captures the accommodation, the transport and mobility, the visitor retail, the infrastructure and professional services, and the food supply. No separately listed restaurant company is identifiable in the source database, and the food firms

therefore represent the supply-side linkages, not the restaurant operators. Several retained service firms have only an indirect tourism exposure, and the results must consequently be described as an ecosystem evidence, not as estimates for the pure tourism firms.

Table 1. Composition of the expanded analytical boundary

Component	Firms	Examples and interpretation	Boundary caveat
ASE service firms	31	Hotels, tourism, transport, duty-free retail, utilities, telecom, health, education, investment and other services.	Tourism dependence varies substantially across firms.
Food-and-beverage supply	4	Dairy, poultry processing, vegetable oils and packaged food.	Supply linkage; no listed restaurant operator is identified.
Total	35	276 firm-year observations, 2016–2019 and 2021–2024.	Expanded ecosystem, not a formal ASE industry classification.

Notes: The sample is a census of eligible firms under the stated operational rule. The peak disruption year 2020 is excluded to preserve the parent study's pre/recovery comparison.

Financial statements, annual reports and market information compiled for the parent thesis provide the variables. Firm identifiers, years, missingness and logical ranges were checked before estimation. The expanded sample has complete observations for the variables in the reported models. The single missing firm-year relative to a perfectly balanced 35×8 panel arises in 2016–2019 and is retained as an unbalanced-panel feature rather than imputed.

Table 2. Variable definitions and measurement

Variable	Role	Measurement	Critical interpretation
ROA	Dependent	Net income / total assets	Accounting profitability and asset efficiency.
ROE	Dependent	Net income / shareholders' equity	Equity return; sensitive to leverage and equity base.
Tobin's Q	Dependent	Market-based valuation proxy retained from thesis	Forward-looking market assessment.
EM	Independent	Discretionary accruals estimated using Modified Jones	Captures reporting discretion; does not identify motive.
TA	Mediator	1 – ETR; ETR = tax expense / pre-tax income	Higher values indicate lower effective tax burden, not illegal evasion.
Controls	Covariates	Size, leverage, sales and asset growth, tangibility, liquidity, executive compensation, Big 4, institutional ownership, board independence and distress	Reduce observable confounding but cannot eliminate endogeneity.

The alternative measures were considered critically. The real earnings management may be confounded by the genuine post-crisis operating adjustments; the ETR is more transparent than the book-tax differences, but it is affected by the losses and the permanent differences. The retained measures maximise the consistency with the thesis, while their limitations are made explicit. The direct models estimate the following firm- and year-fixed-effects specification:

$$FP_{it} = \alpha_i + \lambda_t + \beta X_{it} + \gamma \text{Controls}_{it} + \varepsilon_{it}$$

where α_i and λ_t denote the firm and year fixed effects. The H1 sets $X=EM$; the H2 uses TA as the dependent variable and EM as X; the H3 sets $X=TA$. The mediation outcome model includes the EM and the TA jointly. The pre/post tests add $X \times \text{Post}$, where the Post equals one in 2021–2024. All

regressions include the firm and year fixed effects. The standard errors are clustered by the firm, producing 35 clusters and allowing an arbitrary within-firm serial correlation and heteroskedasticity. The mediation analysis resamples the firms with replacement 1,000 times, and a non-zero indirect effect is inferred when the percentile interval excludes zero. The statistical significance is assessed at 5%, with the 10% results identified only as marginal. The high adjusted R^2 values should not be interpreted as a causal explanatory power, since the firm and year indicators absorb a substantial stable and common variation, and the TA is mechanically related to the after-tax profitability measures. This accounting linkage is a central limitation: the coefficients may partly reflect the numerator construction, rather than a purely behavioural transmission. The scope validity is addressed through the explicit inclusion rules, the disclosure of the 35 firms' composition and the separation of the formal industry classification from the operational ecosystem definition. The reproducibility is supported by retaining the thesis variable names, using a fixed bootstrap seed and reporting the coefficients, the clustered standard errors, the confidence intervals and the null results.

5. Results

This study elucidates the association between the earnings management and the financial performance via the tax avoidance among the tourism-related companies listed in Jordan, during the pre- and post-COVID-19 phases. Following the research design, and considering the potential structural changes in the corporate behaviour pre- versus post-pandemic shock, the empirical analysis is conducted on the firm-year panel data across two sub-periods. In particular, the analysis compares the pre-COVID time period (2016–2019) with the post-COVID time period (2021–2024), while omitting the year 2020, which is the peak disruptive year and would create a bias in the comparison.

6.1 Descriptive Statistics

Before the formal hypothesis tests are reported, this section first establishes the basic distributional properties of the study variables and their pairwise associations. Table 3 summarises the central tendency and dispersion of the dependent, independent, mediating, and key control variables across the 276 firm-year observations that constitute the expanded tourism-linked ecosystem sample.

Table 3. Descriptive statistics

Variable	N	Mean	SD	Min	Median	Max
ROA	276	0.053	0.032	-0.003	0.049	0.146
ROE	276	0.158	0.072	0.036	0.150	0.391
Tobin's Q	276	1.191	0.160	0.852	1.165	1.632
EM	276	0.079	0.021	0.024	0.077	0.139
TA	276	0.807	0.050	0.709	0.806	0.922
Size	276	16.426	0.766	14.925	16.555	18.708
Leverage	276	0.407	0.118	0.125	0.402	0.665

The average ROA is 5.3% and the average ROE is 15.8%, while the mean Tobin's Q is 1.191. The TA mean of 0.807 reflects the 1–ETR construction, and it must not be described as an 80.7% illegal tax-evasion rate. The negative minimum ROA indicates at least one loss firm-year, consistent with the heterogeneous recovery paths.

6.2 Correlation Analysis

Having summarised the individual distributions of the study variables, attention now turns to how these variables move together in the raw, unconditional data. Examining the pairwise correlations at this stage serves two purposes: it provides an initial, model-free indication of the direction of the hypothesised relationships. Table 4 reports the Pearson correlation coefficients among the three performance measures, earnings management, and tax avoidance.

Table 4. Pearson correlations

Variable	ROA	ROE	Tobin's Q	EM	TA
ROA	1.000				

ROE	0.988	1.000			
Tobin's Q	0.930	0.912	1.000		
EM	0.022	0.043	-0.151	1.000	
TA	0.911	0.896	0.835	0.231	1.000

The ROA and the ROE are highly correlated ($r=0.988$), reflecting their shared net-income numerator, and the TA is strongly correlated with all performance measures. These raw correlations raise the multicollinearity and the mechanical-overlap concerns, but they are not a substitute for the fixed-effects estimates.

6.3 Direct Relationships

The descriptive and the correlational patterns reported above are informative, but they cannot, by themselves, isolate the within-firm relationships that the study's hypotheses are concerned with, since they do not net out the unobserved, time-invariant firm characteristics or the common annual shocks. This section therefore moves to the multivariate panel estimates that formally test H1 through H3, namely the direct associations of the earnings management with the financial performance, of the earnings management with the tax avoidance, and of the tax avoidance with the financial performance. Table 5 reports the firm- and year-fixed-effects coefficients, with the standard errors clustered at the firm level across the 35 sampled companies.

Table 5. Firm- and year-fixed-effects estimates for H1–H3

Hyp	Relationship	β	Clustered SE	p	95% CI	Conclusion
H1	EM $\rightarrow$ ROA	0.993	0.125	<0.001	[0.739, 1.246]	Supported
H1	EM $\rightarrow$ ROE	2.240	0.298	<0.001	[1.635, 2.845]	Supported
H1	EM $\rightarrow$ Tobin's Q	4.540	0.564	<0.001	[3.394, 5.686]	Supported
H2	EM $\rightarrow$ TA	1.950	0.215	<0.001	[1.514, 2.387]	Supported
H3	TA $\rightarrow$ ROA	0.480	0.028	<0.001	[0.423, 0.538]	Supported
H3	TA $\rightarrow$ ROE	1.053	0.075	<0.001	[0.900, 1.206]	Supported
H3	TA $\rightarrow$ Tobin's Q	1.946	0.159	<0.001	[1.622, 2.269]	Supported

Notes: $N=276$ in every model; 35 firm clusters; firm and year fixed effects and the full thesis control set are included.

The H1 is supported for all outcomes: the EM is positively associated with the ROA ($\beta=0.993$), the ROE ($\beta=2.240$) and the Tobin's Q ($\beta=4.540$), all $p<0.001$. These large slopes should not be interpreted as a proof that the manipulation creates value, since they may reflect the scale of the discretionary-accrual measure, the informative smoothing, the accounting construction and the residual endogeneity. The H2 is also supported ($\beta=1.950$, $p<0.001$), indicating a strong within-firm EM–TA association. The H3 is supported for the ROA, the ROE and the Tobin's Q. The consistency across the outcomes is economically notable, but the ROA and the ROE share the after-tax income with the ETR-based TA measure. The market result reduces, but does not eliminate, the mechanical-overlap concern. The evidence is compatible with the retained liquidity, yet it cannot rule out the reverse causality or the omitted operating conditions.

6.4 Mediation Analysis

The direct-effect estimates reported in Section 6.3 establish that the earnings management, the tax avoidance and the financial performance are all significantly related to one another, but they do not on their own indicate whether the tax avoidance functions as a transmission channel through which the earnings management reaches the financial performance, as proposed in H4. To test this mediating pathway formally, the direct earnings-management coefficient is re-estimated in the presence of the tax avoidance, and the indirect (mediated) component is assessed using a firm-cluster bootstrap procedure with 1,000 replications. Table 6 reports the path coefficients, the resulting indirect effects and their bootstrap confidence intervals for each performance measure.

Table 6. Firm-cluster bootstrap indirect effects

Outcome	Path a	Path b	Direct c'	Indirect a×b	Bootstrap 95% CI	H4
ROA	1.950	0.461	0.094	0.898	[0.692, 1.089]	Supported
ROE	1.950	0.987	0.314	1.926	[1.472, 2.445]	Supported
Tobin's Q	1.950	1.686	1.252	3.288	[2.450, 4.127]	Supported

Notes: 1,000 firm-cluster bootstrap replications. The interval is the percentile interval of the indirect product.

All three bootstrap intervals exclude zero, supporting the H4 for the accounting and the market performance. The direct EM coefficients become much smaller after the TA enters the models, consistent with a substantial indirect channel. Nevertheless, the “mediation” here is statistical, not causal. The temporal ordering is imposed by the model, rather than established by the exogenous variation, and the TA overlaps mechanically with the after-tax earnings.

6.5 Pre- and Post-COVID Differences

The preceding sections establish the earnings management, the tax avoidance, and their mediated pathway when the full 2016–2019 and 2021–2024 sample is pooled. A separate question, addressed by H1a through H3a, is whether the strength of these relationships itself shifted between the pre-COVID and the post-COVID sub-periods. This question is motivated by a wider body of the post-pandemic evidence: Das and Molla (2025), for instance, use a difference-in-differences design to show that the COVID-19 produced a significant decline in the ROA, the ROE and the Tobin's Q among the listed Bangladeshi firms, and this raises the possibility that the strength of the firms' underlying financial-reporting relationships, and not merely their performance levels, could plausibly have shifted around the pandemic. Table 7 tests this possibility directly, by reporting the coefficients on the EM × Post and TA × Post interaction terms, where the Post equals one for the 2021–2024 recovery years.

Table 7. Recovery-period slope changes

Hyp.	Interaction	β	Clustered SE	p	Conclusion
H1a	EM × Post → ROA	0.063	0.131	0.636	Not supported
H1a	EM × Post → ROE	0.194	0.298	0.518	Not supported
H1a	EM × Post → Tobin's Q	0.486	0.511	0.349	Not supported
H2a	EM × Post → TA	-0.082	0.268	0.763	Not supported
H3a	TA × Post → ROA	-0.056	0.069	0.425	Not supported
H3a	TA × Post → ROE	-0.144	0.185	0.440	Not supported
H3a	TA × Post → Tobin's Q	-0.279	0.296	0.354	Not supported

None of the post-COVID interaction terms is significant. The H1a, the H2a and the H3a are therefore not supported in the expanded ecosystem. This null pattern is substantively informative: the broad sample appears to average over the different shock and recovery trajectories. It is consistent with Gonçalves et al. (2026) for the proposition that the tourism-demand shocks matter, but it shows that the hotel-sector evidence cannot be transferred automatically to a heterogeneous service-and-supply ecosystem.

6.6 Hypothesis Summary

The hypotheses have been tested across three families of the relationship: the direct associations, a mediated pathway, and a temporal comparison of the pre- and post-COVID slopes. Before these findings are interpreted jointly in the Discussion, Table 8 consolidates the outcome of every hypothesis test into a single point of reference.

Table 8. Summary of hypothesis tests

Hypothesis	Tested relationship	Outcome
H1	EM → financial performance	Supported for ROA, ROE and Tobin's Q
H1a	Post-COVID change in H1	Not supported
H2	EM → TA	Supported
H2a	Post-COVID change in H2	Not supported
H3	TA → financial performance	Supported for ROA, ROE and Tobin's Q
H3a	Post-COVID change in H3	Not supported
H4	TA mediation	Supported for ROA, ROE and Tobin's Q

6. Discussion

The earnings management is positively related to every performance measure and to the tax avoidance; the tax avoidance is positively related to the performance and carries a statistically significant indirect (mediated) effect; and none of these relationships shifts detectably between the pre- and the post-COVID sub-periods. This section interprets that pattern against the agency and the stakeholder theory, and it is explicit about what the design can and cannot establish. The results are broadly consistent with the agency-theory proposition that the accounting discretion and the tax positioning are interconnected instruments available to the managers, rather than separate, unrelated choices (Meckling & Jensen, 1976). This is most directly visible in the mediation results: the direct earnings-management coefficient falls substantially once the tax avoidance enters the outcome models, and the bootstrap confidence intervals for the indirect effect exclude zero for all three performance measures. This pattern indicates that a meaningful share of the earnings-management-to-performance association operates through the tax-avoidance channel, rather than through a purely mechanical accrual-to-profit pathway, echoing Darmawan et al.'s (2026) recent finding that the earnings management is a significant driver of the tax-avoidance behaviour in the Indonesian manufacturing firms. The positive earnings-management-performance results reported here align with the studies documenting the short-run improvements in the reported ratios, but they sit in tension with the research emphasising the credibility costs and the future underperformance that the opportunistic reporting can generate once it is detected (Gunny, 2010; Chakroun et al., 2022). This tension is not merely an artefact of the present sample. Tran and Nguyen (2026) find a positive association between the accrual-based earnings management and the ROA in the Vietnamese market, but no significant association with the Tobin's Q, a market-based measure, and this suggests that the investors may discount the same discretionary accruals that improve the accounting ratios. More strikingly, other recent evidence points in the opposite direction entirely: using an accrual-based model on the Vietnamese listed firms, Nguyen, Nguyen, Le, Nguyen and Vu (2025) report a negative relationship between the discretionary accruals and the corporate performance, the reverse of the sign obtained in the present study. Reconciling these divergent findings is beyond the scope of a single panel, but the contrast is instructive: it indicates that the sign and the strength of the earnings-management-performance relationship is sensitive to the market maturity, the enforcement intensity and the specific performance measure examined, and it cautions against treating the positive coefficients reported here as an evidence that the reporting discretion is unconditionally value-enhancing. The positive tax-avoidance-performance results are more consistent with a retained-cash interpretation, under which the lower effective tax burdens preserve the liquidity that supports the reported profitability, but they diverge from the studies in which the tax risk, the reputational exposure or the investor penalties dominate the net effect. Because the tax-avoidance proxy used here ($1 - \text{ETR}$) shares components with the after-tax profitability measures it is regressed on, part of this

association plausibly reflects the accounting construction, rather than a purely behavioural, cash-preservation mechanism, a limitation addressed further below.

The absence of any statistically significant pre/post-COVID slope change (H1a–H3a) is, in itself, a substantively important finding, rather than a mere null result. A narrower, hotels-only analysis would likely detect a sharper crisis response, since the demand and the capacity shocks were heavily concentrated in the accommodation and the inbound tourism. Once the utilities, the education, the health, the telecommunications, the investment services, the mobility and the food-supply firms are added to the analytical boundary, the heterogeneous exposures to the pandemic can offset one another within the pooled sample, flattening any aggregate slope change even if the individual subsectors moved in different directions. This interpretation is consistent with the broader post-pandemic evidence: Das and Molla (2025) document a significant COVID-19-related decline in the level of the ROA, the ROE and the Tobin's Q among the Bangladeshi listed firms using a difference-in-differences design, and this is compatible with the present findings if the pandemic depressed the performance broadly, without necessarily altering the strength of the underlying earnings-management-tax-avoidance-performance relationships within the firms. The null interaction results therefore do not indicate that the COVID-19 was irrelevant to the firm behaviour; they indicate that the “tourism-linked” is too heterogeneous an ecosystem to assume a single, common structural break, and that the subsector-level disaggregation is required to detect one if it exists.

Expanding the analytical boundary from the five formally classified tourism firms to the 35 linked firms increases the observation count and supports richer fixed-effects specifications with the firm-clustered inference, but this expansion carries a construct-dilution cost that must be acknowledged directly. Some included firms serve the visitors and the tourism operators directly, while others supply the general infrastructure or services consumed by the residents and the visitors alike, and the food-supply firms represent a supply-chain linkage, rather than the direct restaurant or hospitality operations. The paper addresses this trade-off transparently throughout, but a subsequent, higher-impact submission would benefit from constructing the revenue-based tourism-dependence weights, or from reporting the stratified results for the core tourism, mobility, food supply and enabling-service subgroups separately, so that the readers can judge how sensitive the reported coefficients are to the precise boundary drawn.

The strong correlations between the tax avoidance and the accounting-based performance, together with the correspondingly high adjusted R^2 values in the tax-avoidance models, also call for the interpretive restraint. Because the effective-tax-rate-based measure and the accounting profitability share the underlying tax-expense and net-income components, part of the observed association is plausibly algebraic, rather than purely behavioural. The robustness checks using the cash effective tax rates, the book-tax differences, the lagged predictors and the pre-tax operating performance measures would materially strengthen the causal narrative in the future work, as would a multi-country MENA panel large enough to support the genuine subgroup tests and to exploit the policy-driven identification strategies, such as regulatory reporting reforms or comparable natural policy experiments.

From a practical standpoint, the boards and the audit committees should evaluate the earnings quality and the tax governance as an interconnected set of considerations, rather than in isolation, since the present results show them moving together, rather than independently. The positive short-run statistical associations between the reporting discretion, the tax positioning and the reported performance do not, on their own, justify an aggressive accounting or tax choices; the managers are better served by documenting the economic basis of the discretionary accruals, and aligning the tax planning with a board-approved risk appetite. The investors and the analysts, for their part, should distinguish the accounting profitability from the market-based valuation when assessing the consequences of the reporting discretion, given that the market-based Tobin's Q results reported here, and the contrasting Vietnamese evidence discussed above, suggest that these two dimensions of the performance do not always move together. For the regulators and the Amman Stock Exchange, the

findings support the case for a more comparable, sector-level disclosure of the tax reconciliations and the accrual estimates. Because the tourism-related economic activity crosses the formal industry boundaries in Jordan, as it does in many emerging markets, the supervisory and the policy evaluation would benefit from distinguishing the direct tourism exposure from the enabling-service exposure, rather than relying on a binary sectoral label; the disclosure of the tourism-related revenue shares, where feasible, would materially improve both the future research and the prudential oversight.

Several limitations qualify the conclusions drawn above and should guide how they are used. First, the operational boundary adopted here is broad and includes firms with only an indirect tourism exposure, so the sample should not be equated with a formal tourism-industry classification. Second, the restaurant operators are not separately identifiable within the underlying database, so the food-supply firms included proxy a supply-chain linkage, rather than the direct hospitality operations. Third, the research design is observational, and while the firm and year fixed effects, the firm-clustered inference and the bootstrap mediation tests reduce several sources of bias, the design remains subject to the reverse causality, the omitted time-varying confounders and the simultaneity, and the associations reported cannot be interpreted causally. Fourth, the discretionary accruals and the $1 - \text{ETR}$ tax-avoidance proxy are each an imperfect measure of the underlying constructs they represent. Fifth, the exclusion of 2020 removes the peak disruption year, and it therefore prevents a direct estimation of the firm behaviour during the acute phase of the shock itself.

The future research building on this study should pursue several concrete extensions. Applying the tourism satellite-account classifications at a finer, four-digit activity level, and constructing the continuous tourism-revenue-dependency ratios, rather than relying on a binary sectoral boundary, would sharpen the identification of the genuinely tourism-exposed firms. Separating the passenger from the freight transport, and distinguishing the restaurant services from the food manufacturing where the data permit, would further refine the ecosystem definition used here. Methodologically, incorporating the cash effective tax rates and the book-tax differences alongside the $1 - \text{ETR}$ measure, employing the lagged and dynamic panel specifications and the governance pillars, and examining the pre-tax operating performance measures that are not mechanically linked to the tax-avoidance proxy, would each strengthen the robustness of the causal narrative. Finally, extending the analysis to a multi-country Middle East and North Africa panel, potentially exploiting regulatory reforms or comparable policy shocks as sources of identifying variation, would allow the future work to move from the descriptive, ecosystem-level evidence presented here toward a more sharply identified causal account of how the earnings management and the tax avoidance shape the financial performance in the tourism-linked emerging markets.

7. Conclusion

This study examined whether the earnings management affects the financial performance directly and indirectly, through the tax avoidance, among an expanded, tourism-linked ecosystem of 35 Amman Stock Exchange firms across the pre- and post-COVID-19 periods. Using the firm- and year-fixed-effects panel models, the firm-clustered standard errors, and a 1,000-replication firm-cluster bootstrap for the mediation tests, the analysis produced a coherent set of findings. The earnings management is positively and significantly associated with all three performance measures (the ROA, the ROE and the Tobin's Q) and with the tax avoidance; the tax avoidance is positively associated with the performance and carries a statistically significant indirect effect linking the earnings management to the performance; and no statistically reliable change in the strength of any of these relationships is detected between the 2016-2019 and the 2021-2024 periods.

The principal conclusion to be drawn from this pattern is deliberately conditional, rather than sweeping. The results do not establish that the earnings management or the tax avoidance creates a sustainable long-run value for the shareholders, nor do they establish that every included service company is meaningfully dependent on the tourism activity. What the evidence does show is that, under a broad, operationally defined visitor-economy boundary, the reporting discretion, the tax

positioning and the financial outcomes move together in a statistically robust and internally consistent way once the firm and year effects are controlled for, and that this pattern holds with essentially the same strength both before and after the COVID-19 shock. The study is therefore best positioned, and should be read, as an evidence on a tourism-linked service ecosystem in an emerging Middle Eastern market, rather than as a narrower, hotels-only sector study; its contribution lies precisely in demonstrating how the empirical picture changes, and in places becomes more muted, once the analytical lens is widened from a formal industry classification to the wider set of firms that operationally serve, supply or enable the visitor activity.

Read alongside the 2025-2026 international literature engaged throughout the Discussion, from the tax-driven earnings-management evidence documented by Besoain Cornejo and Sepulveda-Velasquez (2025) across the Pacific Alliance economies, to the divergent Vietnamese evidence reported by Tran and Nguyen (2026) and by Nguyen et al. (2025), the present findings reinforce a single overarching message: the financial consequences of the earnings management and the tax avoidance are not fixed properties of these constructs, but they depend systematically on the institutional context, the market maturity, the sectoral composition and the specific performance measure under study.

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