



Bribery as a Hidden Driver of Corporate Financial Misreporting: An Integrative Systematic Review and a Multi-Level Propositional Framework

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ABSTRACT

Bribery and corporate financial misreporting are two of the most consequential forms of organizational deviance affecting capital-market integrity, yet their respective literatures have developed in substantial isolation. This systematic literature review synthesizes 52 peer-reviewed articles published between 2001 and 2025, predominantly drawn from Scopus Q1 journals across accounting, management, economics, political science, business ethics, and criminology, to examine how bribery operates as a hidden driver of corporate financial reporting behaviour. Reporting follows the PRISMA 2020 standard. The review is organized around five questions concerning (1) how the bribery–misreporting relationship has been conceptualized, (2) the mechanisms linking the two, (3) contextual moderators, (4) methodological approaches and their limitations, and (5) knowledge gaps. The synthesis identifies three causal architectures: a direct-concealment pathway in which disguising illicit payments necessitates accounting manipulation; an indirect governance-erosion pathway in which corrupt environments weaken controls and normalize deviance; and a reverse and co-evolutionary pathway in which misreporting generates off-book resources that finance future bribery. Building on this evidence, the review advances a multi-level framework and seven testable propositions, the centrepiece of which is an institutional-substitution argument: concealment through misreporting is most necessary precisely where formal institutions are strong enough to demand it, and least necessary where corruption can be transacted openly. The review contributes an integrative theory of the bribery–misreporting nexus, a critical methodological appraisal, and actionable guidance for regulators, auditors, and boards on integrating anti-bribery and anti-fraud controls.

Keywords: Bribery, Corporate Misreporting, Financial Statement Fraud, Earnings Management, Systematic Literature Review, Institutional Substitution, Corruption, Corporate Governance

JEL Classifications: M410

1. INTRODUCTION

Corporate financial misreporting — encompassing financial statement fraud, accounting manipulation, and aggressive earnings management — remains a persistent threat to capital-market integrity, eroding investor trust, distorting the allocation of capital, and imposing substantial economic costs (Rezaee, 2005; Dechow, Ge, Larson, and Sloan, 2011). Decades of research have illuminated the internal drivers of such misconduct, including weak governance (Hunter at al., 2020; Tahir at al., 2021; Mubangizi, 2025), deficient

internal controls (Kubbe & Kirsanli, 2025), managerial incentives (Sulemana and Kpienbaareh, 2018) and individual disposition (Wolfe & Hermanson, 2004; Ashbaugh-Skaife at al., 2007; Efendi at al., 2007; Feng at al., 2011). A complementary body of evidence, however, suggests that an external and largely hidden force — bribery — also shapes reporting decisions in ways that closed-system models of fraud overlook (Svensson, 2003; Jeong and Siegel, 2018).

Bribery — the illicit transfer of value to public officials or private counterparties to secure undue advantage — has been extensively

documented for its effects on firm growth, market entry, innovation, and operational efficiency (Fisman and Svensson, 2007; Uhlenbruck et al., 2006; Doan et al., 2022; Tao et al., 2023). Cultural and economic conditions shape its prevalence (Getz and Volkema, 2001), and competitive threats to firm status can intensify it (Jeong and Siegel, 2018). International instruments such as the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act have heightened scrutiny, yet bribery remains embedded in many national and sectoral contexts (Cuervo-Cazurra, 2006; Rodriguez et al., 2006).

Although bribery and misreporting are both strategic forms of organizational deviance aimed at extracting private benefit at stakeholders' expense, the two literatures have advanced largely in parallel. Misreporting research has concentrated on internal governance, auditor independence, and compensation design, treating the firm as a closed system (Dechow et al., 2011; Erickson et al., 2006; Burgstahler et al., 2006). Bribery research, by contrast, has emphasized the antecedents of corrupt payments and their macroeconomic consequences, with limited attention to financial-reporting implications (Svensson, 2003; Fisman and Svensson, 2007; Fazekas and Kocsis, 2020). The disconnect is consequential: high-profile scandals — from Enron to Olympus to recent Chinese corporate frauds — frequently exhibit the co-occurrence of bribery and misreporting, as firms misstate results to conceal the source or use of illicit funds, to build slush funds for future payments, or to preserve an appearance of profitability while diverting resources (Wang, 2013; Kedia and Rajgopal, 2011).

1.1. The “Hidden Driver”: A Theoretical Anchoring

We use the term hidden driver deliberately and theorize it rather than leaving it metaphorical. Bribery is hidden in three theoretically distinct senses (Hope, 2021). First, from an agency perspective, a bribe is an unrecordable transaction: because it cannot enter the books as what it is, it must be disguised, which mechanically converts a corrupt payment into a reporting distortion (Dyck et al., 2010; Perols, 2011). Second, from an institutional perspective (Collier, 2002), sustained exposure to corruption normalizes deviance, loosening the moral and procedural constraints that ordinarily deter misreporting and rendering manipulation locally legitimate (Beets, 2005; Cuervo-Cazurra, 2006; Meierreks & Auer, 2025). Third, from a fraud-theoretic perspective, bribery simultaneously supplies pressure (the need to fund or recoup payments), opportunity (weakened oversight), and rationalization (an environment in which deviance is normalized), thereby activating all three classical conditions of fraud at once (Wolfe and Hermanson, 2004; Dorminey et al., 2012). The hiddenness of bribery is therefore not incidental; it is the very mechanism that links it to misreporting.

1.2. Positioning Relative to Prior Reviews

The most proximate prior synthesis is Castro et al. (2020) review of corporate corruption, which maps antecedents, processes, and consequences of corruption broadly construed. Our review is distinct in four respects. First, it narrows the lens from corruption-in-general to the specific bribery–misreporting nexus, which prior reviews treat only peripherally. Second, it deliberately integrates the accounting and financial-reporting literature — earnings management, restatements, internal-control weakness, fraud detection — that corruption-centred reviews omit, thereby bridging two disciplines rather than surveying one (Abbott and

Parker, 2004). Third, whereas existing reviews treat corruption predominantly as an antecedent, we theorize bidirectionality and co-evolution, formalizing reverse causality (misreporting that enables bribery) as a first-class pathway. Fourth, we introduce and develop the institutional-substitution argument as a novel, testable conditioning logic. These four moves define the review's contribution and differentiate it from Castro et al. (2020) and from accounting-side fraud reviews (Hogan et al. 2008).

1.3. Research Questions and Contributions

Five questions guide the review:

1. RQ1: How have studies conceptually and operationally defined the bribery–misreporting relationship?
2. RQ2: Through what mechanisms does bribery influence financial reporting — as a direct driver, a facilitating condition, or a consequence of prior misreporting?
3. RQ3: What contextual factors (national culture, institutional quality, regulatory enforcement, political connections, firm characteristics) moderate the relationship?
4. RQ4: What methodological approaches dominate, and what are their limitations regarding causality, measurement, and generalizability?
5. RQ5: What gaps remain, and what research directions follow?

The review makes three contributions. First, it develops an integrative, multi-level framework and seven testable propositions mapping the pathways through which bribery shapes misreporting, drawing on micro-, meso-, and macro-level evidence. Second, it provides a critical methodological appraisal — identifying overreliance on cross-sectional designs, perception-based bribery measures, endogeneity, and limited methodological pluralism — and specifies remedies. Third, it offers actionable implications for regulators, auditors, boards, and anti-corruption agencies, emphasizing integrated anti-bribery and anti-fraud controls, particularly in emerging economies. The remainder proceeds as follows: Section 2 details the method; Section 3 reports descriptive findings; Section 4 synthesizes the evidence by research question; Section 5 develops the framework, propositions, and implications; Section 6 concludes with limitations.

2. METHODOLOGY

2.1. Review Approach

We conducted a systematic literature review (SLR) following established protocols for management and accounting research (Tranfield et al., 2003; Denyer and Tranfield, 2009; Kraus et al., 2020), reporting in accordance with the PRISMA 2020 statement (Page et al., 2021). An SLR is appropriate because the relevant evidence spans accounting, management, economics, political science, and business ethics — fields with divergent theories, measures, and methods. The protocol followed six stages: (1) formulating questions; (2) developing the search; (3) applying inclusion and exclusion criteria; (4) appraising quality; (5) extracting and synthesizing data; and (6) reporting per PRISMA 2020.

2.2. Search Strategy

The primary systematic search was executed in Scopus and Web of Science; the two databases whose source-level metadata permit

reproducible restriction to Q1-ranked titles. EBSCO Business Source Ultimate and Google Scholar supported backward and forward citation tracing (snowballing) following Webster and Watson (2002), and PubMed was consulted for health-sector corruption studies. Google Scholar was not treated as a primary identification source because its results are not fully reproducible. The search string combined bribery terms (“brib*”, “corrupt*”, “graft”, “kickback”, “extortion”), misreporting terms (“misreport*”, “financial statement fraud”, “earnings management”, “accounting manipul*”, “restatement”, “fraud”), and governance terms (“corporate governance”, “audit”, “internal control”, “whistleblow*”), joined with Boolean operators and truncation to maximize sensitivity. The search was restricted to peer-reviewed articles published 2001-2025, with source titles verified as Q1 in the Scimago Journal Rank at the time of screening. The database search yielded 2,847 records before de-duplication.

2.3. Inclusion and Exclusion Criteria

Studies were included if they: (1) appeared in a peer-reviewed journal, predominantly Q1 in Scimago; (2) were written in English; (3) made an empirical or theoretical contribution addressing bribery (or closely related corruption) and corporate misreporting (accounting fraud, earnings management, restatements, or internal-control weakness), directly or indirectly; (4) used qualitative, quantitative, or mixed-method designs; and (5) had an accessible full text. Studies were excluded if they: (1) addressed public-sector corruption without corporate implications; (2) examined bribery as a dependent variable with no link to reporting; (3) examined misreporting with no corruption link; (4) were editorials, book reviews, commentaries, or abstracts; or (5) lacked data or theoretical contribution. A small number of non-Q1 sources were retained on substantive grounds, namely foundational theoretical contributions or unique data; these are identified in Appendix A. Screening was conducted independently by two reviewers, with disagreements resolved through discussion or third-party adjudication.

2.4. Study Selection (PRISMA 2020)

Figure 1 summarizes selection per PRISMA 2020. Of 2,847 records identified (Scopus 1,204; Web of Science 832; EBSCO 491; Google Scholar 262; PubMed 58), 955 duplicates were removed, leaving 1,892 for title/abstract screening. Screening excluded 1,581 records (not Q1, $n = 345$; not on bribery/misreporting, $n = 784$; editorial/commentary/abstract, $n = 167$; no full-text access, $n = 136$; non-English, $n = 67$), yielding 311 reports sought for retrieval, all of which were retrieved. Of 311 full texts assessed, 259 were excluded (primary focus misaligned, $n = 142$; methodological concerns, $n = 61$; duplicate reporting, $n = 27$; insufficient theoretical contribution, $n = 29$). Fifty-two studies were included in the synthesis: 40 quantitative, 3 qualitative, 1 mixed-method, and 8 theoretical/conceptual.

2.5. Conceptual Relationship Map

To organize the constructs recurring across the corpus, Figure 2 presents a conceptual relationship map that groups them into two domains and clarifies how they connect. The first domain (green) is organized around corruption and includes the closely related

procurement constructs of bribery, tender, graft, kickback, and procurement fraud (Burguet & Che, 2004); corruption serves as the conceptual anchor of this domain, reflecting its role in linking bribery-related activity to the tendering and procurement context. The grouping represents the argument that passive bribery is typically embedded within tender processes and related procurement irregularities (Svensson, 2003; Fazekas and Kocsis, 2020; Owusu et al., 2020). The second domain (red) gathers the financial-reporting constructs of fraud, financial misstatement, earnings management, and forensic accounting, representing the close relationship between fraudulent activity and distortions in financial reporting together with the governance and control mechanisms through which such distortions are detected (Rezaee, 2005; Dechow et al., 2011; Perols et al., 2017). Corruption occupies a bridging position between the two domains, linked to the reporting domain through fraud and financial misstatement; this positioning expresses the central argument of the review that corruption-related activity, and bribery in particular, is associated with an increased likelihood of financial-reporting irregularities.

2.6. Quality Assessment

Quality was appraised with design-appropriate instruments: an adapted Joanna Briggs Institute checklist for analytical cross-sectional studies (clarity of question, sampling, measurement validity, analytical appropriateness, confounding) for quantitative work, and the Critical Appraisal Skills Programme checklist for qualitative work. No study was excluded solely on quality; appraisal scores instead contextualized findings. A summary appears in Appendix B. Notably, measurement validity for the bribery construct was rated adequate in only 55% of quantitative studies even though 95% achieved a moderate-to-high overall rating; this divergence reflects that most studies are otherwise well-executed but rely on perception-based corruption proxies, and it directly motivates the measurement critique in Section 4.4.

2.7. Data extraction and Synthesis

A piloted, standardized form captured bibliographic data, journal rank, publication year, design, geographic setting, data-source type, theoretical framing, bribery and misreporting measurement, key findings, reported effect sizes, stated limitations, and implications. Given heterogeneity in designs, populations, and outcomes, we adopted a narrative thematic synthesis organized around the five research questions rather than meta-analysis; contradictory findings were examined against potential sources of heterogeneity such as culture, measurement, and institutional context. Findings were grouped thematically and assessed for consistency and divergence (Appendix C).

3. DESCRIPTIVE FINDINGS

3.1. Temporal Distribution

The 52 included studies span 2001-2025 (Table 1). The early 2000s form the largest cluster, driven by foundational contributions in business ethics and firm-level corruption economics (Svensson, 2003; Getz and Volkema, 2001; Beets, 2005). A relative decline in 2011-2015 may reflect a shift toward

Figure 1: PRISMA 2020 flow diagram of study selection

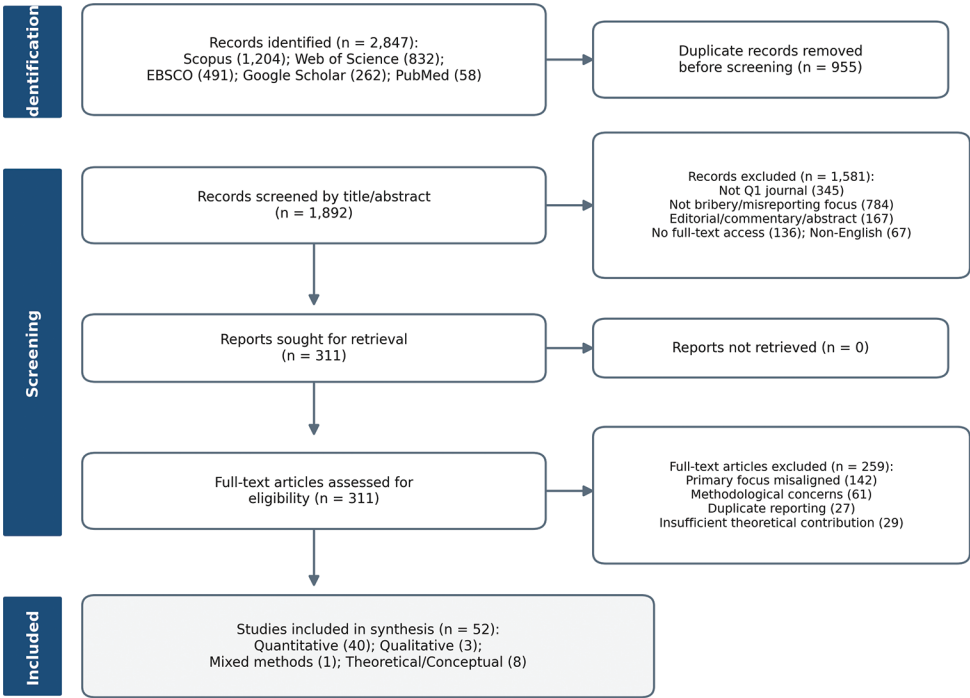


Figure 2: Conceptual relationship map of the bribery-misreporting nexus

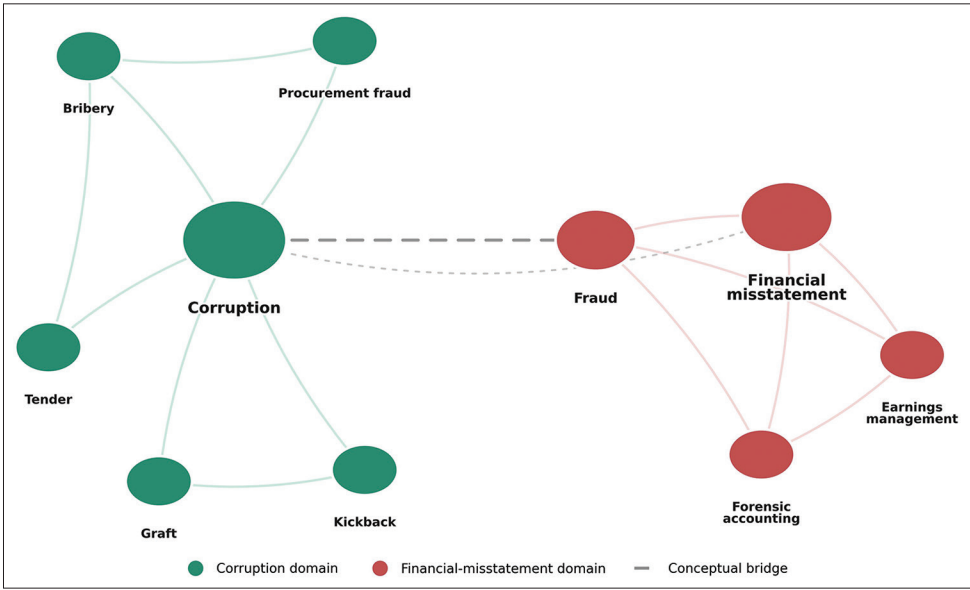


Table 1: Temporal distribution of included studies

Year range	Count (n)	Percentage
2001-2005	13	25.00
2006-2010	12	23.08
2011-2015	7	13.46
2016-2020	9	17.31
2021-2025	11	21.15
Total	52	100.00

anti-corruption effectiveness and corporate social responsibility. The 2021-2025 resurgence (21.15%) coincides with high-profile anti-corruption campaigns and improved firm-level corruption data (Tao et al., 2023).

3.2. Journal and Disciplinary Distribution

The disciplinary spread (Table 2) is led by accounting and finance, consistent with the field’s focus on reporting quality and fraud detection, but the substantial presence of management, economics, and political science underscores the multi-disciplinary character of the nexus.

3.3. Geographic Distribution

Studies are concentrated in the United States (38.46%) and multi-country comparative designs (25.00%) (Table 3), reflecting the availability of SEC enforcement data, FCPA filings, and US archival datasets. Asia and Africa each account for 17.31%,

Table 2: Journal disciplinary distribution

Discipline	Count (n)	Example journals
Accounting and Finance	18	The Accounting Review; Journal of Accounting and Economics; Auditing: A Journal of Practice and Theory
Management and Business	12	Strategic Management Journal; Academy of Management Annals; Organization Science
Economics and Development	8	Journal of Development Economics; World Development; Quarterly Journal of Economics
Political Science and Public Admin.	6	American Political Science Review; British Journal of Political Science; Crime, Law and Social Change
Business Ethics and Social Sciences	5	Journal of Business Ethics; Business and Society
Sociology and Criminology	3	Trends in Organized Crime; Journal of Contemporary China
Total	52	

mirroring growing attention to emerging-economy corruption, while Europe is markedly under-represented.

3.4. Research Design

Quantitative designs dominate (76.92%; Table 4). Within them, archival regression is most common, followed by survey analysis and a small number of quasi-experimental designs. Qualitative and mixed-method work is scarce, a notable gap given the capacity of such designs to surface hidden mechanisms that archival methods cannot observe.

3.5. Data-Source Type

Archival databases and secondary indicators each account for 46.15% of the corpus (Table 5). Enforcement-action data appear in only three studies (5.77%), and primary interview or case data in one (1.92%) — both underutilized relative to their evidentiary value for measuring firm-level bribery.

4. THEMATIC SYNTHESIS

This section synthesizes the 52 studies by research question.

4.1. Conceptualizations of the Relationship (RQ1)

4.1.1. Conceptualization 1: Bribery as a driver of misreporting

The dominant view treats bribery as an exogenous force that corrupts reporting: firms that pay bribes must subsequently misstate records to conceal transfers, justify cash outflows, or preserve the appearance of legitimate transactions (Rezaee, 2005; Beets, 2005). This concealment logic is most explicit in the accounting-fraud literature, which recognizes that bribes are rarely booked as such and are instead disguised as consulting fees, inflated invoices, overvalued assets, or off-book slush funds (Dyck et al., 2010; Perols, 2011). Studies of SEC enforcement show bribery co-occurring with material misstatement (Kedia and Rajgopal, 2011; Donelson et al., 2017).

4.1.2. Conceptualization 2: Misreporting as a facilitator of bribery

A second view reverses the arrow: firms first manipulate accounts to generate undisclosed reserves — slush funds — later deployed for corrupt purposes (Wolfe and Hermanson, 2004). Earnings management that inflates profits may also demonstrate financial health to attract corrupt partners or favourable treatment. This reverse direction has received less empirical attention but is plausible where firms face repeated bribe demands and require sustained off-book resources (Wang, 2013).

Table 3: Geographic setting of included studies

Geographic setting	Count (n)	Percentage
United States	20	38.46
Multiple countries	13	25.00
Asia	9	17.31
Africa	9	17.31
Europe	1	1.92
Total	52	100.00

Table 4: Research design of included studies

Research design	Count (n)	Percentage
Quantitative	40	76.92
Theoretical/Conceptual	8	15.38
Qualitative	3	5.77
Mixed methods	1	1.92
Total	52	100.00

Table 5: Data-source type of included studies

Data-source type	Count (n)	Percentage
Archival databases	24	46.15
Secondary sources	24	46.15
Enforcement actions	3	5.77
Interview/case study	1	1.92
Total	52	100.00

4.1.3. Conceptualization 3: Bribery and misreporting as co-evolving phenomena

A third, more dynamic view holds that the two co-evolve within a reinforcing system of deviance: initial bribery escalates into misreporting to cover tracks, which enables further bribery, which demands further misreporting (Jeong and Siegel, 2018; Rodriguez et al., 2006). This perspective is most developed in the systemic-corruption literature (Fazekas and Kocsis, 2020) and is illustrated by case evidence of collusion between officials and business interests to misreport and shield illicit gains (Wang, 2013). Despite these distinct conceptualizations, the literature lacks a unified framework specifying when each direction dominates; most empirical work assumes bribery → misreporting and few test reverse causality or co-evolution. This gap motivates the propositional framework in Section 5 and calls for longitudinal and instrumental-variable designs to disentangle causal ordering.

4.2. Mechanisms (RQ2)

4.2.1. Direct: Accounting concealment of bribe payments

The most direct mechanism is the need to account for bribes without recording them as such. Because the FCPA's books-and-

records provisions require accurate records of all transactions, a bribe must be disguised to avoid an explicit violation. Enforcement studies show bribes mischaracterized as consulting fees, travel, marketing, facilitating payments, or charitable donations (Kedia and Rajgopal, 2011; Dyck et al., 2010), and Perols et al. (2017) show such misstatements are hard to detect with standard ratios because they hide within ordinary expense lines. Shell companies and intermediaries enable fictitious purchases, over-invoicing, and round-tripping, each a form of misreporting (Aidt et al., 2020).

4.2.2. Indirect: Erosion of governance and control

Beyond direct concealment, bribery erodes governance. Firms with bribery cultures exhibit weaker controls, less rigorous audits, and greater managerial opportunism (Ashbaugh-Skaife et al., 2007; Donelson et al., 2017). Corrupt environments normalize deviance, lowering the perceived moral cost of misreporting and raising the likelihood of multiple, co-occurring forms of misconduct. Beets (2005) argues that bribery and misreporting share antecedents — weak ethical cultures, performance pressure, limited oversight — that make co-occurrence likely. Evidence that corruption distorts firm innovation and resource allocation (Doan et al., 2022) suggests an indirect pathway through which managers misreport to compensate for distortions, while evidence that anti-corruption enforcement improves productivity implies reduced bribery can enhance reporting integrity (Tao et al., 2023).

4.2.3. Institutional: Systemic corruption and regulatory capture

At the macro level, systemic bribery impairs the institutions meant to detect misreporting. Where regulators, auditors, or monitors are captured, enforcement of accurate reporting is compromised (Cuervo-Cazurra, 2006; Rodriguez et al., 2006). Political connections, often forged through bribery, can shield firms from scrutiny, delay enforcement, or reduce penalties (Kedia and Rajgopal, 2011; Uhlenbruck et al., 2006), and are associated with lower audit quality and greater tolerance for earnings management (Cohen et al., 2008; Burgstahler et al., 2006). Where anti-bribery enforcement is weak, firms face lower expected costs of both bribery and misreporting, producing a high-misconduct equilibrium (Svensson, 2003; Fisman and Svensson, 2007); objective procurement-corruption indicators correlate with documentation and reporting irregularities (Fazekas and Kocsis, 2020).

4.3. Contextual Moderators (RQ3)

4.3.1. National culture

Cultural dimensions shape both bribery propensity and tolerance for misreporting. Getz and Volkema (2001) find that power distance, individualism, uncertainty avoidance, and masculinity predict cross-national differences in perceived corruption and ethical judgement, and later work links higher power distance to greater bribery acceptance and long-term orientation to lower propensity (Mornah and Macdermott, 2018). These dimensions plausibly moderate the nexus: in high-power-distance settings firms may be less able to resist corrupt demands and more likely to misreport in compliance, whereas long-term orientation favours avoidance of both to preserve reputation.

4.3.2. Institutional quality and the institutional-substitution logic

Institutional quality — regulatory effectiveness, judicial independence, rule of law, control of corruption — is a robust moderator, and its operation yields the review's central theoretical insight. Where institutions are weak, bribery is common and cheap, and corrupt acts can occur relatively openly, which paradoxically reduces the need to misreport. Where institutions are strong, bribery must be concealed, and concealment requires misreporting. Misreporting thus functions as a substitute for institutional permissiveness: it is most necessary precisely where formal institutions are capable enough to demand it. This institutional-substitution hypothesis predicts that the bribery–misreporting association is strongest at intermediate-to-high institutional quality and weakest where institutions are essentially absent. It is consistent with evidence that the corruption–growth relationship is conditional on institutional quality (Ugur and Dasgupta, 2011) and that anti-corruption campaigns improve outcomes only where enforcement is credible and sustained (Tao et al., 2023). We formalize it as Proposition 2.

4.3.3. Regulatory enforcement and anti-corruption frameworks

The intensity of anti-bribery enforcement moderates the nexus. In jurisdictions with active enforcement (FCPA, UK Bribery Act), firms face dual jeopardy — criminal penalties for bribery and securities-fraud penalties for associated misstatement — plausibly reducing co-occurrence by raising expected costs (Owusu et al., 2020). Evidence is mixed, however, because enforcement is non-random and selection in which firms are investigated can bias observed relationships (Kedia and Rajgopal, 2011).

4.3.4. Political connections

Political connections moderate the nexus with opposing tendencies. They may reduce the need to conceal bribery by lowering enforcement risk (Kedia and Rajgopal, 2011; Uhlenbruck et al., 2006); yet connected firms may face heightened expectations to deliver corrupt benefits, increasing bribe magnitude and the scale of misreporting required to hide it (Wang, 2013). The net effect depends on enforcement credibility, regime stability, and competition among corrupt networks, with amplification appearing to dominate in transitional economies (Aidt et al., 2020). We formalize this opposition as Proposition 7.

4.3.5. Firm-level characteristics

Firm size, profitability, ownership, and governance quality also moderate the relationship. Larger firms face greater scrutiny and may invest more in sophisticated concealment (Svensson, 2003); more profitable firms have both greater capacities to pay and more to lose, creating dual incentives (Fisman and Svensson, 2007); and firms with stronger formal governance may be less likely to engage in either form of misconduct but more capable of concealing it if they do (Erickson et al., 2006; Burgstahler et al., 2006). Most studies examine moderators singly; cross-level interactions among culture, institutions, and enforcement remain poorly understood, a gap the multi-level framework target.

4.4. Methodological Approaches and Limitations (RQ4)

Table 6 summarizes the dominant approaches. Categories are non-mutually-exclusive, since a study may draw on several data

sources or designs; counts therefore exceed the sample size and percentages are computed over $n = 52$.

4.4.1. Measurement of bribery

The principal limitation is bribery measurement. Most studies use perception-based indices (Transparency International CPI, control-of-corruption indicators) that capture subjective assessments rather than firm-specific payments, are subject to systematic bias, change slowly, and conflate corruption types (Xiao & Watson, 2019). As Svensson (2003) notes, perception measures cannot distinguish bribe-payers from non-payers at the firm level. Firm-level surveys rely on self-reports with documented social-desirability bias, since bribery is illegal. Objective alternatives — procurement-corruption risk indicators (Fazekas and Kocsis, 2020) and conviction data (Aidt et al., 2020) — are clear improvements but remain underutilized.

4.4.2. Measurement of misreporting

Misreporting is proxied by discretionary accruals, restatements, enforcement actions, or internal-control-weakness disclosures, each limited: accruals are noisy and may capture legitimate choices; restatements capture only detected errors; enforcement actions are a highly selected sample (Kedia and Rajgopal, 2011; Dechow et al., 2011; Donelson et al., 2017). When bribery and misreporting co-occur, detection of one may trigger detection of the other, creating selection biases (Hock et al., 2024).

4.4.3. Endogeneity, causality, and generalizability

Most studies are cross-sectional or panel with limited causal leverage. Reverse causation and omitted variables are plausible but rarely addressed; quasi-experimental designs are scarce, the time-varying difference-in-differences analysis of China's anti-corruption campaign being a notable exception (Tao et al., 2023). US concentration (38.46%) raises external-validity concerns, since FCPA features, SEC priorities, and shareholder litigation are not replicable elsewhere. Finally, the scarcity of qualitative and mixed-method work limits insight into the secretive mechanisms that archival data cannot observe (Castro et al., 2020).

4.5. Gaps and Future Directions (RQ5)

Table 7 summarizes gaps and directions. Most studies assume unidirectional causality and should instead test reverse causality

Table 6: Methodological approaches (non-mutually-exclusive)

Approach	n	%	Strengths	Limitations
Archival/ secondary data	48	92.31	Large samples; replicable; longitudinal	Fixed covariates; measurement validity
Survey	9	17.31	Direct measurement of perceptions	Social-desirability bias; low response
Case study/ interview	4	7.69	Rich context; process insight	Limited generalizability
Experiment/ quasi-experiment	3	5.77	Causal identification	Artificial settings; external validity

Because a single study may use several data sources or designs, the archival count (48) exceeds the quantitative total in Table 4 (40)

and co-evolution with longitudinal data; instrumental variables and natural experiments offer leverage (Tao et al., 2023). Geographic gaps call for comparative institutional designs; measurement should move toward objective indicators and text-based detection (Perols et al., 2017); industry-specific dynamics warrant tailored frameworks (Owusu et al., 2020); multi-level models should test cross-level interactions; anti-corruption interventions should be evaluated for reporting-quality spillovers; and emerging technologies offer new detection possibilities.

5. INTEGRATIVE FRAMEWORK, PROPOSITIONS, AND IMPLICATIONS

5.1. An Integrative Multi-Level Framework

Drawing the synthesis together, we propose an integrative framework (Figure 3) in which bribery operates as a hidden driver of misreporting through three mediating pathways, conditioned by multi-level moderators and temporal dynamics. The direct-concealment pathway disguises bribe payments via fictitious transactions, slush funds, and off-book accounts, directly producing false records. The governance-erosion pathway weakens internal controls and audit quality, normalizes deviance, and enables capture, indirectly fostering an environment in which misreporting thrives. The institutional-dysfunction pathway operates systemically: corrupt regulators, weak enforcement, and low detection risk make misreporting both more likely and less costly. These pathways are triggered by antecedents at micro, meso, and macro levels and issue in observable outcomes — discretionary accruals, restatements, enforcement-detected fraud, and earnings management. National- and firm-level moderators amplify or attenuate each pathway, while temporal dynamics — feedback, escalation, and institutional adaptation — introduce the co-evolutionary dimension.

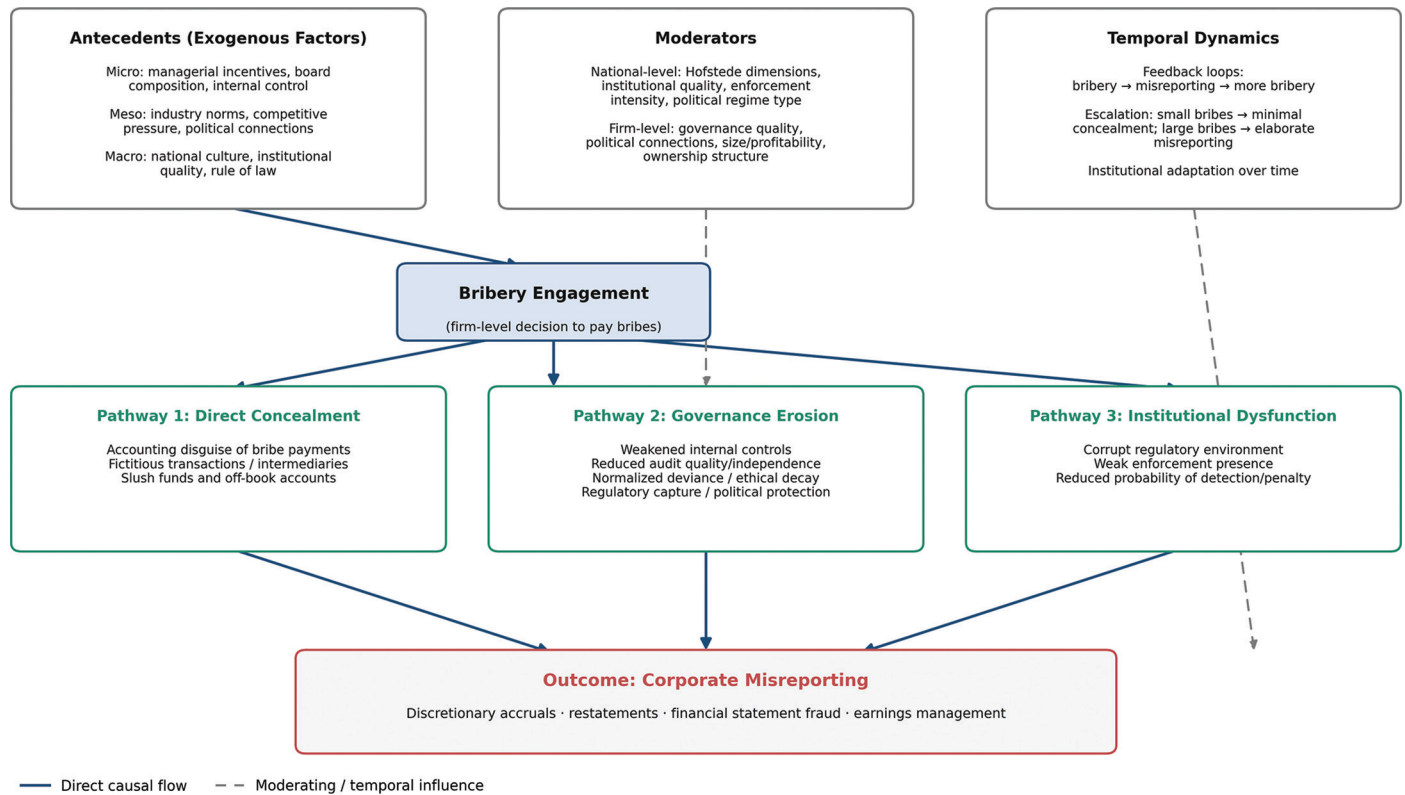
5.2. Testable Propositions

The framework yields seven propositions intended to convert a descriptive synthesis into a falsifiable research agenda. Proposition 2 is the framework's centrepiece.

Table 7: Summary of research gaps and future directions

Gap area	Current state	Proposed directions
Causal mechanisms	Direction assumed; rarely tested	Longitudinal designs; natural experiments; instrumental variables
Geographic coverage	US-dominated (38%); Europe and Latin America sparse	Comparative institutional replication
Measurement	Perception indices; self-report bias	Objective measures (conviction, procurement risk)
Industry specificity	Limited industry coding	Sectoral studies (construction, extractives, healthcare)
Methodological diversity	~92% archival/secondary	Qualitative, ethnographic, mixed methods
Moderator interactions	Main effects only	Multi-level cross-level interaction models
Intervention evaluation	Limited effectiveness evidence	Program evaluation; policy experiments
Technology and detection	Emerging, underdeveloped	Machine-learning detection; text analysis of disclosures

Figure 3: Integrative framework: Bribery as a hidden driver of corporate misreporting



5.2.1. Proposition 1 (Direct concealment)

Where a firm pays bribes, it engages in compensating misreporting to disguise the associated outflows; the magnitude of misreporting increases with the size and frequency of bribe payments.

5.2.2. Proposition 2 (Institutional substitution)

The strength of the bribery→misreporting relationship is conditional on institutional quality. Misreporting substitutes for institutional permissiveness: it is most necessary where formal institutions are strong enough to demand concealment and least necessary where corruption can be transacted openly. The association is therefore strongest at intermediate-to-high institutional quality and attenuates as institutions approach absence.

5.2.3. Proposition 3 (Governance erosion)

Beyond direct concealment, bribery normalizes deviance and degrades internal control and audit quality, indirectly raising the propensity to misreport; this indirect effect is partially mediated by control-environment quality.

5.2.4. Proposition 4 (Reverse causality)

Misreporting can precede bribery: Firms manipulate accounts to create off-book reserves that finance future corrupt payments, particularly under repeated bribe demands.

5.2.5. Proposition 5 (Co-evolution and escalation)

Over time, bribery and misreporting co-evolve in a reinforcing cycle: escalating bribe magnitude requires increasingly elaborate misreporting, and accumulated concealment capability lowers the marginal cost of further bribery, producing path-dependent escalation.

5.2.6. Proposition 6 (Cultural moderation)

National culture moderates the relationship: High power distance and collectivism strengthen the bribery→misreporting link, whereas long-term orientation attenuates it.

5.2.7. Proposition 7 (Political-connection ambivalence)

Political connections exert opposing effects — reducing concealment needs by lowering enforcement risk while increasing bribe magnitude and frequency. The net effect depends on enforcement credibility and regime stability, with amplification dominating in transitional economies.

5.3. Implications for Research

Four implications follow. On theory development, the field should move from correlates to integrated theory: agency, institutional, and fraud-theoretic lenses each explain part of the nexus, and their synthesis generates novel, conditional predictions. On measurement, researchers should prioritize objective, transaction-level bribery measures and text-based detection over perception indices. On causal identification, quasi-experimental designs exploiting exogenous variation should be favoured. On cross-disciplinary integration, political-science work on corruption networks can inform accounting work on concealment, while sociological work on organizational deviance can contextualize econometric findings.

5.4. Implications for Practice and Policy

For regulators, the findings argue for coordinated enforcement across anti-bribery and securities-fraud domains; fragmentation lets firms arbitrage independent regimes, whereas joint scrutiny raises expected costs. For boards, anti-bribery compliance should be integrated with financial-reporting controls rather

than siloed, and audit committees should watch for red flags such as unexplained intermediary payments, unusual third-party transactions, excessive travel and entertainment expenses, and inconsistencies between performance and reported results, supported by whistleblower systems covering both bribery and accounting irregularities. For auditors, corruption-risk assessment should enter audit planning, with attention to high-risk jurisdictions and industries and the use of forensic analytics. For policymakers, anti-corruption interventions carry reporting-quality spillovers (Tao et al., 2023), and international coordination through the OECD Anti-Bribery Convention and the UN Convention against Corruption is increasingly necessary as both behaviours' cross borders. In emerging economies, breaking the cycle requires credible controls, collective action to reduce corrupt demand, and supply-chain transparency.

6. CONCLUSION AND LIMITATIONS

Bribery operates as a hidden driver of corporate misreporting — a subtle force that shapes reporting decisions in ways traditional closed-system fraud models overlook. Synthesizing 52 studies across 2001-2025, this review shows that bribery influences misreporting through direct concealment, governance erosion, and institutional dysfunction, and that the two can reverse and co-evolve. These effects are conditioned by culture, institutional quality, enforcement, political connections, and firm characteristics, with institutional substitution emerging as the key conditioning logic: Concealment is required precisely where institutions are strong enough to demand it. Methodologically, the field must move toward objective bribery measurement, causal identification, geographic breadth, and methodological pluralism. Practically, the findings call for integrated governance responses that treat bribery and misreporting not as separate problems with separate solutions, but as intertwined manifestations of a single challenge — ensuring that corporate conduct serves all stakeholders rather than a hidden few. The seven propositions advanced here are offered as a falsifiable agenda toward that end.

Five limitations qualify the review. First, the search was restricted to English-language articles predominantly in Q1 journals; relevant work in lower-tier or non-English outlets and the grey literature may be omitted, and publication bias cannot be excluded. Second, heterogeneity precluded meta-analysis; the narrative synthesis relies on qualitative judgements, mitigated but not eliminated by dual independent screening. Third, the field lacks standardized definitions of both constructs, complicating comparison. Fourth, geographic concentration in the United States and China limits generalizability to continental Europe, Latin America, and South Asia. Fifth, the review emphasizes empirical synthesis over normative analysis; readers seeking ethical treatment should consult the business-ethics literature (Beets, 2005; Getz and Volkema, 2001).

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APPENDIX

Appendix A: Selected studies on bribery and financial misreporting (n=52)

No.	Author (s)/Year/Title	Q	Journal (Vol., Pages)	Publisher
1	Jeong and Siegel (2018). Threat of falling high status and corporate bribery.	Q1	Strategic Management Journal, 39 (4), 1083-1111	Wiley
2	Cuervo-Cazurra (2006). Who cares about corruption?	Q1	Journal of International Business Studies, 37 (6), 807-822	Palgrave Macmillan
3	Fisman and Svensson (2007). Are corruption and taxation really harmful to growth?	Q1	Journal of Development Economics, 83 (1), 63-75	Elsevier
4	Getz et al. (2001). Culture, perceived corruption, and economics.	Q1	Business and Society, 40 (1), 7-30	SAGE
5	Rodriguez et al. (2006). Three lenses on the multinational enterprise.	Q1	Journal of International Business Studies, 37 (6), 733-746	Palgrave Macmillan
6	Svensson (2003). Who must pay bribes and how much?	Q1	The Quarterly Journal of Economics, 118 (1), 207-230	Oxford University Press
7	Burguet, R., and Che, Y. (2004). Competitive procurement with corruption.	Q1	RAND Journal of Economics, 35 (1), 50-68	Wiley-Blackwell
8	Uhlenbruck et al. (2006). The impact of corruption on entry strategy.	Q1	Organization Science, 17 (3), 402-414	INFORMS
9	Hope, K. R., Sr. (2021). Reducing corruption and bribery in Africa as a target of the SDGs.	Q1	Journal of Money Laundering Control, 25 (2), 313-329	Emerald
10	Castro et al. (2020). Corporate corruption: A review and agenda.	Q1	Academy of Management Annals, 14 (2), 935-968	Academy of Management Springer
11	Beets (2005). Understanding the demand-side of international corruption.	Q1	Journal of Business Ethics, 57 (1), 65-81	Springer
12	Collier, M. W. (2002). Explaining corruption: An institutional choice approach.	Q1	Crime, Law and Social Change, 38, 1-32	Elsevier
13	Fisman and Gatti (2002). Decentralization and corruption: Evidence across countries.	Q1	Journal of Public Economics, 83 (3), 325-345	Cambridge University Press
14	Meierrieks, D., and Auer, D. (2025). Bribes and bombs: The effect of corruption on terrorism.	Q1	American Political Science Review, 119 (2), 670-686	Elsevier
15	Owusu et al. (2020). Impacts of anti-corruption barriers in infrastructure projects.	Q1	Journal of Cleaner Production, 246, 119078	Cambridge University Press
16	Fazekas and Kocsis (2020). Uncovering high-level corruption: Objective risk indicators.	Q1	British Journal of Political Science, 50 (1), 155-164	Universitas Semarang
17	Tahir, A., Ali, M., and Setiawan, M. A. (2021). Bribery and gratuity: Regulatory and judicial analysis.	Q2	Jurnal Ius Constituendum, 6 (2), 369	Taylor and Francis
18	Hunter, M., et al. (2020). Anti-corruption, transparency and accountability: Healthcare in Arab countries.	Q1	Global Health Action, 13(sup1), 1704529	Elsevier
19	Liedong et al. (2023). Corporate political activity and bribery in Africa.	Q1	Journal of Business Research, 154, 113326	Wiley
20	Birhanu et al. (2016). Bribery and investment: Africa and Latin America.	Q1	Strategic Management Journal, 37 (9), 1865-1877	Cambridge University Press
21	Kubbe, I., and Kirsanli, F. (2025). Corruption and informal practices in the MENA region.	Q1	Journal of Institutional Economics, 21(e24), 1-20	Elsevier
22	Sulemana, M., and Kpienbaareh, D. (2018). Income inequality and corruption in Africa.	Q1	Economic Analysis and Policy, 60, 27-42	University of the Western Cape
23	Mubangizi, J. C. (2025). Corruption and sustainable development in Africa: A human-rights perspective.	Q1	Journal of Anti-Corruption Law, 9 (2), 171-197	American Accounting Association
24	Dorminey et al. (2012). The evolution of fraud theory.	Q2	Issues in Accounting Education, 27 (2), 555-579	American Accounting Association
25	Hogan et al. (2008). Financial statement fraud: Insights.	Q1	Auditing: A Journal of Practice and Theory, 27 (2), 231-252	American Accounting Association
26	Rezaee (2005). Causes, consequences, and deterrence of financial statement fraud.	Q1	Critical Perspectives on Accounting, 16 (3), 277-298	Elsevier
27	Wolfe and Hermanson (2004). The fraud diamond.	—	The CPA Journal, 74 (12), 38-42	NYSSCPA
28	Agrawal and Chadha (2005). Corporate governance and accounting scandals.	Q1	Journal of Law and Economics, 48 (2), 371-406	University of Chicago Press
29	Abbott, L. J., and Parker, S. (2004). Audit committee characteristics and restatements.	Q1	Auditing: A Journal of Practice and Theory, 23 (1), 69-88	American Accounting Association
30	Dechow et al. (2011). Predicting material accounting misstatements.	Q1	Contemporary Accounting Research, 28 (1), 17-82	Wiley

(Contd...)

Appendix A: (Continued)

No.	Author (s)/Year/Title	Q	Journal (Vol., Pages)	Publisher
31	Efendi et al. (2007). Why do corporate managers misstate financial statements?	Q1	Journal of Financial Economics, 85 (3), 667-708	Elsevier
32	Erickson et al. (2006). Executive equity incentives and accounting fraud.	Q1	Journal of Accounting Research, 44 (1), 113-143	Wiley-Blackwell
33	Farber (2005). Restoring trust after fraud: Does corporate governance matter?	Q1	The Accounting Review, 80 (2), 539-561	American Accounting Association
34	Feng et al. (2011). Why do CFOs become involved in manipulations?	Q1	Journal of Accounting and Economics, 51 (1-2), 21-36	Elsevier
35	Hennes et al. (2008). Distinguishing errors from irregularities in restatements.	Q1	The Accounting Review, 83 (6), 1487-1519	American Accounting Association
36	Burgstahler et al. (2006). The importance of reporting incentives.	Q1	The Accounting Review, 81 (5), 983-1016	American Accounting Association
37	Cohen et al. (2008). Real and accrual-based earnings management.	Q1	The Accounting Review, 83 (3), 757-787	American Accounting Association
38	Tao et al. (2023). Do China's anti-corruption efforts improve productivity?	Q1	Socio-Economic Planning Sciences, 87(B), 101594	Elsevier
39	Doan et al (2022). Tax administration corruption and innovation in Vietnam.	Q1	Empirical Economics, 62 (4), 1773-1800	Springer
40	Ashbaugh-Skaife et al. (2007). Internal control deficiencies prior to SOX audits.	Q1	Journal of Accounting and Economics, 44 (1-2), 166-192	Elsevier
41	Donelson et al. (2017). Internal control weaknesses and reporting fraud.	Q1	Auditing: A Journal of Practice and Theory, 36 (3), 45-69	American Accounting Association
42	Hock, B., Park, H., Oh, J., et al. (2024). The profile and detection of bribery in South Korea.	Q1	Crime, Law and Social Change, 83 (15)	Springer
43	Ge and S. (2005). The disclosure of material weaknesses in internal control.	Q1	Accounting Horizons, 19 (3), 137-158	American Accounting Association
44	Hammersley et al. (2008). Market reactions to internal control weakness disclosures.	Q1	Review of Accounting Studies, 13 (1), 141-165	Springer
45	Rice and Weber (2012). How effective is internal control reporting under SOX 404?	Q1	Journal of Accounting Research, 50 (3), 811-843	Wiley-Blackwell
46	Tang and Hu (2022). Detecting grassroots bribery and its sources in China.	Q1	Journal of Contemporary China, 32 (140), 207-224	Taylor and Francis
47	Wang (2013). The rise of the Red Mafia in China.	Q1	Trends in Organized Crime, 16 (1), 49-73	Springer
48	Aidt et al. (2020). Who takes bribes and how much? China Corruption Conviction Databank.	Q1	World Development, 133, 104985	Elsevier
49	Dyck et al. (2010). Who blows the whistle on corporate fraud?	Q1	The Journal of Finance, 65 (6), 2213-2253	Wiley-Blackwell
50	Kedia and Rajgopal (2011). Do the SEC's enforcement preferences affect corporate misconduct?	Q1	Journal of Accounting and Economics, 51 (3), 259-278	Elsevier
51	Perols (2011). Financial statement fraud detection: Statistical and machine-learning algorithms.	Q1	Auditing: A Journal of Practice and Theory, 30 (2), 19-50	American Accounting Association
52	Perols et al. (2017). Finding needles in a haystack.	Q1	The Accounting Review, 92 (2), 221-245	American Accounting Association

Appendix B: Quality assessment summary (n=52)

Quality criterion	Quant. (n=40) (%)	Qual. (n=3) (%)	Mixed (n=1) (%)	Theor. (n=8) (%)
Clear research question	38 (95)	3 (100)	1 (100)	8 (100)
Appropriate study design	37 (93)	3 (100)	1 (100)	8 (100)
Valid measurement (bribery)	22 (55)	2 (67)	1 (100)	6 (75)
Valid measurement (misreporting)	35 (88)	1 (33)	1 (100)	4 (50)
Adequate sample size	36 (90)	2 (67)	1 (100)	N/A
Appropriate statistical analysis	38 (95)	N/A	1 (100)	N/A
Handling of confounding variables	32 (80)	N/A	1 (100)	N/A
Acknowledgment of limitations	40 (100)	3 (100)	1 (100)	8 (100)
Overall quality (moderate/high)	38 (95)	3 (100)	1 (100)	8 (100)

“Overall quality” indicates the proportion of studies meeting at least 75% of applicable criteria. N/A: Not applicable to that study type

Appendix C: Data extraction template (Representative examples)

Field	Example 1	Example 2	Example 3
Bibliographic info	Svensson (2003)	Jeong and Siegel (2018)	Rezaee (2005)
Journal	Quarterly Journal of Economics	Strategic Management Journal	Critical Perspectives on Accounting
Year	2003	2018	2005
Research design	Quantitative (cross-sectional)	Quantitative (archival)	Theoretical/Conceptual
Geographic setting	Multiple countries (Africa)	Asia (South Korea)	United States
Industry focus	Cross-industry	Manufacturing	Cross-industry
Bribery measurement	Firm-level survey (World Bank)	Revealed accounting records	Not applicable (conceptual)
Misreporting measurement	Not directly measured	Not directly measured	Financial statement fraud (conceptual)
Key findings	Smaller and more-regulated firms pay higher bribes; bribery and taxation are substitutes	Threat of falling high status increases corporate bribery	Fraud requires pressure, opportunity, and rationalization
Effect size	Median bribe=8% of annual sales	Significant positive effect ($P<0.05$)	Not applicable
Stated limitations	Self-report bias; cross-sectional	Single country; historical data	Conceptual only; no empirical test
Implications	Coordinate anti-corruption and tax policy	Status-preserving motives matter for bribery	Address all three fraud-triangle elements