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BEHAVIORAL CORPORATE FINANCE AND ACCOUNTING INFORMATION QUALITY: A SYSTEMATIC LITERATURE REVIEW AND FUTURE RESEARCH DIRECTIONS

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Abstract

Accounting information quality is essential for economic decision-making, yet it is influenced not only by formal mechanisms but also by managerial behavior. This study examines the relationship between Behavioral Corporate Finance and Accounting Information Quality using a Systematic Literature Review (SLR) approach. Articles were retrieved from Scopus and selected based on PRISMA guidelines. From 354 identified articles, 83 remained after screening criteria were applied, and 24 articles were included in the final analysis. Through study mapping and thematic synthesis, four themes were identified: managerial behavioral characteristics, executive psychological biases, governance mechanisms, and the impact of behavioral factors on financial reporting quality, earnings quality, earnings management, and disclosure quality. The findings indicate that accounting information quality is shaped by both formal systems and managerial behavior. Future research should further examine theoretical development and the mechanisms linking managerial behavior to reporting quality.

Keywords: *Behavioral Corporate Finance; Accounting Information Quality; Managerial Overconfidence; Financial Reporting Quality; Systematic Literature Review*

INTRODUCTION

Accounting Information Quality plays an important role in supporting economic decision-making by investors, managers, regulators, and other stakeholders. High-quality accounting information is expected to provide relevant, reliable, and transparent insights regarding a firm's condition. However, the quality of information produced by firms is not solely determined by accounting standards, regulations, and governance mechanisms, but also by the individuals involved in the preparation and decision-making processes of financial reporting. Managers and executives play a crucial role because accounting decisions often involve professional judgment that may influence the presentation of corporate financial information (Graham et al., 2005).

Traditional perspectives in corporate finance assume that managers act rationally to maximize firm value. However, the development of Behavioral Corporate Finance suggests that corporate decisions are not always entirely rational, as they can be influenced by psychological factors, cognitive limitations, and behavioral biases. Based on Behavioral Finance Theory developed by Kahneman and Tversky (1979), individuals' decisions can be affected by risk perception, experience, and cognitive biases. In the corporate context, factors such as *managerial overconfidence*, *managerial optimism*, and risk preferences may influence strategic decisions as well as financial reporting policies.

In addition to the behavioral perspective, Upper Echelons Theory proposed by Hambrick and Mason (1984) explains that top management characteristics can influence organizational decisions and outcomes. The experiences, abilities, values, and psychological characteristics of CEOs and executives may shape firms' strategic choices, including how financial information is managed, presented, and disclosed. Meanwhile, Agency Theory (Jensen & Meckling, 1976) explains that conflicts of interest between managers and shareholders may create information asymmetry, which can influence reporting behavior. Under such conditions, managerial behavioral factors may affect practices such as *earnings management*, accounting conservatism, and disclosure quality. This perspective is also consistent with Positive Accounting Theory (Watts & Zimmerman, 1986), which explains that firms' accounting

choices are influenced by managerial motivations and economic incentives. Although research on Behavioral Corporate Finance and Accounting Information Quality continues to develop, the existing literature remains fragmented. Some studies focus on the effects of *managerial overconfidence* on *earnings management*, while others examine the influence of executive characteristics, managerial ability, compensation, and governance mechanisms on *financial reporting quality*, *earnings quality*, *accounting conservatism*, and *disclosure quality*. This fragmentation highlights the need for a more comprehensive literature mapping to understand how managerial behavioral factors influence accounting information quality.

Based on this background, this study aims to synthesize the literature on the relationship between Behavioral Corporate Finance and Accounting Information Quality, while identifying managerial behavioral factors, underlying mechanisms, research developments, and future research opportunities. This study addresses the following research questions: (1) How has the literature on *Behavioral Corporate Finance* and *Accounting Information Quality* developed? (2) What behavioral factors influence accounting information quality? (3) How do managerial behavioral characteristics affect accounting information quality? and (4) What are the future research directions in this field?

LITERATURE REVIEW

Based on the initial literature review and the theoretical foundations adopted in this study, namely Behavioral Finance Theory, Upper Echelons Theory, Agency Theory, and Positive Accounting Theory, this study develops a conceptual framework of Behavioral Corporate Finance and Accounting Information Quality as an analytical reference for the literature synthesis. The framework is developed a priori to guide theme identification, findings categorization, and interpretation of the synthesis results. This conceptual framework illustrates the relationship between managerial behavioral factors, decision-making processes, financial reporting practices, and the resulting accounting information quality that supports corporate decision-making and governance, as presented in Figure 1.

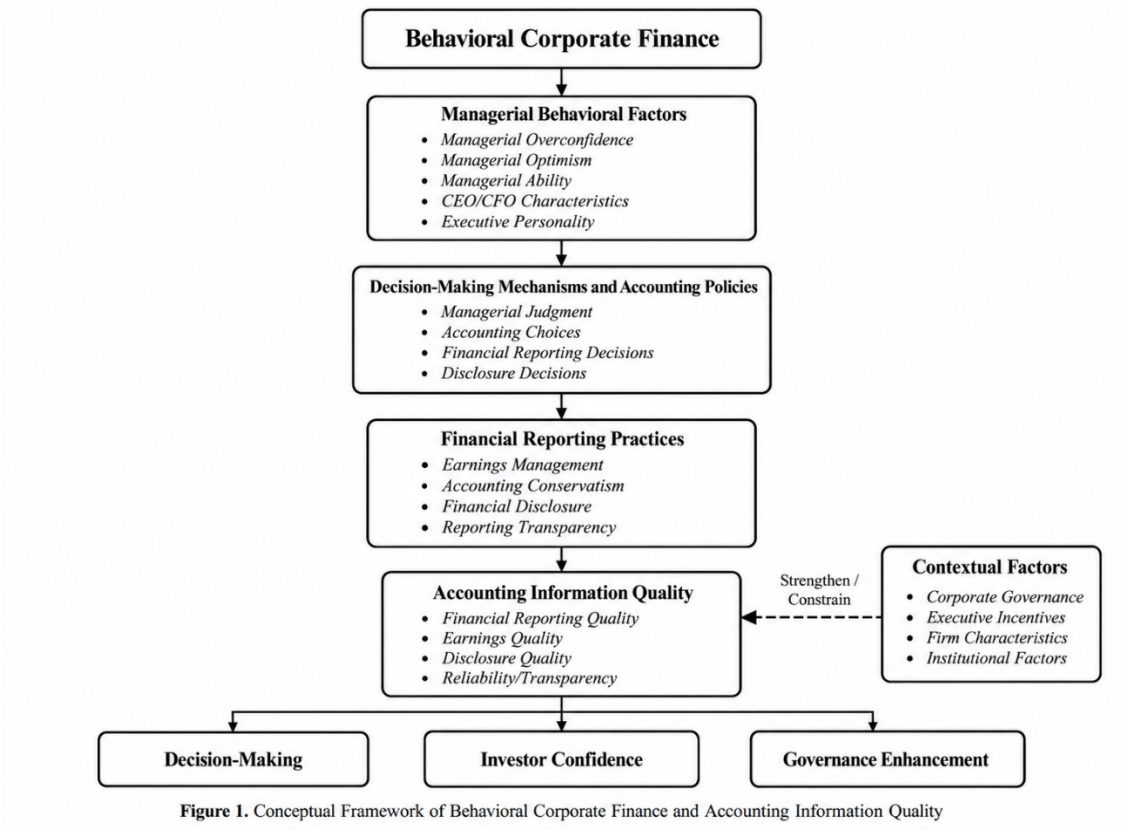

Figure 1. Conceptual Framework of Behavioral Corporate Finance and Accounting Information Quality

This framework consists of three interrelated layers. The first layer, managerial behavioral factors, includes behavioral characteristics and biases such as managerial overconfidence, managerial optimism, and executive characteristics. The second layer, decision-making mechanisms and financial reporting practices, explains how these behavioral factors influence accounting choices and financial reporting processes. The third layer, accounting information quality, includes financial reporting quality, earnings quality, and disclosure quality as the outcomes of these processes. This framework is used as an analytical lens to evaluate empirical evidence regarding the

relationship between Behavioral Corporate Finance and Accounting Information Quality, as well as to identify existing research gaps.

METHOD

This study employs a systematic literature review (SLR) approach to identify, select, evaluate, and synthesize relevant studies on the relationship between Behavioral Corporate Finance and Accounting Information Quality. The literature selection process follows the PRISMA 2020 (Preferred Reporting Items for Systematic Reviews and Meta Analyses) guidelines to ensure that the article search and selection procedures are conducted transparently and systematically.

The literature search was conducted on October 3, 2026, through the Scopus database using a combination of keywords related to *Behavioral Corporate Finance* and *Accounting Information Quality*, which initially identified 354 documents. After applying eligibility criteria, including document type (articles), language (English), and publication period (2020–2026), the number of documents was reduced to 83 articles. The metadata of these articles were exported in CSV format for further examination, including titles, abstracts, keywords, publication years, document types, and other bibliographic information.

The search strategy was broadly formulated by incorporating related terms associated with managerial behavioral factors and accounting information quality. This approach was adopted because studies that explicitly examine the relationship between Behavioral Corporate Finance and Accounting Information Quality remain limited. Therefore, relevant literature was identified through related concepts such as financial reporting quality, earnings management, and executive characteristics.

The eligibility assessment of each document was conducted based on five predefined criteria, as presented in Table 1.

Table 1. Inclusion and Exclusion Criteria

Criteria	Inclusion	Exclusion
Topic	Articles examining the relationship between Behavioral Corporate Finance and Accounting Information Quality.	Articles focusing only on general behavioral finance without examining its relationship with corporate decision-making or accounting information quality.
Focus	Studies examining managerial overconfidence, managerial optimism, managerial ability, CEO/CFO characteristics, and their influence on accounting information quality.	Studies focusing only on investor behavior, market behavior, or other financial factors without a connection to managerial behavior and accounting information quality.
Language	Articles published in English.	Articles published in languages other than English.
Publication Year	Articles published between 2020–2026.	Articles published outside the 2020–2026 period.
Publication Type	Peer-reviewed journal articles.	Publications that do not meet the criteria, such as conference proceedings, books, book chapters, editorials, and other non-journal publications.

A total of 83 documents retrieved from the search process were screened based on titles, abstracts, and keywords using the Rayyan application (Ouzzani et al., 2016) to facilitate a systematic screening process according to the criteria presented in Table 1. The screening process excluded 59 documents, with two main exclusion patterns identified: studies that discussed behavioral finance in general without an explicit connection to corporate decision-making or accounting information quality, and studies that examined accounting information quality without considering managerial behavioral factors. A total of 24 documents were considered eligible and retained for the final analysis and synthesis.

RESULTS AND DISCUSSION

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Managerial Behavioral Factors and the Quality of Accounting Information

Based on the synthesis of the reviewed studies, it is evident that the quality of accounting information is influenced not only by formal systems, standards, and control mechanisms, but also by the behavioral factors of the individuals involved in the decision-making process. Hanlon, Yeung, and Zuo (2022) demonstrated that individual characteristics such as a manager's ability, experience, preferences, and behavioral biases play a crucial role in explaining accounting behavior and reporting decisions. This finding is reinforced by Enewerome (2026), who found that behavioral biases such as *managerial overconfidence*, *optimism bias*, *confirmation bias*, and *loss aversion* can affect the quality of financial reporting. Ralfsamy et al. (2026) also showed that cognitive biases, including *anchoring bias*, *confirmation bias*, and *overconfidence*, can influence the quality of accounting judgment, particularly when individuals face complex and uncertain information environments. These findings demonstrate that the Behavioral Corporate Finance perspective provides an additional explanation: accounting decisions are not entirely rational, but are also driven by the psychological factors and cognitive limitations of decision-makers.

Accounting Information Quality as a Basis for Decision Making

The synthesis results also indicate that the quality of accounting information serves as an important mechanism in supporting the economic decisions of firms and stakeholders. Khoufi (2020) found that better accounting information quality can reduce information asymmetry and improve investment efficiency by mitigating the risks of under-investment and over-investment. A similar pattern was identified by Lei et al. (2022), who noted that the quality of accounting information helps enhance innovation investment efficiency by reducing financing constraints and agency conflicts. On the investor side, Shaikh (2026) demonstrated that high-quality accounting information increases investment intention because it provides more relevant and reliable information, while Hasibuan et al. (2026) found that financial reporting quality has a positive effect on investor decisions. A different yet complementary finding was presented by Chi (2026), showing that a decline in information quality due to unreliable reporting practices can lead to negative market reactions and diminish investor confidence.

Governance, Control, and Institutional Factors

In addition to behavioral factors and information quality, the reviewed studies demonstrate that corporate governance and organizational control mechanisms are critical factors in maintaining the credibility of accounting information. Joseph (2026), through a literature review, showed that audit quality, institutional ownership, management compensation, and financial distress are factors that influence financial reporting quality. Dewi et al. (2024) also found that financial reporting quality is affected by a combination of internal and external corporate factors and has consequences for the relationship between management and stakeholders. At the operational level, Liu et al. (2024) indicated that internal audit quality enhances accounting information comparability by reducing agency costs and increasing information transparency. Meanwhile, Bui Thi Ngoc et al. (2023) demonstrated that governance characteristics such as ownership structure, board of directors' competence, and monitoring mechanisms play a role in improving accounting information quality. From an institutional perspective, Preuss and Königsgruber (2021) showed that external factors like a firm's political connections can influence reporting quality through regulatory mechanisms, resource access, and public pressure.

Reporting Transparency and Consequences for Stakeholders

The role of accounting information quality does not stop at the preparation of financial statements, but is also related to transparency and stakeholder trust. Gold et al. (2020) demonstrate that the disclosure of Key Audit Matters increases management accountability and can reduce the tendency toward aggressive reporting behavior. Xu and Shen (2025) emphasize that the quality of accounting information is influenced by internal controls, corporate governance, and external oversight, which together shape the credibility of information. Meanwhile, Devitra and Putri (2026) show that the development of research on accounting information quality has begun to shift from a traditional focus such as earnings and book value toward broader issues, including corporate governance, ESG, and non financial information.

Theoretical and Practical Implications

Overall, the synthesis results indicate that Accounting Information Quality is not merely the outcome of applying accounting standards, but is also a consequence of how humans make decisions within organizations. The Behavioral Corporate Finance perspective broadens the understanding that the quality of financial statements can be influenced

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by managerial biases, perceptions, and characteristics. For practitioners, these findings underscore the importance of strengthening corporate governance, audit quality, internal control systems, as well as maintaining awareness of potential biases in the financial statement preparation process. Organizations cannot simply rely on improving reporting systems; they must also attend to the human factors driving the accounting decision-making process.

Limitations and Future Research Directions

This study has several limitations. First, the literature search was restricted to the Scopus database, which means relevant studies from other sources may not have been identified. Second, the number of articles meeting the inclusion criteria is relatively limited (24 studies); thus, the synthesis results should be understood as an overview of research development rather than a generalization of the entire literature. Third, the reviewed studies vary in context, methodology, and the measurement of Accounting Information Quality, which limits cross-study comparisons. Furthermore, the direct relationship between managerial behavioral factors and accounting information quality remains largely under-investigated in an integrated manner. Therefore, future research could expand the literature sources and develop empirical models that combine behavioral aspects, governance, and accounting information quality more comprehensively.

CONCLUSION

This study constructs a systematic literature review on the relationship between Behavioral Corporate Finance and Accounting Information Quality by following the PRISMA 2020 framework. Based on a literature search through the Scopus database, a total of 354 documents were identified, which were then screened based on inclusion and exclusion criteria to yield 24 studies analyzed in the final synthesis. The results of the review indicate that the relationship between managerial behavioral factors and accounting information quality can be understood through four main themes: (1) managerial behavioral factors as determinants of accounting information quality; (2) accounting information quality as a basis for economic decision-making; (3) the role of governance, controls, and institutional factors in enhancing information quality; and (4) the implications of accounting information quality for transparency and stakeholder trust. Overall, the findings demonstrate that accounting information quality is influenced not only by formal reporting standards and mechanisms but also by individual characteristics, behavioral biases, and the organizational environment in which accounting decisions are made. However, due to the limited number of studies and the diverse characteristics of the research, these results should be understood as a preliminary mapping of the development of Behavioral Corporate Finance and Accounting Information Quality studies, rather than a definitive conclusion.

For future research, several development directions can be pursued, such as expanding literature database sources, increasing empirical research that tests the direct relationship between managerial bias and accounting information quality, and developing models that simultaneously integrate behavioral factors, governance, and firm characteristics. In addition, future studies could employ longitudinal and cross-country approaches to understand how changes in managerial behavior affect financial reporting quality over the long term. Research within the context of developing countries also remains wide open, as institutional factors, organizational culture, and governance systems may yield different dynamics regarding behavior and accounting information quality.

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