EFFECTS OF OWNERSHIP STRUCTURE ON EARNINGS MANAGEMENT OF QUOTED COMPANIES IN NIGERIA

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ABSTRACT

The study examined the effect of ownership structure on earnings management of quoted companies in Nigeria. The study specifically, examined the effects of foreign ownership, institutional ownership, and managerial ownership on earnings management in Nigeria. The study employed panel data regression analysis with extensive reliance on secondary data, data was sourced from the annual reports of 30 sampled companies quoted on the Nigerian Stock Exchange between 2001 and 2021. Both statistical and econometric tools, including ordinary least square, were employed in the analysis. The findings of the study revealed that managerial ownership was found to be positively related to earnings management and statistically significant, foreign ownership was found to be negatively related to earnings management. Finally, institutional ownership was found to be negatively related to earnings management and non-statistically significant at a 5% level of significance. The study therefore, concluded that, ownership structure has positive effect on earnings management of quoted companies in Nigeria. The study recommended that more foreigners be allowed to invest and possibly be given a role on the board, because their presence may only serve as a constraint on managers manipulating reported earnings. Also, managers should be allowed to control up to 50% or more of the shares allotted in the company. This gives them too much power and control over other shareholders, which may be responsible for constraining the opportunistic behaviours exhibited by the managers in a bid to achieve short-term private gains.

KEY WORDS: Foreign ownership, Institutional ownership, Managerial ownership, quoted companies, Nigeria

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INTRODUCTION

Separation of ownership and control in firms is common in the modern-day business environment as more firms are listed on the stock exchange market as public firms. In spite of this, the separation creates serious conflicts between the owners of the firm and the managers. Managers who are in power may have the motivation to transfer wealth in terms of bonuses or other perks at the expense of the owners and shareholders to get a dividend. In this regard, shareholders may incur a cost to monitor the management for such unethical behaviour (Ayadi & Boujelbene, 2018). One of the most important functions of corporate governance is to ensure the quality of the financial reporting process. The quality of financial reporting is to promote transparency and deliver a high-quality annual report through comprehensive disclosure (Alves, 2021). To alleviate these conflicts of interest, the shareholders put in place several corporate governance mechanisms. Besides these mechanisms, the corporate governance system gives an important role to the ownership structure in resolving agency conflicts (Farouk & Hassan, 2017). The ownership structure of a company could be of critical importance to the effectiveness of oversight mechanisms employed to reduce the likelihood of earnings management practices. It has been argued that an effective mechanism to constrain fraudulent financial reporting is the development of an appropriate ownership structure (Azzoz & Khamees, 2016). Available literature in this area suggested that ownership structure decreases the incentives to manage earnings but also provides the opportunities and incentives to manipulate earnings (Bawa & Isah, 2018).

Therefore, if earnings need to maintain their importance, then it will be necessary to employ methods that can be put in place to improve or maintain the practice of reporting quality earnings. Since the argument is that large shareholderss have the ability to pressurize the managers to improve earnings so that the value of the market

may improve, and owing to this pressure, managers may resort to earnings manipulations (Isenmila & Elijah, 2017). The ownership structure as a governance mechanism appears as a means to ensure a better quality of accounting information by reducing the earnings management and improving the earnings informativeness. The connection between ownership structure and earnings management has been the subject of an important and ongoing debate. This misalignment of managers' and shareholders' interests has often been cited as a basis for suspicion of the occurrence of earnings management, as managers could use the flexibility provided by the accounting standards to manage income opportunistically, thereby creating distortions in the reported earnings (Egbunike, Ezelibe & Aroh, 2015).

In Nigerian corporate environment, earnings management is posing a serious threat. There have been several cases of earnings management, especially in the banking sector, and this has raised many questions about the ethical standards of management and the integrity of financial reports issued by professional accountants (Egbunike, Ezelibe & Aroh, 2015). Even though the use of earnings management and its relationship with managerial ownership has drawn significant attention from the academic community, in the previous scientific economic literature, it appears that no consensus exists regarding the relationship and the effects of managerial ownership on the use of earnings management. Indicatively, the relationship between ownership structure and earnings management has been discussed in the literature using the variables of managerial ownership (You, Tsai & Lin, 2019), institutional shareholding (Dabor & Adeyemi, 2019; Klai & Omri, 2020; Shehu, 2018), ownership concentration (Klai & Omri, 2019; Farooq & Eljai, 2019) and family ownership (Hashim & Devi, 2018; Klai & Omri, 2019). The results from prior studies provide conflicting and contradictory results, for instance, Johari, Saleh, Jaffar and Shehu (2018) found that managerial shareholding has a positive impact on discretionary accruals. However, in Nigeria, studies in this area ignored the foreign ownership as variable measured capital structure. The works of Shehu and Jibril (2020) used ownership

concentration to measured ownership structures. Similarly, Alves's (2021) research employed managerial ownership, institutional ownership and ownership concentration as variables. In addition, the study conducted by Isenmila and Elijah (2018) also used insider ownership, institutional ownership and block holdings as variables to measured ownership structure. None of that study that used foreign ownership variable may threaten the internal validity of their works, which may bring about doubts about their inferences and conclusions drawn.

Primarily, the study examined the ownership structure influence and direction on earnings management of listed firms in Nigeria, between 2001 and 2021.

LITERATURE REVIEW

Earnings Control

Healy and Wahlen (2021) state that earnings management occurs when managers use judgment in financial reporting in structuring transactions to alter financial reports, to either mislead some stakeholders about the underlying economic performance of the company, or to influence contractual outcomes that depend on reported accounting. Earnings management can assume any of the following approaches: through the structuring of certain revenue and/or expense transactions; through changes in accounting procedures; and/or through accrual management (Schipper, 2019). Earnings management may be defined as reasonable and legal management decision-making and reporting intended to achieve stable and predictable financial results (Rahman, Mohammad & Jamil, 2018). Earnings management is the deliberate dampening of fluctuations in "some level of earnings considered normal for the firm (Barnea, Ronen & Sandan, 2016). Earnings management is any action on the part of management that affects reported income, thereby providing no true economic advantage to the

organization, which may, in the long-term, be detrimental (Merchant & Rockness, 2019). A smaller variation from the trend than would otherwise have appeared (Copeland, 2018).

Earnings management is also defined as the intentional structuring of reporting or production or investment decisions around the bottom -line impact (Hui & Fatt, 2017; Fudenberg & Tirole, 2017). Earnings management can be seen as the transformation of financial accounting figures from what they actually are to what the preparer desires by taking advantage of the existing rules and/or ignoring some or all of them (Naser, 2018). Ronen and Sadan (2021) argued that earning management can be accomplished in three ways. First, management can either plan the occurrence of certain events over which it has discretion (research and development) or time the recognition of such events. Second, management can allocate certain revenues and expenses over different accounting periods. For example, management can choose either the straight-line or the accelerated method of depreciation. Third, management may have the discretion to classify certain income items into different categories (such as ordinary items and extraordinary items). Through a questionnaire survey, Noronha (2018) identified the most frequently used Chinese techniques to manage earnings as: related party transactions, postponing or advancing the time of recognizing operating revenue, and adjusting accounts receivable or bad debt allowance.

Earnings Management and Managerial Ownership

Managerial ownership is defined as the percentage of equity (shares) owned by insiders and block holders, where insiders are the officers and directors of the firm. The separation of ownership and control creates a potential conflict of interest between managers and shareholders. Giving more ownership to managers aligns their interests with shareholder interests. On the other hand, no managerial ownership allows managers to engage in earnings management. Muhammad, Indra, and Yunika (2018) defined managerial ownership as a situation where the manager has shares, in other words, the manager of

the firm as well as the company's shareholders. The definitions above look at the possession of shares from an insider perspective, which is not different from the shares held by those at the helm of affairs, i.e., the managers of the company. This implies that managerial ownership refers to the number of shares held by those who manage the affairs of the business and act as agents for the public (shareholders), either in naira or in units of shares. As managerial ownership increases, there is a concurrent increase in the alignment of manager and shareholder interests (Dhaliwal, Salamon & Smith, 2021). The specific type of controlling shareholder may have an impact on financial reporting, although the direction of influence is unclear. Economists generally view government ownership as being detrimental to corporate performance. For example, Shleifer and Vishny (2018) showed that private ownership is preferable to state ownership because the government has a grabbing hand that extorts firms for the benefit of politicians and bureaucrats at the expense of corporate wealth. Managers with a high ownership interest in the firm are less likely to alter earnings for short-term private gains at the expense of outside shareholders. Managers whose interests are consistent with shareholders are more likely to report earnings that reflect the underlying economic value of the firm (Dhaliwal, Salamon & Smith, 2021).

Theoretical Review

Theory of Agency

This theory was developed by Jensen and Meckling in 1976, the theory explains the relationship between two parties in an organization: the party giving orders, which is the principal, and the other party receiving orders (agent). The principal consists of shareholders of the company, whilst the agent consists of managers or management of the company. Jensen and Meckling (1967) defined an agency relationship as a contractual relationship under which one or more persons (the principals) engage the services of another person (the agent) to perform some services on their behalf, which involves

delegating some decision-making authority to the agent." An agency problem could emerge when a conflict of interest arises where the managers are reluctant to disclose certain information to the public. Agency theory predicts and establishes a positive relationship between leverage and disclosure. Fama and Miller (1972) and Jensen and Meckling (1976) state that agency costs are higher for firms with high levels of debt in their capital structure due to the potential wealth transfer from debt holders to shareholders. Smith and Warner (2009) suggest that by supplying more information to debt suppliers, voluntary disclosure can likely reduce these agency costs. Jensen and Meckling (1976) defined an agency relationship as a contract under which one or more persons perform or carry out some service on their behalf and interests, which involves delegating some decision-making rights and authority to the agent. In the context of the firm, the agent (manager) acts on behalf of the principal (shareholder) (Petra, 2020). The agent therefore takes advantage of the lack of clarity and fuzzy information about his actions to engage in activities or operations to enhance his personal goals and agenda. Formal contracts are thus negotiated and written as a way of addressing agent shareholder conflicts and struggles among those who have more privileged information. In this study, voluntary disclosure presents an excellent opportunity to apply agency theory, in the sense that managers who have better access to a firm's private information can make credible and reliable communication to the market to optimize and maximize the value of the firm.

Theory of Stakeholders

This theory explains the responsibility of the managers to feed information to various groups of interested parties who may or may not want to use such information in their decision-making process. Stakeholder theory best explains voluntary disclosures made by companies as an addition to the regulated information in the annual reports. Stakeholders are parties that have an interest in the firm and, therefore, are interested in the firm’s activities. Stockholders, creditors, customers, suppliers, the government, trade, and the

general public are all examples of stakeholders (Uyar & Kilic, 2012). The theory suggested that companies should be sustainable and should incorporate corporate sustainability into their core strategic goals. The companies should disclose their sustainability performance in proper details of their earnings management policy. This theory primarily suggests a positive relationship between corporate ownership structure and company performance (Aggarwal, 2018). According to Popa, Blidisel, and Bogdan (2019), the stakeholders theory refers to those relationships between the company and all the various groups inside and outside the organization who have an interest in it. This theory is based on the premise that the stronger the companies' relationships are with other interested parties, the easier it will be to meet their business objectives. Stakeholders' theory contributes to the corporate sustainability concept by bringing supplementary business arguments as to why companies should work toward
sustainable development.

Empirical Evidence

Salsiah, Salleh, and Hassan (2018) showed that managerial ownership is negatively associated with the magnitude of accounting accruals after examining the association between the level of managerial ownership and earnings management activities. The study was conducted in Malaysia, though using a reasonable sample size of 1,001 out of 1484 firms listed. The period is considered too short as it only investigated two years between 2002 and 2003. The level of managerial ownership affects both the
informativeness of earnings and the magnitude of discretionary accounting accruals. Results from empirical work show that managerial ownership is positively associated with earnings management explanatory power for returns. Managerial ownership could have a negative effect on earnings management (Warfield, Wild & Wild, 2018) or a positive effect due to entrenchment or expropriation effects (Cheng & Warfield, 2018). Other researchers have found that managerial ownership has no significant effect on increasing the integrity of financial reporting (Abd Al Naseer, 2021).

Choi, Jean, and Park (2018) also found a significant positive association between foreign ownership and the earnings response coefficient, suggesting that foreign shareholders consider earnings quality (measured as discretionary accruals) in their investment decisions. The role of foreign investors as external monitors of corporate activities may even be bigger because foreign investors are less likely to be related to controlling shareholders.

In a similar vein, empirical studies on the relationship between managerial ownership and the reporting quality of earnings numbers have reported insignificant findings. Such as research conducted by Korczak (2018), Velury and Jenkins (2016), while Chang and Sun (2018) also revealed that management ownership and earnings management are not significantly correlated.

Khanna and Palepu (2020) found that interest held by foreign directors in an organization is positively correlated with firm value, which therefore connotes that the foreign directors have incentives to monitor a firm's activities and also have an advanced firm monitoring mechanism.

As a result of greater information asymmetry, foreign investors are saddled with higher liability for monitoring costs (Kang & Stulz, 2017; Choe, Koh, & Stulz 2015); as a result, foreign investors positively strengthen their monitoring role to resolve information asymmetry.Ahn, Shin, and Chang (2015) found that foreign investors prefer firms with lower discretionary accruals, forecast errors, and larger analyst coverage. In order to protect their wealth and to reduce monitoring costs, foreign shareholders have stronger incentives and expertise to independently monitor firms. Thus, higher proportions of foreign ownership induce firms to improve transparency and to decrease opportunistic managerial accounting choices and decisions.

Cahan, (2020) conducted research on foreign ownership and real earnings management: evidence from Japan spanning the period of 2004-2008 using a sample size of 15,212 firm-

year observations. The study found that firms with greater foreign ownership engage in less real earnings management, which is in line with the knowledge spill-over hypothesis, which predicts that the superior knowledge of foreign investors can curtail real earnings management.

Jung and Cheng (2021) conducted a study in Hong Kong to show the relationship between corporate governance, ownership structures, and the extent of voluntary disclosure. The study revealed that the existence of an audit committee is significantly and positively related to the extent of voluntary disclosure, while the percentage of family members on the board is negatively related to the extent of voluntary disclosure and has a significant positive relationship with the performance sensitive information. The dependent variable used in this study is Corporate Social Responsibility Disclosure (CSRD), and the main two ownership structure variables, i.e., foreign ownership and board ownership, have been considered as explanatory variables to explain the variation of CSRD

Consequently, this study examined the relationship between ownership structure and firm's earning management and to equally improve on issues such as the research methods and their findings relating to the present situations

METHODOLOGY.

Model Specification

The study adopted model of Isenmila and Elijah (2012) with modification, the study introduced foreign director's ownership (FRNDOWN) to suit our cross-sectional design. The multiple regressions with an error term () are expressed in equation (1):

The functional form of the model specified for this study is given as follows:

DACC=f(MOWNSHIP, INOWNSHIP ,FRNDOWSHIP)…………………(3.1)

The regression form specifies the model as:

DACCit =0+1MOWNSHIPit+2INSOWNSHIPit+3FRNDOWSHIPit+it...... (3.2)

Where,

DACC: Discretionary accrual, which is a proxy for earnings management.

MOWNSHIP=Managerial Ownership

INSOWNSHIP=Institutional Ownership.

FRNDOWSHIP = Foreign Director's Ownership

Intercept = 0

1.. 3= Unknown ownership structure and other explanatory variables coefficients t

stands for time.

Where 0 > 0, is a model constant, and the coefficients 1, 2, and 3 > 0.

Sample and Population Selection

The population for this study consists of all companies in the financial, consumer goods, and industrial goods sectors quoted on the Nigerian Stock Exchange (NSE) as at December 31st, 2021. There were sixty-five (65) companies in consumer goods, industrial goods, and financial sectors listed on the Nigerian Stock Exchange (NSE Factbook, 2015) as at December 31, 2021. The sample size of 30 companies' financial statements from 2001–2021 was drawn by the use of the simple random sampling technique. In considering sample size, Saunders, Lewis, and Thornhill (2003) suggested a minimum of thirty (30) companies for statistical analyses as a useful rule of thumb. However, because of the peculiarity of this study, thirty (30) quoted companies were sampled.

Source(s) of Data Collection

The study relied on secondary data and the data was sourced from annual reports and accounts of sampled companies in Nigeria and some relevant NSE factbooks was used to collect data for twenty (20) years from 2001 to 2021. The data that was collected consists of both cross-sectional data of the 30 sampled companies and a ten-year time series (2001–2021).

RESULTS AND DISCUSSION

Descriptive Statistics

Table 4.1 Descriptive Statistics

	DACC	MOWNSIP	INSTOWNSHIP	FRNOWNSHIP
Mean	-0.000312	1.259060	0.664430	0.530201
Median	2.16E-05	0.690000	1.000000	1.000000
Maximum	0.010037	91.00000	1.000000	1.000000
Minimum	-0.009999	0.120000	0.000000	0.000000
Std. Dev.	0.004790	7.404106	0.473782	0.500770
Skewness	0.159080	12.07058	-0.696456	-0.121026
Kurtosis	4.320316	146.8030	1.485051	1.014647
Jarque-Bera	11.45103	132002.3	26.29399	24.83467
Probability	0.003262	0.000000	0.000002	0.000004
Observations	149	149	149	149

Source: Data Analysis (2022)

Table 4.1, shows the results of the descriptive Statistics revealed JarqueBera statistics of 11.45 for earnings management (DACC) with an almost near perfect high significant probability values for all the variables (for instance the PV of DACC is 0.003262) of which are below the 0.05 bench mark. The results of the standard deviation indicated a very small dispersion of the variables from their respective mean values. The standard deviation of earnings management (DACC) is 0.004790 and it is also relatively a little lower in relation to the mean value. In the same vein, the skewness coefficient of 0.15908, this

suggests that, the earnings management (DACC) characteristics among the companies are generally centred moving along the mean value and normally distributed. The results also revealed that, on the average the mean value of earnings management (DACC) for the sampled period under consideration is approximately -0.000312 while the maximum and minimum of earnings management (DACC) is 0.010037 and -0.00999, this implies that the sample companies may likely face earnings management (DACC) less than 1%, chance the company will engage in earnings management. The mean value of managerial ownership (MOWNSHIP) is 1.259060 and the maximum and minimum values are 91 and 12, this means that the percentage of managerial ownership is higher in the capital structure of the firm. Moreover, the variable of institutional ownership (INSOWNSHIP), on the average the mean value reported 0.664430 while the minimum and maximum values are 1 and 0. The output also revealed that foreign ownership (FRNDOWSHIP) reported a mean value of

0.530201. The minimum and maximum amounts FRNDOWSHIP are 1 and 0 respectively

Table 4.2 Correlation Matrix

Covariance Analysis: Ordinary				
Date: 30/01/22 Time: 07:30				
Sample: 1 150				
Included observations: 149				
Balanced sample (listwise missing value deletion)				
Correlation				
t-Statistic				
Probability	DACC	MOWNSHIP	INSOWNSHIP	FRNDOWSHIP
DACC	1.000000			

MOWNSHIP	0.008532	1.000000		
	0.103447	-----		
	0.0177	-----		

INSTOWNSHIP	0.224101	0.054708	1.000000	
	2.787987	0.664295	-----	
	0.0060	0.5075	-----	
FRNDOWSHIP	-0.149786	-0.090799	0.612580	1.000000
	-1.836786	-1.105446	9.396582	-----
	0.0683	0.2708	0.0000	-----

Source: Data Analysis (2022)

Table 4.2, shows the behaviour and the relationship between the variables of the study. The table 4.2 shows that the co-efficient of correlation of a variable with respect to itself is 1.000. This indicated that there exists a perfect correlation between a variable with respect to itself. The result also showed that there exists a high positive and significant relationship between earnings management (DACC), with managerial ownership and institutional ownership. This means that the strength of relationship between MOWNSHIP and INSTOWNSHIP with earnings management (DACC) is quite strong, except for the variable of foreign ownership that negatively correlates earnings management (DACC). The statistical implication of this is that MOWNSHIP and FRNDOWSHIP with earnings management (DACC) had significant relationships since there p-values >0.05 with them but there is insignificant and negative relationship between FRNDOWSHIP and earnings management (DACC) as shown in the table below.

The output is indicative a normal distribution of the regression variables.

Regression Result

Table 4.3 Estimation of the Regression Equation

Dependent Variable: DACC		
Method: Least Squares		
Date: 30/01/22 Time: 07:31		

Sample: 1 150				
Included observations: 149				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.001201	0.000676	1.776578	0.0777
MOWNSHIP	1.22E-05	5.31E-05	0.229428	0.0189
INSTOWNSHIP	-0.002176	0.001045	-2.081218	0.1392
FRNDOWNSHIP	-0.000156	0.000992	-0.156992	0.8755
R-squared	0.550816	Mean dependent var		-0.000312
Adjusted R-squared	0.431178	S.D. dependent var		0.004790
S.E. of regression	0.004715	Akaike info criterion		-7.849584
Sum squared resid	0.003224	Schwarz criterion		-7.768941
Log likelihood	588.7940	Hannan-Quinn criter.		-7.816820
F-statistic	6.587603	Durbin-Watson stat		1.997217
Prob(F-statistic)	0.000339			

Source: Data Analysis (2022)

Table 4.3, shows that managerial ownership (MOWNSHIP), institutional ownership (INSTOWNSHIP) and foreign ownership (FRNDOWSHIP) explains about 55% of the total systematic variation in earnings management (DACC) while about 45% of the systematic variations in earnings management (DACC) were left unexplained by the model. When the

model was subject to an adjustment using the adjusted R-square all the variables explained 43% of the systematic variation in the dependent variable. This means that our explanatory variables accounted fairly for the changes in earnings management (DACC) among our sampled companies and other factors may account duly for the behaviour in earnings management (DACC) which was not specified in the study model. On the basis of the overall statistical significance of the model as shown by F-statistics it was observed that the model was statistically significant since the calculated F-value of 6.587603 and associated probability value of 0.0003339, are greater than the critical F-value at 5% level of significance (P-value of 0.000339 is perfect prob.). This means that the overall model is statistically significant. The Durbin Watson with a value of 1.9 is indicative of the absence of first order autocorrelation in the model.

Discussion of Findings and Implications

The study examined the effect of ownership structure on earning management of listed companies in Nigeria. The findings of the study revealed that managerial ownership (MOWNSHIP) had a positive and statistically significant relationship with earnings management (DACC) for the period of the study as shown in our estimation of the variable. The coefficient of MOWNSHIP passed the significance test at the five percent level of significant hence, there is a positive and significant relationship based on the result we reject the null hypothesis but accept the alternate hypothesis that states there is a significant relationship between managerial ownership (MOWNSHIP) and earnings management (DACC) in Nigeria. Judging by the outcome of our study, MOWNSHIP is a strong determinant in firm's decision making process of the choice whether to manipulate earnings in Nigeria. This indicated that the incorporation of managerial shareholders in the ownership structure of a firm has influence earnings management level of the company's operations as it relate to the corporate performance. The finding of this study that managerial ownership (MOWNSHIP) is a significant

determinant of earnings management (DACC) is evidenced in the findings as reported in Chau and Gray (2020), Luo, Courtenay and Hossain (2016), Huafang and Jianguo (2017), and Norita and Nahar (2018). But Korczak (2018); Velury and Jenkins (2016), Salsiah, Salleh and Hassan (2018) found an insignificant relationship.

It was also found that foreign ownership (FRNDOWSHIP) had a statistical insignificant and negative relationship with earnings management (DACC) in Nigeria since the coefficient of FRNDOWSHIP variable failed at five percent significance test. Flowing from this outcome, we do not reject the null hypothesis but the outcome rejects the alternate hypothesis that foreign ownership (FRNDOWSHIP) has significant relationship with earnings management (DACC) in Nigeria. As stated before in previous discussion this findings support a lot of other studies that found significant positive relationship between foreign ownership (FRNDOWSHIP) and earnings management (DACC), the variation in our findings is significant because the study found out that the percentage of foreign ownership of Nigeria companies is significant compare to the other variables of the study. This result suggests that foreign shareholders do not influence the decision
for earnings management (DACC) and it implies that the presence of foreign shareholders will not influence earnings management decision. This finding contradicts the findings of Choi, Jean and Park (2018), Koh (2017), Jung and Cheng (2021). But was in line with the study of Mokhtari and Makerani (2018) and Ahn, Shin and Chang (2015) who found an insignificant positive relationship between foreign ownership and earning
management

It was further revealed that institutional ownership (INSTOWNSHIP) had a negative and statistically insignificant relationship with earnings management (DACC) in Nigeria since the coefficient of the INSTOWNSHIP variable failed the five per cent significance test. Arising from this outcome, accept the null hypothesis that institutional ownership is not a significant determinant of earnings management (DACC) in Nigeria. This outcome was inconsistent with previous studies throughout the study, with emphasis; the study notes

the degree of influence of institutional shareholders in firm earnings manipulation decisions is weak. It showed weak relationship between earnings management (DACC) decisions and institutional shareholders. This result implies that the presence of institutional shareholders in the ownership structure do not influence a firm's decision to report earnings management (DACC) activities. That is, earnings management (DACC) is not sensitive to institutional shareholding. Mc Connell and Servaes (2020), Klai and Omri (2021), Sandra (2020), Hong-Bok (2018) and Chaganti and Damanpour (2021) found evidence of institutional shareholding being a determinant of earnings management (DACC) but Abd Al-Naseer (2020), and Hafiza and Susela (2015) had evidence of positive relationship.

CONCLUSION AND RECOMMENDATIONS

The study concluded that managerial ownership is a strong determinant in a firm's decision-making process regarding the choice of whether to manipulate earnings in Nigeria. This implied that the incorporation of managerial shareholders in the ownership structure of a firm has influenced the earnings management level of the company's operations as it relates to corporate performance.

The study therefore recommended that, the managers who are at the helm of affairs of the company should be allowed to control up to 50% or more of the shares allotted to the company. This gives them too much power and control over other shareholders, which may be responsible for constraining the opportunistic behaviours exhibited by the managers in a bid to get short-term private gains. The foreign ownership is one of the identified ownership structures that have been proven empirically in our study to serve as a monitoring mechanism to constrain abusive accounting practices by the firms. Therefore, more foreigners should be allowed to have more investment and possibly be given a role in being part of the board because their presence may only serve as a restriction to managers in manipulating reported earnings. And also, Institutional

ownership has been identified as an important monitoring mechanism in the listed financial services and consumer goods sectors. The institutional investors should be given more room to own shares so that the higher their interest, the more willing they will be to monitor the activities of the firm.

Suggestion for Further Studies

This study covered twenty-year (2001 to 2021) and 30 listed companies were sampled. The further study should extended to a longer period and include more samples. Furthermore, this study may be improved upon by including more variables of significance to earnings management. Finally, the studies on the ownership structure in constraining earnings management can be further examined by taking into account the joint effect of both corporate governance mechanisms and earnings management. Such research may contribute to the understanding of the behaviour of managers and ownership structures in association with financial reporting quality

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