OWNERSHIP STRUCTURE AND EARNINGS MANAGEMENT PRACTICES IN NIGERIA: A STUDY OF CONSUMER GOODS MANUFACTURING COMPANIES LISTED IN NIGERIAN EXCHANGE GROUP

Okporo, E. N., Uguru, L. C., & Okafor, L. C.

1.Ph.D Student Department of Accountancy, Faculty of management Sciences, Ebonyi State University, Nigeria.

(okporoemmanue@gmail.com)

2. Senior Lecturer Department of Accountancy, Faculty of Management Sciences, Ebonyi State University, Abkaliki, Nigeria.

3. Senior lecturer Department of Business Administration, Faculty of Management Sciences, Ebonyi State University, Abakaliki, Nigeria.

ABSTRACT

This study examined the impact of Ownership Structure on Earnings Management in Consumer Goods Manufacturing Companies in Nigeria. The objective of the study is to determine the relationship between managerial, block-holder and institutional ownership structure and earnings management practices of consumer goods manufacturing companies in Nigeria. Ex-post-facto research design was adopted, while data was analyzed using descriptive statistics, correlation analysis and panel regression. The study revealed that managerial and block-holders' ownership has a significant negative influence on earnings management practices while institutional ownership has a significant positive influence on earnings management practices. The first finding implies that one percent increase in managerial and block-holders ownership will result to geometric decrease of the earnings management practices, this is due to strong incentive to actively monitor and influence firm management to protect their significant investment. The study recommended that management of consumer goods manufacturing companies should invest in the capital structures of the organization for this will avail them more sense of belonging and will in-turn mitigate opportunistic tendencies of managers, also firms were encouraged to maintain a high number of block-holders ownership since the block-holders ownership empirically has significant influence on preventing management's tendencies for opportunistic behaviour. While institutional ownership should be improved as the negative sign is an indication that institutional investors could help in preventing earnings management.

Key Words: **Ownership Structure, Earnings Management, Earnings Management Practices, Discretional Accruals**

INTRODUCTION

1.1 Background of the study

Ownership Structure is a corporate governance mechanism that is applicable in an organization which primarily aid operations and enhance efficiency of a firm (Jensen & Meckling, 2019, Oyedokun, Umoh, Haruna and Zakaria, 2019,). The construct, ownership structure is widely applied in two dimensions namely: ownership concentration and owner identity or ownership of shares. Ownership concentration

weighs the degree of concentration of voting right, it is viewed as individual or a group of individuals or organizations with common interest that owns majority of the equity of an enterprise which have the right to manage the decisions of the enterprise (Tran & Dang, 2021) while owner identity is based on an individual shareholders where no individual or group of individuals or organizations own the largest voting right or the right to dominate the enterprise (Ali, Salleh & Hassan, 2018, Alves, 2012). Obigbemi, Omolehinwa and Mukoro, 2017 maintained that wide-spread ownership structure is one of the attributes to modern listed companies. The equity shares owned by various shareholders arose conflicts of interest amongst shareholders because every investors have divergent reasons for investments and this may impacts firm's performance, meaning that right ownership structure can assist companies to record good performance in market, given that institutional concentrated ownership may result a positive influence on firm's performance while inappropriate size of ownership concentration can as well bring negative effects on firm performance (Felicya & Sutruisno, 2020).

According to Mashayekhi, (2018) as more firms are listed on exchange group, there is need for a clear cut separation of ownership between control and authority in organizations. Notwithstanding, the issues of this separation poses serious challenge and conflicts between the shareholders of a firm and managers. Managers may be motivated to transfer wealth in terms of bonuses or other benefits at the expense of owners. This unethical drive may cause the shareholders extra cost to monitor the management activities in the operations of the corporation. Nevertheless, this separation of control and authority generate agency problem (Farzand, Parveen, Malik and Yasir, 2016). Bolton, Scheinkman & Xiong, (2006) many studies that did not find a negative relationship between managerial ownership and agency problem have been carried on this wise. Notwithstanding, there are other prior research that revealed that effective corporate governance system that reflect the elements of ownership structure, such as managerial ownership including quality external audits will decrease agency problem in the organizations. The authors maintain that reported accounting information may not have distortion when the shares of an organization are owned by managers that is to say, when ownership by managers increases, the gap between the motives and objectives of the managers and the shareholders decreases. Dahliwal, Salamon and Smith, (2019) affirm that ownership structure of a firm can be categorized into two groups namely: proportion of shares owned by insiders and outsiders; proportion of shares owned by institutional and individual shareholders. The authors' further emphasis that managerial ownership is a variable that might reduce the agency costs as the motivations of managers are joined relatively to the objectives of other shareholders. According to Huy, (2016) institutional investors are large investors, other than natural person who exercise discretion on other

investment. That organizations which are considered as institutional investors are insurance companies (which includes both life and non life assurance), pension funds, investment trusts, financial institutions (which includes banks, finance companies, building societies and credit cooperatives), investment companies and other selected companies associated with the above categories of institutions. Institutional investors have the privilege, resources and right to monitor, discipline and influence manager's decision in the firm (Hassan, 2018).

In the studies of Naser, (1993) earnings management is the schematic identification of loopholes in the financial laws and taking systematic advantage of these shortfalls to framing the financial figures from what they actually are to what a selected group of financial report users desire and not to the benefit of all the users. It is the art of presenting the financial reports of a company in a way that suits the interest of the managers and not actually as it is.

Not minding that there are many studies, such as : Ali, et al, (2018), Hassan, (2018), Farzand, et al, (2016), Alves, (2012), Obigbemu et al, (2017), Oyedokun, et al, (2019) on impact of ownership structure on earnings management practices, yet there are still gaps; in the sense that some authors have looked at earnings management practices as performance measurement proxied to Return on Assets or Return on Capital employed (ROCE), thereby determining the relationship between ownership structure and ROCE. Few have looked at earnings management practice as agency conflict measurement while some based their studies on Banking Institutions in Nigeria and have not really looked at manufacturing sector of Nigerian economy. However, the researcher is poised to look at the impact of ownership structure on earnings management practices of Nigerian manufacturing companies listed in Nigerian Exchange Group. This sector is crucial to Nigerian economy because it is a vehicular tool for employment and economic growth. Therefore, understanding the characteristics of ownership structure on the earnings management practices within this sector of Nigerian economy is critical in order to promote the reliability and transparency of reported earnings of manufacturing companies in Nigeria.

1.2 Statement of the Problem

The multifaceted of ownership and authority creates agency problems. This argument is consistent with Levitt (1998) who revealed that there is a significant positive relationship between agency conflicts, and the degree of division between ownership and control. The outcome of their study shows that as the degree of separation between ownership and power increases, the agency problem and costs increase. Thus,

the impact Institutional, block-holder and managerial ownership has on earnings management practices of Nigerian Manufacturing Companies, is imperative.

The ownership structure of companies has raised controversy and debate regarding its role in an effective control of the management opportunistic behavior and the prevention of earnings management practices. Since Siregar and Utama (2018) found that in companies where ownership structures are dispersed among a large number of owners, each has a limited number of shares of the company's capital, the managers in such organization will be in a position to use the methods and means that enable them to achieve their own interests, because there is no strong mechanism for shareholders to closely monitor the company's activities in addition to the weak participation of Shareholders in management decisions or policies making which may lead to company's failure, as the cases of Dunlop Nigeria Plc, Glaxowellcome, Pfizer, Hoescht and Aventis (Oluwaseum, 2015), also included was the case of Diamond Bank which collapsed into Access Bank due to ownership strugles according to Chijioke, (2018)

> "Diamond Bank displayed a lack of strong culture of risk, capital management expertise and a clear strategy for sustainable growth. But this situation was made worse by sustaining more than four year-old board politice, hallmaeked by arm-twisting and outwitting among members" (Chijioke. 2018 p.24).

Empirical studies on the relationship between ownership structure and reported earnings management practices have presented unclear results that did not conclusively determine whether ownership structure impacts earnings management. On one hand, several scholars' reports support the significant impact of stock ownership by management and institutions on earnings management. Meanwhile, some research results revealed that institutional and managerial ownership are not significantly related to the quality of earnings. It was on the above backdrops of ambiguous and inconclusive results, which are of foreign origin that motivated Hassan, (2018) to research on the extent ownership structures actually impact on earnings management in an emerging economy such as Nigerian banking sector. More so, other available literature in this topic is mixed and to the best of the researcher's knowledge, there is no study in Nigeria that has attempted to resolve the mixed result except Hassan, (2018) who dealt on listed banks and not in listed consumer goods manufacturing companies in Nigeria. However, many researches on this topic area were either conducted in conglomerate sector or banking sector. Therefore, the researcher has chosen to cover the listed manufacturing firms in Nigeria.

1.3 Objectives of the Study

The broad objective of the study is to determine the impact of ownership structure on earnings management Practices in Nigerian Consumer Goods Manufacturing Companies. However, the specific objectives are to:

1. Determine the relationship between Block-holder ownership structure and earnings management practices of Nigerian consumer goods manufacturing companies.
2. Examine the relationship between Managerial ownership structure and earnings management Practices of Nigerian consumer goods manufacturing companies.
3. Ascertain the relationship between Institutional ownership structure and earnings management Practices of Nigerian consumer goods manufacturing companies.

1.4 Research Questions

1. To what extent does Block-holders' ownership structure relate with earnings management practices of Nigerian consumer goods manufacturing companies?
2. How does Managerial ownership structure relate with earnings management practices of consumer goods manufacturing companies in Nigeria?
3. How does Institutional ownership structure relates with earnings management Practices of Nigerian consumer goods manufacturing companies?

1.5 Statement of Hypotheses

Based on the specific objectives of the study, the following research hypotheses which are stated in the null form were tested:

H_{01}: There is no significant relationship between Block-holders' ownership structure and earnings management practices of Nigerian consumer goods manufacturing companies.

H_{02} There is insignificant relationship between Managerial ownership structure and earnings management practices of consumer goods manufacturing companies in Nigeria.

H_{03} There is no significant relationship between Institutional ownership structure and earnings management Practices of Nigerian consumer goods manufacturing companies.

1.6 Significance of the Study

There is no doubt that every quality research is set to give quality information that will be relevant for quality decision making by the definite users, of which the result of this study shall not be exonerated. To Manufacturing companies it will inform them on the ownership structure to drive at that will guarantee a check on opportunistic earnings. To investors, it will guide them to look out for the right ownership structured manufacturing companies to invest their resources. The conceptualization of the ownership structures used in this study will also give better understanding to the general public that will come in touch with the work. Finally, the result of this study will add new knowledge to Nigeria and foreign studies on the impact of ownership structure on earnings management practices increase the fairness and confidence of the financial statements and help the users of financial statements, which determine the financial situation relatively to the company's economic reality.

1.7. Scope of the Study

The research investigated the impact of ownership structure on earnings management practices of consumer goods manufacturing companies listed in Nigeria Exchange Group Ltd over a six year period spanning from 2017 to 2022. The study focused on consumer goods manufacturing companies listed in Nigeria Exchange Group which its annual reports was available and contained the information criteria that fits the characteristics of the variables of the study. The choice of listed manufacturing companies was informed by its uniqueness and it falls within the most vital sector saddled with the responsibility of providing quality goods for the entire nation.

1.8. Limitations of the Study

A total of 21 consumer goods manufacturing companies listed in the Nigeria Exchange Group were studied however, 9 firms did not qualify for analysis due to un-quantified panel data while 5 had incomplete or missing data; as such these firms were dropped from the data set. Notwithstanding, the challenge is not enough limit because such firms listed are very few.

Review of Related Literature

2.1 Conceptual Review

2.1.1 Ownership Structure

The word "ownership" is viewed in divergent ways by different scholars. Frankly speaking, ownership of an enterprise is a chain of rights to reap the proceeds of that business and to contribute in decisions making about how the business is run (Hassan, 2018). The fundamental rights in a business are

the right to company additional value (income), the right to the surplus value of the company if the company is sold, the right to make decisions about how the business should run, and the right to sell all or part of the value of the business.(Gabrielso & plenbory, 2002). While ownership structure according to Oyedokun et al, (2019) is the distribution of equity or net worth of a business in respect to votes and capital and this is in consonant with the identity of the equity owners. These structures notwithstanding are germane in corporate governance considering the fact that they determine the incentives of the management and also the economic efficiency of the corporations they manage (Holderness et al, 1999). Obigbemi, (2021) asserts that ownership structure is the proportion of shares owned by a certain number of individuals, institutions or families. It demystifies the type of ownership that prevails within a firm. Ownership can be the attributed to the members of the management Team with a considerable percentage of the shares of a firm which according to Obigbemi is known as managerial ownership. She went further to opine that ownership can also be block-holders ownership which is a kind of ownership that guarantees a large percentage of shares of a firm in the hand of an individual or an institution. Shareholder structure is the percentage ownership and the percentage of voting rights held by different shareholders. Shareholder structure is the study of how power is distributed among the various existing shareholders, potential shareholders and managers (Hassan, 2018).

A major limitation of these definitions is the lack of the effect of agency conflict on earnings management which bothers on management influence on earnings based on their overriding interests (Gonzalez & Garcia-Meca, 2013). The critics of this definition proposed for the inclusion of firms' board formation and composition structure. To them, ownership structure is an internal control system exercise over a firm management Team which influences earnings management, and that firm's board formation and composition structure could also provide an opportunistic platform for managers to engage in behaviour that are self-serving. Contrary to the limitations of these definitions, Manh & Dang, (2021: p.3) gave elucidative definition which seems to be more current and all encompassing which apparently appeal the acceptation of the researcher. To the authors;

> "Ownership structure can be classified in two aspects namely; the degree of ownership concentration and the degree of the ownership of shares. The degree of ownership concentration includes (i) firstly, the centralized ownership structure which is viewed as individual or group of related individuals or organizations that owns a majority of the equity of an enterprise that have the right to manage the decisions of the enterprise. They can control the business directly by joining the board of directors and management staff. This group may not own the whole capital but has significant voting rights, so that it can still control the business. (ii) Secondly, distributed ownership structure which implies that no individual or group of individuals or organizations own the majority of the firm's capital and have the right to dominate the enterprise. This is a situation where a company has many shareholders, and each of them owns a number of shares, and control of business activities is

held by the Board of Directors. Small shareholders have little incentive to closely monitor operations and do not want to participate in running the business, with regards to the shareholders different ownership rates related to the characteristics of shareholders such as foreign ownership ratio, private ownership rate, state ownership ratio and institutional ownership".

2.1.2 Managerial Ownership

Managerial ownership represents the interest of managers in the equity shareholding of a firm. This implies that manager's equity holding encourages them to act in a way that optimizes the value of the firm (Hassan, 2018). Obigbemi, (2021) this system of ownership avail the members of the management of a company the opportunity to hold a large number of the shares of a company, it is also known as insider ownership. This implies that the owners of the company are also the managers of the company. Moreover, many scholars have argued that managerial ownership has a direct influence on the performance of the company. Notwithstanding, Bello, (2011) noted that the activities of a business in relation to high performance requires hard work on the side of owners-managers with teeming drive. This submission suggests that personal characteristics and prowess of the owners-manager certainly will influence the success or failure of the business, which implies that a firm with management ownership that records high performance in the business esteems greater value on hard work, personality ingenuity and health status than owner managers who performs low or achieves low performance.

2.1.3 Institutional Ownership

Institutional investors are investors with high percentage of a company's equity, who adopts personnel assessment on others investment. A set which are considered as Institutional investors includes; Insurance companies, Trust funds, Pension funds, Investment trusts, Financial Institutions, investment companies. These institutions with their level of stakes in the shares of a business are disposed to monitor, discipline and control a manager's decision of the firm (Parveen et al, 2020). The ownership of shares by companies and financial institutions in a company is called institutional ownership (Paramitha and Firnanti, 2018). According Reyna (2018) this study asserts that it is considered institutions, only when their ownership represents 5 percent and above of the company's shares capital. The measurement of institutional ownership according to Reyna (2018) is the sum of institutional ownership shares divided by the total outstanding shares. The author also argued that institutional share ownership may have applied for earnings management practices as they are able to influence the company's management. The authors maintain that institutions with mega shareholdings play a very vital role in controlling managerial actions in managing the reported earnings. That this is justified on the basis that institutions invest in the long term period and are more concern about the effectiveness of the companies with intense vigilance on the use of discretional accruals to handling earnings.

2.1.4 Block-holder Ownership

Block-holder ownership is defined as the number of shares owned by individual who are not family members. Considering Nguyen et al. (2020), they posit that block-holders exist only when their holdings represent 5 percent or above of the company's equity share capital. Measurement of block-holder ownership according to Nguyen et al. (2020) is the sum of ownership shares by block-holders divided by the total outstanding shares. Block holder; according to McConnell and Servaes (2009) can enhance the quality of corporate governance and increase management efficiency by monitoring managers, which may determine the debt level. For example; firms with dispersed ownership and control of company's' equity have less incentives to monitor managers, and less influence, because they hold a small proportion of shares, and the loss caused by managers' discretion is shared among many investors. Moreover, the cost of obtaining information and monitoring may surpass its benefits (Hassan, 2018). Conversely, firms with concentrated ownership that is, large shareholders have both motivation and power to monitor managers to protect their investments (McConnell & Servaes 2009).

2.2 Earnings Management

Earnings management is defined as the use of personal opinion by managers in financial reporting and in shaping transactions to modify financial reports to either mislead shareholders about the financial performance of the company or to manipulate financial results that depend on reported accounting numbers (Warfield, Wild, & Wild, 1995). Farzand, et al (2016) defined earnings management practice as the art of engaging in purposeful activities within the context of Generally Accepted Accounting Principles to bring about a desired level of reported income. This occurs when managers use personal judgment in financial reporting through the manipulation of business transactions in order to alter financial results with the intent to mislead some stakeholders about the current financial position of the company.

Earnings management in finance and economics literature is basically considered as an unwelcomed phenomenon, which is as a result of manipulation of accounting numbers that compromises the quality of financial reporting (Sankar & Subramanyam 2010). Conversely, Arya, Glover and Sunder (2013) maintained that income manipulation is an evil that cannot be averted, stressing that many accounting research have argue that the practice to an extent can promotes efficient decisions depending on what the management tend to achieve. Ronen and Yaari (2018) suggest that there are aspects of earnings management practice that can be allowed; this they grouped earnings management in three categories; white, gray and black definitions. White earnings management according to the scholars is considered beneficial and enhances the reporting quality of financial statements. Also managers use their additional

information and knowledge of the firm's business to disclose more and better information, which is beneficial to investors.

Under the gray category definitions Ronen and yaari cited (Fields Lyds & Vincent2001p.206) who defined earnings management practice as either opportunistic way of optimizing the satisfaction of management only, or economic efficient that may improve financial reporting quality which leads to efficient allocation of resources. However, the authors assert that this perspective of earnings management practice definition is possible only when managers exercise their discretion over the accounting numbers with or without restrictions, that such discretion can be either firm value maximizing or opportunistic.

The third category which is the black; in the authors' definition; citing Schipper, (1989) earnings management practice is seen as intentional actions to misrepresent or reduce transparency of the financial reports by using tricks. Similarly, he sees earnings management as a "purposeful intervention in the external financial reporting process, with the intent of obtaining some private gain. Finally, the researcher upholds the definition of Ronen and Yaari (2018) because of: (1) its comprehensiveness such that it covers all the aspects of the use of earnings management. (2) it did not only stressed earnings management as opportunistic taking an undue advantage of the shortcomings of GAAP for self serving ends of managers in a short run but also see earnings in a wider scope such as the white and gray category of earnings in both the short and long term benefit of satisfying management and improve economic efficient of the organization. This they define:

> "earnings management as a collection of managerial decisions that result in not only reporting the true short-term, value-maximizing earnings as known to management but earnings management can also be (i) beneficial: if it signals long-term value; (ii) pernicious: if it conceals short or long term value; (iii) neutral: if it reveals the short-term true performance" Ronen and Yaari (2018 p.23).

2.2 Empirical Review

Erna and Oliver, (2022) examined whether ownership structure has an influence on earnings management using the control variables of Leverage, Company size, profitability and growth, the study adopted Purposive Sampling method and Discretional accruals of Modified Jones Model to select research samples of non-financial companies listed on the Indonesian Stock Exchange and measured earnings management respectively. The result indicated that there is no significant effect of ownership structure on earnings management in Indonesia, only Leverage, Company size, and growth have significant positive effect on earnings management. The study suggested that companies should improve and strengthened the role of ownership structure in order to make it clearer and more beneficial to the company. While Nguyen, et al (2021) examined the relationship between ownership and earnings management in Vietnam, using sample from 489 non-financial companies listed on the Vietnam Stock Market. The Rahman and Shahrur, (2008)

Model was used to measure the Non-Discretional Accruals. The study found that ownership concentration and state ownership positively affect earnings management and recommend the need for firms to strengthen their internal control system and other monitoring mechanism for their operations to reduce the self interest of managers.

Nugroho, et al, (2020) determined the correlation between financial distress and earnings management of tax aggressiveness moderated by corporate governance using purposive sampling which resulted to a total of 212 manufacturing companies that published complete financial reports. The study adopted multiple regressions to analyze data. The result revealed that financial distress and real earnings management positively influenced the tax aggressiveness was supported while the proportion of independent commissioners weakened the financial distress and negatively impacted the tax aggressiveness was supported and the total audit committees weakened the financial distress and negatively influenced the tax aggressiveness was not supported, the proportion of independent commissioners and total audit committees weakened the real earnings management and negatively affected the tax aggressiveness was not supported.

Sani, Bany, Hairul and Siti (2015) determined institutional ownerships impact on earnings management. They employed both modified Jones (1991) as well as Roychowdhury (2006) models to measure accrual and actual activity behaviours. Institutional ownerships were determined by Conservative and Neutral Pressure Groups. The outcome showed that Malaysian Initial Public Offering companies connect in both real and accrual earnings around Initial Public Offering corporate event. Multivariate analysis indicates institutional investors limit real accrual earnings management which supports the various regulatory reforms by Securities Commission as well as Bursa Malaysia. The study indicates the need to persuade the Neutral Pressure Group of institutional investors to employ more in shareholders' activism in order to preserve the value of their investments and for investors to determine real activity behaviours in making their investment policy while standard setters and regulatory agencies need to implement additional determinant to limit real activity discretionary behaviour. Many studies conclude that institutional ownership has a significant negative effect to earnings management (Alhadab et al., 2020; Alzoubi, 2022; Anwar & Buvanendra, 2019; Aygun et al., 2022; Liu & Tsai, 2019; Nugroho, 2020; Paramitha & Firnanti, 2018; Reyna, 2022). Erna & Oliver, (2022) who conducted research in I*ndonesia*, noted the fact that in recent years, the major shareholders in Indonesian companies have been institutional investors. And in nearly 80% of the recognized daily transactions, investment decisions of institutional investors are considered to be informed and knowledgeable. Based on the literature, Liu and Tsai (2021) concluded that institutional ownership and earnings management were significantly negatively related. With evidence from

Taiwanese companies, earnings management behavior will decrease if the company has high institutional ownership because its monitoring role is maximized. Reyna (2022) similarly found that there is a clear relationship between high institutional investor participation and decreased earnings management. This finding is in line with previous studies which revealed that ownership control and involvement are very effective in tightening earnings management practices. Great commitment by long-term oriented investors to the company can be seen as a result of declining earnings management.

Al-Duais et al. (2021) stated that companies with family ownership seem not to allow earnings management because generally families invest a lot of personal assets for their own interests and reputation. For this reason, family owners are highly motivated to focus on monitoring management. Mardianto (2020) found that family ownership had a significant effect on earnings management in Indonesian manufacturing companies. The increase in earnings management practices in family companies occurs because the shares are owned by family members, who have wider access to said financial statements and can manipulate them to make the company look good. Family-owned companies will be more effective in terms of maintaining the quality of financial reports and lowering agency costs when compared to public-owned companies

Ling and Pavinee (2012) determined the impact of outside block holders on earnings management, employing accounting discretional accruals as earnings management determinants. Block holder is measured by outside block holders and owners. They found that income diminishing earnings management circumstances, therefore, the study does not establish significant outcome. This may be due to diverse characteristics as well as outside block holders' difference in time zone. Since the greater part of external block holders are institutional shareholders, it then ascertains ownership correlation as well as institutional shareholders among diverse characteristics and earnings management. Exclusively, it discovers significant positive association among ownership by part term institutional investors who hold diverse portfolios with more returns and accounting discretional accruals. Though, there is no significant outcome among ownership by devoted institutional shareholders who hold concentrated portfolios with fewer returns and accounting discretional accruals. Previous research (Kablan, 2020; Nguyen et al., 2020; Saona et al., 2020; Yahaya et al., 2021) who studied the relationship between block-holders and earnings management, using Modified Jones Model to measure discretional accruals, found that majority shareholders have more interference power than minority shareholders in pushing managers to convey financial information, so this motivates managers to reduce earnings management, especially when the company's financial performance is decreasing (Reyna, 2022).

Teshima and Shuto (2023) studied the relationship between managerial ownership and opportunistic managerial behavior relating to earnings management employing discretionary accruals. Kasznik (1999) model was used to proxy the discretional accruals. The outcome revealed a significant nonmonotonic relationship between managerial ownership and discretional accruals. Widyaningsih (2021) investigated whether high managerial ownership could encourage earnings management practices. Based on agency theory, management does not always act in the interests of the owner, because of differences in interests, thus managers will tend to implement earnings management. The misalignment of the goals of management and owners will cause agency costs. The higher the managerial ownership, the higher the related party transactions carried out for earnings management purposes. The higher share ownership by management will increase the incentive for managers to conduct business transactions with related parties, both for the purpose of earnings management and to achieve certain targets (Nugroho, 2020). Susanto, et al (2021) studied about the effect of Institutional and managerial ownership on earnings management, using 107 manufacturing companies listed in Indonesian Stock Exchange Market which were selected through purposive sampling. Data was analyzed by the use multiple regression. The study found that the effect of Institutional ownership on earnings management is significant and negative, while managerial ownership on earnings management is not significant. It recommend for further research on more than three years periods to describe the long-term effects and include other variables that can affect earnings management practices

2.3 Theoretical Framework

This study is anchored on Agency Theory which was propounded by Ross and Mitnick (1973). Ross propounded the economic theory of agency, while Mitnick for Institutional theory of agency, though the basic concepts underlying these approaches are similar. Practically, the approaches can be seen as complimentary in their uses of similar concepts under different assumptions. Vividly, Ross introduced the study of agency theory in terms of problems of compensation contracting; obviously, agency was seen as an incentives problem. While Mitnick introduced the present common ideology that institutions form around agency, and develop to handle agency issues in response to critical imbalance of agency relationships viz: action are never taken as it is preferred by the principal because it does not pay to make it perfect. Hermalin and Weisbach (2020), Fama and Jessen (1988) posit that agency theory view directors as the agent of the shareholders and whose in their dispositions are to act in the best interest of the shareholders. However, in some occasions these agents may not act in the best interest of the shareholders which contradicts their existence. The agency theory centers on the separation of ownership (principal) and managers (agent) in an organization, presumably, managers may sometimes pursue opportunistic behaviour

which may conflict with the goal of the owners (principals) and in some instance destroy the wealth of the shareholders. The theory assumes that there would be conflicts of interest over some issues any time the agent and principal attempt to engage in any cooperative venture and that the essence of agency relationship is to align the interest of shareholders and managers with a view to resolving the inherit conflict between the agent and the principal (Meckling, 1976; Fam & Jenen, 1983). In summary, this theory is relevance to study because it helped to explain how management as the agent was expected to perform their ideal fiduciary duty of acting in the best interest of the principal and to prepare and present earnings reports to the principal (shareholders). The agency theory is believed to offer a solid theoretical foundation for the broad objective as well as specific objectives of the study.

Research Methodology

3.1 Research Design

The study adopts ex-post-facto research design. The design was used because the study relied heavily on already existing secondary data of ownership structure on earnings management practices of listed manufacturing companies in Nigeria, and its capacity to determine the cause and effect relationship between variables without any manipulation.

3.2 Population of the Study

The population of the study consists of all the twenty-one (21) manufacturing companies listed by the Nigerian Exchange Group as at 31st December 2022.

Table 1

S/N	Consumer Goods Manufacturing Coy.	S/N	Consumer Goods Manufacturing Coy.

1.	Nigerian Breweries Plc	2.	Lafarge Afica Plc
4.	Dangote Sugar Refinery Plc	3.	Flour Mills of Nigeria
6.	BUA Cement Plc	5.	Nestle Nigeria Plc
8.	Nexans Kabelmetal Nigeria	7.	Unilever Nigeria Plc
10.	Golden Sugar Company Ltd	9.	Guiness Nigeria Plc
12.	BUA Foods Plc	11.	Dangote Group
14.	Mamuda Industries Nigeria Ltd	13.	PZ Cussons Nigeria Plc
16.	Beta Glass Plc	15.	Dangote Cement Plc
18.	Nigerian Bottling Company Plc	17.	United Africa Company of Nigeria
20.	Reliance Chemical Products	19	Cadbury Nigeria Plc
21.	Dufil Prima Foods		

Source: Nigerian Exchange Group. website

3.3 Sample Size and Sampling Techniques

The sample size of the study was only seven (7) listed consumer goods manufacturing companies in Nigeria, reason being that they remain listed for the period under review and their choice was based on the availability and reliability of their financial data. Therefore, with a population size of (21) Nigeria Manufacturing companies listed on the Exchange group market, the selection of the above companies was done bearing in mind that the sample represent at least 10% of the total population. Census sampling techniques was adopted for the study.

Table 2

S/N	Consumer Goods Manufacturing Companies
1.	Dangote Cement Plc
2.	PZ Cussons Nigeria Plc
3.	Cadbury Nigeria Plc
4.	Guiness Nigeria Plc
5.	Nestle Nigeria Plc
6.	Nexans Kabelmetal Nigeria
7.	Lafarge Afica Plc

Source: Nigerian Exchange Group. website

3.4 Sources and Method of Data Collection

The study used panel data from secondary sources, which were obtained from the published annual reports and accounts of the selected listed manufacturing companies in Nigeria that represent the sample of the study.

3.5 Description of Research Variable

The data of the study were obtained from the published reports of the sampled consumer goods Manufacturing companies for the period 2017 - 2022 With six (7) companies and six (6) years period covered by the research gives a total observation of forty (42). The study examined whether ownership structure proxied to (managerial, institutional and block-holder ownership) is related with earnings management practices proxied to discretional accruals. Multiple regression analysis technique was employed in order to ascertain the impact of ownership structure on earnings management practices of listed consumer goods manufacturing companies using Panel data. The variables used in the study are discussed here under.

3.5.1 Dependent Variable

The study adopts the Dechow et al (1995) modified Jones model stated below.

$$DACCit = TACit/TR - [\beta_0 + \beta_1(\Delta REVit - \Delta RECit)/REVit + \beta_2(\Delta EXPit - \Delta PAYit)/REVit + \beta_3(\Delta DEPit + \Delta RETit)/REVit] + \mu_{it} \quad OR$$

$$DACCR_{it} = TAC_{it}/TA_{it-1} - [\propto_1 (1/TA_{it-1}) + \propto_2 [(\Delta REV_{it} - REC_{it} / TA_{it-1})] + \propto_3 (PPE_{it}/TA_{it-1})]$$ where:

$DACCR_{it=}$ discretionary accruals of firm i in year t scaled by lagged total assets at t-1

$TAC_{it=}$ total accruals of firm i in year t scaled by lagged total assets

$TA_{it-1=}$ total assets of firm i in year t as t-1

$\Delta REV_{it=}$ revenues in year t less revenues in year t-1 scaled by lagged total assets at t-1

$\Delta REC_{it=}$ receivables in year t less receivables in year t-1 scaled by lagged total assets at t-1

$PPE_{it=}$ gross property plant and equipment in year scaled by lagged total assets as t-1

3.5.2 Independent Variable

We investigate the impact of managerial ownership, institutional ownership and block-holder ownership on earnings management. These are variables used to measure ownership structure

Managerial ownership is the percentage of shares held by the managers/directors to the total number of shares issued by a manufacturing company.

Institutional ownership is the percentage of shares held by institutions to the total number of shares issued by a manufacturing company.

Block-holder ownership is the percentage of those who have 5% or more in the total shares in issue, which are considered in other words the ownership concentration.

Hence: Eearnings Management used as DACCR. = f [MGOS, BHOS, INSTS]

3.6 Model Specification

The Dechow et al (1995) modified Jones model is modified to suit the research objectives thus:

$$DACCR_{it} = \beta_0 + \beta_1(MGOS_{it}) + \beta_2(BHOS_{it}) + \beta_3(INSTS) + \mu_{it}$$

Where: MGOS = managerial ownership for firm I at year t

BHOS = Block-holder ownership for firm I at year t

INSTOS = Institutional ownership for firm I at year t

$\beta_1 - \beta_3$= coefficient of explanatory variables

β_0= constant or Intercept

μ_{it} = Error term for firm i in year t

Where β_1, β_2, β_3 are estimated coefficients from the second equation, there the study use absolute measure of discretionary accruals as a proxy for the extent of opportunistic earnings management.

3.7 Techniques of Data Analysis

The study used descriptive statistic and ordinary least square of multiple regressions to analyze data

3.7.1 Descriptive statistic

The presentation of result, analysis and interpretation of the data collected from annual report and account of the selected manufacturing companies were interpreted using the following variables mean, minimum, maximum and standard deviation.

3.7.2 Multiple Regressions

Ordinary least squares (OLS) estimation was used for this study. The basic aim of using the regression model in this study is to investigate empirically the extent to which the predictor variables ownership structure explains earnings management practice of listed Manufacturing companies in Nigeria. More specifically, the regression model assesses the aggregate impact of the explanatory variables on the earnings management of managerial, institutional and block-holders ownership. The natural log of total assets and firm performance measured as return on asset was introduced as control variables since the use of discretionary accrual model which are not controlled are often mis-specified. The technique used is considered appropriate in that it is better in determining the relationship between ownership structure and earnings management practices.

RESULTS

4.1 Descriptive Statistics

The table below is the presentation of the minimum, maximum, mean and standard deviation of the data for the variables used in the study.

Table.3: Descriptive statistics

Variables	Minimum	Maximum	Mean	Standard deviation	Observation
DACCR	0.25	72.87	8.4895	12.47580	42
MGROS	0.16	0.50	0.1319	0.08211	42
INST	0.00	0.74	0.2712	0.20162	42
BHOS	0.25	0.83	0.6100	0.17315	42

Source: Descriptive statistic results using SPSS 15

Table 3 shows that on average, the managerial ownership have a mean value of 13%, institutional ownership have an average of 27%, block-holder ownership have a mean value of 60%. This implies that only block-holders have ownership of above 50%, while managerial and institutional ownership are below 50%. Managerial ownership has a minimum value of 16% and a maximum value of 25%. Institutional ownership has a minimum value of zero (0) and a maximum value of 33%. The minimum value of institutional ownership implies that there is a particular year that the firm's do not have institutional investors. Block-holder ownership has a minimum value of 25% and a maximum value of 42%. Amongst the independent variables, the institutional ownership has the highest standard deviation of 0.20162 signifying its low contribution in curbing earnings management practices in the consumer goods manufacturing companies listed in Nigerian Exchange Group. While block-holder ownership has the lowest standard deviation among the significant variables, which indicate its higher concentration in combating earnings management in listed manufacturing companies in Nigeria.

The study is valid when it is based on valid information, and this information is considered valid if obtained from the quality data. Using the descriptive statistics to test the hypotheses of study, the results show that all the variables have mean values greater than their respective standard deviation, except for dependent variable (discretionary accruals) used as control variable implying higher than normal peak, should our model residual prove lack of constant variance and then it could be as a result of this variables. In absence of this variable the data is consider to be tolerably mild.

4.2 Result of Correlation Analysis

The correlation matrix is used to determine the relationship between the dependent variable and independent variables of the study. Table 4 presents the correlation matrix for the sample observations. The full results are contained in appendix.

Table 4: Correlation matrix of variables

	DACCR	MGROS	INST	BHOS
DACCR	1			
MGROS	-0.014	1		
INST	0.180	-0.325	1	
BHOS	0.098	-0.133	-0.110	1

Source: correlation matrix results using SPSS 15

Table 4 indicates that there is a positive relationship between all the independent variables (ownership structure) and discretionary accruals except for managerial ownership that is negatively related. The control variable used in the study has a negative relationship with earnings management of the listed manufacturing companies in Nigeria. This implies that ownership structures proxies are contributing positively and negatively to the earning management of listed manufacturing companies in Nigeria. The correlations between the independent variables themselves are not expected to be significant. Two of the independent variables are negatively related while the remaining one is positively related. The tolerance value and the variance inflation factor are two good measures of assessing multicolinearity between the independent variables in the study. From the regression result, the variance inflation factor were consistently smaller than ten (10) indicating complete absence of multicolinearity (e.g. Neter et'al; 1996 and Casey et'al; 1999). This shows the appropriateness of the study model being fitted with the three independent variables. Also, the tolerance values were consistently smaller than 1.00, thus further substantiates the fact that there is complete absence of multicolinearity between independent variables (Tabachnick and Fidell, 1996).

4.2.1 Regression Results

The results of OLS in relation to impact of ownership structure on earning management of listed manufacturing companies in Nigeria are discussed. The study used three ownership structure proxies (managerial ownership, institutional ownership and block-holder ownership). The study also utilizes discretionary accruals as the proxy for earnings management.

The regression results are presented in table 5 below

Table 5: Summary of regression results

Variables	Co-efficient	t-statistics	t-sig	Tolerance/VIF
Constant	108.561	5.067	0.000	0.664/1.507
MGROS	-38.847	-2.685	0.011	0.693/1.443
INST	-2.064	-0.358	0.723	0.454/2.200
BHOS	-26.999	-3.256	0.003	0.523/1.912
R				0.888
R^2				0.789
Adj R^2				0.753
F-statistic				21.857
F-Significance				0.000
Durblin Watson (D/W)				1.658

Source: result output from SPSS 15

Cumulatively, in table 3, it is observed that the coefficient of determination for the regression as depicted by the adjusted R^2 value of 0.753 suggests that about 75% of the systematic variation of the dependent variable is accounted for by the explanatory variables.

The F-statistic of 21.857 shows that the model of the study is well fitted; this can be further confirmed by the significant value of 0.000 which shows that the cumulative impact of the regress or is significant at 1%, which implies that ownership structure of manufacturing companies in Nigeria except for institutional ownership has significantly impacted on the earnings management practices.

The Durbin Watson statistics of 1.658 fall within the range of 1.5 and 3.5 shows that there is absence of perfect auto correlation.

4.3 Discussions:

4.3.1 Managerial Ownership and Earnings Management

From table 3, it is observed that the t-value for managerial ownership (MGOS) is -2.685 and a beta value of -38.847 with significant value of 0.011. This signifies that managerial ownership has a significant negative influence on earnings management practices of listed manufacturing companies in Nigeria, which implies that for every one percent (1%) increase in managerial ownership, the earnings management of listed manufacturing companies will decrease by 38.85. Probably, this may be attributed to the argument put forward by the advocate of the alignment hypothesis that as management ownership increases, their

interests will be more closely aligned with owners and the need for intense monitoring by the board should decrease.

The result however, provides an evidence of rejecting null hypothesis 1 of the study which states that managerial ownership has no significant impact on the earning management of listed manufacturing companies in Nigeria. The outcome is in line with the findings of Warfield et'al (1995), Hassan (2016), Saleh et'al (2005) and Bradbury et'al (2006) while Liu and Lu (2007), Johari et'al (2008) and Chang and Sun (2008) empirical works are in contrast with the researchers' findings.

4.3.2 Institutional Ownership and Earning Management

Institutional ownership as depicted in table 3 shows t-value of -0.358 and a beta value of -2.064 with an insignificant value of 0.723. This signifies that institutional ownership has no any significant impact in influencing earnings management of listed consumer goods manufacturing companies in Nigeria.

The result therefore provides an evidence of failing to reject the null hypothesis 2 of the study which states that institutional ownership (INOS) has no significant relationship and impact on earnings management of listed consumer goods manufacturing companies in Nigeria. The finding is in line with the study of Betra (2002), Sirger and Utama (2008), and Lin et'al (2009), but contrary to the works of Jung and Kown (2002), Velury and Jenkins (2006), Koh (2007), Bradbury et'al (2006).

4.3.3 Block-holder Ownership and Earning Management

The block-holders ownership showed a t-value of -3.256 and a beta value of -26.999 with significant value of 0.003. This signifies that block shareholders has significant negative influence on earnings management of listed consumer goods manufacturing companies in Nigeria. It implies that when there is one percentage increase (1%) in block-holders ownership, the earning management of listed manufacturing companies will decrease by 26.99. This may be as a result of the efficient monitoring hypothesis as cited in the literatures which suggest that combined large shareholders have a strong incentive to actively monitor and influence firm management to protect their significant investments. Therefore, block-holders may reduce agency costs by increasing monitoring and curbing the opportunistic behavior of managers. In addition, there may be less pressure on management to meet short-term earnings expectations because controlling shareholders focus more on the long term.

The result therefore provides evidence of rejecting our null hypothesis 3 of the study which states that block-holders ownership has no significant impact on earnings management of listed manufacturing companies in Nigeria. This finding is in line with (Ali et'al, 2008; Shleifer & Vishny 2018), but in contrast with what other studies revealed, such as the works of (Choi, Jean & Park, 2014; Jaggi & Tsui, 2017; Kim & Yoon, 2018).

Summary, Conclusion and Recommendations

5.1 Summary of findings

The study examined the impact of ownership structure on earnings management Practices in Nigerian Consumer Goods Manufacturing Companies. The summary of the findings is based on the results obtained from the panel least squares econometric regression techniques and the tests of hypotheses carried out in the study. Below is the summary of the major research findings:

1. Managerial ownership has a significant negative influence on earnings management practices of listed manufacturing companies in Nigeria, which implies that for every one percent (1%) increase in managerial ownership, the earnings management of listed manufacturing companies will decrease by 38.85
2. Institutional ownership (INOS) has no significant relationship and impact on earnings management of listed consumer goods manufacturing companies in Nigeria.
3. Block shareholders has significant negative influence on earnings management of listed consumer goods manufacturing companies in Nigeria. It therefore implies that when there is one percentage increase (1%) in block-holders ownership, the earning management of listed manufacturing companies will decrease by 26.99.

5.2 Conclusion

The purpose of this study is to investigate the extent of influence ownership structure has on earnings management of listed consumer goods manufacturing companies in Nigeria. The results show that ownership structure influences earnings management of listed consumer goods manufacturing companies except for institutional ownership found to have no significant impact on the earnings management. Overall, this study is an important extension of previous research examining the financial reporting quality effect of ownership structure for consumer goods manufacturing companies. It enhances the understanding of the role of ownership structure in constraining earnings management practices and its' potential important policy implications for the institutions' reformers and regulators who are striving to

improve transparency and quality of financial reporting in the sector. That is, the degree of ownership structure is an important structure to checkmate the opportunistic tendencies perpetrated by managers of listed consumer goods manufacturing companies' financial report.

Finally, the study concludes that managerial and block-holder ownership structure has significantly reduced the opportunistic behaviors of managers except for institutional ownership that were found to be significantly positive.

5.3 Recommendations

From the results of the study, the researcher is poised to make the following recommendations:

1. Management of manufacturing companies should be encouraged to invest in the capital structures of their organization for this will enable them to have more sense of belonging which in turn may help mitigate opportunistic tendencies by managers. Reason being that managers with high ownership interest in the firm are less likely to alter earnings for short term self interest gains at the expense of external shareholders. Managers whose goal is consistent with shareholders are more likely to report earnings that reflect the underlying economic value of the firm.
2. The institutional ownership should be improved upon as the negative sign is an indication that institutional investors could help in mitigating the opportunistic tendencies of the managers. But for now institutional investors may not be good enough to be relied upon in determining the level of quality earnings as it has been proven empirically that institutional investors in the manufacturing sector has no significant impact on earnings management.
3. Manufacturing companies are encouraged to maintain a high number of block-holders ownership at an average of 61% or above, since the ownership concentration empirically has significant influence on earnings management practices and also the most reliable ownership structure in preventing the management's tendencies for opportunistic behaviour. Consequently, users of financial information who are interested in reported earnings should base their earnings reliability on block-holders ownership as it has been proven empirically by the outcome of the research that the higher the ownership concentration, the lesser the manipulation of earnings reports.

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