

EFFECT OF OWNERSHIP STRUCTURE ON EARNINGS MANAGEMENT OF LISTED MANUFACTURING FIRMS IN NIGERIA.

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Abstract

DOI: <https://doi.org/10.57233/gujed.v3i2.05>

The study examined effect of ownership structure on earnings management of listed manufacturing firms in Nigeria, for the period of eleven years from 2014 to 2024. The study made use of expo-factor research design and secondary data were used to source information from eleven (11) selected companies out of the forty-seven (47) listed manufacturing companies from the Nigeria exchange group as at 31st December 2024. POLS was used as an analytical technique to regress the data collected for the study together with descriptive and Spearman correlation. Major findings from the result of the study suggest that Managerial ownership have an insignificant negative impact on earnings management it also revealed that institutional ownership has no significant effect on earnings management. On the other hand, the results of the study revealed that ownership concentration has a negative impact on earnings management. Thus, following from the findings of this study the study recommends that, that it would be in the best interest of companies to increase its institutional equity holdings, associating the interests of the manager with the common benefit of the company reduces the separation of ownership and control of the manager lastly a decrease in concentrated shareholding.

Keywords: Ownership structure, Earnings management, Ownership concentration, Institutional ownership, and Manufacturing firms.

1. Introduction

The reliability and accuracy of the financial information provided is required in the business environment in order to be able to make decisions and perform analysis. Even with this, accrual basis of accounting encourage managers to engage in earnings management. This is easily detected from the cutout in the distribution of earnings. El-Sayed, (2012) as quoted by Moslemany and Nathan, (2019) reviewed that previous studies have explained the ways and methods directors carry out to manage their earnings.

Parveen, et al., (2016) define earning management as the process of taking purposeful steps within the confines of Generally Accepted Accounting Principles to bring about a preferred level of reported income. The quality of accounting information is influenced by several factors, most of which result from the demand for such information for use either in contractual arrangements or for incentives and opportunities and the ability of the board of director to manage the reported numbers. Kouaib and Jarboui, (2014) state that for an organization to avoid Earnings Management, the organization must have enough control mechanisms to provide reliable information. This could be done by minimizing the agency costs that arises from the conflict of interests between the owners which are the principal and managers which are the agent to its minimum through a good corporate governance system.

Ownership structure has been identified by existing literature to be useful mechanisms through which management excessiveness in respect of reported accounting numbers can be checked. The argument here is that extensive shareholder can force the managers to improve earnings so that their market value may improve, and due to this excessive pressure, the managers will then have to resort to earnings management. The managers may also be motivated to engage in earnings management to signal well to the foreign investors. Manufacturing firm are firm involving in the extraction, smelting, developing, preparing, compounding, converting, assembling or producing in any manner, minerals, raw material, product of any kind for use by consumers. The listed manufacturing firm in Nigeria Stock Exchange (NSE) are governed by their listing rules and the provisions of companies and allied matters act (CAMA, 1999), which state that a company should provide annual financial report. These companies also have a separation between management and owners which create the agency problems between management and shareholders and among shareholders.

Research problem

Earnings management remains a significant concern in corporate financial reporting, particularly in developing economies where corporate governance mechanisms are still maturing (Abubakar, et al., 2022). Ownership structure defined as the distribution of equity among insiders, institutional investors, foreign shareholders, and controlling shareholders plays a critical role in shaping managerial behavior and monitoring effectiveness. In Nigeria, the manufacturing sector is vital to economic growth and industrialization, yet it has been plagued by instances of earnings manipulation and poor financial transparency (Ogiriki & Adule, 2023). Different ownership types are expected to influence the extent of earnings management in varying ways. For instance, managerial ownership may align interests with shareholders (agency theory), while concentrated ownership by blockholders or institutions may enhance monitoring (Jensen & Meckling, 1976). However, in practice, the effect of ownership structure on earnings management in Nigeria's manufacturing sector has yielded mixed results. While some studies show that ownership

concentration curbs earnings manipulation, others suggest that insider or entrenching ownership may incentivize it (Abubakar et al., 2022). Moreover, many prior studies in the Nigerian context rely solely on accrual-based models such as the Modified Jones Model, ignoring real activity manipulation which is harder to detect (Roychowdhury, 2006). This highlights a methodological gap in the literature. Given these theoretical, empirical, and methodological inconsistencies, this study seeks to examine the relationship between ownership structure and earnings management among listed manufacturing firms in Nigeria, using a comprehensive approach that integrates both accrual-based and real-based earnings management measures.

Research objective

The main objective of this study is to examine the effect of ownership structure on earnings management of listed manufacturing firms in Nigeria. Other specific objectives are;

- i. To examine the significant effect of institutional management on earnings management of listed manufacturing firms in Nigeria.
- ii. To examine the significant effect of managerial ownership on earnings management of listed manufacturing firms in Nigeria.
- iii. To examine the significant effect of ownership concentration on earnings management of listed manufacturing firms in Nigeria.

2.1 Literature Review

Conceptual Reviews

Earnings Management

Earnings management is recognized as a purposeful intervention in the external financial reporting process with the intent of obtaining private gain (Moslemany & Nathan, 2019). As cited by Anwar and Buwanendra (2019) opined that Earnings management occurs when a manager use(s) judgment in financial statement and in structuring transactions to alter financial reports to either deceived some stakeholders about the underlying economic performance of the company, or to effect contractual outcomes that depend on reported accounting numbers. However, due to the lack of clarity between earnings management and earnings manipulation. They offered an alternative definition for earnings management as a collection of managerial decisions that result in not reporting the true short-term, value maximizing earnings as known to management.

Discretionary Accruals Management

As cited by Ekpulu and Omoye (2018) earnings management analysis often focuses on management's uses of discretionary accruals. There existed several accrual-based models for detecting earnings management. Some earnings management models decompose total accruals into non-discretionary and discretionary accruals. These models first estimate non-discretionary accrual, then subtract the estimated non-discretionary accruals from event year total accruals to yield discretionary accruals (Jones, 1991). The Jones (1991) model was modified by Dechow et al. (1995) by disintegrating total accruals into non-discretionary and discretionary accruals and also taking into recognition of the change in receivables over total change in revenue. Healy (1985) made the estimation of discretionary accruals by using a two-step process. First is the estimation of non-discretionary accrual by weighting the mean of total accruals by padded total

assets from the estimation. Second is the measurement of discretionary accrual by the difference between current year total accrual scaled by padded total assets and estimated non-discretionary accruals.

Real Earnings Management (REM)

Real earnings management encompasses real activities manipulations suggesting “departures from normal operational practices, driven by management wish to mislead at least some stakeholders into believing that certain financial reporting goals have been met in the normal course of operations” (Roychowdhury, 2006). According to Graham et al, (2005) financial managers indicate a greater readiness to manipulate earnings through real activities rather than accruals. There are at least two possible reasons for avoiding earnings manipulation outside real activities. First, relying only on accrual manipulation involves a risk of losing investors’ assurance on financial reports. Second, accrual manipulation is more likely to draw the attention of auditor or regulatory inspection than genuine decisions about pricing and production.

Ownership Structure

According to agency theory, separation of ownership and control leads to a different of interest between the management and shareholders which are the owners’ interests Jensen & Meckling (1976), and thus monitoring managerial decisions becomes essential to assure that shareholders’ interests are protected, and to ensure reliable and complete financial reporting. The agency theory postulates that agency cost can be reduced depending on the type of ownership structure adopted by the organization (Putri & Rokhim, 2016). For example, managerial ownership can motivate management to work in the best interest of shareholders. Also the structure of ownership can have an effect on earnings management of a company.

Institutional Ownership and Earnings Management

As cited in Adeboye (2021) opined that institutional investors are seen as sophisticated investors who usually serve a monitoring role in reducing pressures for biased managerial behavior. These investors are classified into long-term institutional investors who are occupied with strong incentives to monitor firms they have invested in while institutional shareholders with short-term orientation are the more dominant type and their focus are chiefly on present earnings in determining stock prices rather than earnings gained through long-term investments or long term earnings (Habbash, 2010).

Managerial Ownership and Earnings Management

Managerial ownership is considered an important device of ownership structures for mitigating the conflict between managers and shareholders. Managers with 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 (Aondoakaa, 2020). According to Adeboye, (2021), agency theory suggests that as soon as managers do not own shares directly or indirectly in the company they manage, their behavior may be affected by other benefits which are far beyond the primary goal maximizing the value of the company and its shareholders. On the other hand, if managers own stocks of the company they manage, they will have the tendency to gradually align their interests with shareholders; accordingly, the degree of earnings management is expected to be negatively impacted. On the other hand, managerial ownership may have the opposite effect on earnings management since greater managerial authority may lead them to choose accounting decisions to gain private benefit (Adeboye, 2021).

Ownership Concentrations and Earnings Management

According to Swai and Mbogela (2016) ownership concentration limit earnings management. This is due to the fact that, small shareholders would not be interested in monitoring because they would bear all the monitoring costs, but only share a small proportion of the benefit. Consequently, shareholders owning a small fraction of outstanding share have incentives to free-ride in monitoring management. Prior studies have suggested that large shareholders have a strong incentive to actively monitor and influence firm management to protect their significant investments, which in turn reduces the scope of managerial opportunism to engage in earnings management (Dechow, et al., 1996).

Empirical Review

John and Tabitha (2022) conducted a study on the effect of ownership structure on earnings management in listed manufacturing firms at Nairobi securities exchange, Kenya for a period ranging from 2011 to 2019. The research adopted a quantitative research design, while descriptive statistics, correlation matrix and random effects regression analysis was used for data analysis. The study findings indicated that managerial ownership, institutional ownership and ownership concentration have an insignificant effect on earnings management. The study indicated that while majority shareholders are keen to closely monitor the management to ensure that their interest are well protected, this can only be attained if they have requisite skills, knowledge, and experience. The study also indicated that most pertinent is to have strong internal controls in place that seals all possible loopholes that could be exploited by the management to manipulate earnings.

Wati and Gultom (2022) conducted a study on the impact of ownership structure on earnings management with evidence from the Indonesian stock exchange. A comparative causal research design was used, while descriptive statistics and regression analysis was used for data analysis. The study was conducted for four years period from 2016 to 2019 and secondary source of data was employed with data generated from the annual financial report of the sampled companies. The results of this research indicated that there is no significant effect of ownership structure on earnings management in Indonesia. Only leverage, company size and company growth have a significant positive effect on earnings management.

Tran and Dang (2021) investigated the impact of ownership structure on earnings management of Vietnam for a period ranging from 2009 to 2019. Descriptive statistics, pooled ordinary least square, fixed effect model and random effect regression analysis was employed for data analysis. The results of the study show that ownership structure with foreign ownership has a positive effect on earnings management, whereas one with a proportion of state ownership has a contradicting effect. While the degree of ownership concentration does not affect the profit management, in the context of financial restrictions, the ownership ratio has an impact on the management of earnings. Control variables in the model such as firm size, financial leverage, growth rate, profitability and audit quality, all have an impact on earnings management.

Kablan, (2020) examined the effect of ownership structure on earnings management practices toward achieving the real comprehensive income “an applied study on the listed companies in Libyan stock market”. The study has relied on a deductive approach, while descriptive statistics and regression analysis was used for data analysis. The study was able to state that the ownership structure of enormous stockholders does not have a significant effect on earnings management practices in the listed companies in the Libyan stock market, while each of the managerial

ownership structure, institutional ownership structure and foreign ownership structure has a positive significant effect on earnings management practices in the listed Libyan stock market. On the other hand, the public ownership structure has a negative significant effect on earnings management practices in the listed companies in the Libyan stock market.

Moslemany and Nathan (2019) examined the effect of ownership structure on earnings management of Egypt from 2004 to 2015. The study employed descriptive statistics, correlation matrix and regression analysis. Being an expos facto study, secondary source of data was used and the data was generated from the financial statement of the sample companies. The statistical results indicated that there is a positive relationship between the block holder ownership and the degree of earnings management. However, no relationship was found between the managerial ownership and the public ownership on the level of earnings management.

Sadjiarto et al (2019) investigated ownership structure and earnings management in Indonesian listed banks for eight years period from 2010 to 2017. The study used expos facto research design as well as descriptive statistics and multiple regression analysis to analyze the data. The results of the study indicate that government ownership has a negative effect on earnings management. Based on the results of this study the greater the institutional ownership in a bank will have an effect on earnings management at the bank. The results indicate that management ownership has an effect on bank earnings management with a positive direction of effect. In their study, they found evidence that family ownership has a positive effect on earnings management.

Alexander, (2019) conducted a study on ownership structure and earnings management Indonesia for three years period ranging from 2014 to 2016. Descriptive statistic and regression was employed to analyze the data generated from the financial report of the sampled companies. The results show that institutional ownership has a positive effect on earnings management. This means that the more institutional ownership in a company, the more likely that it management will engage in earnings management to obtain a higher return from its investment. Furthermore, controlling ownership and foreign ownership has a negative effect on earnings management. According to the “demand” hypothesis, public equity firms have a higher quality of earnings than private equity firms due to a stronger demand by their shareholders and creditors for quality reporting. Therefore, a higher level of foreign ownership will reduce earnings management practices.

Anwar and Buvanendra (2019) examined the impact of ownership structure on earnings management of listed firms in the Colombo stock exchange-Sri Lanka for six years period from 2013 to 2018. Panel data, pooled ordinary least square regression analysis and correlation matrix was employed for analysis. Data was collected through secondary source from the annual report of the sampled firms. Findings from the study revealed that managerial ownership and institutional ownership structure are effective in constraining accrual manipulations. Conversely, foreign ownership is found to have a significant positive association with earnings management.

Abiot et al (2018) investigated the impact of ownership structure on earnings quality with a case study of South Korea. Longitudinal research design was employed with descriptive statistics, regression analysis and Pearson correlation was used to analyze the data generated from the financial statement of the sampled companies for a period ranging from 1993 to 2007. The study found out that business group ownership structure is significantly associated with higher earnings quality. The results suggests that strong monitoring mechanisms introduced by the government which are necessary for credibility in the external financial markets and beneficial to business

group reputation, led to increased transparency in earnings reports. They also found that disparity in ownership between control and cash flow rights in firms, as well as family ownership in group firms, was both associated with lower earnings quality.

Ekpulu and Omoye (2018) conducted a study on ownership structure and earnings management with evidence from Nigerian listed firms for six years period from 2009 to 2014. Longitudinal panel research design with descriptive statistics, Pearson correlation analysis and diagnostic test were conducted. The results of the study indicated that managerial ownership is negatively and significantly related to earnings management while institutional ownership and foreign ownership exhibit a positive but insignificant effect on earnings management.

Theoretical Review

This section examined relevant theories linking the concepts of earnings management and ownership structure. The section will look at the assumptions of the theories and the relationship between the theories and the subject matter.

Agency Theory

Agency theory is one of the theories that has been tested widely in different studies and has gained supportive observations. Jensen and Meckling (1976) put forward the philosophies of agency theory. In general, the theory demonstrates manager (agent) and owner (client) conflict of interest. In a joint stock firm, the authorizing parties or owner are the shareholders who hire the manager the agent who performs the control and day-to-day decision-making so as to bring the best benefits to the shareholders. Yet, in the process of operation, managers can make decisions to benefit themselves rather than the interests of shareholders and tend to forget the interests of shareholders when they can achieve certain profitability (Jensen & Meckling, 1976). The separation between ownership and control of the company gives rise to representation. At the same time, when executives have a better knowledge of the future value of the company than shareholders and creditors, they are more likely to take gain of the owner once the monitoring is ineffective. From the agency theory, it can be seen that there are always contradictions between owners and managers. Contrary to the owner's expectations of maximizing their benefits, managers sometimes have their own goals and, because of that, these managers make profit alterations. On the other hand, the manager is also the information supplier of the business. For their own benefit, the manager tends to provide little or concede some information to the owner. Such action may prevent a financial statement from accurately and reasonably reflecting the company's operations and fail to provide useful information to its users.

Stewardship Theory

The stewardship theory proposes that managers are trustworthy and behave in a good manner to protect the organization's resources that are put under their control which makes the concept of monitoring them unnecessary (Donaldson & Davis, 1994). The Stewardship theory stresses that managers should be good stewards of the assets entrusted on them by the companies they manage instead of misappropriating funds in order to keep their duty to the shareholders of the company. The stewardship theory suggests that the interests of corporate executives- stewards are aligned with the interests of the organization and its shareholders, unlike the agency theory (Mwangi & Nasieku, 2022). According to Habbash (2010), stewardship theorists focus on how to empower and facilitate managers instead of how to monitor and control them, as opposed to the

agency theory, and hence, they rejected the idea of shareholders having to observe managers' performances by monitoring them or giving them incentives as a controlling device. The theory also stresses that managers are good stewards of their firms therefore, they should work diligently to attain a high corporate profit and increase the return of the shareholders (Donaldson and Davis, 1994).

3. Methodology

This study utilized the expo-facto method of research design to establish the effect of ownership structure on earnings management of listed manufacturing companies in Nigeria. In this context, secondary data which already existed were used to ascertain the link between the explanatory variables and the dependent variable. While pooled OLS technique was used to analyse the data from the sampled listed manufacturing companies in Nigeria. The population of the study consists of all the 46 manufacturing companies listed on the Nigeria Exchange Group (NGX) as at 31st December, 2025. A sample size of eleven (11) firms was selected from the population (Cadbury Nigeria PLC, Dangote Sugar PLC., Nigeria Enemelwa PLC., Guinness Nigeria PLC., Honeywell flourmills PLC., Nestle Nigeria PLC, Nigeria breweries PLC., International breweries PLC., Unilever Nigeria PLC., Nascon Allied industries PLC., and Union dicon salt PLC) using the criterion sampling technique. The study used secondary data that was produced from a variety of annual reports of the sampled listed Nigerian oil and gas firms from 2014 to 2024.

Model Specification

The study adopted the regression model expressed below:

$$DA = f(IO, MO, OC, LEV, FS)$$

$$DA = \beta_0 + \beta_1 IO_{it} + \beta_2 MO_{it} + \beta_3 OC_{it} + \beta_4 FS_{it} + \epsilon_{it}$$

Where:

DA = Discretionary Accruals

IO = Institutional ownership

FS = Firm Size (Control variable)

β_1 - β_5 = Coefficients of independent variables

i = Number of firms in the data

MO = Managerial ownership

O = Ownership Concentration

β_0 = Intercept

ϵ = error term

t = Time period of the data

Table 3 Variables and their Measurement

Variables	Symbol	Measurement	Source
Dependent variables			
Earning management	EM	Measured by total accruals minus non-discretionary accruals	Ganiyu and Aroaye (2022)
Independentsvariables			
Institutional ownership	IO	Proportion of shares owned by institutional investors divided by the total ordinary shares issue.	Mukariet al.,(2020)
Managerial ownership	MO	Total proportion of share owned by directors divided by the total ordinary shares issue.	Tahir et al., (2020)
Ownership concentration	OC	Measured by shareholders owning more than 5% of the total number of the shares issued and traded in the stock exchange market for each company	Lei (2012)
Control variables			
Firm size	FS	Natural log of total assets	Abiahu&Amahalu (2015)

Source: Researchers compilations from relevant literatures.

4. Result and Discussion of Finding

Descriptive Statistics

Table 4.1 Descriptive Statistics

Variables	Obs.	Mean	Standard dev.	Min	Max
EM	121	-0.02	0.03	-0.09	0.07
MO	121	0.03	0.05	0	0.17
IO	121	0.06	0.06	0	0.19
OC	121	0.62	0.18	0.13	0.89
FS	121	7.30	10.64	5.73	8.26

Source: STATA 14, (2025)

Based on the results of the descriptive statistics tests result in table 4.1 above shows a total observation of 121 samples. The descriptive statistics show that the mean value of earnings management among listed manufacturing firms in Nigeria is -0.02, indicating that, on average, firms in the sample engaged in a slight downward manipulation of earnings during the study period. This suggests that, rather than inflating profits, some firms may have deliberately understated their earnings, possibly for reasons such as tax reduction, regulatory compliance, or income smoothing. The standard deviation of 0.03 reflects moderate variability in the level of earnings management practices across the sampled firms. This suggests that while most firms show similar patterns of manipulation, some deviate noticeably, either by managing earnings more aggressively or by reporting conservatively. The minimum value of -0.09 and maximum of 0.07 imply that the extent of earnings management in the sample ranges from relatively high downward adjustments (-9%) to upward adjustments (7%). The presence of both negative and

positive values confirms that firms in the sample engaged in both types of earnings manipulation either to reduce or inflate reported earnings depending on their strategic motives or financial conditions.

The descriptive statistics show that managerial ownership among the listed manufacturing firms in Nigeria has a mean of 0.03 (or 3%), indicating that, on average, managers hold about 3% of the total shares in their respective firms. The standard deviation of 0.05 (or 5%) suggests a moderate variation in managerial ownership across the firms studied, meaning some firms have significantly higher or lower levels of managerial ownership than the average. The minimum value of 0.00 implies that there are firms where managers hold no ownership stake at all, while the maximum value of 0.17 (or 17%) indicates that in some firms, managers control up to 17% of the company's equity. This variation highlights differences in governance structures and the degree of managerial alignment with shareholder interests across the firms.

The descriptive statistics show that institutional ownership among the listed manufacturing firms in Nigeria has a mean of 0.06, indicating that on average, institutional investors (such as pension funds, mutual funds, or insurance firms) own about 6% of the total outstanding shares in these firms. The standard deviation of 0.06 suggests there is a moderate variation in institutional ownership across the firms in the sample. Some firms have no institutional ownership at all (minimum value = 0.00), while the highest observed institutional ownership is 19% (maximum 0.19). This implies that institutional investors play a relatively small but varying role in the ownership structure of manufacturing firms in Nigeria, which may limit their monitoring influence on managerial behavior, including earnings management practices.

The descriptive statistics reveal that ownership concentration among the listed manufacturing firms in Nigeria has a mean of 0.62, indicating that, on average, about 62% of a firm's equity is held by major shareholders (controlling investors). This suggests a high level of concentrated ownership, which may imply strong monitoring power but could also lead to entrenchment or minority shareholder suppression. The standard deviation of 0.18 shows moderate variability in ownership concentration across firms, suggesting that while some firms have very concentrated ownership, others are more widely held. The minimum value of 0.13 indicates that in some firms, only 13% of shares are held by large shareholders, reflecting dispersed ownership, the maximum value of 0.89 shows that in certain firms, up to 89% of shares are held by few dominant shareholders, pointing to extreme concentration and possible control by a small group.

The descriptive statistics for firm size, measured typically as the natural logarithm of total assets, show a mean of 7.30, indicating that on average, the listed manufacturing firms in Nigeria are of moderate size. The standard deviation of 1.64 suggests a high level of variation in firm size across the sampled companies, implying the presence of both relatively small and large firms in the dataset. The minimum value of 5.73 and the maximum value of 8.26 further confirm this spread, showing that while some firms have smaller asset bases, others are significantly larger. This variation in firm size is important as it could influence the extent to which firms engage in earnings management, since larger firms are often under greater public and regulatory scrutiny.

Spearman Correlation Matrix**Table 4.2 Spearman correlation matrix**

Variables	EM	MO	IO	OC	LEV	FS
EM	1.00					
MO	-0.21	1.00				
IO	0.04*	0.08	1.00			
OC	0.14	-0.18*	0.27	1.00		
FS	0.06	0.14*	-0.28	0.10	0.17	1.00

Source: STATA 14, 2025

The results in table 4.2 indicate that Earning management (EM) has a negative correlation and insignificant relationship with managerial ownership (MO) at -0.21 (-21%) the implication of this result is that as EM increases MO of the sampled firm is expected to decrease in the opposite direction and vice versa. the table also revealed that there is a positive and significant relationship of 0.04 (4%) between EM and institutional ownership (IO) while there is a positive and insignificant relationship between EM and Ownership concentration (OC) 0.14 (14%); and firm size (FS) at 0.06 (6%) result suggest that as the sampled firms EM increases their IO, OC and FS is expected to increase in the same direction. Similarly, the result revealed that MO has a positive and insignificant relationship of 0.08 (8%) with IO this result suggest that as MO increases IO of the firm is expected to also increase in the same direction. on the other hand the result also revealed that MO has a negative and significant relationship of -0.18* (-18.00%) with ownership concentration (OC) the implication of the result is that as MO increases the OC of the sampled firm is expected to also decrease. On the relationship between MO and Firm size (FS) the result also revealed a positive and significant relationship of 0.14 (14%) with FS. The implication of this result is that as MO increases, the company's FS is expected to increase in the same direction.

In addition institutional ownership (IO) reveals a positive and insignificant relationship of 0.27 (27%) with ownership concentration (OC), the implication of this result is that as the firm's IO increases their OC is expected to increases in the same direction and vice versa. On the other hand the result revealed a negative and insignificant relationship between IO and FS at -0.28(28%). However, the implication of this result is that as IO increases FS is expected to decrease vice versa. Furthermore, OC exhibits a positive and insignificant relationship of 0.07 (7%), implying that as OC increases FS is expected to increase in same direction.

Table 4.3 Regression Analysis

Variables	Coefficient	Std error	t-stat	p>/t/
Constant	0.08	0.03	2.93	0.00
MO	-0.20	0.11	-1.85	0.07
IO	0.10	0.06	1.86	0.06
OC	-0.17	0.02	-9.28	0.00
FS	0.02	0.01	1.51	0.13
R-square			0.36	
F-stat			20.61	
Prob> F			0.00	
Observation			121	

Source: STATA 14 statistical software computation, (2025)

Discussion of result

Table 4.3 revealed the results from the model depicting an R-squared value of approximately 0.36%, indicating that approximately 36% of the variability in earnings management is explained by the independent variables included in the model (MO, IO, OC, and FS). The remaining variance of 64% is attributed to other factors not captured by the model. The overall F-statistic for the model is 20.61, with a p-value of 0.000, signifying that the independent variables collectively have a statistically significant effect on EM. MO demonstrates a negative and statistically insignificant coefficient of approximately -0.20 ($p = 0.11$). This indicates that a 1% increase in MO leads to a -0.20% decrease on EM. The p-value of 0.11 suggests MO has an insignificant effect on EM leading to failure to reject the null hypothesis one of this study. On the other hand, IO shows a positive but statistically insignificant effect of approximately 0.10 ($p = 0.06$). This implies that the variation in IO does not significantly impact EM leading to the acceptance of the null hypothesis two of this study. OC also exhibits a negative and significant effect of approximately -0.17 ($p = 0.02$). This suggests that while OC may not have an upward impact on EM, the effect is strong enough to be statistically conclusive leading to the rejection of the null hypothesis three of this study. On the other hand, the control variables Firm Size (FS) are statistically positive and significant with a coefficient of approximately 0.02 ($P=0.01$) respectively. This suggests that the size of a firm has a notable direct influence on how the firms manage their earnings.

5. Conclusion and recommendation

This study examined the effect ownership structure on earnings management of manufacturing companies in Nigeria. The study highlights the fact that ownership concentration plays a central role in the governance of firms and these structures also determine the performance of these firms. The results of this study indicate that Managerial ownership have an insignificant negative impact on earnings management. The results show that increasing the ownership ratio of managers will reduce earnings management. According to agency theory, associating the interests of the manager with the common benefit of the company reduces the separation of ownership and control of the manager. The study proves that companies with a higher proportion of managerial ownership minimize the incidence of earnings manipulation.

While institutional ownership has been cited to be critical in curbing cases of earnings management due to the experience and knowledge of institutional investors, the study established institutional ownership has no significant effect on earnings management. It has been held that the institutional investors are able to promote robust internal controls that help to seal loopholes that could be exploited by the management to manipulate earnings. In summation, ownership structure was found to have no significant effect on earnings management.

From the findings of this study, which suggest that an increase in institutional ownership result in a decline in earnings management, the study therefore recommended that it would be in the best interest of companies to increase its institutional equity holdings as that tend to bring more institutional monitoring. While managerial ownership was found to have no significant effect on earnings management, its importance cannot be overlooked as managerial shareholding tend to support the alignments perspectives that manager with ownership equity would work in the best interest of the companies by improving financial transparency. The results of the study revealed that ownership concentration has a negative impact on earnings management. Thus, the study

recommends a decrease in concentrated shareholding. Ownership concentration should be regulated to not exceed 10% shareholding so that their shareholding structure would not influence the decision-making process.

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