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Effect of Ownership Structure on Earnings Management for Quoted Firms in Nigeria

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ABSTRACT

The study examines the effect of ownership structure on earnings management for quoted firms in Nigeria. The specific objectives include to: Determine the impact of ownership concentration on discretionary accruals of Nigerian quoted firms. and Examine the effect of ownership concentration on non-discretionary accruals of Nigerian quoted firms. ex-post facto research design was adopted. Data were analyzed using panel least squares (panel data technique) and Eviews9.0. The study revealed that ownership concentration did not have a significant effect on DAA (discretionary accrual adjustment) of Nigerian quoted firms. This is evidenced by the t-statistics of 0.027440 < 2 and probability value of 0.9782> 0.05 and not significant at 5%. While Ownership concentration did not have a significant effect on NDAA (non-discretionary accrual adjustment) of Nigerian quoted firms. This is evidenced by the t-statistics of 0.673147 and the corresponding probability value of 0.5028 > 0.05 and not significant at 5%. The study concluded that ownership concentration did not have a significant effect on DAA (discretionary accrual adjustment), NDAA (non-discretionary accrual adjustment). Recommendation, Managers should be encouraged to have more interest through shares in the organization as it enables them to have more sense of belonging in the firm. This might in turn may help mitigate management opportunistic tendencies. Firms should accrue only what is necessary in non-current assets, and this should be objectively reviewed by external auditing. This is because non-discretionary accruals are hardly used in earnings management.

Keywords: *Ownership Structure, Earnings Management, Quoted Firms, Nigeria*

1. Introduction

The term ownership structure has two widely applied dimensions: ownership concentration and owner identity. Ownership structure is one of the most important factors in shaping the corporate governance system of any firm. This is because it determines the nature of the agency problem. That is, whether the dominant conflict is between managers and shareholders, or between controlling and minority shareholders. Hanafi, Setiyono, and Sanjaya, (2017) asserts that corporate ownership, on the other hand, can involve any number of owners but it turns the business into a corporation, which is a distinct legal entity, identified two important aspects of corporate ownership structure as concentration and composition. The degree of ownership concentration in a firm determines how power is distributed between its shareholders and managers. When ownership is dispersed, shareholding control tends to be weak because of poor shareholder monitoring. Ownership structure ranges from individual ownership to collective ownership. Hence, these causes new problems in financial resource management and constitutes earnings management problem. The relationship between shareholding structure and earnings management of firms is important in accounting and is a continued subject in the field of financial reporting (Ezazi, Sadeghisharif, Alipour, & Amjadi, 2011).

Earnings management simply refers to the manipulation of earnings by companies using financial statement elements that are largely at the discretion of the managers to achieve divergent personal goals. These elements are peculiar to industries depending on their nature of operation and their external regulatory framework. The use of discretion by firm managers to influence reported earnings has long being recognized by accountants and financial economists (Cornett, Markus & Tehranian 2009). Such opportunistic tendencies are made possible by the existence of accounting choices and methods. One of such accounting choices is the accrual-based accounting which is argued to provide the most relevant measure of economic performance and firm financial standing. You, Tsai and Lin (2003) observe that the judgement and discretion involved in this method offers managers variety of choices to manipulate earnings. It became quite conspicuous that managers are more interested in the realization of self-enhancing objectives than the shareholders' wealth maximization objective of a firm.

1.2 Statement of the Problem

Firm ownerships' heavy reliance on financial data gives managers a strong incentive to alter financial statements for their own benefit. Such incentives may stem from career security, contractual obligations between outside stakeholders and managers, personal concerns in the existence of the compensation system, or the need to meet target earnings and market expectations. Earnings management can take numerous forms, for example, structuring certain revenues, expenses, and transactions; altering accounting measures; and accruals management. Among these, accruals management is harmful to the integrity of financial information because shareholders are often ignorant of the scope of such accruals and as such the application of discretionary and non-discretionary accruals. Corporations generally set annual earnings targets, which they might exceed or fall short of in different cases. For this purpose, managers use accruals to manage actual earnings and present their investors with a sound picture of the firm's targets achieved through income-increasing and income-decreasing discretionary accruals and reflect earnings management. Investors are often ignorant of such actions and are thus vulnerable to making ineffective decisions based on manipulated information.

1.3 Objectives of the Study

The general objective of this study is to examine the effect of ownership structure on earnings management for quoted firms in Nigeria. The specific objectives include to:

1. Determine the impact of ownership concentration on discretionary accruals of Nigerian quoted firms.

2. Examine the effect of ownership concentration on non-discretionary accruals of Nigerian quoted firms.

1.4 Statement of Hypotheses

The following null hypotheses were tested:

1. Ownership concentration does not have a significant effect on discretionary accruals of quoted firms in Nigeria.

2. Ownership concentration does not have a significant effect on non-discretionary accruals of quoted firms in Nigeria.

2. Review of Related Literature

2.1 Conceptual Review

Ownership structure

Ownership structure is an important concept which has attracted public interest because of its importance to the financial and economic health of companies and public in general (Nwokoma, 2005). Ownership structure is described as the number of shares owned by institutional investors divided by the total number of shares outstanding. Hashim (2008) conceptualized ownership structure as the ratio of shares owned by the largest corporate investors to the total number of shares issued. Institutional investors take different forms such as fund managers, private equity firms, banks, mutual funds and pension funds. Samaha and Dahawy (2011) believed that ownership structure determines the extent of monitoring and this affect the quality of financial disclosure in most organizations. Velury, Reisch and O'Reilly (2003) believed that the presence of institutional ownership would likely influence management's attitude through increased monitoring activities by these investors. This constant monitoring tends to forestall discipline in management by producing quality financial information to shareholders. Ali,trabelsi and Summa (2014) opined that institutional investors have a major controlling interest in proportion to the total shares outstanding in an organization. These institutional investors have high professional experiences and are powerful. Their influence could restrain managers that engage in manipulative earnings management practices that could weaken the quality of financial disclosure. Ali et al. (2014) viewed institutional investors as the major contributor of funds to the financial market. They are often attracted to organizations with good corporate governance.

Earnings Management

Abdullahi (2015) defined earnings management to involve the choice of accounting policies employed by managers to achieve their self-interest by misleading stakeholders through the presenting distorted financial statement. Watt and Zimmerman (1990), as cited in Musa and Luka (2014) notes that earnings management may be derived from the accounting choices' flexibility that is given through generally accepted accounting principle (GAAP). The GAAP allows the managers to decide the suitable reporting procedures as well as to make the estimations and assumptions according to the business environment (Kurawa and Igodo, 2016). Furthermore, with an opinion on offer, the managers may choose the reporting procedure that could benefit as well as increase companies' wealth (Watt & Zimmerman, 1990). Accordingly, accounting choices may create earning management problems. Such problem causes shareholders, investors and debt holders to be unable to differentiate the firm true economic value since their reports did not accurately reflect the firm's actual performance (Kurawa and Igodo, 2016).

Man (2013) defined earnings management as the choice by a manager of accounting policies, or other actions including earnings forecasting, voluntary disclosure, and estimation of accruals to affect the earnings intentionally. The need behind earnings management is the basis of agency problem. According to Tijjani and Dabor (2010), the term earnings management covers a wide variety of legitimate and illegitimate actions by management that affects an entity's earnings. On the other hand, Akers, Giacomino & Bellovary (2007) defined earnings management as attempts by management to influence or manipulate reported earnings by using specific accounting method (or changing method), recognizing one-time non-recurring items, deferring or accelerating expense or revenue transactions, or using other methods designed to influence short-term earnings. However, from perspective of Giroux (2004), earnings management includes the whole spectrum, from the conservative accounting through fraud, a huge range for accounting judgment, given the incentives of management.

Earnings management refers to attempts by firm managers to manipulate accounting figures, thereby making their financial statements less transparent (Kamran and Shah, 2014). Good earnings management starts with running a company with perfect management in which management identifies reasonable budget and positively reacts to unexpected threats and opportunities and fulfils most or all of his obligations. Dechow, Sloan and Sweeney (2015) assert that the analysis of earnings management (EM) often focuses on management's use of discretionary accruals. There are several accrual-based models for detecting earnings management (EM).

Concentration of Ownership

Concentration of ownership or ownership structure refers to the proportion of share ownership by a certain number of individuals, institutions or families. It is the percentage of a company's shares owned by a certain number of institutions, individuals or families (Meysam and Masood, 2011). It explains the type of ownership that exists within an organisation. Ownership of a corporation may be that of family business, which is a situation in which the largest percentage of the shares is owned by individuals who are related by blood. Ownership can also be vested on members of the management team with a high percentage of the shares of the company. This type of ownership is the management ownership. Block ownership is a type of ownership with a large proportion of the shares of a company is held by an individual or an institution. The various forms of ownership have their own merits and demerits and inform the type of operations that go on within the organisation and performance (Meysam and Masood, 2011).

Ownership concentration measures the existence of large shareholders in a firm (Roodposhti and Chasmi, 2010). The expectation for firms with highly concentrated ownership are of two differing views. While some scholars are of a view that ownership concentration is negatively related to earnings management, others concluded with evidence that positive relationship exists as it indeed induces managers to engage into earnings management (Usman and Yero, 2012). Porta, Lopez-De-Silanes & Shleifer (1999) suggested that the conflict between majority and minority shareholders exists due to the agency problem created by ownership concentration. High ownership concentration provides opportunity to majority shareholders to use the firm's resources at the expense of the minority shareholders. Yunos, Smith, & Ismail (2010) found that ownership concentration is associated with lower accounting conservatism. Abdullah and Nasir (2004); and Abdul-Rahman and Ali (2006) provided evidence that in the context of Malaysia, board independence is not significantly related to earnings management due to the high ownership concentration in Malaysian companies. Kamardin and Haron (2011) has suggested that high ownership concentration in Malaysian companies (which are mostly family firms) would result in effective monitoring mechanisms in which the interests of the majority shareholders are in line with the interests of the minority shareholders.

2.2 Theoretical Framework

Agency Theory

Agency theory provides a natural backdrop upon which this research is based. The theory emerged in the 1970s from the combined disciplines of economics and institutional theory, with theorists Stephen Ross and Barry Mitnick claiming its authorship. The theory states that the parting of ownership from control of the modern-day business has turned the relationship between the owners (shareholders) and controllers (managers) to that of an agent and a principal. As such the managers are supposed to treat this fiduciary relationship with utmost sense of transparency and accountability. This means that they are expected to act in such a manner that benefits the shareholders rather than pursuing their own selfish interest. However, in practice, the existence of information lopsidedness that gives the managers a privilege information may lead to the breach of the agency arrangement as the managers are tempted to use their positions for self enhancement, hence the agency problem.

Ownership structure has emerged over the years as an important corporate governance mechanism that can mitigate this agency problem by effective monitoring of managers and consequently reducing the agency cost. The debate about the impact of governance mechanisms on earnings management should be placed in the context of the agency problem arising from the ownership and control separation, creating interests' asymmetries between managers and shareholders (Jensen & Meckling, 1979). When managers do not own the company, their behavior is affected by self-interest that put off their goals of maximizing company value and, consequently, the interests of the shareholders or owners (Ali, Salleh, & Hassan, 2010; Chen & Liu, 2010; Eldenburg, Gunny, Hee, & Soderstrom, 2011; Fama & Jensen, 1983). Consequently, agency theory suggests that a separation between ownership and control, leads to a divergence between manager and owner interests (Jensen & Meckling, 1979). Conflicts of interest among principles (shareholders) and agents (managers) frequently happen. The agency problem becomes more evident on both the managers and shareholders, because the presumption is that managers will not act in the best interest of the shareholders (Bukit & Iskandar, 2009). Thus, monitoring managerial decisions becomes essential to assure that shareholders' interests are protected (Fama & Jensen, 1983). In this sense, the separation between ownership and control is the main problem as to avoid possible opportunistic behavior of managers that tend to reduce the firm value. In this respect, the literature on corporate governance emphasizes the mechanisms available

to protect investors' rights (Chung, Firth & Kim, 2002). A usual classification scheme makes a difference between external and internal control mechanisms. Whereas the market for corporate control is widely known as being the most outstanding external mechanism, there is several possible internal mechanisms such as capital, ownership structure and board which have been proved to discipline firm managers (Reyna, 2012).

2.3 Empirical Review

Zureigat (2011) argued that monitoring by large shareholders may give them access to private and value relevant information. In companies with concentrated ownership, the large shareholders can affect management, especially when they become board members, and they have a lot beyond the board. Chen, Yen, Fu and Chang (2007) pointed out that the audit service demand by firms with controlling shareholders could be different from that demanded by firms without controlling shareholders; they found that audit quality is indeed deteriorated and compromised when an auditor faces a business of family-controlled clients.

Gul, Kim and Qiu (2010) investigated the effect of the largest-shareholder ownership concentration on the amount of firm specific information incorporated into share prices, as measured by stock price synchronization and found that synchronization is a concave function of ownership by the largest shareholders. Hu & Izumida (2008) indicated that ownership concentration has a significant effect on the contemporary and subsequent corporate performance.

Roodposhti and Chashmi (2010) examined the association between corporate governance internal mechanisms ownership concentration, board independence, the existence of CEO-Chairman duality and earnings management. Firm size and leverage are controls variables. The population used in this study comprises firms listed on the Tehran Stock Exchange (TSE) between 2004 and 2008, the sample comprises 196 firms. Panel Data method was employed as technique to estimate the model. The study found that there is negative significant association between ownership concentration and board independence manage earnings with earnings management, there is negative significant association between the existence of CEO-Chairman duality and earnings management.

Usman and Yero (2012) examined ownership concentration and earnings management practice of the Nigerian listed conglomerates. It proxied earnings management using the modified Jones model. Using 30 firm-year paneled observations, we estimated panel OLS and controlled for fixed/random effects. The result shows a significant negative relationship between ownership concentration and earnings management. The Hausman specification test shows that the panel result after controlling for random, best suits the population as the fixed effect hypothesis was rejected by the Wald/Chi^2 test. Of the control variables, only returns on assets is significant. Leverage and firm size were not significant. They hence concluded that ownership concentration indeed moderates the practice of earnings management in Nigerian listed conglomerates.

In the work of Niri, Moeinaddin and Heyrani (2014) the relationship between type of ownership, earnings management and audit quality was investigated using the Kaznik model. Ownership type was measured by three components of "state ownership property", "family ownership" and "major shareholder" while two criterions of "the size of the audit firm" and "auditor tenure" were used to measure the audit quality. The study statistical population included all firms accepted in the stock exchanges as fixed members before 2001 to the end of 2011 was considered for a 10-years period from 2002 to 2011. To estimate coefficients in the Kaznik model, data from the first 4 years of the study period (2002-2005) were used and research hypotheses were tested through methods of correlation between parameters and regression equations by using the panel data method. The study results indicated that there is a significant and inverse relationship between audit quality and earnings management while there is no significant relationship between type of ownership and earnings management.

3. Methodology

Research Design

In executing this study, the ex-post facto research design was adopted. Ex-post facto implies after the event meaning that the events under investigation had already taken place and that data already exist. The adoption of ex-post facto research design hinges on three (3) reasons: (1) that the study relied on historic accounting data; (2) that the data were obtained from the financial statements and accounts of firms; (3) that the sampled firms are quoted on the Nigeria Stock Exchange.

The nature of the data is secondary data and was sourced from the published audited financial statements and accounts of sampled firms. Company annual statements and reports are deemed to be reliable because they are statutorily required to be audited by a recognized auditing firm before publication. Also, the mandatory adoption of IFRS is to enhance the reliability of accounting information published in the audited annual reports and accounts of publicly owned firms.

The study adopted simultaneous equations for panel data using the panel least squares estimator proposed. The panel least squares (panel data technique) brings some advantages that include: Addressing more issues, even more complex, than if we estimate several time-series and/or cross sections, available in the data; it offers us a "dynamic" view about the relationship between variables, rather than the standard OLS; also combining cross-section and time series data increases the number of degree of freedom, which strengthens the power of the tests.

The panel data (also known as longitudinal or cross-sectional time-series data) is a dataset in which the behavior of entities is observed across time and allows the control for variables you cannot observe or measure or that change over time and across firms. Thus, it accounts for individual heterogeneity. Panel data analysis exploits both the cross section and the time dimension of the data under the fixed effect assumptions.

Model Specification

The regression models for the test of hypotheses was represented as follows:

For hypothesis one which states that ownership concentration did not have a significant effect on discretionary accruals of Nigerian quoted firms. The test hypothesis was modeled thus:

$DAA_{it} = a + b_1OWNCON_{it} + b_2LEV_{it} + b_3OL_{it} + U_{it}$ .... (1)
Where:
DAA = Discretionary Accruals Adjustment
OWNCON = Ownership Concentration
LEV = Leverage
OL = Operation Liquidity
it = Firm i at time t
For hypothesis two states that ownership concentration did not have a significant effect on non-discretionary accruals of Nigerian quoted firms. The hypothesis is modeled thus:
$NDAA_{it} = a + b_1OWNCON_{it} + b_2LEV_{it} + b_3OL_{it} + U_{it}$ .... (2)
Where:
NDAA = Non-Discretionary Adjustment
OWNCON = Ownership Concentration
LEV = Leverage
OL = Operation Liquidity
it = Firm i at time t
The assumption of fixed effects will impose time independent effects for each entity that are possibly correlated with the repressors. The fixed effect assumptions will also strengthen the decision criteria for acceptance and rejection of set hypotheses. Under the fixed effect assumption, the error term in equation (1, and 2) will decomposed as follows: $U_{it} = h_{it} + \varepsilon_{it}$.
In the above decomposition, ⍰it is the standard disturbance term, which varies across time and cross-sections, while hit is a set of group specific effects, which refer to each cross section in the model. Thus, equations (1, and 2) will be written as:
$DA_{it} = a + b_1OWNCON_{it} + b_2LEV_{it} + b_3OL_{it} + h_{it} + \varepsilon_{it}$ .... (3)
$NDAA_{it} = a + b_1OWNCON_{it} + b_2LEV_{it} + b_3OL_{it} + h_{it} + \varepsilon_{it}$ .... (4)

4. Analysis of Data and Interpretation

Test of the Hypotheses
The hypotheses of this study were tested using the panel least squares.
In arriving at a decision to accept or reject a null hypothesis, the following steps were taken;
i) the hypotheses were restated in null and alternate forms,
ii) the results of the panel least squares were presented and analyzed and,

iii) the presentation of the Redundant Fixed Effect test confirming the appropriate assumption of fixed effects in the estimation,
iv) statement of the decision rule for the rejection or acceptance of the null hypothesis,
v) decision.

4.2.1 Test of Hypothesis One

Step One: Restatement of Hypothesis in Null and Alternate Form

H_0: Ownership concentration did not have a significant effect on discretionary accruals of Nigerian quoted firms.
H_1: Ownership concentration has a significant effect on discretionary accruals of Nigerian quoted firms.
Step two: Decision Rule/criteria
Accept H_0 if t-statistics < 2 and probability of t-statistics > 0.05; otherwise, reject H_0 and accept H_1 accordingly.

Step Three: Presentation of the Panel Regression Result

The result of the panel least squares for the test of hypothesis one is presented in table 4.2.1a.

Table 4.2.1a Panel Least Squares Result

Dependent Variable: DAA
Method: Panel Least Squares
Date: 06/19/19 Time: 07:00
Sample: 2012 2018
Periods included: 7
Cross-sections included: 18
Total panel (unbalanced) observations: 108
White diagonal standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
OWNCON	0.003895	0.141964	0.027440	0.9782
LEV	-3.81E-06	2.40E-06	-1.584388	0.1170
LIQ	-0.029399	0.012822	-2.292937	0.0244
C	-0.173054	0.103743	-1.668108	0.0992
	Effects Specification			
Period fixed (dummy variables)				
R-squared	0.635483	Mean dependent var		-0.150534
Adjusted R-squared	0.518477	S.D. dependent var		0.102423
S.E. of regression	0.071073	Akaike info criterion		-2.237890
Sum squared resid	0.409166	Schwarz criterion		-1.567357
Log likelihood	147.8460	Hannan-Quinn criter.		-1.966013
F-statistic	5.431217	Durbin-Watson stat		1.555132
Prob(F-statistic)	0.000000			

Source: Author's Eviews9.0 Output, 2019

Where:
OWNCON = Ownership Concentration
LEV = Leverage (Control variable)
LIQ = Operational Liquidity (Control variable)
Results show that the ownership concentration exerts positive but insignificant effect on DAA (discretionary accrual adjustment). This was explained by the positive coefficient value of the independent variable (OWNCON) at 0.003895; t-statistics of 0.027440 and the corresponding probability value of 0.9782> 0.05 and not significant at 5%. The Adjusted R-squared which tells how much of the variations in the dependent variable is caused by the independent variables show that 51.84 % of the changes in discretionary accrual adjustment is caused by the independent variables in the model. The overall regression fits as explained by the Prob(F-statistic)0.000000 < 0.05 been significant at 5%. This implies that the entire model is significant. The Durbin-Watson stat of 1.555132 tends towards 2.0 shows no trace of autocorrelation in the model.

The redundant fixed effect test was conducted to ascertain the adequacy of the assumption of "fixed effect". The result of the test is presented in proceeding table 4.2.1b.

Table 4.2.1b Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section and period fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	7.399952	(17,81)	0.0000
Cross-section Chi-square	101.228297	17	0.0000
Period F	1.149972	(6,81)	0.3414
Period Chi-square	8.828867	6	0.1834
Cross-Section/Period F	5.938800	(23,81)	0.0000
Cross-Section/Period Chi-square	106.722836	23	0.0000

Source: Author's Eviews 9.0 Output, 2019

The null hypothesis is that the set of dummies, h_i and h_t, are not statistically different from 0. A look at table 4.2.1b presenting the cross-section and period fixed effects for the equation $DAA_{it} = a + {}_{b1}OWNCON_{it} + {}_{b2}LEV_{it} + {}_{b3}OL_{it} + U_{it}$ revealed that the probability of the Cross-section/Period of 5.938800 and Cross-Section/Period Chi-square of 106.722836 are significant at 0.0000< 0.05. We therefore, reject the null hypothesis and conclude that *h*i and *h*tare statistically significant from 0 thus implying that the cross-sectional and time specific effects are appropriately applied in our estimation.

Step Four: Decision

Given the decision rule to accept H_0 if t-statistics < 2 and probability of t-statistics > 0.05; otherwise, reject H_0 and accept H_1 accordingly, we accept the null hypothesis and conclude that ownership concentration did not have a significant effect on DAA (discretionary accrual adjustment) of Nigerian quoted firms. This is evidenced by the t-statistics of 0.027440 < 2 and probability value of 0.9782> 0.05 and not significant at 5%.

4.2.2 Test of Hypothesis Two

Step One: Restatement of Hypothesis in Null and Alternate Form

H_0: Ownership concentration did not have a significant effect on non-discretionary accruals of Nigerian quoted firms.
H_1: Ownership concentration has a significant effect on non-discretionary accruals of Nigerian quoted firms.

Step Two: Decision Rule/Criteria

Accept H_0 if t-statistics < 2 and probability of t-statistics > 0.05; otherwise, reject H_0 and accept H_1 accordingly.

Step Three: Presentation of the Panel Regression Result

The result of the panel least squares for the test of hypothesis two is presented in table 4.2.1a.

Table 4.2.2a Panel Regression Result

Dependent Variable: NDAA
Method: Panel Least Squares
Date: 06/19/19 Time: 07:06
Sample: 2012 2018
Periods included: 7
Cross-sections included: 18
Total panel (unbalanced) observations: 108
White diagonal standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
OWNCON	-12.13822	18.03205	-0.673147	0.5028
LEV	0.000404	0.000372	1.085880	0.2808
LIQ	-1.671088	2.040721	-0.818871	0.4153
C	5.813764	11.74423	0.495032	0.6219

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.600118	Mean dependent var	-1.574027
Adjusted R-squared	0.556635	S.D. dependent var	16.94672
S.E. of regression	17.42000	Akaike info criterion	8.765433
Sum squared resid	24579.97	Schwarz criterion	9.435966
Log likelihood	-446.3334	Hannan-Quinn criter.	9.037310
F-statistic	2.779419	Durbin-Watson stat	1.701232
Prob(F-statistic)	0.039864		

Source: Author's Eviews 9.0 Output, 2019

Where:
NDAA = Non-Discretionary Accrual Adjustment
OWNCON = Ownership Concentration
LEV = Leverage (Control variable)
LIQ = Operational Liquidity (Control variable)

Results from preceding table show that the ownership concentration exerts negative but insignificant effect on NDAA (non-discretionary accrual adjustment). This was explained by the negative coefficient value of the independent variable (OWNCON) of-12.13822; t-statistics of -0.673147 and the corresponding probability value of 0.5028> 0.05 and not significant at 5%. The Adjusted R-squared which tells how much of the variations in the dependent variable is caused by the independent variables show that 55.66% of the changes in non-discretionary accrual adjustment is caused by the independent variables in the model. The overall regression fits as explained by the Prob(F-statistic)0.039864 < 0.05 been significant at 5%. This implies that the entire model is significant. The Durbin-Watson stat of 1.701232 tends towards 2.0 shows no trace of autocorrelation in the model.

The redundant fixed effect test was conducted to ascertain the adequacy of the assumption of "fixed effect". The result of the test is presented in table below

Table 4.2.2b Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section and period fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.225566	(17,64)	0.0005
Cross-section Chi-square	95.645677	17	0.0012
Period F	1.011398	(5,64)	0.4184
Period Chi-square	6.920464	5	0.2266
Cross-Section/Period F	4.133924	(22,64)	0.0080
Cross-Section/Period Chi-square	99.952665	22	0.0096

Source: Author's Eviews 9.0 Output, 2019

[The null hypothesis is that the set of dummies, h_i and h_t, are not statistically different from 0. A look at table 4.41 presenting the cross-section and period fixed effects for the equation $NDAA_{it} = a + {}_{b1}OWNCON_{it} +_{b2}LEV_{it} + {}_{b3}OL_{it} + U_{it}$revealed that the probability of the Cross-section/Period F of 4.133924 and Cross-Section/Period Chi-square of 99.952665 are significant at 0.0080 and 0.0096< 0.05 for Cross-section/Period Fand Cross-Section/Period Chi-square respectively. We therefore, reject the null hypothesis and conclude that *h*i and *h*tare statistically significant from 0 thus implying that the cross-sectional and time specific effects are appropriately applied in our estimation.

Step Four: Decision

Given the decision rule to accept H_0 if t-statistics < 2 and probability of t-statistics > 0.05; otherwise, reject H_0 and accept H_1 accordingly, we accept the null hypothesis and conclude that ownership concentration did not have a significant effect on NDAA (non-discretionary accrual adjustment) of Nigerian quoted firms. This is evidenced by the t-statistics of 0.673147 and the corresponding probability value of 0.5028> 0.05 and not significant at 5%.

Discussion of Findings

From the result of hypothesis one, ownership concentration did not have a significant effect on DAA (discretionary accrual adjustment) of Nigerian quoted firms. This is evidenced by the t-statistics of 0.027440 < 2 and probability value of 0.9782> 0.05 and not significant at 5%. This is in line with the findings of Roodposhti and Chashmi (2010) that examined the association between corporate governance internal mechanisms ownership concentration, board independence, the existence of CEO-Chairman duality and earnings management and found a negative significant association between ownership concentration and board independence as well as CEO-Chairman duality and earnings management.

Hypothesis Two:

Ownership concentration did not have a significant effect on NDAA (non-discretionary accrual adjustment) of Nigerian quoted firms. This is evidenced by the t-statistics of 0.673147 and the corresponding probability value of 0.5028 > 0.05 and not significant at 5%. This finding supported the study of Alfayoumi et al. (2010), the correlation result fail to find a significant relationship between institutional shareholding and discretionary accruals. Hassan (2012) found that institutional investors have a strong and positive impact on earnings management on the Nigerian manufacturing firms. Also, institutional ownership of total equity shares of the sample firms and institutional presence on the board of directors are inversely related with opportunistic accounting. However, it contrasts with the findings of Jenkins and Velury (2008) who found that this association is positively related to the level of institutional ownership.

5. Conclusion

Given these discussions, this study examined the effect of ownership structure on accruals earnings management for quoted firms in Nigeria as the importance of earnings management and ownership structure is indisputable. Findings from the study suggests that ownership concentration did not have a significant effect on DAA (discretionary accrual adjustment), NDAA (non-discretionary accrual adjustment).

Recommendations

Based on the findings of this study, we made the following recommendations:

1. Managers should be encouraged to have more interest through shares in the organization as it enables them to have more sense of belonging in the firm. This might in turn may help mitigate management opportunistic tendencies.
2. Firms should accrue only what is necessary in non-current assets, and this should be objectively reviewed by external auditing. This is because non-discretionary accruals are hardly used in earnings management.

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