

## **Impact of Ownership Structure Mechanisms on Reported Earnings Quality of Quoted Consumer Goods Companies in Nigeria**

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### **Abstract**

*This study examined the impact of ownership structure on reported earnings quality of quoted consumer goods companies in Nigeria. The study covered the period of nine years from 2011 to 2019. The study used Ex post-facto research design. The total number of listed consumer's goods firms as at 31st December, 2019 were twenty-three (23) out of which a sample of fifteen (15) was used for the study. Secondary data from annual reports and accounts were employed. Multiple regression was adopted as a technique of analysis. The results shown that managerial ownership has a negative insignificant impact on reported earnings quality. The study also shown that institutional ownership and ownership concentration have a positive significant impact on reported earnings quality. While family ownership has a positive insignificant impact on reported earnings quality. Based on these findings, the study recommends that institutional ownership and ownership concentration should be encouraged by monitoring authorities such as Security and Exchange Commission (SEC) because of the role the plays in restraining managers to act in a manner that favours the corporation.*

**Keywords:** earnings quality, ownership structure, managerial ownership, institutional ownership, ownership concentration, family ownership

### **Introduction**

Reported earnings act as an information source for shareholders to tie the communication gap that exist in agency relationship. In order for this information to be useful for shareholders, the reported earning information need to be reliable. Because reported earnings quality demands information to be useful and relevant. Moreover, communication gap similarly permits management to manage earnings for their individual gain. The unexpected failure of large corporation in the last twenty years, which are connected with accounting scandals at energy corporation in 2001, World Com 2002, Cadbury Nigeria Plc, in 2009, Oceanic and intercontinental bank in 2009, Unilever Brothers, African petroleum in 2010, Oando in 2017. Besides, the underpinning factor for the accounting scandal befalls the deficiency in governance system that is effective in checking managerial excesses.

Rezaee (2005) argues that the financial reporting process of listed companies contains monitoring structure that enhance the accountability and transparency of financial information and therefore guard investors' interests from the harmful effects of earnings falsification. As part of these monitoring structure agency model indicates that ownership structure instruments harmonize the interests of agent with those of the principal (Nordberg, 2011).

Ownership structure is seen as the collection of owners that exercise control over activities of a firm. Therefore, these ownership structure mechanisms are supposed to act as pre-emption mechanisms and preserve investors wealth.

More so, the relationship between ownership structure mechanisms and reported earnings quality has been acknowledged with conflicting results in advanced nations. Such prior studies include: Bashir, Navid and Omid (2012). Redhwan and Ku (2013); Zobeideh and Makerani (2013), Wafa and Boujelbène (2014); Hafiza and Susela (2014); Jo-La and Ching-Chieh (2015), Imad (2015), Zhizhong and Qingmei (2016) Erivelto and Fernando (2016); Saleh, Rosmila and Jalila (2018) which are from advanced economies of the world have not arrived at a consensus on the impact of ownership structure on reported earnings quality. Even at that, generalization from those studies cannot be extended to Nigeria environment given the

disparities in the nature of economies and level of sophistication of control mechanism in developed and developing nations of the world.

Few studies similarly existed on the association amid ownership structure and earnings quality. For instance, Bawa and Isa (2014) examined the influence of ownership structure on earnings quality of deposit money banks in Nigeria using earnings formativeness as proxy for earnings quality for period of 2006-2012. Salisu, Abubakar and Aliyu (2016) studied the effect of institutional ownership and earnings quality of Quoted Food/Beverages and Tobacco Firms in Nigeria for duration of 2002-2014. However, their study focused on institutional ownership, as a proxy for ownership structure and ignored other ownership structure variables such as family ownership. Moreover, Waidi and Johnson (2016) studied the relationship between Corporate Ownership Structure and financial reporting quality using earnings quality element (accrual quality) in Nigeria financial institution for the duration of 2005 to 2013. However, the outcomes of their studies are obtained from samples drawn from different sectors mostly, from the financial sector. It is therefore not clear if their findings can be generalized across industries including consumer goods considering sectorial peculiarities.

Moreover, there is also a methodological gap on the model used in segregating discretionary and non-discretionary accruals by previous studies. However, most of the studies on this aspect used models of discretionary accruals like Jones (1991), Modified Jones (1995), Dechow and Dechow (2002) among others. Although these models are being used in estimating residual values, they are deficient in not recognizing performance in the non-discretionary portion of accruals, which may influence total accrual, thereby leading to wrong conclusion (Kothari, Leone, & Wasley, 2005). Therefore, this study covered the gap by using Kothari et al. (2005) performance adjusted discretionary accrual model. The model included return on assets (ROA) as a control for firm performance.

This study focuses on investigating the impact of ownership structure mechanisms which are proxied by the managerial ownership, institutional ownership, ownership concentration and family ownership on reported earnings quality in the context of listed consumer goods companies in Nigeria.

Part 2 of this monograph presents a literature review of the impact of ownership structure mechanisms on reported earnings quality. Part 3 presents the methodology used in the monograph. Part 4 presents the result and discussion. Part 5 present conclusion and recommendations.

## **Literature Review**

### **Managerial Ownership and Reported Earnings Quality**

Managerial ownership is referred to the percentage of director's equity ownership which includes their deemed interest Vethanayagam (2005). Previous researches examining the relation between managerial ownership and earnings quality mostly led to inconsistent and inconclusive outcomes.

Isemila and Elijah (2012) examined earnings management and ownership structure of Nigerian Banks for the period between 2006-2010. The samples consist of 10 commercial banks as at 2012. Found shows that managerial ownership positively and meaningfully related to earning management.

Wafa and Younes (2014) explored the relation amid managerial ownership and earnings quality in the context of France quoted companies for the period of 2003 to 2011. Using regression analysis, outcomes shown a significant influence between managerial ownership and reported earnings quality.

Imad (2015) examined the influence of ownership structure on earnings quality of quoted firms Jordanian Amman Stock Exchange (ASE) for the period 2000-2014. With the help of panel regression, the empirical result shows that management ownership is associated inversely with the earnings quality.

Waidi and Johnson (2016) studied the relation between ownership structure and reported earnings quality of banks in Nigeria for the time frame of 2005 to 2013. Using Ordinary Least Square (OLS) Regression techniques, outcomes showed that managerial ownership insignificantly affect on earnings quality.

Amah, Michael and John (2016) investigated the impact of ownership characteristics on earnings management of brewery businesses for the duration of 2004 to 2013. With the aid of regression analysis technique, the result showed that C manager ownership positively and meaningfully result to earning management.

Built on the prior studies, a hypothesis is proposed as follows:

**H<sub>01</sub>:** *Managerial ownership has no significant impact on reported earnings quality of quoted consumer goods companies in Nigeria.*

### **Institutional Ownership and Reported Earnings Quality**

Institutional ownership is the institution that trade in securities in high dimensions. Exemplars of institutional investors are banks, insurance companies, investment and pension funds are among the institutional investors. Moreover, institutional ownership is an imperative effectual exogenous control device. This set of stockholders is in a position to impact the adopted practices by companies and their existence can lead to a change in company behaviours. This is because of the more efficient scrutiny conducted by institutional investors Velury and Jenkins (2006). With respect to institutional ownership, there is no harmony in studies assessing the relationship between institutional ownership and reported earnings quality. Using data from food and beverages sector, Shaikh, Iqbal, Shah and Bhutto (2012) studied Institutional Ownership and discretionary accruals of non -financial companies in Karachi for the period of 2006 up to 2010. Output from regression analysis shows inversed relation between institutional ownership and discretionary accruals.

Red, Hwanand and Ku (2013) studied the effect between ownership structure and earnings quality for the period of 2008 to 2009. With the aid of panel regression techniques. The findings showed among others that institutional ownership has positive insignificant effect on earning predictability of listed firm in Malaysia.

Eman and Ibrahim (2015) evaluated the relationship between ownership structure, corporate governance mechanism and accounting earnings quality on financial performance of listed Egyptian firms for the period of 2006-2013. The study employed panel regression techniques. The results showed that institutional ownership has a negative significant related on earnings quality and firm value.

Laith (2015) studied the nexus between ownership structure and earnings quality of listed firms in Jordanian context. With the aid of Chi square technique, the results show that institutional ownership is positively and significantly related with quality of earnings.

Salisu, Bashir Abubakar and Aliyu (2016) studied the interaction between institutional ownership and earnings quality in Nigeria for the period of 2002- 2014. The General Least Square Regression was employed for data analysis. The results reveal that institutional ownership has positive significant link with earnings quality.

Saleh, Rosmila and Jalila (2018). Examined the nexus between institutional ownership and earnings quality in Malaysia. For e period of 2007 to 2016. The employed Dynamic Panel Data repression to analysis the data. Findings indicated that institutional ownership has a positive link with.

Built on the prior studies, the proposed hypothesis is as follows:

**H<sub>02</sub>:** *Institutional ownership has no significant impact on reported earnings quality of listed consumer goods firms in Nigeria.*

### **Ownership Concentration and Reported Earnings Quality**

Ownership concentration is the equity share of the major investors and are affected by certain risk and monitoring costs. Usually, a stockholder who holds 5% or more of a company equity is reflected a major stockholder. The major shareholder can be an individual, a domestic foreign corporation, an institutional investor and or the state. Large block holders comprise greater incentive to monitor managers as the efforts

involved in monitoring is less than the benefits to large equity holdings in the company. Ramsey and Blair (1993) pointed out that increased ownership concentration provides large block holders with sufficient inducements to monitor management. Prior documentation review mix results.

Roodposhti and Chashmi (2010) examined ownership structure and earnings quality of listed Tehran Stock Exchange for the period between 2004 and 2008. The sample was arrived at after excluding financial firms which was up to 196 firms. Panel data method was employed as technique to estimate the model. They found discretionary accruals as a proxy for earnings quality and it was negatively related to ownership concentration.

Bawa and Isa (2014) studied the interaction between ownership structure and reported earnings quality in Nigeria. The study employed Ex-post factor research design. The study used panel regression as a method of analysis. The results establish a positive link between ownership concentration and reported earnings quality.

Hajara (2015) studied the nexus between ownership structure and reported earnings quality of listed insurance companies for the period of 2008 to 2013. With the aid of panel regression techniques, the results established a negative connection between ownership concentration and earnings quality.

Zhizhong and Qingmei (2016) studied the interaction between ownership concentration and reported earning quality of listed China firms for period of 2004 to 2011. The study employed panel regression. The findings established a positive interaction between ownership concentration and reported earnings quality.

Erivelto and Fernando (2016) investigated the association between ownership concentration and reporting earnings quality for the period 1994 to 2014. Their study proxy's earnings quality with earnings persistence and asymmetric timeliness (conservatism). The General Least Square result established positive significant nexus concerning ownership concentration and reported earning quality.

Andrzej and Ewa (2019) examined relationship between ownership structure and real earnings management practices of Poland quoted companies for the period of 2008 to 2017. The fixed effect regression indicates a positive connection between ownership concentration and earnings quality

Built on the prior studies, the proposed hypothesis is as follows:

*H<sub>03</sub>: Ownership concentration has no significant impact on reported earnings quality of listed consumer goods firms in Nigeria.*

### **Family Ownership and Reported Earnings Quality**

When a family has an ownership stake in a firm and is able to shape its strategic direction, the firm is said to be a family-owned firm (Chua, 1999). In family firms, incentives to monitor managerial actions are mostly robust as family members invested most of their funds and resources in the company. Family shareholders similarly have an advantage in monitoring as their long-term involvement in the firm provides the relevant firm-specific and market knowledge. Moreover, family affairs come first in these organizations and then conflict of interest exit between family ownership and minority ownership. Furthermore, various principles in diverse nations separate family companies from non-family companies which led to various surveys and most often self-contradictory outcomes.

Tim (2013) examined the influence of family ownership and earnings quality of listed firms on the Australian Stock Exchange. Multiple regression was used as a technique of data analysis. The outcome reveals a positive significant nexus between family ownership and earnings quality.

Hümeýra (2013) studied the impact of corporate governance, family ownership and earnings management. The study covers period of 2006 to 2010. The study used panel multiple regression as approach for the data analysis. The findings established a positive significant linked concerning family ownership and earnings management.

Using a pooled data of 280 of non-financial institutions. Hafiza and Susela (2014) studied the impact of corporate governance, ownership structure and reported earnings quality listed firms Malaysia. The research work used regression to examine the association between explanatory variables and reported earnings quality. Findings indicates family ownership positively related with reported earnings quality.

Pattaraporn (2016) explored the influence of ownership structure on financial reporting quality. With a sample consisting of non-financial institution in Thailand Stock Exchange for the period of 2011. With the aid of independent pooled regression. The study reveals negative significant link between family ownership and reporting earnings quality.

Built on the prior studies, the proposed hypothesis is as follows:

**H<sub>04</sub>:** *Family ownership has no significant impact on reported earnings quality of listed consumer goods firms in Nigeria.*

### **Theoretical Underpinning**

The framework of this paper is on the agency theory. The agency theory was first proposed by Jensen and Meckling (1976) that describes agency relationships as a contract in which one or more people (principal) involve another person (agent) to perform some services on their behalf involving the entrustment of managerial authority to the agent (Jansen & Meckling, 1976). Furthermore, Jensen and Meckling argued that this a divorce of ownership and control in contemporary company that gives a rise to agency dilemma. Along with the problem of the potential opportunistic behaviour of the agent, the agency relationship can also impose the problem of information asymmetry. Whereas agency theory posits that ownership characteristics ally the interests of managers with those of the stockholders. The structures are meant to guarantee managers-shareholders interest alignment, protect stockholders' interests and therefore reduce agency cost (Martinez, 2010).

### **Control variables**

Control variables were used in this study to increase the fitness of the model and to avoid omitted variables biasness. The control variables are discussed below;

### **Firm Size**

Prior literature finds that larger firms are likely to have higher financial reporting quality, because larger firms have more effective internal control systems and face more scrutiny from the market (Bedard, Chtourou & Courteau 2004). However, Davidson, Goodwin-Stewart and Kent (2005) find that larger companies probable manage earnings than smaller companies to avoid reporting earnings decreases.

### **Profitability**

Profitability is a performance measure used as determinants of reported earnings quality. Prior researches, such as those of Kothari, Leone, and Wasley (2005) and Ahmed (2012) recognized a link among weak performance and earning quality. Low profitability ratio is connected to lower earnings quality as management will not like to present a financial report that display their poor performances, Therefore, the need to manipulate financial report to avoid reporting poor managerial efficiency.

### **Methodology**

The study adopted Ex- post facto research methods for the purpose of addressing the research problem. The population of the study comprised all the twenty-three (23) listed firms on the Nigerian Stock Exchange as at 2019. The study used purposive sampling technique to obtain a sample size of fifteen companies. Secondary sources of data collection were employed. The figures were collected from the annual financial statement of the sampled firms for a period of nine (9) years (2011 to 2019). The study employed multiple regression as the procedure of analysis with aid of STATA version 15 as a tool for analysis.

### Model Specification and Variable Measurement

The statistical analysis for this study has its root in agency theory. Hence, the model is stated as follows:

$$EQ_{it} = \beta_0 + \beta_1 MO_{it} + \beta_2 IO_{it} + \beta_3 OC_{it} + \beta_4 FO_{it} + \beta_5 ROA_{it} + \beta_6 FS_{it} + \varepsilon_{it}$$

Where:

$EQ_{it}$  = Earnings Quality of firm i in year t

$b_0$  = intercept (constant)

$MO_{it}$  = Managerial Ownership of firm i in year t

$IO_{it}$  = Institutional Ownership of firm i in year t

$OC_{it}$  = Ownership Concentration of firm i in year t

$FM_{it}$  = Family Ownership of firm i in year t

$ROA_{it}$  = Return on Asset of firm i in year t

$FS_{it}$  = firm Size of firm i in year t

$\varepsilon$  = Error term

i= firm

t=time

### Dependent variable

Consistent with Kothari et al. (2005), the Performance Adjusted Current Discretionary Accrual (PACDA) is used as follows:

$$\frac{ACCR_{it}}{TA_{it-1}} = \alpha_0 + \alpha_1 \left( \frac{1}{TA_{it-1}} \right) + \alpha_2 \left( \frac{\Delta REV_{it} - \Delta AR_{it}}{TA_{it-1}} \right) + \alpha_3 \left( \frac{PPE_{it}}{TA_{it-1}} \right) + \alpha_4 ROA_{it} + \varepsilon_{it} \quad (1)$$

Where;

$ACCR_{it}$ : Accruals for firm i in year t,

$TA_{it}$ : Total assets for firm i at end year t-1,

$\Delta REV_{it}$ : Revenues in year t less revenues in year t-1 for firm I,  $\Delta AR_{it}$ : Changes in accounts receivable,

$PPE_{it}$ : Property, Plant, and Equipment; Property for firm i at end year t,

$ROA_{it}$ : Return On Assets,

$\varepsilon_{it}$ : Error term for firm j in year t.

$$DACC = \frac{ACCR_{it}}{TA_{it-1}} - \left[ \alpha_0 + \alpha_1 \left( \frac{1}{TA_{it-1}} \right) + \alpha_2 \left( \frac{\Delta REV_{it} - \Delta AR_{it}}{TA_{it-1}} \right) + \alpha_3 \left( \frac{PPE_{it}}{TA_{it-1}} \right) + \alpha_4 ROA_{it} \right]$$

### Independent Variables

Managerial Ownership (MO) is measured as the percentage of executive directors' interest in the equity shareholding of the firm.

Institutional Ownership (IO) percentage of equity shares of the firm held by institutional investors to the total shares outstanding.

Ownership Concentration (OC) is the percentage of shares held by certain number of block holders, exceeding 5%.

Family Ownership (FO) is the percentage of shares held by members of the same family to the total equity shares outstanding.

### Control variables

Profitability - Net income/ total asset

Firm size is measured natural logarithm of total assets.

### Result and Discussions

Table 1: *Descriptive Statistics*

Variables	Mean	Max	Min	SD
EQ	.1020471	.675844	.000208	.1492064
MO	.0748258	.647996	.00016	.1357931
IO	.2552751	.591556	.002352	.1592901
OC	.5468211	.862508	.112639	.2026345
FO	.1116889	.724036	0	.2204028
ROA	.1554867	.554863	-.82145	.1998872
FS	5.197167	11.8296	2.12345	1.4962

#### Source: Output of descriptive statistic obtained from STATA15

Table 1 shows the mean value of .1020471 (10%) of EQ with standard deviation of .1492063. The difference between the mean of EQ and standard deviation of across the firms is 15% This indicates a high variability around the mean. The table also showed that the minimum and maximum EQ are .000208 (0.002%) and .675844 (67%) respectively. More so, the average managerial ownership of the quoted consumer goods firms that constitute the study sample is .07%, institutional shareholding accounts for 25% while ownership concentration and family ownership account for 54% and 11% respectively. The minimum value for managerial ownership is 0.01% and the maximum value is 64%. The proportion of managerial ownership represents a relatively negligible amount of the total shares outstanding (less than 1). Whereas IO has a minimum value of .002% and a maximum value of 59%, the minimum value indicating that there was a particular firm in a certain year within the observations that have 2% institutional investors. for ownership concentration as the minimum value of 11% and 86% respectively. Similarly, family ownership has minimum value of 0 and maximum value of 72% respectively.

The control variable (Profitability) also shows that the mean profitability as indicated by the mean is .1554867, indicating 15% average return on asset, while the standard deviation is .19% representing the wide variability of return on total asset among the sampled firms within the period covered by the study. The minimum and the maximum as shown by the tables are -.82% and .55%. Hence, the range is 55% implying that there is very wide gap between the highest profit and lowest loss.

The average firm size (control variable) is N5.19 billion Naira, which is a wide disparity from the standard deviation of 1.49 billion Naira. The minimum and the maximum firm size are 2.12 billion Naira and 11.82 billion Naira respectively. This indicates that the consumer good firms in Nigeria vary significantly among each other in terms of size.

Table 2: Correlation Matrix of Dependent and Independent Variables

Variables	EQ	MO	IO	OC	ROA	FS
EQ	1.0000					
MO	-0.0067	1.0000				
IO	0.1315	-0.1523	1.0000			
OC	0.1109	0.3024	0.2197	1.0000		
FO	0.0215	0.17566	-0.2589	0.2615	1.0000	
ROA	0.5091	-0.0279	0.0851	-0.0999	-0.0510	1.0000
FS	-0.0643	-0.0418	0.1980	0.1423	-0.1763	0.1491

**Source: Output of correlation matrix obtained from STATA**

The correlation matrix table revealed that the association coefficient between earnings quality and managerial ownership is -0.0067. The result indicates that managerial ownership has a negative relationship with earning quality of consumer goods firm in Nigeria. The correlation matrix also shows that the correlation coefficient between earnings quality and institutional ownership is 0.13%. This implies that there is positive relationship between institutional ownership and earnings quality of consumer goods firms in Nigeria. Furthermore, Table 2 shows that the correlation coefficient between ownership concentration and earnings quality is 0.11%. The result means that ownership concentration has a positive relationship with earnings quality of consumer good firms in Nigeria. Table .2 further revealed that the correlation coefficient between the earnings quality and family ownership is 0.02% This means that family ownership has a positive relationship with earnings quality of consumer goods firm in Nigeria. The result implies that as family ownership increases earnings quality increases. The correlation matrix also shows that the correlation coefficient between earnings quality and profitability is 0.50%. Finally, the correlation matrix showed that the coefficient of correlation between earnings quality and firm size is -0.06%.

**Regression Diagnostic**

The two diagnostics tests conducted in this study are Multicollinearity and heteroscedasticity tests.

Table 3: VIF Test for Multicollinearity

Variable	VIF	1/VIF
MO	2.44	0.410377
IS	1.21	0.827585
OC	1.26	0.790521
FO	2.61	0.383514
ROA	1.05	0.954342
FS	1.13	0.887705
Mean VIF	1.62	

**Source: Output from STATA**

The test for Multicollinearity using the variance inflation factor (VIF) reveals the absence of it as all factors are below 10 and tolerance values are less than 1.0. The mean VIF is 1.62. This signifies absence of multicollinearity amongst the predictor variables.

Table 4: Breusch-Pagan / Cook-Weisberg Test for Heteroskedasticity

chi2(1) =	0.76
Prob > chi <sup>2</sup> =	0.4137

**Source: output from STATA**

The result of Breusch- pagan / Cook-Weisbaerg test for the study indicates that the chi2 value is 0.76 and the p-value of chi2 is 0.4137 signifying the absence of heteroscedasticity

Table 5: Hausman Speciation Test

Variables	Fixed effect	Random Effect	Differences
MO	.4819925	-.1257307	.6077231
IS	-.3518878	.1555766	-.5074644
OC	.4272136	.3363618	.0908518
FO	-1.773525	.0363165	-1.809841
ROA	.3219836	.312751	.0092325
FS	-.2709657	-.2075899	-.0633758

chi2(6) = 3.08

Prob>chi2 = 0.7984

**Source: Output from STATA**

The outcome of the Hausman test shown that the value of chi2 is 3.08 and the prob>chi 0.7984. The probability value 0.7984. indicated that the Hausman test is in favour of random effect regression.

Table 6 Random Effect Model

EQ	Coefficient	T	p-value
MO	-1257307	-0.37	0.709
IO	0.0958651	2.03	0.048
OC	.3363618	2.02	0.043
FO	.0363165	0.17	0.864
ROA	.312751	7.19	0.000
FS	-.2075899	-2.36	0.019
_cons	.6367498	1.60	0.109
R-Square	0.3218		
Wald Test	56.93		
Prob. of chi <sup>2</sup>	0.0000		

**Source: Output from STATA**

The result of R<sup>2</sup> of 0.3218 (32%) signifies that of total variation in earnings quality is caused by managerial ownership, institutional ownership, ownership concentration, family ownership, profitability and firm size of quoted consumer goods firms in Nigeria. The F - statistic is 56.93 with probability of chi2 = 0.000. The probability of chi2 is significant at 5%, indicating that the model is fit.

From the table the result displays that managerial ownership has negative impact on earnings quality and insignificant at 5% with coefficient of  $-0.1257307$ , t-statistics of  $-0.37$  and p-value of  $0.709$ . This implies that for every 1% increase in managerial ownership, there is a consequent 12% decrease in earnings quality holding all other variables constant. It therefore suggested, having the managers among the shareholder's decreases earnings quality; This finding supports those of Jo-Lan and Ching-Chieh (2015), Imad (2015), Hashim and Devi (2008), Tsai and Lin (2003), who revealed that managerial ownership has negative effect on earnings quality. Suggesting that an increase in managerial ownership does not enhance the reported earnings predicted by the agency theory. Therefore, hypothesis one is not rejected.

The coefficient for institutional ownership reveals a positive significant impact on earnings quality. It shows a coefficient of  $.0958651$  and z-value of  $2.03$  and p-value of  $0.048$ . This implies that institutional ownership has positive meaningful effect on earnings quality of listed consumer goods firms in Nigeria. The outcome is consistent with the agency theory. The finding is also in line with the findings of Saleh, Rosmila and Jalila (2018), Salisu, Bashir, Abubakar and Aliyu (2016), Laith, (2015), Red, Hwanand and Ku (2013), Shehu (2011), Al-Fayoumi, Abuzayed and Alexander (2010), Hashim and Devi (2006) and contradict the findings of Janeth and Cosmas (2016), Eman and brahim (2015), Shaikh, Iqbal, Shah and Bhutto (2012). Therefore, the study rejected the null hypothesis two.

The coefficient for ownership concentration shows positive impact on earnings quality since the coefficient is  $.3363618$ , z-value is  $2.02$  and p-value is  $0.043$ . This implies that for every 1% increase in ownership concentration there is a resulting 33% increase in earnings quality. By implication, ownership concentration increases with increase in earnings quality of listed consumer goods firms in Nigeria. This finding supports that of Zhizhong and Qingmei, (2016), Alimehmeti and Paletta (2011), and contradict the findings of Klai and Omri (2011). This provides a basis for rejecting the null hypothesis three.

Furthermore, the coefficient for family ownership reveals a positive insignificant effect on earnings quality. It shows a coefficient of  $.0363165$  and z-value of  $0.17$  and p-value of  $0.864$ . The effect is that for every 1% increase in family ownership, the earnings quality increases by 3%. The study result is consistent with the findings of Tim (2013), Sa'adiah and Romlah (2013) Hümeyra (2013) who documented a positive interaction between family ownership and earnings quality. It also conforms with the conclusion of Klai and Omri (2011) who establish a negative impact of family ownership and earnings quality. Therefore, the study accepted the null hypothesis four.

The control variable-ROA has a positive impact on earnings quality of listed consumer goods firms in Nigeria. The t-value of  $7.19$  and the probability value of  $0.0000$  suggest the positive impact. This means that managers of the firms are more incline to manage earnings when performance is high. The finding is in line with those of Johari Sale, Jaffar and Hassan (2008).

The second control variable is firm size. The impact of firm size on discretionary accrual of listed consumer goods firms in Nigeria is negative, but statistically significant because t-value is  $-2.36$  with a probability value of  $0.019$ . It therefore implies that because bigger firms are closely watched, they may not be able to manipulate financial statement. The findings supported those of Bedard et al. (2004) and contradicted the findings of Davidson et al. (2005).

### **Conclusion and Recommendations**

This study researched the impact ownership structure mechanisms on reported earnings quality using data from consumer goods companies in Nigeria for the 9 years that is from 2011 to 2019. The study concluded that managerial ownership has inverse relation with reported earnings quality of listed consumer's goods firms in Nigeria. That is managerial ownership is not a significant determinant of reported earnings quality. Also, the study concludes that, institutional ownership has a positive significant impact on reported earnings quality. That, the higher the institutional ownership the higher the earnings quality. The study also concludes that ownership concentration has a positive impact on reported earnings quality. That is larger equity shares in the hands of individuals affect earnings quality positively. Furthermore, the study concludes

that involvement of family investors contributes to the quality reported earnings. Built on the findings and conclusion, for that reason it is recommended that institutional ownership and ownership concentration should be encouraged by monitoring authorities such as Security and Exchange Commission (SEC) because of the role the plays in restraining managers to act in a manner that favours the corporation.

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