Journal of Emerging Trends in Economics and Management Sciences (JETEMS) 5(7):73-82
 (ISSN: 2141-7024)
jetems.scholarlinkresearch.org

OWNERSHIP STRUCTURE AND INFORMATIVENESS OF ACCOUNTING EARNINGS OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract
This study investigated the effect of Ownership Structure on Informativeness of Accounting Earnings of listed Deposit Money Banks in Nigeria. Ownership structure is proxied with Managerial ownership, Institutional ownership, and Ownership concentration, while Informativeness of Accounting Earnings is proxied using Fan and Wong (2002) model. Pooled Regression technique was adopted using Fixed and Random effect in the analysis. The study used a purposive sampling technique to filter out banks that do not satisfy the criteria set out for inclusion thereby arriving at the sample size of ten (10) listed Deposit Money Banks in Nigeria out of Seventeen (17). Secondary data source was used which were extracted from the Annual reports and accounts of the sampled Banks from 2006-2012. The findings revealed that, Managerial Ownership is negatively and significantly related to Earnings Informativeness, While Ownership Concentration was positively and significantly related to Earnings Informativeness of listed Deposit Money Banks in Nigeria. However, Institutional Ownership was found to have no significant influence on Informativeness of Accounting Earning. It is recommended amongst others that those who are interested in the reported earnings as a basis for their investment decisions should look up to Ownership Concentration in those banks as they empirically guarantee the reliability of the Banks reported Earnings.

Keywords: ownership structure, financial report, earnings informativeness.

INTRODUCTION

The quality of accounting information is influenced by an array of factors, most of which stem from the demand for such information for use in contractual arrangements and from the incentives and opportunities of management to manage the reported numbers. Managers to a greater extent are the ones entrusted with the affairs of firms whom in most cases have little or no equity interest in it. The real equity owners on the other hand have little or no direct day-to-day running of the firm. In that respect managers are vested with the responsibility of preparation and reporting of the earning figures (profit) of the firm they managed. Consequently these pave way for manouvering the information content of the report to suit their interest.

Thus, the managers as agents need to be monitored to ensure that they discharge their stewardship role to their principal (firm owners) rather than adjusting reports to earn high rewards at the detriment of the equity holders. As long as managers' oppotunistic tendency are not monitored by shareholders because of diverse nature of equity holdings, reported earnings will continue to be manipulated and the informativeness it deserve to portray to firm owners for decision making is eroded. Just as the share ownership structure delineates a firm's agency problem, so also it impacts the firm reporting pattern. When block of shareholders effectively controls a firm, it also control the production of the firm's accounting information and reporting policies and vice versa.

Literature on stewardship accounting posits that an accounting number is deemed value relevant if it has a significant association with equity market value and could be used to estimate future returns (Barth, Beaver & Landsman, 2001). Thus, if reported earnings are considered by investors to be value relevant and useful in estimating future returns, market value of shares and earnings should normally be related.

Ownership structure is considered as an important factor that influences quality of a firms financial reports and that it is possible to use ownership structure to predict the informativeness of a bank's reported earnings by considering the earnings-returns relationship with managerial ownership, earnings returns relationship with Institutional Ownership as well as earnings-returns relationship with Ownership Concentration.

Managers may impair the faithful determination of accounting numbers in order to meet the performance measures imposed by accounting-based contracts. Therefore,the quality of accounting information may be positively associated with the level of managerial ownership (Warfield, Wild & Wild, 1995). As managerial ownership increases, managers are increasingly less subject to accounting-based constraints. Thus, managers will reduce reporting quality if there exist the proprietary costs of disclosure, since the less managers disclose, the less competitors and suppliers know about the firm's financial position..

Institutional investors are often characterized as sophisticated investors who have advantages in acquiring and processing information compared with individual investors (Bushee, 1998). However, their specific role in improving reporting quality is quite controversial. There are two opinions about the role of institutional ownership in the capital market. The speculation argument is that institutional investors act as "traders" rather than "owners." Prior research provides several reasons why they act as transient investors. First, institutions are subject to strict fiduciary responsibilities so that they have incentives to trade frequently based on short-term financial performance in order to show fund sponsors and the courts the prudence of their investment (Gompers & Metrick, 2001). Second, due to the information asymmetry between managers and investors, it is more cost-effective for institutions to invest based on short-term performance instead of valuing long-term prospects of firms in their diversified portfolio (Bushee, 2001).

Previous researches indicates that ownership concentration helps investors by aligning the interest of managers with the interest of shareholders and enhancing the reliability of financial information and the integrity of the financial reporting process (Watts & Zimmerman,1986 as cited by Warfield, *et al.* (1995).The result of Gul and Tsui (2002) support the effectiveness of ownership concentration as a monitoring system. Financial reports are vital to the maintenance of accountability and transparency in organizations as posited by (Osisioma, 2001). One may argue that eventhough Securities and Exchange Commission(SEC) is making effort in ensuring sound financial reporting by operating firms because of the need to protect the interest of the public but in Nigeria most publically traded corporations have low levels of transparency and disclosure quality in their annual reports. Therefore, it is important for regulators and policy makers to understand the causes of the low quality of reported accounting information in Nigeria.

The general problem of returns and earnings relationship is of continuing concern for accounting researchers. Given the importance of a well functioning banking system, it is not surprising that a number of studies have focused on how a variety of economic, regulatory and institutional factors have influenced the efficiency of banking systems worldwide. In Nigeria we have not encountered studies that measure earnings informativeness and impact of ownership structure on earnings informativeness of banks.Most of the empirical studies on ownership structure and earnings informativeness were conducted in developed countries of Europe, Asia and America and they are inconclusive such as research conducted by Fan and Wong (2002) and Yu-Chih, Yan and Ya-Fen (2007). The results of their studies are incompatible with the realities of emerging economies like Nigeria. Therefore, this study intends to close this gap by looking at the impact of ownership structure on informativeness of accounting earnings of banks listed on the Nigerian stock exchange.

OBJECTIVES OF THE STUDY

The study is aimed at evaluating the effect of ownership structure on accounting earnings informativeness of listed Deposit Money Banks (DMB's) in Nigeria.

Specifically, the objectives of the study are to:

i) Examine the impact of Managerial ownership on earnings informativeness of listed deposit money banks in Nigeria;
ii) Investigate the influence of Institutional ownership on earnings informativeness of listed deposit money banks in Nigeria.
iii) Assess the effect of ownership concentration on earnings informativeness of listed deposit money banks in Nigeria;

HYPOTHESES OF THE STUDY

In line with the objective raised above, the following hypotheses have been formulated in null form.

> $\mathbf{H_{01}}$: Managerial Ownership has no significant impact on earnings informativeness of listed DMB's in Nigeria.
>
> $\mathbf{H_{02}}$: Institutional Ownership has no significant influence on banks' earnings informativeness of listed DMB's in Nigeria.
>
> $\mathbf{H_{03}}$: Ownership Concentration has no significant effect on banks' earnings informativeness of listed DMB's in Nigeria.

Looking at the importance given to reported earnings in shaping the decision of shareholders, it is worthwhile to look at the ways ownership structure can improve the acounting earnings informativeness of Deposit Money Banks in Nigeria. The true value of a company stock return ought to be equated with the actual earnings per share of that company. This is hardly the case in Nigeria and this indicates the low informativeness of the annual accounting reports generated by listed banks.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

Agency theory can be used to explain the role of ownership structure on informativeness of accounting earnings. Agency theory guides this study due to its relevance in resolving conflict that may arise between managers and shareholders.

Agency theory relationship is defined as a contract under which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf that involves delegating some decision making authority. This theory according to Sanda, Mika'ilu and Garba (2010) has helped in providing insights not only into the problems arising between management and shareholders but also between management and a wider class of shareholders. The theory as posited by Ferdinand, Stephen and Judy (2002) predicts that managers who own less equity in a corporation have incentives to pursue non-value-maximizing behavior and accordingly accounting based contracts are written to restrict this behavior. In these settings, accounting reports will be demanded for contracts to align managers' interests with those of the shareholders. Managers are expected to respond to these accounting-based contracts by exploiting the latitude available in accounting procedures to either alleviate constraints or capitalize on available incentives, yielding accounting numbers that do not necessarily reflect the economic substance of the underlying transactions.

Thus, the informativeness of accounting earnings is expected to be lower for firms with low levels of management ownership, ceteris paribus. Warfield, *et al* (1995) found that the correlation between earnings and stock returns is significantly stronger for firms with high management ownership. The study is also guided by stakeholder theory developed by Jensen(2002) as cited by Sanda *et al*(2010) which constitute an important extension of the application of agency problem. The agency theory guides this study due to its relevance to stewardship accounting.

Managerial Ownership and Earnings Informativeness

The degree of managerial ownership affects the nature of agency contract between managers and outside shareholders. In a situation of diffuse ownership (e.g in the US and the UK),the agency problems stem from the conflicts of interest between outside shareholders and managers who own an insignificant amount of equity in the firm (Jensen & Meckling 1976).

The managers of low managerial ownership firms have greater incentives to manage accounting numbers. Thus, the informativeness of earnings is predicted to be positively related to managerial ownership, as Warfield, *et al* (1995) have shown. On the other hand, a substantial shareholder has incentives to collect information and monitor management, thereby avoiding the traditional free-rider problem. A good financial report should possess qualities that will guarantee investors the safety of their investment as well as maximum returns.

Conflicts between managers and shareholders are expected to be less prevalent in firms with concentrated ownership structure, as controlling shareholders have strong incentives to monitor managers, and even replace them if they perform below the expectations of the shareholders (Franks, Collins & Hornes, 2005). Sanda *et al* (2010) asserts that, different ownership of equity tends to prevent any shareholder from taking unilateral action to bear the costs of monitoring the managers, who may pursue interests that conflict with those of the shareholders. This is because shareholders' interests are likely to prevail in firms with concentrated ownership than firms with a dispersed ownership structure.

However, Warfield, *et al* (1995) carried out one of only a few studies that specifically examine the relation between corporate share ownership and the stock price informativeness of earnings. They document that more managerial ownership is associated with greater earnings informativeness. They argue that an increase in managerial ownership reduces the conflicts of interest between owners and managers and thus the need for accounting-based managerial constraints. The result is that the informativeness of earnings increases because managers have less need to manage earnings in order to alleviate constraints. Finally, the study reveals that the relationship between management ownership and earnings informativeness is positive and significant.

Institutional Ownership and Earnings Informativeness: Proponents of the strategic alliance hypothesis contend that Earnings Management of firms with high institutional shareholdings is low. This contention is consistent with the premise that institutional investors are expected to force firms' management to focus on current earnings, rather than long-term earnings, to avoid reporting disappointing earnings to interested parties. Empirical research findings reveal that the quality of financial reporting is impaired as institutional ownership of equity increases (Bradbury, Mak, & Tan, 2006). Institutional Ownership is considered as an important channel through which minority shareholders are protected against expropriation of controlling shareholders in emerging markets. These literatures argue that institutions have greater resources, which are more sophisticated than individual investors and have more relevant expertise and experience to monitor management. Therefore they are able to compel effective disclosure of information. In addition to significant findings, existing studies on the relationship between institutional ownership and financial reporting quality have reported insignificant results. For example, a research conducted by Betra (2002) does not provide any significant effect of institutional ownership of equity on reported Earnings Management. Sirger and Utama (2008) document similar findings in which they provide no empirical support of the high equity holdings by institutions enhances the reliability of financial information.

Ownership Concentration and Earnings Informativeness: Ownership concentration, as an aspect of corporate governance is concerned with ways in which major shareholders employ measures to ensure proper accountability and transparency by managers in order to safeguard the interest of the stakeholders.

However, La Porta, Lopez-de Selanes, Shleifer and Vishny (2002) assert that when ownership is concentrated, as is typical in Spain, the nature of the agency problem shifts from manager-shareholder conflicts to conflicts between the major shareholders and minority shareholders. Large shareholders represent their own interests and enforce decisions that afford them some private benefits of control at the expense of minority shareholders. In consonance with this control activity by large shareholders, Yeo, Tau, Ho and Chen (2002) and Jung and Kwon (2002) show a positive relationship between the existence of large shareholders and the informativeness of earnings. This would be the predicted relationship if the monitoring effect derived from the presence of large shareholders were dominant.

In this context, together with the factors explaining the presence of concentrated ownership structures determined by Fama and Jensen (1983), Demsetz (1983), Shleifer and Vishny (1986) and Denis, Denis and Sarin (1997), a growing body of studies focus their attention on the legal environment as a determinant of the corporate governance system. Those studies explicitly analyze the level of efficacy of the legal system, not only in controlling the agency relationships established in organizations, but especially in protecting the interests of outside investors. In this respect, the level of defense provided by the legal environment becomes a determinant of the ownership structure.

Bebchuk's (1999) study suggests a greater presence of concentrated ownership structures in countries where the wealth of minority shareholders is poorly protected by the legal system. For their part, Shleifer and Wolfenzon (2002) center their study on the capital market and establish that, when the shareholders' interests are well defended, those markets will be more developed and there will be a lower concentration of ownership. Those theoretical arguments are in line with the empirical results of the works of La Porta, Lopez-de Silanes, Shleifer(1999), Claessens, Djankov and Lang (2000) and Faccio and Lang (2002).

In conclusion the nature of banking business further exacerbates the agency problem because of multiple roles it offers to the public in moving the economy forward. It is therefore expected of managers to render good stewardship report to the stakeholders for taking well informed financial decisions. They further opine that, while depositors are interested in the safety of their deposits, the shareholders are interested in high risk investment exposures capable of maximising the expected return on their investments. Management's chief interest, on the other hand, is in their compensation package and power concentration in the organisation.

METHODOLOGY

Ex-post factor research design was adopted for the study. We also employ the use of secondary source of data which was obtained from the bank's annual reports and accounts from 2006 to 2012 and some of the share prices were obtained through a website (www.cashcraft.com) for daily price-lists of the various banks under study. The population of this study comprises all the 17 banks listed on Nigerian Stock Exchange(NSE) as per the NSE Fact Book, 2012, The sample of ten (10) banks and seven (7) years period covered by the research gives a total observation of seventy (70). This was done using purposive sampling technique to filter out banks that do not satisfy the following creteria for inclusion; Availability of complete data in NSE Fact Book for the period of the study 2006 – 2012. Retaining of name without change throughout the study period. Panel Regression and Stata 9.1 was used as our technique and tool of analysis. The period under review fall within the period when managers compete for capital in the Nigerian Capital Market and managers therefore had incentives or motivations to manage earnings in order to attract investors and potential investors. The study is limited to listed Deposit Money Banks in the Nigerian Stock exchange as at 31st December, 2012. Out of the seventeen banks only thirteen were listed as at 1/1/2006.The ten selected banks were arrived at after removing 2 merged banks and one that changed its original name.

Variable Measurement

Measuring Informativeness of Accounting Earnings.

$AR_{it} = a_0 + a_1\Delta NI_{it} + \mu_{it}$

Where AR_{it} is the average abnormal return rate of the i Bank stock on t year;

ΔNI_{it} is the change in net income variable of the i Bank stock on the t year and

a_1 is the earnings response coefficient (ERC); i.e Profit after tax of the current year less that of last year.

μ_{it} is the error term

The study uses the absolute value of residuals from the first regression to represent Informativeness of Accounting Earnings.

Summary of Variables and their Measurement

No	Variable	Measurement
1	Informativeness of Accounting Earnings	Measured Using Fan and Wong Model (2002) as modified.
2	Managerial Ownership	The proportion of shares owned by the Bank's directors to total number of shares issued.
3	Institutional Ownership	The proportion of shares owned by Institutions to total number of shares issued.
4	Ownership concentration	The proportion of shares owned by the largest shareholders to total number of shares issued.
5	Bank Growth	Ratio of Market value of Equity to Book Value of Equity
6	Bank Size	Natural logarithm of Total Asset.

Source: compiled by the author 2014.

Model Specification

$IAE = \beta_0 + \beta_1(MGO) + \beta_2(INST) + \beta_3(ONCON) + \beta_4(GRWTH) + \beta_5(SIZE) + \mu$

Where;

IAE = Informativenes of Accounting Earnings proxied by Earnings returns;
MGO = Managerial Ownership
INST = Institutional Ownership
ONCON= Ownership Concentration
GRWTH = Bank Growth
SIZE = Bank Size
β_0 = the intercept/constant;
$\beta_1, \beta_2, \beta_3\ \beta_4\ \beta_5$ = are the parameters;
μ = the residual/error term

The Study introduce control variable (bank size) into the simple but parsimonious model of the study reason been that works related to earnings models that are not controlled are most often mis-specified. e.g Roodposhti and Chasmi (2010) as cited in Shehu and Jibril (2012)

RESULT AND DISCUSSION

The result of the relationship between ownership structure and informativeness of accounting earnings demonstrated a good fit as shown in appendix ii. The result shows that the co-efficient of determination (R^2) has overall value of 0.4492. This means that Managerial Ownership, Institutional Ownership and Ownership Concentration occupy 45.0 percent in the factors that account for the Informativeness of Accounting Earnings of Listed Deposit Money Banks in Nigeria and other factors account for the remaining 55.0 percent. It can be inferred that Ownership Structure to a large extent influences the Informativeness of Listed Deposit Money Banks in Nigeria. This indicates that the explanatory variables are strongly, positively and strongly influencing the informativeness of accounting earnings.

In addition, F and chi-squared statistics are really the same thing in that, after normalization, chi-squared is the limiting distribution of the F as the denominator degrees of freedom goes to infinity. So therefore, the Wald chi^2 (5) of 50.38 which is significant at one percent indicates that the Informativeness of Accounting Earnings model is fit. The value of Wald Chi^2 which is statistically significant at a level of 0.000 means that there is a 99.9 percent probability that the relationship among the variables is not due to mere chance.

The value of the regression co-efficient for the intercept reports the particular Informativeness of Accounting Earnings denominator for Listed Deposit Money Banks in Nigeria, while the remaining co-efficient describe the impact of each independent variable on Informativeness of Accounting Earnings.

Managerial Ownership and Informativeness of Accounting Earnings

From the table in appendix iii, it is observed that managerial ownership (MGO) has a t-value of -2.68 and a beta value of -0.5648 with significant value of 0.007. This signifies that managerial ownership is negatively, strongly and significantly influencing Informativeness of Accounting earnings of listed Deposit Money Banks in Nigeria. This implies that for every one percent increase (1%) in managerial ownership, the informativeness of Accounting Earnings of listed Deposit Money Banks in Nigeria will decrease by ₦0.57.

The finding is in line with those of Bebchuk (1999) and Wolfenzon (2002) but contrary to those of Warfield,*et al* (1995). In view of the above result stated with respect to managerial ownership showing that the variable is statistically significant in influencing the informativeness of accounting earnings, this therefore provides an evidence of rejecting the null hypothesis one of the study. Thus, for hypothesis 1, H_{01} is rejected.

Institutional Ownership and Informativeness of Accounting Earnings

The regression result reveal that Institutional ownership as depicted in appendix iii have a t-value of 1.47 and a beta value of 0.0598 with a significant value of 0.142. This signifies that institutional ownership has no any significant influence on Informativeness of Accounting earnings of listed Deposit Money banks in Nigeria. This implies that for every one percent (1%) increase in the institutional ownership of the listed banks deposit money banks in Nigeria, the Informativeness of Accounting earnings of listed Deposit Money Banks in Nigeria will have no significance changes.

As a result of the above result presented with regards to Institutional ownership which shows that the variable is statistically insignificant in influencing the Informativeness of Accounting Earnings, this therefore provides an evidence of failing to reject null hypothesis two of the study. Thus, for hypothesis 2, H_{02} is failed to be rejected.

Ownership Concentration and Informativeness of Accounting Earnings

The Ownership Concentration has a t-value of 2.31and a beta value of 0.1544 with a significant value of 0.021 as depicted in appendix iii. This signifies that Ownership Concentration (ONCON) is strongly, positively and significantly influencing the Informativeness of Accounting Earnings of listed Deposit Money Banks in Nigeria. It implies that for every one percent (1%) increase in Ownership Concentration of Banks, the Informativeness of Accounting earnings will increase by N0.15.

The finding is in line with those of Haw, Hwang and Wul (2004), Cohen and Langberg (2008), La Porta, et al (1998) but contrary to those of Silanes and Shliefer (2006), Wang (2006), Demsetz and Lehn (1985).

In line with the above outcome reported as regards Ownership Concentration which shows that the variable is statistically significant in influencing the Informativeness of Accounting Earnings, this therefore provides an evidence of rejecting null hypothesis three of the study. Thus, for hypothesis 3, H_{03} is rejected.

CONCLUSIONS AND RECOMMENDATIONS

From the foregoing analysis, this paper tries to investigate the impact of ownership structure on the informativeness of reported earnings of money deposit banks in Nigeria First, the study has statistically and empirically provide an evidence on the usefulness of three Independent variables that represents the Ownership Structure i.e managerial ownership, Institutional ownership and Ownership Concentration in explaining and predicting Informativeness of Accounting Earnings of the sampled Banks.

Second, the managerial ownership has significant impacts on Informativeness of Accounting Earnings because large percentage of shares held by directors (managers) may make them become entrenched as put forward by the advocates of entrenchment hypothesis and hence they become ineffective in aligning insiders to take value maximizing decisions, which may lead to earnings management to increase and therefore the accounting numbers become less informative.

Third, we found a positive but insignificant relationship between the institutional ownership and Informativeness of Accounting Earnings. Therefore, when the proportion of shares held by institutions increases, the Informativeness of Accounting Earnings will not be significantly affected.

Finally, we found a significant impact between Ownership Concentration and Informativeness of Accounting Earnings. Therefore, indicating that firms with a higher Ownership Concentration may influence the Informativeness of Accounting Earnings positively. On the overall, the study concludes that Ownership Structure has significantly influences the Informativeness of Accounting Earnings.

In light of the various findings of this study, the following measures are hereby recommended for listed Deposit Money Banks as a means of enhancing their Ownership Structure and most importantly Earnings Informativeness which in turn enhance economic development especially in emerging economies of the world.

The managers who are the helm of affairs do control majority of shares allotted in the company, as it gives them too much power and control over other shareholders which may be responsible for the opportunistic behaviours by the managers in a bid to get short-term private gains. As a result of this, it is recommended that, fewer amounts of shares should be held by the managers of the banks as the chunk of the shares should be allotted to block holders.

Management of listed Deposit Money Banks in Nigeria can improve the Earnings Informativeness of their banks by increasing the Proportion of Equity held in block in their respective Financial Institutions. Although, this might seem like giving the total control to the Block holders, the benefits that will accrue to the Banks far outweighs the cost. This will help ensure that all Accounting Earnings are in order; and it will also give the users of the financial statements more trust and confidence in terms of the quality of the reported Earnings.

Less attention should be given to Institutional Investors as they have no significant role in determining the informativeness of accounting information.

Finally, it is recommended that the management, Investors and Potential Investors of listed Deposit Money Banks should put much attention on the Blockholders Shareholders as it has significant influence on the Informativeness of Accounting Earnings.

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APPENDIX

Variables	N	Min	Max	Mean	Std. Dev.	Skewness	Kurtosis
IAE	70	.52	34.38	8.962	7.50857	1.353	4.725
MGO	70	.01	16.09	2.859	3.57559	1.607	5.273
INST	70	.00	85.04	17.768	18.2847	1.486	6.058
ONCON	70	27.41	98.70	85.339	10.7815	-3.158	15.667
GRWTH	70	1.04	100.20	29.382	23.3989	1.291	4.218
SIZE	70	18.48	21.62	19.964	0.8733	0.072	1.891

Source: Extract from Stata 9.1 printout result

APPENDIX I1

Table 4.2: Correlation Matrix Table

Variable	IAE	MGO	INST	ONCON	GRWTH	SIZE
IAE	1					
MGO	-.2005	1				
INST	.0653	-.0080	1			
ONCON	.1624	.0501	-.0174	1		
GRWTH	.5258*	.2325	-.1413	-.0529	1	
SIZE	.1155	.0897	-.2721*	.1830	.1465	1

Source: Extract from Stata 9.1 printout result

APPENDIX I1I

Table 4.3: Summary of Regression Result

Variables	Co-efficient	Z-Statistics	z-sig.	Tolerance / VIF
Constant	-20.2932	-1.00	0.318	
MGO	-0.5648	-2.68	0.007	0.938468/ 1.07
INST	0.0598	1.47	0.142	0.913330/ 1.09
ONCON	0.1544	2.31	0.021	0.956670/ 1.05
BGRWTH	0.2058	6.71	0.000	0.910878/ 1.10
BSIZE	0.5298	0.55	0.579	0.877280/ 1.14
R^2 Overall				0.4492
F-statistics				50.38
F-significance				0.0000

Source: Result output from Stata 9.1 printout

```
. xtset id year, yearly
       panel variable:  id (strongly balanced)
        time variable:  year, 2006 to 2012
                delta:  1 year

. su iae mgo inst oncon fgrth fsize, detail

                             iae
-------------------------------------------------------------
      Percentiles      Smallest
 1%          .52            .52
 5%         1.21            .72
10%        1.405           1.16       Obs                  70
25%          2.8           1.21       Sum of Wgt.          70

50%         7.75                      Mean           8.961714
                        Largest       Std. Dev.      7.508577
75%        12.12          25.23
90%       19.175          27.49       Variance       56.37873
95%        25.23          31.23       Skewness       1.353219
99%        34.38          34.38       Kurtosis       4.725749

                             mgo
-------------------------------------------------------------
      Percentiles      Smallest
 1%          .01            .01
 5%          .03            .01
10%         .075            .02       Obs                  70
25%          .22            .03       Sum of Wgt.          70

50%        1.185                      Mean              2.859
                        Largest       Std. Dev.      3.575589
75%         5.12          11.32
90%         7.65          12.45       Variance       12.78484
95%        11.32          12.55       Skewness       1.607374
99%        16.09          16.09       Kurtosis       5.273857

                             inst
-------------------------------------------------------------
      Percentiles      Smallest
 1%            0              0
 5%            0              0
10%            0              0       Obs                  70
25%         2.29              0       Sum of Wgt.          70

50%         14.3                      Mean           17.76786
                        Largest       Std. Dev.      18.28474
75%        27.53           40.9
90%         40.9          45.58       Variance       334.3315
95%         40.9          85.04       Skewness       1.486609
99%        85.04          85.04       Kurtosis       6.058629

                            oncon
-------------------------------------------------------------
      Percentiles      Smallest
 1%        27.41          27.41
 5%        66.42           47.2
10%         78.1          56.37       Obs                  70
25%        83.76          66.42       Sum of Wgt.          70

50%         87.3                      Mean           85.33957
                        Largest       Std. Dev.       10.7815
75%        90.38          95.08
90%       94.195          98.28       Variance       116.2408
95%        95.08          98.28       Skewness      -3.157695
99%         98.7           98.7       Kurtosis       15.66728


                            fgrth
-------------------------------------------------------------
      Percentiles      Smallest
 1%         1.04           1.04
 5%         4.42           2.22
10%         5.38           2.94       Obs                  70
25%         11.8           4.42       Sum of Wgt.          70

50%        25.89                      Mean           29.38186
                        Largest       Std. Dev.      23.39899
75%           37           81.9
90%        70.14             87       Variance       547.5125
95%         81.9          94.48       Skewness        1.29093
99%        100.2          100.2       Kurtosis       4.218631

                            fsize
-------------------------------------------------------------
      Percentiles      Smallest
 1%        18.48          18.48
 5%         18.6          18.52
10%        18.86          18.53       Obs                  70
25%        19.14           18.6       Sum of Wgt.          70

50%        20.01                      Mean           19.96371
                        Largest       Std. Dev.       .873333
75%        20.63          21.31
90%       21.205           21.4       Variance       .7627105
95%        21.31          21.49       Skewness       .0719458
99%        21.62          21.62       Kurtosis       1.890863

. pwcorr iae mgo inst oncon fgrth fsize, star (0.05) sig

             |      iae      mgo     inst    oncon    fgrth    fsize
-------------+------------------------------------------------------
         iae |   1.0000
             |
             |
         mgo |  -0.2005   1.0000
             |   0.0961
             |
        inst |   0.0653  -0.0080   1.0000
             |   0.5913   0.9473
             |
       oncon |   0.1624   0.0501  -0.0174   1.0000
             |   0.1791   0.6805   0.8862
             |
       fgrth |   0.5258*  0.2325  -0.1413  -0.0529   1.0000
             |   0.0000   0.0528   0.2432   0.6633
             |
       fsize |   0.1155   0.0897  -0.2721*  0.1830   0.1465   1.0000
             |   0.3412   0.4604   0.0227   0.1295   0.2263
             |
```

```
. reg iae mgo inst oncon fgrth fsize

      Source |       SS       df       MS              Number of obs =      70
-------------+------------------------------           F(  5,    64) =   10.88
       Model |   1787.1446     5  357.428919           Prob > F      =  0.0000
    Residual |  2102.98779    64  32.8591842           R-squared     =  0.4594
-------------+------------------------------           Adj R-squared =  0.4172
       Total |  3890.13238    69  56.3787302           Root MSE      =  5.7323

------------------------------------------------------------------------------
         iae |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         mgo |  -.7624114   .1992262    -3.83   0.000    -1.160412   -.3644112
        inst |   .0711955   .0394913     1.80   0.076    -.0076975    .1500884
       oncon |   .1431435     .06544     2.19   0.032      .012412    .2738749
       fgrth |   .2041305   .0309013     6.61   0.000     .1423981    .2658629
       fsize |   .5536734   .8436356     0.66   0.514    -1.131682    2.239029
       _cons |  -19.39045   16.82896    -1.15   0.254    -53.01018    14.22927
------------------------------------------------------------------------------

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of iae

         chi2(1)      =     2.75
         Prob > chi2  =   0.0974

. vif

    Variable |       VIF       1/VIF
-------------+----------------------
       fsize |      1.14    0.877280
       fgrth |      1.10    0.910878
        inst |      1.09    0.913330
         mgo |      1.07    0.938468
       oncon |      1.05    0.956670
-------------+----------------------
    Mean VIF |      1.09


. xtreg iae mgo inst oncon fgrth fsize, fe

Fixed-effects (within) regression               Number of obs      =        70
Group variable: id                              Number of groups   =        10

R-sq:  within  = 0.4407                         Obs per group: min =         7
       between = 0.3957                                        avg =       7.0
       overall = 0.4210                                        max =         7

                                                F(5,55)            =      8.67
corr(u_i, Xb)  = -0.0988                        Prob > F           =    0.0000

------------------------------------------------------------------------------
         iae |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         mgo |  -.4147893   .2403304    -1.73   0.090    -.8964221    .0668435
        inst |   .0559321   .0448398     1.25   0.218    -.0339289    .1457931
       oncon |   .1664208   .0742153     2.24   0.029       .01769    .3151516
       fgrth |   .2142088   .0351514     6.09   0.000     .1437639    .2846538
       fsize |   1.001649   1.265908     0.79   0.432    -1.535287    3.538585
       _cons |  -31.33896   27.83146    -1.13   0.265    -87.11447    24.43654
-------------+----------------------------------------------------------------
     sigma_u |  3.7683966
     sigma_e |  4.9844856
         rho |  .36369528   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0:     F(9, 55) =     3.29               Prob > F = 0.0028
. est store fixed

. xtreg iae mgo inst oncon fgrth fsize, re

Random-effects GLS regression                   Number of obs      =        70
Group variable: id                              Number of groups   =        10

R-sq:  within  = 0.4356                         Obs per group: min =         7
       between = 0.4729                                        avg =       7.0
       overall = 0.4492                                        max =         7

Random effects u_i ~ Gaussian                   Wald chi2(5)       =     50.38
corr(u_i, X)       = 0 (assumed)                Prob > chi2        =    0.0000

------------------------------------------------------------------------------
         iae |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         mgo |  -.5648465   .2109664    -2.68   0.007    -.9783331     -.15136
        inst |   .0598729   .0408244     1.47   0.142    -.0201414    .1398873
       oncon |   .1544622   .0667753     2.31   0.021      .023585    .2853395
       fgrth |   .2058208   .0306601     6.71   0.000     .1457281    .2659135
       fsize |   .5298063   .9552359     0.55   0.579    -1.342422    2.402034
       _cons |  -20.29324   20.34179    -1.00   0.318    -60.16242    19.57593
-------------+----------------------------------------------------------------
     sigma_u |  3.1756452
     sigma_e |  4.9844856
         rho |  .28871384   (fraction of variance due to u_i)
------------------------------------------------------------------------------

. est store random
```

```
. hausman fixed random

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random        Difference          S.E.
-------------+----------------------------------------------------------------
         mgo |   -.4147893    -.5648465        .1500572        .1151168
        inst |    .0559321     .0598729       -.0039408        .0185467
      oncon |    .1664208     .1544622        .0119585        .0323877
       fgrth |    .2142088     .2058208         .008388        .0171924
       fsize |    1.001649     .5298063        .4718427        .8306908
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        3.57
                Prob>chi2 =      0.6131

.
```