

## OWNERSHIP STRUCTURE MECHANISMS AND REPORTED EARNINGS QUALITY: EVIDENCE FROM QUOTED CONSUMER-GOODS FIRMS IN NIGERIA

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### ABSTRACT

*This study investigates the effect of ownership structure on the earnings quality of listed consumer goods firms in Nigeria from 2012 to 2024. Earnings quality is a central issue in corporate reporting because it influences stakeholders' decision-making and reflects the credibility of financial statements. Ownership structure is widely regarded as an important corporate governance mechanism that can mitigate opportunistic earnings manipulation. The study formulated four hypotheses to examine the influence of managerial ownership, institutional ownership, ownership concentration, and foreign ownership on earnings quality. Using the Modified Jones Model to measure earnings quality, secondary data were extracted from the annual reports of 22 consumer goods firms listed on the Nigerian Stock Exchange. Panel regression analysis was used to estimate the relationships among the variables. The results show that managerial ownership has a positive and significant effect on earnings quality, implying that managers with equity stakes are more committed to transparent and responsible financial reporting. Ownership concentration, on the other hand, exhibits a significant negative impact, suggesting that high control by a few shareholders may promote earnings manipulation. Institutional and foreign ownership both showed positive but statistically insignificant effects, indicating limited influence on earnings quality within the study period. The study concludes that ownership structure is a key determinant of earnings quality in Nigeria's consumer goods sector. It recommends enhancing managerial shareholding to improve financial reporting credibility while discouraging excessive ownership concentration.*

**Keywords:** Earnings Quality, Managerial Ownership, Ownership Structure, Institutional Ownership, ownership concentration

### INTRODUCTION

Financial reports are essential for providing relevant and reliable information to stakeholders, supporting effective decision-making, and assessing firm performance. Within these reports, earnings constitute a central component, as the quality of reported earnings is widely regarded as a key indicator of the overall credibility of financial information (Salawu, 2017; Alrobai et al., 2025). Earnings quality is closely linked to earnings management, given that opportunistic manipulation of earnings can diminish the usefulness and transparency of financial statements (Azzoz & Khamees, 2016; Tran & Huynh, 2023). Although earnings management is a major determinant of earnings quality, other structural factors—including ownership structure also significantly influence financial reporting outcomes (Ayadi & Boujelbene, 2016; Hashim & Devi, 2014).

Ownership structure refers to the distribution and identity of a firm's shareholders, which shape managerial incentives, corporate policies, and monitoring effectiveness (Phung, 2015; Owiredu et al., 2021). When ownership and control are misaligned, agency conflicts may arise, creating opportunities for managers or concentrated shareholders to pursue self-serving actions at the expense of earnings transparency (Namazi & Kermani, 2008). Consequently, the nature of ownership structure plays a critical role in determining the extent to which firms engage in or suppress earnings manipulation, thereby affecting the quality of earnings reported.

Managerial ownership is widely regarded as a mechanism that aligns managerial interests with those of shareholders, thereby enhancing earnings quality through improved financial reporting discipline and reduced discretionary accruals (Siregar & Utama, 2008; Yeo et al., 2023). Nonetheless, excessively high managerial ownership may weaken external monitoring and promote managerial entrenchment, increasing the likelihood of opportunistic reporting behavior and diminished earnings quality (Owiredu et al., 2021). Institutional ownership is similarly influential; institutional investors,

who typically maintain long-term investment horizons, possess the capacity and incentives to monitor management effectively, mitigate earnings manipulation, and strengthen the reliability of financial statements. However, the monitoring effectiveness of institutional investors may vary depending on their independence and investment motivations.

Ownership concentration also plays a dual role. On one hand, concentrated ownership can enhance monitoring by providing dominant shareholders with sufficient power and incentives to discipline management. Conversely, when control becomes excessively concentrated, controlling shareholders may expropriate minority shareholders and manipulate earnings to conceal private benefits of control (Kiatapiwat, 2010). Foreign ownership has similarly been shown to improve earnings quality by introducing advanced managerial practices, international reporting standards, and stringent monitoring mechanisms. Yet, high levels of foreign control may occasionally generate conflicts with local minority shareholders or impose pressures that encourage earnings smoothing (Choi et al., 2012).

In the Nigerian context, earnings quality continues to be a major concern due to past corporate scandals, weak governance systems, and inconsistent regulatory enforcement (Sadiq, 2011). To address these issues, regulatory bodies such as the Securities and Exchange Commission (SEC) and the Financial Reporting Council of Nigeria (FRCN) have strengthened corporate governance frameworks, with significant revisions introduced in the 2017 Corporate Governance Code. The consumer goods sector, a key segment of the Nigerian capital market, plays an essential role in economic growth and attracts substantial domestic and foreign investment. Despite its importance, empirical evidence on how ownership structure influences earnings quality within this sector remains sparse. Understanding the effects of managerial, institutional, concentrated, and foreign ownership on earnings quality is therefore critical for enhancing transparency, strengthening corporate governance, and improving investor confidence in Nigeria's consumer goods industry.

Earnings quality refers to the degree to which reported profits faithfully represent a firm's true financial performance and its ability to sustain future operations. Concerns about earnings quality have intensified globally and in Nigeria following major corporate scandals involving firms such as Enron, WorldCom, Cadbury Nigeria Plc, and several Nigerian banks. These events have highlighted weaknesses in financial reporting systems and reinforced the need for stronger governance mechanisms and regulatory oversight (Ugwuigbe et al., 2014; Izevbekhai & Ebubekukwu, 2025).

Financial statements are expected to provide relevant, reliable information that supports decision-making by investors, regulators, and other stakeholders. Earnings, as a central component of these reports, convey a firm's performance and significantly influence investment choices. However, the quality of earnings can be undermined by multiple factors, including managerial discretion, accounting standards, internal control strength, a firm's business model, industry dynamics, macroeconomic conditions, and operational cycles. These factors may create gaps between reported earnings and the firm's underlying economic reality, potentially misleading users, eroding investor confidence, and hindering foreign investment inflows (Lundholm & Myers, 2020; Kirschenheiter & Melumad, 2021).

Ownership structure has emerged as a critical corporate governance mechanism for addressing these issues by aligning managerial interests with those of shareholders and enhancing monitoring effectiveness. Despite regulatory interventions in Nigeria—including the Securities and Exchange Commission (SEC) Corporate Governance Codes (2003; revised 2011, 2014, and 2017), whistle-blowing guidelines, the Asset Management Corporation of Nigeria Act (2010), and the Financial Reporting Council of Nigeria Act (2011)—concerns about earnings quality persist (Ugowe, 2016; Mall, 2016). Notable accounting irregularities involving Oando (2017), Cadbury Nigeria (2003–2006), Unilever

Nigeria, and other firms demonstrate ongoing challenges related to weak corporate governance, insufficient board independence, and ineffective institutional monitoring.

Empirical findings on the relationship between ownership structure and earnings quality across developed and emerging markets, including Nigeria, remain inconclusive (Affan et al., 2017; Shehu & Yaro, 2012; Mohammed, 2014). Existing Nigerian studies are concentrated mainly in the banking and manufacturing sectors, leaving limited evidence from the consumer goods sector. Additionally, many previous studies rely on data ending before 2015, thereby failing to account for significant developments such as the 2017 revision of the corporate governance code and the 2016 economic recession that reshaped firm reporting behavior (Ibenegbu, 2016).

This study fills these research gaps by investigating the effect of ownership structure managerial, institutional, foreign ownership, and ownership concentration on the earnings quality of listed Nigerian consumer goods firms using recent and comprehensive data. Unlike many earlier studies that treat earnings management as a direct proxy for earnings quality, this study adopts a more robust measure, defining earnings quality as the inverse of discretionary accruals estimated through the Modified Jones Model. This approach provides a more accurate and objective assessment of the quality of financial reporting within the sector.

The study has the following specific objectives:

- i. To determine the effect of managerial ownership on the earnings quality of listed consumer goods firms in Nigeria
- ii. To examine the effect of institutional shareholding on the earnings quality of listed consumer goods firms in Nigeria
- iii. To evaluate the effect of ownership concentration on the earnings quality of listed consumer goods firms in Nigeria
- iv. To assess the effect of foreign ownership on the earnings quality of listed consumer goods firms in Nigeria.

Based on the objectives above, the following hypotheses were tested

H<sub>01</sub>: Managerial ownership has no significant effect on earnings quality of listed consumer goods firms in Nigeria

H<sub>02</sub>: Institutional shareholding has no significant effect on earnings quality of listed consumer goods firms in Nigeria.

H<sub>03</sub>: ownership concentration has no significant effect on earnings quality of listed consumer goods firms in Nigeria.

H<sub>04</sub>: Foreign ownership has no significant effect on earnings quality of listed consumer goods firms in Nigeria.

## REVIEW OF RELATED LITERATURE

### Concept of Ownership Structure

Ownership structure is a critical internal corporate governance mechanism that shapes how managerial decisions are monitored and controlled. It reflects the distribution of equity among various shareholder groups, each possessing different incentives, levels of influence, and capacities to affect corporate outcomes (Gonzalez & García-Meca, 2014). Thomsen and Conyon (2012) identify two major dimensions of ownership structure:

- i. Ownership concentration, the degree to which shares are controlled by one or a few large shareholders as opposed to being widely dispersed among numerous smaller investors.
- ii. Ownership identity, the categorization of shareholders based on their nature or affiliation, such as foreign investors, institutional shareholders, families, and managerial owners.

Similarly, Lee (2008) emphasizes these two dimensions and argues that shareholder identities differ in their monitoring intensity and ability to exert control. Johnson, Whittington, and Scholes (2017) further describe ownership structure as the governance arrangement that determines how managers are held accountable by stakeholders with legitimate claims on the organization.

Previous studies have adopted various approaches to operationalizing ownership structure. Sahut and Ben Amar (2014) identify managerial, institutional, and concentrated ownership as core components, while Uwuigbe and Olusanmi (2012) extend this classification to include foreign ownership, recognizing that each type of shareholder exerts distinct influences on firm decisions. Douma et al. (2006) also measure ownership structure by considering the proportion of shares held by foreign, institutional, corporate, and managerial investors. Despite differences in classification, scholars generally agree that ownership structure influences monitoring effectiveness, control mechanisms, and consequently financial reporting outcomes. Based on these perspectives, this study defines ownership structure as the distribution of equity among managerial shareholders, institutional investors, block shareholders, and foreign investors within a firm.

### **Managerial ownership and earnings quality**

Managerial ownership refers to the proportion of a firm's equity held by insiders, including board members and executive management, who are involved in the day-to-day running of the organization (Liang et al., 2011; Mandacı & Gümuş, 2010; Wahla, et al, 2012). Habbash (2010) defines managerial ownership as the percentage of shares owned specifically by executive directors, while Spinos (2013) emphasizes that it represents the shareholding controlled by executives. Similarly, Adebisi and Olowookere (2016) describe managerial ownership as circumstances where managers become shareholders by acquiring a significant portion of the firm's shares. In the same view, Omolehinwa and Obigbemi (2017) consider managerial ownership as a governance mechanism whereby a substantial share of firm ownership is concentrated among members of the management team.

Across these definitions, managerial ownership is consistently linked to insider shareholding, reflecting equity held by individuals directly responsible for strategic and operational decisions. Therefore, for the purpose of this study, managerial ownership is defined as the proportion of shares owned by firm directors aligning with the perspective of Spinos (2013).

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

Institutional ownership represents the proportion of a company's issued shares held by institutional investors such as banks, pension funds, insurance firms, mutual funds, and other non-individual entities. Bushee (1998) describes institutional investors as major market participants who possess the resources and expertise to actively monitor firms' activities. Similarly, Yang, et al (2009) define institutional investors as large, non-natural persons who exercise discretion over investment portfolios on behalf of others. Hope (2013) views institutional investors as a diverse group of organizations, including banks, trusts, insurance companies, and investment advisors. Chi Keung (2013) highlights

that these investors typically control significant portions of a firm's equity, thereby having strong incentives to protect and monitor their interests. In the same vein, Murwaningsari (2009) explains institutional ownership as substantial equity participation by institutions with the financial capacity to influence corporate decisions, while Daniel (2008) identifies pension funds, life insurance companies, and mutual funds as representative institutional investors. These definitions collectively recognize that institutional ownership originates from external entities that subscribe to corporate shares and potentially exert governance influence. Therefore, this study adopts the definition provided by Hope (2013), viewing institutional investors as organizational shareholders with significant equity stakes and active monitoring roles.

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

Ownership concentration refers to the proportion of shares controlled by a firm's major shareholders. Sanda, et al (2005) describe ownership concentration as shares held by a small group of dominant shareholders. This view aligns with Karaca and Ekşi (2012) and Singh and Gaur (2009), who measure concentration using the shareholdings of the top five investors. Blair (1995) notes that a highly concentrated structure places substantial corporate control in the hands of a limited number of individuals or entities. Pongsapornamat (2016) also defines ownership concentration as a situation where shareholders hold at least 5% of equity, while Kiatapiwat (2010) considers a shareholder controlling more than 25% of voting rights as a controlling owner. Given these similar perspectives, this study adopts the definition of Sanda et al. (2005), who emphasize the influence held by major shareholders on corporate governance and reporting outcomes.

### **Foreign Ownership and Earnings Quality**

Foreign ownership encompasses equity investments by non-nationals that confer control and access to a firm's internal resources (Herbert, 1995). Liang and Weir (1999) and Estrin, et al (2001) assert that foreign shareholders often bring technological advantages, stronger governance frameworks, and superior managerial capabilities compared to domestic investors. An (2009) defines foreign ownership as the proportion of a firm's equity held by foreign investors, while Chai (2010) reinforces this by describing it as the percentage of total shares owned by non-domestic parties. Tsegba and Achua (2011) further explain that foreign ownership represents the participation of foreign investors in the equity structure of a firm, contributing to increased oversight and improved financial reporting credibility. For the purpose of this study, the definition provided by An (2009) is adopted, referring to foreign ownership as the proportion of shares held by foreign shareholders

### **Theoretical Framework**

Agency theory, propounded by Jensen and Meckling (1976), explains the relationship between principals (owners) and agents (managers) in firms, arising from the separation of ownership and control. The theory posits that aligning managers' interests with shareholders' interests reduces agency costs and enhances firm performance. Managerial ownership serves as a key alignment mechanism, as higher insider ownership incentivizes managers to improve earnings quality and reduce opportunistic behavior, consistent with the convergence-of-interest hypothesis (Siregar & Utama, 2008). However, excessive managerial ownership can lead to managerial entrenchment, where managers may prioritize personal interests over shareholders, potentially reducing earnings quality (Morck, et al 1988; Yeo et al., 2002). Institutional ownership influences earnings management through two perspectives: the active monitoring hypothesis, where institutional investors oversee managerial actions to improve earnings quality (Bushee, 1998), and

the passive hands-off hypothesis, where short-term oriented investors may encourage aggressive earnings management (Bhide, 1993; Potter, 1992). Ownership concentration can also affect earnings quality. Concentrated ownership may enhance monitoring, reducing managerial opportunism (efficient monitoring hypothesis) (Dechow, et al 1996), but it can also create conflicts between majority and minority shareholders, encouraging earnings manipulation for private benefits (expropriation hypothesis) (Shleifer & Vishny, 1997; Jaggi & Tsui, 2007). Foreign ownership is considered a source of strong managerial oversight and governance, as foreign investors can serve as monitoring forces, influence board decisions, and align managerial incentives with shareholder interests, thereby improving earnings quality (Choi et al., 2012; Khanna & Palepu, 1999). Despite its limitations, agency theory remains a fundamental framework for understanding corporate governance and the relationship between ownership structure and earnings quality.

### **Empirical Review**

Audu, U. D. (2025) examines the influence of board composition and ownership concentration on the quality of earnings of quoted consumer goods companies in Nigeria using a panel dataset of publicly listed companies over ten years. The study reveals that ownership concentration and board size of the explanatory variables are statistically and significantly influencing the explained variable, earnings quality at 1% and 5% level of significance, respectively. On the other hand, board independent directors and firm size have an insignificant impact on the earnings quality. It is, therefore, concluded that ownership concentration and board size are good variables that impact earnings quality. The study, therefore, recommends, among others, that the management of listed consumer goods companies in Nigeria should recognize board size and block holders when selecting the accounting method to be used, which will indicate the future performance of the company in the flow of earnings reporting

Ame, et al. (2025) 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 they play in restraining managers to act in a manner that favours the corporation.

Yahaya, et al (2020).examined the effect of ownership structure on earnings management of consumers' goods firm in Nigeria from 2009 to 2018. The study used panel multiple regression and ex-post facto research design. Ownership structure was measure by managerial ownership, institutional ownership and ownership concentration while earnings management was measure by modified Jones model and the population of the study comprises 21 listed consumer

goods firms in Nigeria as at 31st December, 2018. It was discovered that managerial ownership and ownership concentration has negative significant effect on earnings management while institutional ownership has positive significant effect on earnings management thus, the study concludes that increase in managerial ownership and ownership concentration will decrease earnings management of consumer goods firms in Nigeria. Based on the conclusion, the study recommends that the managers of consumer goods firms should be allowed to own a substantial share in the company because they will align their interest to that of the organization hence, it will reduce earnings management practice in the organization.

**Control Variables**

In addition to the ownership structure variables discussed above, the control variable relevant to this study is Firm size measured by total assets.

**Firm Size**

Large firm size can obscure any relationship between managers and owners because of its complexity. As the firms size increases, the agency costs are expected to increase and allow for greater managerial discretion and opportunism (Jensen & Meckling, 1976). Watts and Zimmerman (1986) stated that larger firms face higher political costs and hence have stronger incentives to manage earnings in order to reduce the potential political risk. Other schools of thought are of the opinion that larger firms have a lot of pressure by regulators to ensure credibility in their financial report and that makes it difficult for them to manage earnings. Thus, the size of the firm is likely to affect ownership structure and earnings quality

**METHODOLOGY**

This study adopted the correlation design. The design gives a better insight on the study variables and assists in describing, analyzing and interpreting the result of the analysis to be collected from historical records of the study population. This study involves the measurement of four proxies to the independent variable to one dependent variable and the relationship between the variables was also assessed. The research design is based on the assumption that ownership structure has influential power on earnings quality. The study is designed in two parts; in the first part, the measures of earnings quality are estimated, while in the second part, the effects of ownership structure on earnings quality is examined.

Population and sampling of the study

The population of the study comprises all the 22 listed consumer goods firms in the Nigerian stock exchange as at December 31<sup>st</sup> 2024. List of firms that constitute the population are in the table 3 below.

**Table 3**

S/NO	Consumer Goods Firms
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1	Cadbury Nigeria plc Champion Breweries plc Dangote Sugar mills
2	International breweries plc
3	Nestle Nigeria plc
4	Nigerian breweries plc
5	Unilever Nigeria plc
6	BUA plc
7	Dangote Sugar Refinery
8	On tyre & Rubber plc
9	Flourmills Nigeria plc
10	Golden guinea Breweries plc
11	Guinness Nigeria plc
12	Honeywell flourmill plc
	MCNICHOLS plc
	Multitex integrated foods plc
13	N Nigeria flourmill plc
14	Nascon Allied Industries plc
15	Nigeria Enamel wara plc
16	PZ. Nigeria plc
	Vitafoam plc
17	Union Bicon Salt plc
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19	
20	
21	

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Source: Nigerian Stock Exchange, 2024

A filtering procedure was applied to select the sample for this study based on two criteria: (i) the firms must not have been delisted during the study period, and (ii) complete data required to measure the variables must be available for all years under review. After applying these criteria, a census sampling approach was adopted to enhance the reliability and accuracy of the results, yielding a final sample of 19 listed consumer goods firms. The list of sampled firms is presented in Table 3.2. The study relied on secondary data extracted from the annual reports of the selected firms and the Nigerian Stock Exchange Factbook. The use of secondary data is appropriate because the study employs a quantitative research design, requiring numerical and verifiable information.

To analyze the impact of ownership structure on earnings quality of listed consumer goods firms in Nigeria, the study employed multiple panel regression models. This analytical technique was chosen because it effectively measures the influence of independent variables on a dependent variable over time, aligning with the correlational research design and study objectives.

Earnings quality served as the dependent variable, while ownership structure was measured through four proxies: managerial ownership, institutional ownership, ownership concentration, and foreign ownership. Additionally, firm size was included as a control variable. A summary of all variables and their measurements is provided in Table 3.3.

**Table 3.3: Summary of Variables and their Measurement**

Variable Type	Variable Name	Measurement	Source
DV	Earnings Quality	Measured by modified Jones model.	Musa (2014), Spinos (2013), Yang, Chun and Ramadili (2009).
IV	Managerial Ownership	The proportion of shares owned by the firm's directors to total number of shares issued.	Alves (2012), Spinos (2013), Baba (2016)

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<b>IV</b>	Institutional Ownership	The proportion of shares owned by Institutions to total number of shares issued.	Holderness (2003), Shehu (2012), Musa (2014)
<b>IV</b>	Ownership concentration	The proportion of shares owned by the largest shareholders to total number of shares issued.	Baba (2016)
<b>IV</b>	Foreign ownership	The proportion of shares owned by the foreign investors to total number of shares issued.	An (2009), Lee (2008)
<b>CV</b>	Firm size	Natural logarithm of total sales	Uwuigbe, Peter & Oyeniya (2014), Hashim and Devi (2014), Shehu  (2012).

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**Source: Author, 2024**

**Model Specification**

Dechow et al (2010) states that there are different models that can be used to measure earnings quality and there is no universally acceptable model. Each of the models has its pros and cons. Hence, researches should not rely on one model but test several to achieve a more reliable result. In view of this, the researcher relies on the modified Jones model due to its ease of managing earnings through credit sales rather than cash collections and its popularity among other models

to estimate earnings quality of the listed consumer goods firms in Nigeria. The model is mathematically presented below:

$$TA_{it} = \beta_0 + \beta_1 / A_{t-1} + \beta_2 (\Delta REV_{it} - \Delta REC_{it}) / A_{t-1} + \beta_3 PPE_{it} / A_{t-1} + \mu_{it} \quad i$$

Where,

$TA_{it}$  = is defined as the difference between net income before tax (NI) and cash flow from operating activities which is as follows:

$TA_{it}$  = Total Accruals for firm i in year t

$A_{t-1}$  = Total assets for firm I in previous year

$\Delta REV_{it}$  = Change in Revenue of firm i between year t and t-1  $\Delta REC_{it}$  = Change in Receivables of firm i between year t and t-1

$PPE_{it}$  = Gross Property, Plant and Equipment for firm  $i$  in year  $t$   $B_0$  is a constant

$\beta_1, \beta_2$  and  $\beta_3$  are the parameters estimate for each firm and each year.  $\mu_{it}$  = Residual and discretionary accruals portion

All variables are scaled by lagged total asset. The absolute residuals from this industry-years specific regression model multiplied by -1 are used to determine the earnings quality so that higher values mean higher quality.

This model has been used by existing studies (Musa 2014; Baba 2016; Karuntarat 2013; Hope, Thomas & Vyas 2013) on earnings quality. From the above model and the theoretical framework underpinning this study, the standard deviation of the unexplained portion (residuals) of total current accrual model above is used as measure of earnings quality in this study. It is this measure that will be used in the overall model of the study.

Hence, the overall model of the study will be stated as;

$$ENQ = \beta_0 + \beta_1 MGO_{it} + \beta_2 INO_{it} + \beta_3 OWC_{it} + \beta_4 FRO_{it} + \beta_5 SIZ_{it} + \epsilon_{it}$$

Where,

ENQ = Earnings quality MGO = Managerial ownership

INO = Institutional Ownership OWC = ownership concentration FRO = Foreign ownership

SIZ = Firm Size measured as Natural logarithm of total sales  $B_0$  is constant

$\beta_1 - \beta_5$  are the coefficient of the parameter estimate.  $\epsilon$  is the error term.

## DATA ANALYSIS AND DISCUSSION OF FINDINGS

### Descriptive Statistics

Analysis of descriptive statistics is carried out in this section so as to unveil the nature of data being used for analysis. The samples of descriptive statistics are displayed in table 4.1 where minimum, maximum, mean and standard deviation for all variables used in the study are described.

**Table 4.1: Descriptive Statistics**

	Variable	Mean	Std Dev.	Minimum	Maximum
DV	DACC	0.098	0.11	0.0003	0.54
IVS	MGO	34.35	7.05	16.75	49.21
	INO	6.85	0.77	5.76	9.05
	OWC	4.81	2.99	0.75	17.96
	FRO	4.12	2.44	0	8.08

<b>CV</b>	<b>SIZ</b>	6.57	1.09	4.12	9.05
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Source: Output from Stata, 2024

The earnings quality (ENQ) of the sampled consumer goods firms has a mean of 0.098, with a minimum of 0.0003 and a maximum of 0.54, and a standard deviation of 0.11, indicating high variability and prevalence of earnings management practices. Managerial ownership (MGO) averages 34%, ranging from 17.65% to 49.21%, with low variability (SD = 7.05). Institutional ownership (INO) averages 7%, while ownership concentration (OWC) averages 5%, suggesting that shareholding is largely diluted among multiple shareholders. Foreign ownership (FRO) is low, averaging 4%, with a maximum of 8.08% and some firms having no foreign ownership. The firm size (SIZ) ranges from 4.12 to 9.05, with a mean of 6.57 and relatively low variability (SD = 4.12). Overall, except for earnings quality, the independent variables show low variation across the sampled firms, indicating consistency in ownership structure and firm characteristics.

**Correlation Analysis**

Correlation analysis was performed to quantify the association between the variables (independent and the dependent variables). The correlation between two variables can be positive (when higher levels of one variable are associated with higher levels of the other) or negative (when higher levels of one variable are associated with lower levels of the other). The sign of the correlation coefficient indicates the direction of the association. The result of correlation analysis is presented in form of a matrix as shown in table 4.2.

**Table 4.2 Correlation Matrix**

Variable	ENQ	MGO	INO	OWC	FRO	SIZ
<b>ENQ</b>	1.0000					
<b>MGO</b>	-0.5432	1.0000				
<b>INO</b>	0.0331	-0.2421	1.0000			
<b>OWC</b>	0.5593	-0.5932	0.3425	1.0000		
<b>FRO</b>	0.3288	-0.4733	0.5585	0.5656	1.0000	
<b>SIZ</b>	-0.1898	-0.0692	0.6172	0.1778	0.2152	1.0000

Source: Output from Stata, 2024

The correlation matrix indicates that earnings quality (**ENQ**), measured as the inverse of earnings management, is positively correlated with managerial ownership (MGO) and firm size (SIZ), suggesting that higher managerial ownership and larger firms tend to exhibit better earnings quality. Conversely, ENQ shows negative correlations with institutional ownership (INO), ownership concentration (OWC), and foreign ownership (FRO), indicating that these

ownership types may negatively influence earnings quality. Among the independent variables, MGO is negatively correlated with INO, OWC, and SIZ, while INO, OWC, FRO, and SIZ show various positive correlations, reflecting complex interrelationships among ownership structure components. The correlation results serve as an initial check for multicollinearity. None of the correlations between independent variables exceed 0.8, suggesting that multicollinearity is unlikely. This was further confirmed using Variance Inflation Factor (VIF) and Tolerance Values (TV), indicating that all independent variables are suitable for inclusion in the regression model. Overall, the findings suggest that different aspects of ownership structure can have both positive and negative associations with earnings quality, highlighting the nuanced impact of ownership on financial reporting in Nigerian consumer goods firms.

**Regression Diagnostics**

Various robustness tests were conducted in order to improve the validity and reliability of data used which is critical for derivation of statistical inferences from the findings of the study. These tests include: multicollinearity test, cook-weisberg test for heteroskedasticity, Hausman specification test for fixed and random and Breusch-Pagan lagrangian multiplier test for random effect.

**Multicollinearity Test**

As reaffirmed by (Necter, Kutner, Nachtsheim and Wasserman (1996) as well as Casey, Anderson, Mesak and Dickens (1999)) as cited by Shehu (2012), Multicollinearity can be detected with the help of Tolerance Value and its reciprocal, called Variance Inflation Factor (VIF). If the value of tolerance is less than 0.1 or, the value of VIF is 10 and above, then the multicollinearity can be said to be problematic.

Table 4.3: Result of Multicollinearity Test

Variable	VIF	1/VIF
INO	2.33	0.43
FRO	2.05	0.49
OWC	1.86	0.53
SIZ	1.69	0.59
MGO	1.62	0.61

Source: Output from Stata, 2024

Output from Stata as presented in table 4.3 reveals that the tolerance values for all the study variables are greater than 0.1 and the values of VIF are less than 10. This shows appropriateness of fitting the model of the study with the independent variables.

**Heteroskedasticity Test**

In view of the preceding, Breusch-Pagan/Cook-Weisberg test for heteroscedasticity was performed to test whether the variance of the errors from the regression is dependent on the values of the independent variables. The result indicates chi-square value of 54.02 with p-value of 0.000 which is significant at 1%. This suggests that there is heteroscedasticity necessitating further test.

**Regression Result**

**Hausman Specification Test**

Panel data regression method was used to analyse data for this study. For the purpose of analysis, Hausman test was used to compare two estimation methods, fixed and random effects. The null hypothesis is that the preferred model is random effects; while its alternate hypothesis is that the model is fixed effects. Findings demonstrate that random effect model is appropriate since the probability value of 0.6438 is not significant.

**Lagrangian Multiplier Test**

The Lagrangian Multiplier test helps in deciding between random effects regression and pooled Ordinary Least Square (OLS) regression. The test was conducted after running the random effects model to see if there is presence or absence of cross sectional effect in the panel dataset.

The rule is that if it is significant, random effect is the preferred model otherwise, OLS regression suffices. Based on the result of the Lagrangian multiplier test, the null hypothesis was rejected and it was concluded that a random effect model is appropriate. This is evidenced by  $prob > \chi^2 = 0.001$  which is significant at 1%. Therefore, the study interpreted a random effect regression result which is shown in table 4.2.13.

Table 4.2.15 Random Effect Regression Results

<b>Variables</b>	<b>Coefficient</b>	<b>Z- Statistics</b>	<b>Z Sig</b>
CONSTANT	0.338	3.49	0.002
MGO	-0.004	-3.13	0.827
INO	0.004	0.22	0.000
OWC	0.017	5.35	0.602

FRO	-0.002	-0.52	0.001
SIZ <sub>R</sub> <sup>2</sup>	-0.030	-3.42	0.000
			0.4572
Wald Chi <sup>2</sup>			103.49
Prob>Chi <sup>2</sup>			0.0000

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**Source: STATA output, 2024.**

Since this study is on earnings quality and the model employed was developed for earnings management, the sign of the coefficient derived from the result would be interpreted as opposite. This is due to the fact that earnings quality and earnings management have inverse relationship, that is, higher earnings management indicates lower earnings quality and vice versa. The results from table 4.2.15 indicates that the independent variables, managerial ownership, institutional ownership, ownership concentration, foreign ownership and firm size explained 45.72% of the total variation in the dependent variable, earnings quality, of listed consumer goods firms in Nigeria ( $R^2=0.4572$  ). Furthermore, the result of the Wald Chi<sup>2</sup> (103.49) shows that the model is well fitted and that the variables used as surrogates for ownership structure in the study are well selected and utilized as confirmed by the Prob>Chi<sup>2</sup> (0.0000) which is statistically significant at 1%. This is further confirmation that heteroscedasticity earlier observed does not pose threat to correct specification of variables.

#### Managerial Ownership and Earnings Quality

The coefficient of managerial ownership (MGO) is -0.004. This is an indication of a negative relationship between MGO and earnings management. This translates to managerial ownership having a positive relationship with earnings quality. By implication, a unit increase in MGO will lead to an increase in earnings quality of listed consumer goods firms in Nigeria by 0.004.

#### Institutional Ownership and Earnings Quality

The results of the econometric analysis also show that the coefficient of INO is 0.004, which implies that there is a positive relationship between institutional ownership and earnings management which translates to a negative relationship between INO and ENQ. The relationship is such that a unit increase in INO will lead to a corresponding increase in ENQ to the tune of 0.004

#### Ownership Concentration and Earnings Quality

Similarly, the coefficient of OWC is 0.017 which is suggestive of the fact that there is positive relationship between ownership concentration and earnings management, translates to a negative relationship between OWC and ENQ of listed consumer goods firms in Nigeria. The relationship is such that a unit increase in OWC will cause a decrease in ENQ by 0.017.

## Ownership Concentration and Earnings Quality

Table 4.2.13 further reveals that the coefficient of FRO is -0.005. This implies a negative relationship between foreign ownership and earnings management which translates to a positive relationship between FRO and ENQ of listed consumer goods firms in Nigeria. The relationship is such that units increase in FRO will lead to a corresponding increase in ENQ by 0.005.

In addition, the coefficient of SIZ is -0.308. This implies a negative relationship between firm size and earnings management which translates to a positive relationship between SIZ and ENQ of listed consumer goods firms in Nigeria. This means that a unit increase in firm size will lead to about 0.308 increase in ENQ of listed consumer goods firms in Nigeria.

### Hypotheses Testing and Discussion of Findings

This section seeks to test the study's formulated hypotheses. This is done based on the results of random effect regression detailed in table 4.4. The results presented in table 4.4 shows that three variables have significant relationship with earnings quality while two variables have no significant relationship.

#### Hypothesis One

The analysis indicates that managerial ownership (MGO) has a significant positive effect on earnings quality of listed consumer goods firms in Nigeria. The regression results show a Z-value of -3.13 and a P-value of 0.002, which is significant at the 1% level. This supports the incentive alignment hypothesis, suggesting that higher managerial ownership aligns managers' interests with shareholders, reduces earnings management, and enhances the reliability and quality of financial reporting. The findings imply that managers with greater ownership stakes are better able to monitor the company's operations and reduce unethical accounting practices, thereby improving earnings quality. As a result, the null hypothesis (H01) stating that managerial ownership has no significant effect on earnings quality is rejected. These results are consistent with prior studies by Idris (2012) and Alves (2012) but contrast with findings from Al-Fayoumi, Abuzayed, & Alexander (2010), Baba (2016), Musa (2014), and Mohammed (2014), highlighting context-specific variations in the impact of managerial ownership on earnings quality.

#### Hypothesis Two

The results indicate that institutional ownership (INO) has a negative relationship with earnings quality in listed Nigerian consumer goods firms, suggesting that the presence of institutional investors may increase earnings management. This outcome could be due to short-term or myopic behavior of institutional investors who prioritize immediate returns over long-term monitoring of management activities. However, this relationship is not statistically significant (Z-value = 0.22, P-value = 0.827), indicating that institutional ownership does not have a meaningful effect on earnings quality in this context. Therefore, the null hypothesis (H02), which states that institutional ownership has no significant effect on earnings quality, is not rejected. This finding contrasts with previous studies, including Hashim & Devi (2014), Muhammad (2014), Shehu (2012), Musa (2014), and Alves (2012), which reported a significant impact of institutional ownership on earnings quality.

#### Hypothesis Three

The results show that ownership concentration (OWC) has a significant negative effect on earnings quality in listed Nigerian consumer goods firms (coefficient = 5.35, P-value = 0.000, significant at 1%). This suggests that firms with concentrated ownership are more likely to experience earnings management, which reduces the quality of reported earnings. The finding aligns with the expropriation hypothesis, which posits that large shareholders may impose their personal preferences at the expense of minority shareholders, negatively impacting earnings quality. Based on this evidence, the null hypothesis (H03), stating that ownership concentration has no significant effect on earnings quality, is rejected. This result is consistent with previous studies by Baba (2016), Alves (2012), Amador (2012), and Musa (2014), but contrasts with Moradi & Nezami (2011) and Mohammad (2014), who reported differing findings on the relationship between ownership concentration and earnings quality.

#### Hypothesis Four

The analysis shows that foreign ownership (FRO) has a positive but statistically insignificant effect on earnings quality of listed Nigerian consumer goods firms (Z-value = -0.52, P-value = 0.602). This indicates that while foreign investors may potentially act as a monitoring force to curb managerial opportunism, their impact in this context is limited, likely due to their low representation in these firms. As a result, there is insufficient evidence to reject the null hypothesis (H04), which states that foreign ownership has no significant effect on earnings quality. The finding contrasts with prior studies by Idris (2012), An (2009), Laith (2015), Karuntarat (2013), and Faruk (2014), who reported a significant relationship between foreign ownership and earnings quality.

### CONCLUSION AND RECOMMENDATIONS

The study concludes that ownership structure significantly influences the earnings quality of listed consumer goods firms in Nigeria. Regression results indicate that managerial ownership and ownership concentration have significant effects, while institutional ownership and foreign ownership exhibit insignificant relationships with earnings quality. Specifically, managerial ownership positively impacts earnings quality by enhancing the informational value and relevance of financial reports. High managerial ownership aligns the interests of managers with those of shareholders, reducing opportunistic behavior and the use of discretionary accruals, thereby improving the reliability and transparency of reported earnings. This finding aligns with the incentive alignment hypothesis. Conversely, ownership concentration negatively affects earnings quality. When shares are concentrated in the hands of a few shareholders, managerial decisions may be influenced to serve private interests, potentially encouraging earnings manipulation and reducing the overall quality of financial reporting. Overall, the findings underscore the importance of ownership structure in shaping the reliability and value relevance of financial information in Nigerian consumer goods firms.

In line with the findings of the study, the following recommendations are made:

Managerial ownership should be encouraged in consumer goods firms in Nigeria. This is necessary as large ownership of shares by managers enable them to have more sense of belonging which may help to reduce manipulations and therefore enhance the quality of financial statement reported.

Concentration of shares in the hands of few shareholders should be discouraged as it gives them power to exercise their control rights to create private benefits thereby expropriating the minority shareholders and encouraging managers to manipulate earnings.

Shareholders should be mindful of management's capacity to manipulate accounting earnings. hence, their investments should be channeled towards firms with high managerial ownership structure and avoid companies whose shares are controlled by few shareholders in order to get the true value of their investments.

The policy makers and regulatory bodies should create policies that will discourage shareownership of Nigerian Consumer goods firms in the hands of few individuals and ensure that such policies are strictly adhered to so as to promote relevance and reliability of financial reports.

#### Limitations of the Study

Like any other research, the results of this study are subject to some limitations. Firstly, the study focused on listed consumer goods firms in Nigeria as at 30<sup>th</sup> June 2023. Therefore the findings of this research are not applicable to those consumer goods firms that are not listed at that date.. It also excludes other manufacturing firms that are not classified under the consumer goods category and cannot also be generalized to other sectors of the Nigerian economy.

#### Areas for Further Research

It will be interesting to carry out a comparative study on the effect of managerial ownership on earnings quality of consumer goods firms and the industrial goods firms in Nigeria. This is because, these two key sectors perform complementary sectors and are accorded priority by the government. In addition, other measures of earnings quality apart from discretionary accruals can also be adopted for similar studies

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