EFFECT OF INSTITUTIONAL OWNERSHIP, AUDIT QUALITY AND FIRM SIZE ON EARNINGS MANAGEMENT OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

ABUBAKAR ABDU[1] & USMAN SULEIMAN[2]

[1]Ph.D Student, Department of Accounting, Ahmadu Bello University, Zaria-Nigeria

[2]Department of Accountancy, Modibbo Adama University of Technology, Yola

[1]abubakarabdu26@gmail.com, [2]suleimanusmanshanu@gmail.com

ABSTRACT

This study examined the effect of institutional ownership, audit quality, firm size and the combined effects on leverage and firm size on the earnings management of listed deposit money banks in Nigeria for the period of 2007-2016. The listed deposit money banks in Nigeria are seventeen (17) as at 31st December, 2016, out of which a sample of twelve (12) banks was selected after 5 were filtered out. The study employed correlation and data were analyzed with the aid of multiple regression technique. Using 120 firm year panel observations, random robust regression model was used with a view to taking care of the problem of heteroscedasticity observed. The study reveals that institutional ownership and firm size negatively and significantly influenced earnings management of listed deposit money banks in Nigeria at 1% and 5% level of significance, respectively. However, audit quality is found to be positively associated with earnings management of listed deposit money banks in Nigeria though not significant at all levels. The study concludes that institutional ownership and firm size are influential in explaining earnings manipulation of listed deposit money banks in Nigeria. Therefore, the study recommends amongst others that regulatory bodies such as CBN should ensure increase in the quantum of shares owned by institutions in banks since it helps in checkmating and constraining the earnings management practice amongst the sampled firms. As for the firm size, government and other regulatory agencies should ensure enabling environment that would ensure growth amongst firms since earnings management is found to be minimal amongst bigger firms.

***Keywords**: Earnings Management, Agency theory, Nigeria listed deposit money banks*

1. INTRODUCTION

The prevailing failure in the deposit money banks in Nigeria could be attributed, in part, to the issue of intentional manipulation of earnings by the managers in order to signal to the potential and existing shareholders that the firm is doing well even though in reality it may not be the case, and to the opportunistic behaviors of managers thereby leading to the failure of the banks in the long run. The recent financial crisis, which brought to the lame light the poor governance in a number of organizations, made the business environment more responsive to the need to evaluate the efficacy of corporate governance systems within organizations. In the subsequent years, as the aggravating cases of fraudulent practices occurred in the annual reports of myriads of large corporations such as Enron,WorldCom, Tyco International, Aldelphia, Parmalat, the Taj Company and, very recently, the Olympus Corporation, there was a global call on countries to draft codes of corporate governance with a view to strengthening their corporate governance mechanisms. Among the pivotal functions of corporate governance structure is ensuring that financial reporting procedures are transparent.

In Nigeria, series of frauds occurred in the banking sector. A typical example is the case of Oceanic bank managing director who turned the bank's customer deposits to seemingly own personal monies. In which case, the aforesaid used the bank's resources to purchase estates and super markets abroad. Not until the special investigation was made into the bank, the bank consistently reported unqualified reports to its shareholders.

Earnings management also referred to as earnings manipulation is the attempt by the managers of a firm to maneuver accounting figures, thereby making their financial statements less transparent. While there is no consensus on the definition of earnings management practices (Beneish, 2001), a widely accepted definition by Healy and Wahlen (1999) is that "earnings management happens when managers use judgment in financial reporting to either deceive some stakeholders about the underlying economic performance of the firm or to manipulate contractual outcomes that rely on reported accounting numbers."

Institutional ownership as part of the components in the agency theory is an ownership portion of the equity stock owned by financial institutions. Ownership by financial institutions is likely to result to increased control and monitoring within the company due to their experiences in the activities of companies thereby curbing the extent of the real earnings management practice.

The presence of information asymmetry that is related with the separation of ownership and control between principals (owners) and agents (management) makes external audit a necessity (Idris, 2012). Helping hands of external parities such as auditors is expected to constrain the practice of accrual earnings management; therefore, the presence of auditors will increase the tendency of managers to engage in real earnings management, because when firms experience accounting inflexibility, they tend to apply real earnings management as an alternative (Radityo (2013).

Firm size as a proxy of political cost, is deemed to be highly sensitive with respect to earnings management behavior ((Beneish, 2001). The bigger the firm, the higher the political cost where it will lead to higher tax paid and upcoming new regulations which means the managers will have more tendency to alter the earnings reported together with the bigger size of the company. Based on the above background, this study is considered inevitable

Objectives of the study

In line with the above background, the objectives of the study are to:

i. examine the impact of institutional ownership on the earnings management of listed deposit money banks in Nigeria.
ii. investigate the effect of audit quality on the earnings management of listed deposit money banks in Nigeria.
iii. determine the influence of firm size on the earnings management of listed deposit money banks in Nigeria.

Hypotheses of the study

$H0_1$ Institutional ownership has no significant impact on earnings management of listed deposit money banks in Nigeria

$H0_2$ Audit Quality has no significant impact on earnings management of listed deposit money banks in Nigeria

$H0_3$ Firm size has no significant impact on earnings management of listed deposit money banks in Nigeria

2. LITERATURE REVIEW

This subsection reviews the existing empirical literature with regards to the variables of the study.

Institutional Ownership and Earnings Management

Karman and Shah (2014), Kouaib and Jarboui (2014) examined the impact of corporate governance and ownership structure on the earnings management practices for a sample 372 listed companies in Pakistan over a period of 2003 to 2010. The study used discretionary accruals as proxy for earnings management. Further, the study reveals that institutional shareholding plays a significant role in curtailing earnings manipulation practices in the selected firms. However, there is not any evidence that CEO duality, the size of the auditing firm, the number of members on the board of directors, and ownership concentration influence discretionary accruals.

Kouaib and Jarboui (2014) analysed the interaction and influence of External Audit Quality and Ownership Structure on Earnings Management of Industrial and Commercial Tunisian Sectors. The analysis was on 61 selected Tunisian firms listed and unlisted on the Tunis Stock Exchange and operating in the industrial and commercial sectors over the period of 2007 to 2011. The study further examined the combined effect of external audit Quality and institutional property on earnings management. The result reveals on one hand that the cross effect of this combined association is negatively and significantly related with earnings management of industrial companies while on the other, it has no significant effect on the earnings management of commercial firms.

Jo-Lan Liu and Ching-Chieh Tsai (2015) examined the Board Member Characteristics and Ownership Structure Impacts on Real Earnings Management of the Taiwan listed firms. The study depicts that institutional ownership has a negative significant influence on the real earnings management of Taiwanese firms. However, managerial ownership does not influence the ownership-real earnings management relationship.

Ramadan (2015) determined the effect of ownership structure on earnings management practices on 77th Jordanian industrial companies listed at Amman Stock Exchange (ASE) for the period 2000-2014 resulting to1089 firm-year observations. The empirical result reveal that institutional ownership, equity concentration and management ownership have significant negative effect on the earnings management practices of Jordanian industrial companies listed at ASE.

Idris (2012) analyzed the Impact of Ownership Structure and External Audit on Accruals and Real Activities Earnings Management amongst the forms listed in Amman stock exchange, Jordan. The results reveal that institutional ownership has significant effect in constraining the earnings management practice in the sampled firms in Jordan.

Audit Quality and Earnings Management

Kouaib and Jarboui (2014) analysed the interaction and influence of External Audit Quality and Ownership Structure on Earnings Management of Industrial and Commercial Tunisian Sectors. The study documented empirical evidence on the cross effect of external audit quality variables and capital concentration on earnings management. The finding indicates that the interaction of the variables has a negative and significant influence on earnings management of industrial firms but it has a positive and insignificant impact of commercial firms.

Belhadj, Omrane and Regaieg (2016) investigated the effect of some corporate governance mechanisms that is, the Board of Directors and its characteristics, the auditing quality and ownership structure, on the earnings management. To achieve this, the study employed a sample of 16 Tunisian listed companies. The earning management was operationalized by the level of the discretionary accruals. The findings indicate the presence of significant positive association between ownership structure and firm size of the selected listed firms. However, no association was found between audit quality and earnings management of the sampled firms under consideration.

In a related development, Shiri, Salehi and Radbon (2016) examined the Impact of Ownership Structure and Disclosure Quality on Information Asymmetry in Iran based on data collected from 102 listed companies on the TSE during 2007–2014. The empirical evidence reveals the positive impact of ownership structure and negative impact of disclosure quality on information asymmetry. Furthermore, the result indicates that information asymmetry is minimal among the firms that report more reliable and timely information, and is maximal among firms with more concentrated ownership structure, higher institutional ownership, and lower disclosure quality.

Adam and Bala (2015) investigated the influence of and institutional ownership and managerial ownership on audit quality of the Nigerian Deposit Money Banks. The study analyzed the data extracted from the sample of 10 banks out of the 24 population through Banks Annual Reports and Accounts for the period 2007 to 2011 using OLS regression with the aid of SPSS technique. The study portrays the presence of positive significant relationship between institutional shareholding and managerial shareholding with audit quality of the selected Nigerian Deposit Money Banks.

An Indonesian study of Tandiono and Ratnaningsih (2015) analysed the Impact of Ownership Structure, Audit Quality, and Firm Size on the Earnings Management through Real Activities Manipulation of the 577 sampled manufacturing firms listed in Indonesian Stock Exchange (IDX) during 2009-2014. Multiple regression model is used to test the hypotheses. The study documents that institutional ownership does not have any impact on real earnings management of the sampled firms. while managerial ownership, and audit quality do not have any impact toward real earnings management. However, firm size positively and significantly impacted on the real earnings Management of the selected firms.

In yet a related study, Khalil and Ozkann (2014) analyzed the relationship between Board Independence, Audit Quality and Earnings Management Using a unique data set for Egyptian firms. The result suggests that audit quality has influence in curtailing the level of earnings management among the Egyptian firms.

You, Tsai and Lin (2003) investigated the statistical relationship between Managerial ownership, audit quality, and earnings management and the result depicts that audit quality is inversely associated with the abnormal accrual in listed firms in Taiwan

Tandiono and Ratnaningsih (2015) analysed the Impact of Ownership Structure, Audit Quality, And Firm Size Toward Earnings Management Through Real Activities Manipulation of the 577 sampled manufacturing firms listed in Indonesian Stock Exchange (IDX) during 2009-2014. Multiple regression is used to test the hypotheses. The study documents that audit quality has no significant impact on the real earnings management of the sampled firms.

Affes and Smii (2016), who examined the influence of audit quality on earnings management of the selected sample of 20 Tunisian firms listed on the Tunisian Stock Exchange over the period of 2005-2009, confirms the significant effect of the audit quality on the accounting earnings.

Lisar and Zadeh (2016) empirically evaluated the Effect of Independent Audit Quality and Ownership Structure on Earnings Management for the period of 2010-2014 in the Listed Companies of Tehran Stock Exchange. The study shows that audit quality has no significant influence in mitigating the earnings manipulation practices amongst the firms listed in Tehran stock exchange market. However, ownership structure has significant impact on the abnormal accrual of the sampled firms.

Firm Size and Earnings Management

Tandiono and Ratnaningsih (2015) analysed the Impact Of Ownership Structure, Audit Quality, And Firm Size Toward Earnings Management Through Real Activities Manipulation of the 577 sampled manufacturing firms listed in Indonesian Stock Exchange (IDX) during 2009-2014. Multiple regression is used to test the hypotheses. The study documents that firm size has positive and significant impact on the real earnings management of the sampled firms.

Belhadj, Omrane and Regaieg (2016) investigated the effect of some corporate governance mechanisms that is, the Board of Directors and its characteristics, the auditing quality and ownership structure, on the earnings management. To achieve this, the study employed a sample of 16 Tunisian listed companies. The earning management was operationalized by the level of the discretionary accruals. The findings indicate the presence of significant positive association between ownership structure and firm size of the selected listed firms. However, no association was found between audit quality and earnings management of the sampled firms under consideration.

Summary of Gap in the Literature Reviewed

Most of the studies above were either conducted in the developed economies or in the emerging markets in which case there exists gamut of environmental disparities as well the differences in regulatory requirements and the approach to reporting issues. In addition, the vast number were conducted in different sectors from the sector that the study investigates into and again, some of them that were conducted in Nigeria, their findings are either out of date or were conducted in other sectors of the economy. Hence, their findings cannot be relied upon by investors and other concerned stakeholders for decision making. The period covered and sample used may not be enough to allow for generalization of the findings of the study. Therefore, the need for a study of this nature with a view to traversing the hiatus left behind by the previous researches.

Hypotheses Development

The section entails the development of hypotheses in relation each of the independent variable of the study based on the relevant literature reviewed.

Institutional Ownership and Earnings Management

Institutional ownership is theoretically believed to be an important control mechanism that could be used in mitigating the opportunistic behaviors of managers on the income numbers of a firm. Further, several studies were conducted and no agreement was established as to the effect of institutional ownership with respect to earnings management of firms. Studies of Karman and Shah, (2014) and Kouaib and Jarboui, (2014) provide evidence that institutional ownership is instrumental in curbing earnings management practice of firms. However, some empirical studies such as Tandiono and Ratnaningsih, (2015) document that institutional shareholding does not mitigate earnings management among firms. Based on the forgoing, this study hypothesizes viz:

$H0_1$: Institutional ownership has no significant effect on the earnings management of listed deposit money banks in Nigeria.

Audit Quality and Earnings Management

Audit quality has been examined by number of studies but no agreement was established as to the presence or otherwise of its impact on the earnings management of firms. For instance, Lisar and Zadeh (2016) and Tandiono and Ratnaningsih (2015) record the absence of the significant impact of audit quality in reducing the earnings manipulation. Conversely, the studies of You, Tsai and Lin. (2003), Khalil and Ozkann (2014) and Kouaib and Jarboui (2014) document the significant influence of audit quality in mitigating the earnings manipulation amongst firms. Based on the above this study hypothesizes thus:

$H0_2$: Audit Quality has no significant influence on the earnings management of listed deposit money banks in Nigeria.

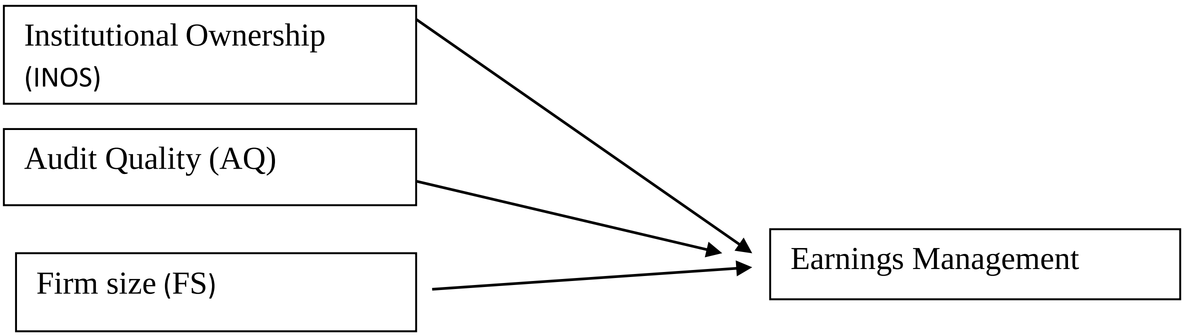
Firm Size and Earnings Management

Based on the postulations of political cost hypothesis, earnings manipulation is more common among the bigger firms due to the management's motivation to lower the earnings number thereby curtailing the political cost. Political cost hypothesis further stated that earnings manipulation practice is sometimes triggered by government's enactments, for instance, tax establishment. The bigger firms tend to indulge more in earnings management relative to smaller firms, since the political cost hypothesis assumes that firms have the propensity to report lower profits based on different accounting methods and procedures in order that the firm does not attract the attention of politicians, who will have an eye on high profit industries (Deegan, 2009). The bigger the size of a firm, the higher is expected to be the level of earnings management. Therefore, the study hypothesizes thus:

$H0_3$: Firm size has no significant impact on the earnings management of listed deposit money banks in Nigeria.

Conceptual framework

The conceptual framework is a frame that describes the relationship between dependent variable (earnings management) and independent variables (institutional ownership, audit quality and firm size) as used in the study.



Theoretical framework

Agency theory is used to underpin this study owing to its instrumentality in softening or settling the conflict of interest that perhaps exists between managers (agent) and shareholders (principal) of the banks through the use of shares held by institution and the quality of audit conducted in the organization

3. METHODOLOGY

The population of the study is all the seventeen (17) listed deposit money banks in Nigeria as at 2016. However, the study employs some criteria such that, any firm that is not consistently on listing of the Nigerian stock exchange throughout the period of the study was filtered out, and secondly any firm whose data was not accessed in any year of the period of the study was filtered out automatically leaving us with a total of twelve (12) listed deposit money banks. This study analyzed quantitative data extracted from the audited annual reports and accounts of the twelve (12) sampled listed deposit money banks in Nigeria based on multiple regression model with aid of STATA package over the period of ten (10) years from 2007 to 2016 and the study aligned itself to positivist paradigm

Model Specification

In order to examine the quantitative effect of Institutional Ownership, Audit Quality and Firm Size on Earnings Management of the sampled firms, multiple linear regression model is built. However, in order to determine the value that represents the earnings management proxy, Chang, Shen and Fang (2008) model is adopted by the study. The first model of the study employed Chang, Shen and Fang (2008) model of discretionary loan loss provision and the residual of it was applied to represent earnings management and the second model represents the parsimonious model of the study and they are presented mathematically below:

DLLP i/TAt-1 = LLP it/TAt-1– {α01/TA t-1+ α1LCO i/TA t-1 + α2BBAL i/TA t-1 }……..(1)

$EM_{it} = \alpha_{it} + \beta_1 INOS_{it} + \beta_2\ AQ_{it} + \beta_3 FSIZE_{it} + \varepsilon_{it}$ -- (2)

Note:

α: constant

$\beta_1 - \beta_4$ are the coefficients of the parameter estimates.

$_{it}$: panel data

ε: the error term.

The acronyms in the first model DLLP= Discretionary Loan Loss Provision, LLP= Loan Loss Provision, LCO= Loan Charge off BBALL= Beginning Balance of Loan Loss, TAt-1= Lagged Total Asset and α01=Constant. For the second model, it is presented in table 3.3 below:

3.3 Variables measurement

Variable Acronym	Variable Name	Variable Measurement	Source (s)
EM	Earnings Management	Discretionary Loan Loss Provision	(Chang, Shen and Fang (2008)
INOS	Institutional Ownership	% of total shares owned by institutions)	(Tandiono and Ratnaningsih, 2015)
AQ	Audit Quality	If big 4= 1, otherwise=0	Kouaib and Jarboui (2014)
FS	Firm Size	LN Total assets	(Belhadj, Omrane and Regaieg,2016).

Source: Computed by Author based on literature

4. RESULT PRESENTATION AND DISCUSSION

This section presents and discusses summary of descriptive statistics, correlation matrix and regression results.

Table 4.1: Summary of Descriptive Statistics

VARIABLES	Min	Max	Mean	Std. Dev	N
EM	0.0002	0.0078	0.0017	0.0020	120
INOS	0.0000	0.93	0.3735	0.3728	120
AQ	1.0000	1.000	0.4942	0.1633	120
FS	13.3700	21.99	20.1942	1.6390	120

Source: STATA output (Appendix)

Table 4.1 indicates that institutional ownership, INOS has a minimum and maximum values of 0.0000 and 0.93, mean and standard deviation values of 0.3735 and 0.3728. The standard deviation value depicts how the INOS moves between the minimum and the maximum value and a higher standard deviation implies the higher rate of deviation from the mean. The table further indicates that Audit Quality, AQ has a minimum and maximum values of 0.3300 and 0.3333, mean and standard deviation values of 0.3735 and 0.37280. The standard deviation values depicts how the Audit Quality, AQ moves between the minimum and the maximum value and a higher standard deviation implies the higher rate of deviation from the mean

The table also depicts that the mean of the firm size of the sampled listed deposit money banks 20.194 with standard deviation of 1.6390, and minimum value of 13.370 and 21.9900 as the maximum value. This implies that the performance of the banks in terms of firm size is on average 20.1940, and the standard deviation value indicates that the sampled Deposit Money Banks in Nigeria firms firm size deviates from the mean value from both sides by 20.19%, implying that there is significant dispersion of the data from the mean because the standard deviation is higher.

Table 4.2 Summary of Correlation Matrix

Variables	EM	INOS	AQ	FS
EM	1			
INOS	-0.3514***	1		
AQ	0.0146	0.0023	1	
FS	-0.2339**	-0.0738	-0.0927	1

Source: Correlation Matrix Result using STATA

***.Correlation is significant at 0.01 levels (2-tailed)
**.Correlation is significant at 0.05 levels (2-tailed)
*.Correlation is significant at 0.10 levels (2-tailed)

Table 4.2 depicts that institutional ownership, INOS and firm size, FS are negatively related with earnings management of the sampled listed deposit money banks in Nigeria, while Audit Quality, AQ is positively associated with earnings management of the sampled listed deposit money banks in Nigeria. This signifies that firm size and institutional ownership are negatively and significantly correlated with earnings management, while Audit Quality is positively but insignificantly related with earnings management. The relationship between the variables themselves (autocorrelation) was found to be insignificant. However, this may not be enough to surmise that multicollinearity does not exists among the explanatory or exogenous variables of the study unless the variance inflation factor and tolerance values are comparatively beyond the established rule of thumb. Thus, the tolerance value and variance inflation factor (VIF) are advanced measures for assessing the harmful multicollinearity among the explanatory variables. The variance inflation factor and tolerance values are determined with the use of STATA and were found to be concurrently smaller than ten and one respectively, indicating the absence of harmful multicollinearity. This therefore, indicates the adequacy of fitting the model of the study with three independent variables.

Table 4.3: Summary of Robust Regression Result

VARIABLES	Co-efficients	t-Statistics	p-value	Tolerance/VIF
Constant	-0.0307	-0.52	0.602	
INOS	-0.0020	-4.40	0.0000	0.994467/1.01
AQ	0.1193	0.66	0.508	0.991318/1.01
FS	-0.0003	-2.28	0.024	0.985921/1.01
			0.19	
R^2			6.82	
F			0.000	
F-Sig				

Source: STATA OUTPUT

From table 4.3 above, the overall R^2 value is 0.19 which indicates that the independent variables selected into the model explain the variation in the earnings management to the extent of nineteen percent (19%). Thus, this signifies that 19% of change in the earnings management amongst the selected listed deposit money banks in Nigeria is as result of institutional ownership, audit quality, firm size and the multiplicative effect of leverage and firm size of the studied firms. The table also indicates that the F-Statistics is 6.82 which is significant at 1% level of significance from the F- probability value of 0.000. This further signifies that the model built for the study is well fitted. Note that Random robust OLS was run to take care of the presence heteroscedasticity that was found hence, the result was interpreted based on random robust OLS Regression model.

From table 4.3, it can be clearly seen that institutional ownership (INOS) has a p-value of 0.000 (which is significant at 1% level) and -0.0020 as the coefficient value. This signifies that institutional ownership is negatively and significantly influential in mitigating the earnings manipulation amongst the sampled listed deposit money banks in Nigeria. This implies that for every one percent increase in the ownership of shares by institutions in the listed deposit money banks in Nigeria, the earnings manipulation amongst the banks will reduce by 0.0020 kobo. The finding is not surprising since it is in tandem with a priori expectation that increase in the ownership of shares by corporate institutions should lead to reduced earnings management. This can be justified by the fact that institutions have more experience of how organizations manipulate earning numbers and hence would be able to ensure close surveillance and monitoring of the activities of the management. The finding is in line with prior studies (Karman & Shah, 2014; Kouaib & Jarboui, 2014; Idris, 2012; & Ramadan, 2015 among others and contradicts the findings of Tandiono & Ratnaningsih, 2015; & Belhadj, Omrane & Regaieg, 2016).

The findings of this study provides an evidence for rejecting our prior hypothesis which states that institutional ownership has no significant impact on earnings management of listed deposit money banks in Nigeria, hence hypothesis one is rejected.

The implication of this finding is that institutional ownership is very instrumental, powerful and significant in constraining the opportunistic behaviors of management of the sampled listed deposit money banks in Nigeria.

Further, table 4.3 depicts that Audit Quality represented by AQ has coefficient value of 0.1193 and p-value of 0.508 (significance level), which appears not to be significant at all levels of significance since the p-value is greater than five and even ten ($p>0.05$). This signifies that audit quality is positively associated with earnings management of listed deposit money banks though not significant at all levels of significance. This further implies that audit quality and earnings management of the sampled banks move in tandem, that is, improvement in the quality of audit leads to corresponding increase in the earnings manipulation amongst the selected listed deposit money banks in Nigeria. This result appears to be surprising as it contradicts a priori expectation of the study that improvement in audit quality should lead to a reduced earnings management practices among the sampled banks. However, it could perhaps be associated to the fact that firms despite them being audited by big four audit firm still report manipulated financial reports as in the case of Oceanic bank PLC.

This finding corroborates that of Affes and Smii (2016) Tandiono and Ratnaningsih (2015) and contradicts the documented empirical evidence of Lisar and Zadeh (2016), Tsai and Lin Y.(2003), Khalil and Ozkann (2014) and Kouaib and Jarboui (2014).

However, the finding provides evidence for failure to reject the earlier stated hypothesis two of the study that audit quality has no significant impact on the earnings management of listed deposit money banks in Nigeria. Hence, we fail to reject the hypothesis two of the study.

Additionally, table 4.3 indicates that firm size represented by FS has p-value of 0.024 with a coefficient of -0.0003. This signifies that firm size is negatively and significantly correlated with earnings management at one percent level of significance (from the p-value of 0.024). This implies that for every five percent (5%) increase in firm size, earnings management stands to decrease by 0.0003 kobo. The result appears as a surprise because it is not in line with a priori expectation of the study that the bigger the firm grows the greater their propensity for engaging in earnings manipulation particularly due to political cost and taxes. However, this could perhaps be a result of the fact that the bigger a firm grows the more it will try to ensure compliance with regulatory requirements having in mind that more attention of the regulatory bodies would be on it. Since most earnings manipulations are done to favor the company, a well grown firm may not be concerned about as it has already attained an enviable, if not the peak level of growth.

Further, this result does not support our earlier stated hypothesis three that firm size has no significant impact on earnings management of listed deposit money banks in Nigeria. Hence, the study rejects the hypothesis three of the study. The result is in line with the findings of Tandiono and Ratnaningsih (2015) and contradicts the findings of Belhadj, Omrane and Regaieg (2016) as well as contradicted the political hypothesis theory postulations.

5. CONCLUSION AND RECOMMENDATIONS

Based on the forgoing, the study concludes that institutional ownership and firm size are negatively and significantly associated with earnings manipulation of the sampled listed deposit money banks in Nigeria. Hence, they are regarded as important factors that significantly influence earnings manipulation of the selected firms. While audit quality is positively but insignificantly related with earnings management of the selected banks. Hence, they are not regarded as important forces that could drive the earnings manipulation of the selected firms. Therefore, the study recommends amongst others that regulatory bodies such as SEC and CBN should ensure increase in the quantum of shares owned by institutions in banks since it helps in checkmating and constraining the earnings management practice amongst the sampled firms. As for the firm size, government and other regulatory agencies should ensure enabling environment that would ensure growth amongst firms since earnings management is found to be minimal amongst bigger firms.

REFERENCES

Adam S. I. & Bala H.(2015). Ownership Structure And Audit Quality Of Nigerian Deposit Money Banks, *Journal of Social and Management Science* 2 (3) , Published by Oxford Research and Publication

Affes H. & Smii T. (2016). The Impact of the Audit Quality on that of the Earnings Management: Case Study in Tunisia, *Journal of Accounting and Marketing*.

Belhadj R., Omrane A. & Regaieg B. (2016). The Effects of Governance Mechanisms On the Financial Information Quality, *Research Article*.

Beneish, M. D. (2001). Earnings management: A perspective. Managerial Finance, 27(12), 3–17.

Chang, R. D., Shen, W.H.A. and Fang, C. J. (2008). Discretionary Loan Loss Provisions and Earnings Management for the Banking Industry, *International Business Journal*

Deegan, Craig. (2009). Financial Accounting Theory. United States of America: McGraw-Hill.

Healy, P. M., & Wahlen, J. (1999). A review of the earnings management literature and its implications for standard setting. Accounting Horizons, 13(4), 365–384.

Idris M.I (2012). The Impact of Ownership Structure and External Audit on Accruals and Real Activities Earnings Management in Jordan.

Isa A.M & Farouk A.M (2018). A Study of The Effect of Diversity in The Board And The Audit Committee Composition On Earnings Management For Low And High Leveraged Banks In Nigeria, *Journal of Finance, Accounting and Auditing Studies, 4(1).*

Jo-Lan Liu 1 & Ching-Chieh Tsai (2015). Board Member Characteristics and Ownership Structure Impacts on Real Earnings Management: Evidence from Taiwan, *Accounting and Finance Research 4 (4)*

Kamran & Shah A. (2014). The Impact of Corporate Governance and Ownership Structure on Earnings Management Practices: Evidence from Listed Companies in Pakistan, *The Lahore Journal of Economics* 19(2), 27–70

Khalil M. & Ozkan A. (2014). Board Independence, Audit Quality and Earnings Management: Evidence From Egypt

Kouaib A. & Jarboui A. (2014). External Audit Quality and Ownership Structure: Interaction and Impact on Earnings Management of Industrial and Commercial Tunisian Sectors, *Journal of Economics, Finance and Administrative Science* 19, 78–89

Lisar A. T & Zadeh P.M. (2016). Evaluation of the Effect of Independent Audit Quality and Ownership Structure on Earnings Management in the Listed Companies of Tehran Stock Exchange, *Journal of Economics and Finance*, 7(5).

Radityo Boedhi, Nico (2013). Pengaruh Kualitas Audit terhadap Manajemen Laba Terdaftar di Bursa Efek Indonesia). S1 Thesis, UAJY.

Ramadan I. Z. (2015). Does Ownership Structure Affect Jordanian Companies' Tendency to Practice Earnings Management? *Asian Journal of Finance & Accounting* 7 (2) ISSN 1946

Shiri, M. M., Salehi, M. & Radbon A. (2016).A Study of Impact of Ownership Structure and Disclosure Quality on Information Asymmetry in Iran. *The Journal for Decision Makers*, 41(1) 51–60

Tandiono Y.KD. & Ratnaningsih R. (2015). The Impact of Ownership Structure, Audit Quality, And Firm Size Toward Earnings Management Through Real Activities Manipulation.

You S., Tsai Y-C. & Lin Y. (2003). Managerial ownership, audit quality, and earnings management, Asia Pacific Management Review 8(3), 409