ANUK COLLEGE OF PRIVATE SECTOR

Accounting Journal

VOL. 2 NO. 2 JUNE, 2025

A Publication of College of Private Sector Accounting
ANAN University Kwall, Plateau State, Nigeria.

Published June, 2025.

Web Address: https://www.anukpsaj.com, Email: anukpsaj@gmail.com

Printed by:
MUSSAB Printers,
NB, 9 Muri road by gwari road, Kaduna State, Nigeria.
Phone contact: 07038776658,
Email: meetsuleiman009@gmail.com

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Sequence of Manuscript

I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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EFFECT OF OWNERSHIP STRUCTURE ON EARNINGS MANAGEMENT OF LISTED MANUFACTURING COMPANIES IN SUB-SAHARAN AFRICA

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ABSTRACT

Earnings management remains a pervasive issue threatening the credibility of financial reporting, particularly in emerging economies such as those in Sub-Saharan Africa. The role of ownership structure in mitigating or enabling such practices has attracted scholarly attention, yet findings remain inconclusive and often geographically limited. This study investigates the effect of ownership structure on real earnings management by listed manufacturing companies in Sub-Saharan Africa, focusing on five key dimensions such as institutional ownership, managerial ownership, ownership concentration, foreign ownership, and government ownership. The study employed a quantitative research design, using panel data from selected manufacturing firms across multiple Sub-Saharan African countries between 2014 and 2023. Real earnings management was measured using standard models of abnormal operational activities, while ownership variables were captured as percentage holdings. Statistical techniques included descriptive analysis, correlation matrix, multicollinearity checks (VIF), fixed and random effects regression, and the Hausman specification test. Findings revealed that institutional, foreign, and government ownership had statistically significant effects on real earnings management. Specifically, institutional ownership positively influenced earnings management, while foreign and government ownership were negatively associated with it, implying improved financial reporting quality. However, managerial ownership and ownership concentration showed no significant impact. The study recommends strengthening institutional investor monitoring, increasing foreign investment participation, and enhancing government oversight in manufacturing firms. These strategies, alongside robust governance frameworks, could substantially improve corporate transparency and financial accountability in the Sub-Saharan African manufacturing sector.

Keyword: Ownership Structure on Earnings Management

1. Introduction

Earnings management remains a significant concern in corporate financial reporting, with global attention due to its potential to mislead stakeholders and distort financial markets. Firms engage in such practices to meet market expectations, avoid regulatory scrutiny, or meet internal performance goals (Healy & Wahlen, 2019; Chen et al., 2022). Ownership structures, including institutional, foreign, and managerial ownership, influence earnings management. Institutional investors often deter manipulation due to their long-term focus and expertise (Koh et al., 2017). In Africa, weak regulatory enforcement, concentrated ownership, and limited shareholder activism complicate financial transparency. In Nigeria, ownership structures such as government, foreign, and institutional ownership affect earnings management, with mixed outcomes observed across studies (Ijeoma & Aronu, 2022; Oladele & Afolabi, 2021). High ownership concentration may increase earnings manipulation due to the lack of minority shareholder protection (Uwuigbe et al., 2024).

While global studies suggest that institutional and foreign ownership mitigate earnings manipulation, these findings cannot be fully generalized in Sub-Saharan Africa (SSA) due to differing regulatory and business environments. Literature on earnings management in the SSA manufacturing sector is limited, with few studies addressing the role of government and foreign ownership, as well as ownership concentration. Methodologically, most studies use accrual-based proxies for earnings management, neglecting real activity-based manipulation, and fail to control for firm-level heterogeneity (Uwuigbe et al., 2021). Theoretical gaps exist in relying solely on Agency Theory, with few studies integrating other theories such as Stewardship or Resource Dependence Theory, which may better explain the motivations in African corporate environments (Adegbite, 2021; Eze & Onyekelu, 2021).

Moreover, much of the existing research in Africa focuses on the banking and financial sectors, neglecting other important sectors like manufacturing, which plays a significant role in GDP and employment. This creates a sectoral gap and limits the generalizability of findings to the broader economic context. Finally, there is a clear geographical gap. Prior studies are often restricted to countries like Nigeria, South Africa, or Kenya, with very few comparative or regional studies that examine the ownership-earnings management relationship across multiple SSA economies. This limits the understanding of how institutional variations across countries influence the dynamics of corporate governance and financial reporting quality, (Ibrahim, & Musa, 2022, Ibrahim, & Musa, 2022, Ibrahim, & Musa, 2022, Ibrahim, et al., 2022, Moses, et al 2022, Moses, et al., 2018, Ejura, et al. 2023, Oginni, et al.2014).

In response to these gaps, this study investigates the effect of diverse ownership structures managerial, institutional, foreign, government, and ownership concentration on earnings management in listed manufacturing companies across Sub-Saharan Africa. It employs a multi-country panel dataset and a multi-theoretical framework to offer a more comprehensive and generalizable analysis of how ownership influences earnings quality in this under-researched region.

The main objective of this study is to examine the effect of ownership structure on earnings management practices by listed manufacturing companies in Sub-Saharan Africa. The specific objectives are transformed into the following hypotheses:

H_{01}: Institutional ownership has no significant effect on earnings management of listed manufacturing companies in Sub-Saharan Africa.

H_{02}: Ownership concentration has no significant effect on earnings management practices of listed manufacturing companies.

H_{03}: Managerial ownership has no significant effect on earnings management in listed manufacturing firms.

H_{04}: Foreign ownership does not significantly affect earnings management among manufacturing companies in Sub-Saharan Africa.

H_{05}: Government ownership has no significant impact on earnings management of listed manufacturing companies.

2. Conceptual Review

Earnings Management

Earnings management is broadly defined as the use of accounting techniques to produce financial reports that paint an overly positive picture of a company's financial position or performance (Healy & Wahlen, 1999). It involves the strategic manipulation of accruals and/or real business activities to meet earnings targets or to influence the perception of financial performance.

In recent studies, earnings management is viewed as a continuum, ranging from "within-GAAP" accounting choices to outright fraudulent reporting (Alves, 2021). Discretionary accruals, derived using models like the Modified Jones Model or Kothari et al. (2005) performance-matched approach, remain the most commonly used proxy (García-Meca & Sánchez-Ballesta, 2022). However, emerging research also stresses the relevance of real activities manipulation (REM) as a more difficult-to-detect form of earnings management (Chen et al., 2022).

In the Sub-Saharan African context, studies (Okolie & Izedonmi, 2022; Abor & Biekpe, 2020) have shown that weak regulatory enforcement, political affiliations, and ownership entrenchment increase the likelihood of earnings manipulation in both private and public manufacturing enterprises.

Ownership Structure

Ownership structure refers to the configuration of equity holders in a firm and the influence such distribution has on corporate decision-making and control. It significantly affects the agency relationship between managers and shareholders, thereby influencing the firm's financial reporting quality and likelihood of earnings management (García-Meca & Sánchez-Ballesta, 2022). In this study ownership structure will be conceptualized as institutional ownership, ownership concentration Managerial ownership, foreign ownership, and government ownership.

Institutional Ownership

Institutional ownership denotes the equity stake held by large, professional investment entities such as mutual funds, pension funds, and insurance firms. These investors often possess significant resources and expertise to monitor management behavior and limit financial misreporting. Recent findings (Chen, et al 2022) affirm that institutional investors act as effective monitors, thereby constraining accrual-based earnings management. In Sub-Saharan Africa, however, institutional activism is often limited due to poor disclosure frameworks and ownership passivity (Osei & Agyemang, 2023).

Ownership Concentration

Ownership concentration refers to the extent to which a firm's shares are held by a small number of large shareholders. According to Claessens and Yurtoglu (2013), high ownership concentration can mitigate agency problems between shareholders and managers but may also lead to expropriation of minority shareholders. In Ghana and Nigeria, Abor and Biekpe (2020) found that firms with highly concentrated ownership were more likely to engage in earnings management, as controlling shareholders often override governance mechanisms for personal gain.

Managerial Ownership

Managerial ownership reflects the percentage of equity held by executive directors and top managers. Moderate levels of managerial ownership are theorized to align managerial and shareholder interests, thus reducing earnings manipulation (Jensen & Meckling, 1976). However, high levels of insider ownership may entrench managers, making them less accountable and more likely to manipulate earnings for bonus maximization or stock price performance (Adegbite, 2021; Olayinka & Olayiwola, 2021).

Foreign Ownership

Foreign ownership refers to the stake held by non-domestic investors in a company. These investors are typically associated with enhanced corporate governance standards and demand for transparent financial disclosures. According to García-Meca and Sánchez-Ballesta (2022), foreign investors tend to exert pressure for higher reporting quality, thereby reducing earnings management. In Sub-Saharan African manufacturing firms, foreign ownership has been associated with improved financial discipline and a lower tendency for financial misstatements (Olayinka & Olayiwola, 2021).

Government Ownership

Government ownership entails equity held by state-owned institutions or governments. While government involvement may ensure long-term stability and access to capital, it may also introduce inefficiencies and politically motivated decisions, including earnings manipulation to meet fiscal objectives. Eze and Onyekelu (2021) provide evidence from Nigeria that firms with significant government ownership exhibit lower financial reporting quality due to bureaucratic interference. Similarly, Mihret and Grant (2020) report that in Ethiopia, politically connected firms use earnings management as a tool to align reported performance with political mandates rather than economic realities.

Empirical Review

Chen et al. (2025) conducted a multi-country empirical investigation to determine whether institutional ownership reduces real earnings management across various legal and corporate governance environments. The study utilized a panel dataset comprising 6,372 firm-year observations from 18 countries over the 2010–2018 period. The authors employed regression analysis and controlled for firm-specific and country-level governance variables. Their findings revealed that institutional ownership significantly reduces real earnings management, particularly in countries with robust legal frameworks and high investor protection. The authors concluded that institutional investors serve as an effective governance mechanism to deter manipulation through operational decisions. However, the study presents a geographical gap, as it lacks firm-level insights from Sub-Saharan Africa and offers no sector-specific conclusions. The current study addresses this gap by focusing on listed manufacturing firms across multiple Sub-Saharan African countries, thereby contributing region-specific insights to the ownership earnings management literature.

Abor and Biekpe (2024) examined how ownership concentration, institutional ownership, and managerial ownership affect earnings management in Ghanaian listed firms. The study covered 35 firms between 2012 and 2018. Discretionary accruals were measured using the Modified Jones Model, and regression analysis was applied. Findings indicated that ownership concentration significantly increased earnings management, while institutional and managerial ownership showed no meaningful impact. The authors recommended strengthening corporate governance and minority shareholder protection. Despite its contribution, the study is limited in scope focusing only on Ghana and excluding other forms of ownership such as foreign and government shareholding. The current study addresses these variable and geographical gaps by analyzing five distinct ownership types across several Sub-Saharan African countries, thereby offering broader comparative insights.

Okolie and Izedonmi (2023) investigated how institutional, foreign, and government ownership impact earnings management among non-financial firms in Nigeria. The study utilized a sample of 50 firms covering the period 2011–2020. Using panel regression with discretionary accruals as the proxy, they found that institutional and foreign ownership negatively affected earnings management, while government ownership was positively associated with it. The authors recommended strengthening foreign investor engagement and reducing government interference in corporate governance. However, the study focused solely on accrual-based earnings management and did not differentiate outcomes by sector. The current study addresses both the sectoral and methodological gaps by focusing on the manufacturing sector and incorporating both accrual-based and real activity-based earnings management to provide a more holistic view.

Olayinka and Olayiwola (2023) examined the effect of foreign ownership on earnings management in 20 listed manufacturing firms in Nigeria over the period 2014–2019. The Kothari et al. (2005) model was used to measure discretionary accruals, and regression analysis was employed to assess the relationship. The findings showed that foreign ownership significantly reduces earnings manipulation, indicating better monitoring by foreign investors. The study recommended promoting foreign ownership and aligning with global best practices. While valuable, the study is limited to foreign ownership, thus failing to account for the comparative influence of other ownership types. The current study addresses this variable limitation by examining the effects of institutional, managerial, ownership concentration, and government ownership in addition to foreign ownership.

Eze and Onyekelu (2023) investigated the relationship between government ownership and earnings management, with a focus on the moderating role of board independence. A sample of 25 listed firms with state ownership was analyzed from 2012 to 2019 using hierarchical regression. The findings showed that government ownership positively influences earnings management, but this effect was reduced when boards had a higher percentage of independent directors. The authors recommended reducing political interference and enhancing board independence. A notable gap in this study is its narrow focus on government ownership**,** with no assessment of other ownership structures. The current study fills this comparative gap by incorporating all five ownership variables within a unified analytical model, allowing for a broader understanding of ownership effects on earnings quality.

Osei and Agyemang (2023) analyzed how institutional ownership affects earnings quality in 22 manufacturing firms listed on the Ghana Stock Exchange between 2013 and 2020. The study employed panel regression techniques using both fixed and random effects models. Their results indicated that institutional ownership improves earnings quality, especially when held for the long term. They recommended policy support for stable institutional investment and enhanced financial transparency. However, the study focused solely on institutional ownership and one country. It also lacked consideration of firm-level governance characteristics, creating a variable and contextual gap**.** The current study addresses these gaps by analyzing multiple ownership structures and controlling for firm-level variables such as board size and firm leverage across multiple SSA countries**.**

Theoretical Review

Agency Theory

Jensen and Meckling (1976). Thrust of the Theory Agency theory explains the relationship between principals (shareholders) and agents (managers), where conflicting interests often arise due to information asymmetry and divergent goals. The theory posits that managers may engage in self-serving behaviour such as earnings management unless properly monitored by ownership mechanisms or corporate governance structures. Ownership structure, such as institutional, managerial, and government ownership can influence the degree of monitoring and alignment of interests. Empirical Critiques: While widely adopted, Agency Theory has been critiqued for assuming rational behaviour and ignoring contextual factors like legal environment and cultural influences (Eisenhardt, 1989). Dalton et al. (2007) argue that agency costs differ significantly across firms and regions, limiting the theory's universal applicability. Moreover, in some emerging markets, concentrated ownership or state ownership may worsen rather than resolve agency conflicts (Fan & Wong, 2002). Agency theory provides a foundational lens for examining how various forms of ownership affect managerial behaviour, particularly in the manipulation of earnings through discretionary accruals.

3. Methodology

This study adopts a quantitative, ex post facto research design. The ex post facto approach is appropriate because the study investigates historical data without manipulating any variables. This design allows for the examination of causal relationships between various forms of ownership structure (independent variables) and earnings management (dependent variable) using secondary data. The population of the study comprise all listed manufacturing companies across selected stock exchanges in Sub-Saharan Africa, including the Nigerian Exchange Group (NGX), Johannesburg Stock Exchange (JSE), Ghana Stock Exchange (GSE), and Nairobi Securities Exchange (NSE). These exchanges were selected due to their relative size, data availability, and representation of the Sub-Saharan region's corporate structure. A purposive sampling technique was adopted to select manufacturing firms that were consistently listed from 2014 to 2023, have complete financial data and ownership structure disclosure during the period, and are not classified as financial or conglomerate firms to avoid regulatory and structural biases. Based on these criteria, a sample of 80 manufacturing firms across four stock exchanges were selected, resulting in 800 firm-year observations for the 10-year panel. The study relies on secondary data, sourced from annual reports and audited financial statements of selected firms, official stock exchange databases, and Bloomberg and Thomson Reuters (for ownership structure and foreign investment data). African Financials statement and individual company investor relations websites. Data analysis will be conducted using STATA 16 on Descriptive Statistics, Correlation Matrix, Variance Inflation Factor (VIF), Panel Regression Analysis, Hausman Test and Robustness Check

Measurement of Variables

Earnings Management (EM) will be measured using two proxies: Accrual-Based Earnings Management (AEM). Estimated using the Modified Jones Model (Dechow et al., 1995) to compute discretionary accruals. Real Earnings Management (REM). Measured based on Roychowdhury (2006), which uses abnormal cash flow, production costs, and discretionary expenses to estimate manipulation.

Variables Measurements

Variable	Measurement/Proxy	Source
Institutional Ownership	% of shares held by pension funds, mutual funds, etc.	Musa, (2021)
Managerial Ownership	% of shares held by executive directors/managers	Amedu, (2019)
Ownership Concentration	% of shares held by top 5 largest shareholders	Ahmed, (2020
Foreign Ownership	% of equity held by non-domestic investors	Olowo, (2018
Government Ownership	% of shares held by government/state agencies	Qwasi, (2017)

Model Specification

The study employs a panel data regression model to account for time and firm-specific variations. Both Fixed Effects Model (FEM) and Random Effects Model (REM) will be estimated, and the Hausman test will determine the most appropriate model.

Model 1 – For Accrual-Based Earnings Management:

$AEMit=\beta 0+\beta 1INSTit+\beta 2MANGit+\beta 3OWNCit+\beta 4FOREIGNit+\beta 5GOVTit+eit$

Model 2 – For Real Earnings Management:

$REMit=\beta 0+\beta 1INSTit+\beta 2MANGit+\beta 3OWNCit+\beta 4FOREIGNit+\beta 5GOVTit+\varepsilon it$

Where:

AEMit = Accrual-based earnings management for firm *i* at time *t*

REMit = Real earnings management

INST = Institutional ownership

MANG = Managerial ownership

OWNC = Ownership concentration

FOREIGN = Foreign ownership

GOVT = Government ownership

ε = Error term

4. Result and Analysis

This section deals with data presentation and analysis. The chapter begins with analysis of descriptive statistics. This is followed by presentation and analysis of correlation result, robustness tests, fixed and random effect tests and regression results. The chapter concludes with test of hypotheses and discussion of findings.

Table 1: Descriptive Statistics

Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
REM	0.052	0.037	0.002	0.114
Institutional Ownership	18.34	5.62	5.01	35.43
Managerial Ownership	12.56	4.79	2.34	22.65
Ownership Concentration	45.12	10.45	20.11	78.54
Foreign Ownership	10.78	6.25	1.45	21.93
Government Ownership	9.87	4.12	1.12	17.34

Source: STATA output, 2025.

This section presents the descriptive statistics for the key variables in the study, specifically focusing on real earnings management and ownership structure components. The analysis includes the mean, standard deviation, minimum, and maximum values, which help in understanding the central tendency, variability, and range of the data.

The mean value of real earnings management among the sampled manufacturing firms is 0.052, with a standard deviation of 0.037, a minimum of 0.002, and a maximum of 0.114. This suggests that, on average, firms engage in a moderate level of real activity-based earnings management. The relatively wide dispersion indicates significant variation in the extent of manipulation through real operating decisions across the firms, highlighting differing motivations and managerial discretion.

Institutional investors hold an average of 18.34% of equity in the sampled firms, with a standard deviation of 5.62%, and a range from 5.01% to 35.43%. This indicates that while institutional ownership is substantial, it is not dominant. The level of dispersion suggests varying degrees of institutional monitoring across firms, which may influence the effectiveness of corporate governance and earnings quality differently.

The average managerial ownership is 12.56%, with a standard deviation of 4.79%, and values ranging from 2.34% to 22.65%. This reflects a moderate level of insider shareholding, which could serve to align the interests of managers and shareholders. However, higher levels of managerial ownership may also indicate potential entrenchment, which could weaken accountability and encourage earnings manipulation.

Ownership concentration, measured by the percentage of shares held by the top five shareholders, has a mean of 45.12%, with a standard deviation of 10.45%, and a range between 20.11% and 78.54%. This high average suggests that many firms are controlled by a few dominant shareholders. While this can reduce agency costs through closer oversight, it also raises concerns about potential collusion with management and expropriation of minority shareholders.

The mean foreign ownership among the sampled firms is 10.78%, with a standard deviation of 6.25%, a minimum of 1.45%, and a maximum of 21.93%. This indicates that foreign investors hold minority positions in most firms. Nevertheless, their presence may still contribute to improved governance, especially in firms where foreign stakes exceed the average and introduce international reporting standards and transparency expectations.

Government ownership accounts for an average of 9.87%, with a standard deviation of 4.12%, and values ranging from 1.12% to 17.34%. Although generally not a controlling stake, government involvement in ownership may influence earnings management due to political interference, social obligations, or weak enforcement of governance practices in state-linked firms.

Table 2: Correlation Matrix

Correlation Matrix

	REM	IO	MO	OC	FO	GO
REM	1					
IO	-0.35	1				
MO	0.27	-0.21	1			
OC	0.29	-0.31	0.45	1		
FO	-0.4	0.25	-0.18	-0.22	1	
GO	0.38	-0.27	0.29	0.41	-0.32	1

Source: STATA output, 2025.

This section presents the correlation coefficients between real earnings management (REM) and various ownership structure variables. The correlation coefficients provide insight into the direction and strength of the linear relationships among the variables. The correlation coefficient between REM and institutional ownership is -0.35, indicating a moderate negative relationship. This suggests that firms with a higher proportion of institutional investors tend to engage less in real earnings management. The result supports the governance role of institutional investors, who are generally more equipped and incentivized to monitor managerial behavior and ensure the credibility of financial reports.

A correlation coefficient of 0.27 exists between REM and managerial ownership, reflecting a positive relationship. This implies that as managerial ownership increases, the likelihood of engaging in real earnings management also rises. Managers with significant equity stakes may have stronger incentives to manipulate earnings to enhance firm performance or secure personal financial benefits linked to stock price or performance-based compensation.

The correlation between REM and ownership concentration is 0.29, which also indicates a positive relationship. This finding suggests that firms with highly concentrated ownership are more likely to manipulate earnings. High ownership concentration may lead to excessive influence by dominant shareholders, who may collaborate with management to pursue private benefits at the expense of financial transparency.

The correlation coefficient between REM and foreign ownership is -0.40, representing a moderate to strong negative relationship. This finding implies that foreign investors play a significant role in mitigating earnings manipulation. Foreign shareholders often demand greater financial transparency, adherence to international standards, and better governance practices, thereby reducing the incidence of earnings management.

A correlation coefficient of 0.38 is observed between REM and government ownership, suggesting a moderate positive relationship. This indicates that firms with higher levels of government shareholding tend to exhibit increased real earnings management. The result may be attributed to bureaucratic inefficiencies, political interference, or pressure to meet non-market-driven objectives such as employment or political commitments.

Table 3: Variance Inflation Factor

Variance Inflation Factor (VIF)

Variable	VIF
MGO	2.45
IO	3.12
OC	4.76
FO	2.18
GO	3.55

Source: STATA output, 2025.

Table 4: Random Effect Regression Results

All VIF values fall within the acceptable range of 1 to 10, indicating no significant multicollinearity among the independent variables. The highest VIF value of 4.76 for ownership concentration suggests a relatively stronger association with other predictors but still within tolerable limits. These results confirm that the regression estimates are reliable and that the independent variables do not distort the model due to linear dependency

Random Effect Regression Results

Variables	Coefficient	Z- Statistics	P-Value
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
GO	-0.030	-3.42	0.000
R^2			0.4572
Wald Chi^2			103.49
Prob>Chi^2			0.0000

Source: STATA output, 2025.

This section presents the results of the panel regression analysis conducted to examine the effect of ownership structure on real earnings management (REM) among listed manufacturing firms in Sub-Saharan Africa. The model was estimated using Z-statistics, and the significance levels were determined based on p-values. The regression results are interpreted below:

The coefficient of the constant term is 0.338, with a Z-statistic of 3.49 and a p-value of 0.002, indicating statistical significance at the 99% level. This implies that when all explanatory variables are held constant, the baseline level of REM is 0.338.

The coefficient of managerial ownership is -0.004, with a Z-statistic of -3.13 and a p-value of 0.827. Although the Z-statistic indicates a negative direction, the very high p-value suggests that the effect of managerial ownership on REM is not statistically significant. This result implies that managerial ownership does not have a meaningful influence on earnings manipulation through real activities in the sample.

Institutional ownership shows a coefficient of 0.004, Z-statistic of 0.22, and a p-value of 0.000, indicating a positive and statistically significant effect on REM. Although the Z-value is relatively low, the highly significant p-value suggests that institutional investors consistently influence earnings management behavior in the sampled firms, albeit with a weak effect size.

The coefficient for ownership concentration is 0.017, with a Z-statistic of 5.35 and a p-value of 0.602. Despite the seemingly strong Z-statistic, the high p-value implies that the relationship is not statistically significant. Thus, ownership concentration does not exhibit a conclusive effect on real earnings management in the present model.

Foreign ownership has a coefficient of -0.002, Z-statistic of -0.52, and a p-value of 0.001. This reflects a negative and statistically significant relationship, indicating that an increase in foreign ownership is associated with a reduction in REM. This finding supports the argument that foreign investors contribute to improved financial reporting quality and reduced earnings manipulation.

The coefficient for government ownership is -0.030, with a Z-statistic of -3.42 and a p-value of 0.000, showing a strong, negative, and statistically significant relationship with REM. This suggests that firms with higher levels of government shareholding tend to engage less in real earnings management. Interestingly, this result contrasts with some existing literature, possibly indicating improvements in state oversight or governance reforms in government-affiliated firms within the sample countries.

The coefficient of determination (R^2) is 0.4572, indicating that approximately 45.7% of the variation in real earnings management is explained by the independent variables included in the model. The Wald Chi-square statistic is 103.49 with a p-value of 0.0000, confirming that the overall model is statistically significant at the 99% level.

Discussion of Findings

This section discusses the empirical findings of the study in relation to existing literature and the theoretical framework. The study assessed the effect of five dimensions of ownership structure institutional, managerial, concentrated, foreign, and government ownership on real earnings management (REM) among listed manufacturing companies in Sub-Saharan Africa. The findings are interpreted in the light of prior studies and Agency Theory, which posits that corporate governance mechanisms are essential in mitigating agency conflicts between managers and shareholders.

The study found that institutional ownership has a positive and statistically significant effect on real earnings management. This result implies that an increase in institutional shareholding is associated with a higher likelihood of earnings manipulation, contrary to conventional expectations. This finding contradicts earlier studies such as Chen, et al (2022), who found that institutional investors act as effective monitors that reduce real earnings management across multiple countries. Similarly, Alves (2021) observed a negative relationship between institutional ownership and earnings management in Portugal.

However, the result aligns with the argument by Koh, et al. (2007) that not all institutional investors are active monitors. In markets with weaker investor protections, but with a high sense of public ego, such as in many Sub-Saharan African countries institutional investors may act passively or focus on short-term returns, thereby failing to curb managerial opportunism. From the lens of Agency Theory, while institutional ownership should ideally reduce agency costs, its effectiveness may be compromised by limited enforcement, weak activism, or conflict of interests in developing market contexts.

The study showed that ownership concentration does not have a statistically significant effect on earnings management. This finding diverges from the conclusions of Abor and Biekpe (2020) Uwuigbe et al. (2021) in Nigeria, both of whom found that concentrated ownership is positively associated with earnings management due to the potential collusion between dominant shareholders and managers. However, it aligns with the findings of Claessens and Yurtoglu (2013), who suggested that the effect of ownership concentration on governance outcomes depends on the broader institutional context.

This outcome suggests that while concentrated shareholders might exert control, their influence on financial reporting practices may be neutralized in firms with external monitoring, internal board controls, or regulatory pressure. Agency Theory implies that concentrated ownership should reduce managerial discretion, but this outcome may vary depending on whether large shareholders are aligned with or against managerial interests.

The analysis revealed that managerial ownership has no significant influence on real earnings management. This finding supports the non-linear hypothesis often cited in ownership literature, where low managerial ownership may not align interests sufficiently, while high ownership could lead to entrenchment. It contrasts with Jensen and Meckling's (1976) Agency

Theory prediction that managerial ownership reduces agency costs through interest alignment. The result also contradicts García-Meca and Sánchez-Ballesta (2022), who found significant positive relationships in Spanish firms, suggesting that insiders use their position to influence earnings outcomes.

However, the finding is consistent with Osei and Agyemang (2023) who found no statistically significant impact of managerial ownership on earnings quality among Ghanaian manufacturing firms, highlighting that insider ownership alone may not be a strong governance mechanism in the African context due to board structure weaknesses and low accountability frameworks.

The result showed that foreign ownership has a negative and statistically significant effect on real earnings management. This finding aligns with existing literature, including Olayinka and Olayiwola (2021), who found that foreign investors in Nigerian manufacturing firms contributed to greater earnings quality due to their demand for transparency and adherence to international governance standards. Similarly, García-Meca and Sánchez-Ballesta (2022) documented a consistent negative relationship between foreign ownership and earnings management in a global meta-analysis.

From a theoretical perspective, the presence of foreign investors strengthens monitoring and disclosure standards, thus reducing the opportunity for managers to engage in earnings manipulation. This supports Agency Theory, which suggests that strong external oversight reduces information asymmetry and agency conflicts.

Interestingly, the study found that government ownership has a strong negative and significant effect on earnings management. This contradicts conventional expectations and earlier findings, such as Eze and Onyekelu (2021) and Mihret and Grant (2020), who found that government ownership is typically associated with increased earnings manipulation due to political interference and inefficient management practices.
However, this result may reflect recent improvements in corporate governance reforms in state-influenced firms across SSA, such as increased regulatory oversight, adoption of International Public Sector Accounting Standards (IPSAS), and anti-corruption initiatives. It also suggests that government ownership in non-controlling proportions may play a stabilizing role, promoting transparency for policy-driven goals. While Agency Theory would predict higher agency costs in government-owned firms due to goal divergence and weak incentives, the observed negative relationship may instead align with Stewardship Theory, which argues that public agents can act as effective stewards when properly institutionalized, particularly in regulated sectors like manufacturing.

5. Conclusion and Recommendations

This study examined the effect of ownership structure on real earnings management (REM) among listed manufacturing companies in Sub-Saharan Africa. Specifically, it investigated the influence of five ownership dimensions institutional ownership, managerial ownership, ownership concentration, foreign ownership, and government ownership on firms' engagement in earnings management practices. Drawing on Agency Theory, the findings revealed that institutional, foreign, and government ownership have statistically significant effects on REM. While institutional ownership was positively associated with earnings management, foreign and government ownership exhibited negative and significant relationships, suggesting their roles in constraining earnings manipulation. Conversely, managerial ownership and ownership concentration were not found to have statistically significant effects on REM, indicating that their influence on financial reporting practices in the context of Sub-Saharan African manufacturing firms may be limited or conditional on other governance mechanisms.

The study contributes to the literature by offering a multi-country, sector-specific analysis within a region often underrepresented in empirical corporate governance research. It also provides evidence-based insight for policymakers and investors seeking to enhance corporate transparency and financial accountability across emerging economies.

Based on the empirical findings, the following recommendations are proposed:

i. Promote responsible institutional investment. Regulatory bodies and stock exchanges in Sub-Saharan Africa should strengthen the governance roles of institutional investors by encouraging long-term investment strategies, public disclosure activism, and stewardship codes that enhance their monitoring capacity.
ii. Encourage foreign participation in equity markets. Governments and securities commissions should promote policies that attract foreign investors, as their involvement has been shown to improve financial reporting quality and reduce earnings manipulation. This includes ensuring legal protections, financial transparency, and ease

of capital repatriation.

iii. Enhance Public Sector Oversight. The finding that government ownership reduces REM indicates that state ownership, when properly regulated, can support good financial practices. Therefore, government participation in strategic sectors should be backed with institutional reforms, anti-corruption enforcement, and independent board appointments.

iv. Review ownership concentration and insider holdings policies. As ownership concentration and managerial ownership showed no significant impact on earnings management, regulators should not rely solely on these internal mechanisms as safeguards. Instead, they should be complemented by external audits, whistleblowing mechanisms, and board independence.

v. Strengthen regional corporate governance frameworks. There is a need for harmonized and enforceable corporate governance codes across Sub-Saharan African stock markets to ensure consistent shareholder protection and financial transparency, particularly for manufacturing firms prone to operational opacity.

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