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# Ownerships Structures and Accounting Conservatism among Nigeria Listed Firms

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# Ownerships Structures and Accounting Conservatism among Nigeria Listed Firms.

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**Abstract:** The article aims to examine the effect of ownership structure on accounting conservatism among Nigeria listed firms. Correlational research design was employed in this study and the sample size comprises of all 15 firms from the banking sector listed on the Nigerian Stock Exchange (NSE) for the years 2013 – 2017. The study employed the panel regression technique to estimate the coefficients of the variables in the model specified.
The study finds that there is a positive and insignificant relationship between managerial ownership and accounting conservatism; a positive but an insignificant relationship was observed between institutional ownership and accounting conservatism. However, foreign ownership revealed a negative but not significant relationship with accounting conservatism. We recommend that financial statements to include more detailed analysis of the structure of their ownership and shareholding to provide more information for decision making for users of the accounting information such as researchers and potential investors. Also, Regulatory bodies should ensure all companies comply with the concept of conservatism by imposing strict penalty on erring companies.

**Keywords: Accounting Conservatism, Ownership Structure, Nigeria**

## 1. INTRODUCTION

The transparency and timeliness of accounting information has become of greater importance in financial reporting owing to the rise of globalization and internationalization in the capital markets. One of the distinct areas that affects these accounting principles is the idea of conservatism in accounting [27].

Accounting conservatism can be seen as a method used by firms in reducing the risk in accounting reporting that arises from events such as district contracts and implementation of poor decisions [19].

The anticipated relationship between ownership structure and accounting conservatism arises from the existence of previous literature enumerating a relationship between the knowledge of directors in anticipating benefit, delivery time and profitability of projects, and their exposure to such information spurring excessively risky investment decisions [3], [35].

The goal of accounting conservatism, by means of early loss recognition in financial reporting, is to increase the investment profitability of a business [22]. [17]. This postulation is further supported by the thoughts of [31] and [3] suggesting that Accounting conservatism revealed a positive effects on the success of the decisions made based on accounting information. Studies have linked the winding up of large companies to accounting practices directly opposing the principle of conservatism in the years preceding their liquidation [32].

Active monitoring theory postulates that institutional shareholders have significant tendencies to involve themselves in overseeing management of firms and are often longer term, and so this monitoring leads to an enhancement in firm value and quality of accounting data to favor the other shareholders and public stakeholders [5].

A wide range of literature examined the connection between conservatism in accounting and other variables with the use of different models, theorem and research models, and most of such studies have been centred on selected variables such as government ownership, agency, agency conflict and equity market demand influence.

Their findings have indicated a correlation between accounting conservatism and chosen variables in developed countries as in the studies of [26] in Malaysian companies, [2] in Jordan, [1] in the United States, [8] also in the United states, [6] in the United kingdom, [5] in Korea amongst many others all generating mixed results. However, little empirical data exists that investigates the existence and

extent of a relationship between apportionment of equity holding in quoted companies and the amount of conservatism applied in their financial reporting practices in developing countries specifically in Nigeria, and very few have used institutional ownership, managerial ownership and foreign ownership as the set of independent variables potentially influencing accounting conservatism. Based on this, the study examine the impact of ownership structure on account conservatism in Nigerian quoted firms'.
The remaining part of this paper is structured as follows: Section 1 is an introduction as above. Section 2 contains the literature review and hypothesis development. Section 3 outlines details of the research design adopted. Section 4 presents the results from the estimates and analyses the results. Section 5 concludes the study and provides recommendations.

## 2. Literature Review and Hypotheses Development

### 2.1 Concept of Accounting Conservatism

According to [36] in a general sense, conservatism is a likelihood that accountants, when met with uncertain economic conditions in financial transactions, opt to anticipate smaller amounts for the worth of assets and revenues, but larger projections for the amounts of liabilities and expenses, the aim being to prevent the overstatement of incomes in financial reporting and the understatement of costs and losses.
Conservatism can easily be associated with principle of realisation, in that it encourages that an income should not receive recognition prior to its actual realization. This principle as seen by contemporary academicians and accounting standard setters, is a concept under which accountants apply a sensible amount of prudence in the recognition of transactions that are affected by economic uncertainty.
Modern accounting researchers agree that conservatism has the impact of speeding up the recognition of losses and declaration of profit recognition [36]. [36] further argues that this does not imply a weakness to the prudency rationale behind conservatism because it appears to simply postpone the recognition of incomes, but that it does so only in order to verify the materialization of such incomes before they are reported.
The rationale behind encouraging accounts conservatism is to further confirm the truthfulness of the incomes reported in financial statements and eliminate the threat of ghost incomes in the statements which may have been earned but were never received and are therefore of no financial benefit to the business in question in terms of their liquidity. [20], [29] in their work, stated that the desire for accounts conservatism is encouraged by agency conflicts, citing an example in the idea that varying management ownership structures amount to varying agency costs to businesses, and therefore varying demands for conservatism. The effect of the agency principle on conservatism rallies around the idea that the managers, being the agents of the shareholders for the running of the business have little or no personal incentives to be conservative in their reporting ad their investments are not involved in the company and to have reported higher profits would imply that they have done a better job, hence to apply conservatism in delaying the recognition of the profits will be to their disadvantage. [24] further espouse that the differences in the degree of conservatism applied in reporting within the same regions imply that the level of conservatism applied is not regional but is dependent of the internal goals of financial reporting held valuable by each individual organization

### 2.2 Hypotheses Development

#### 2.2.1 Managerial Ownership and Accounting Conservatism

The empirical evidence on the influence of managerial ownership on accounting conservatism is inconclusive with opposing opinions.
The crux of the agency problem rests in the fact that for the sake of their own interests which are separate from those of the stakeholders, managers may make both accounting and real decisions to deceive the ownership of the company into making choices to favour them by concealing the true state of the firm's economic performance [23], [34].
Depending on the extent to which managers are constrained in accruals manipulation, they may likely resort to making such fraudulent adjustments in the area of real earnings management which may be even more advantageous to them [14]. In addition to concealing the real performance of the company, earnings management hides the true patterns in the company's actual performance in terms of revenue and earnings growth which will in turn create an impression that shareholders and the public can anticipate improvements in the business growth and demand of its products.

According to [23] however, recent literature presents evidence that conservatism can serve as a preventive measure on the harm caused by earnings management practices. In support of these claims, [16] say that applying conditional conservatism by way of timely recognition of losses and delaying economic gains recognition reduces the chances that earnings management will successfully be carried out. [33] reported a significant relationship between managerial ownership and accounting conservatism. Also, [2] found a positive association between managerial ownership and accounting conservatism.

$H_1$: There is no significant relationship between managerial ownership and accounting conservatism in Nigeria listed firms.

#### 2.2.2 Foreign Ownership and Accounting conservatism

Foreign investors tend to gravitate towards firms with high investments and abundant information which they often associate with low levels of information asymmetry [11]; [21]; [20]. Additionally they have stronger motives, experience and skill sets to independently analyse companies, and this increased monitoring abilities are in turn poised to influence their demand for the accuracy of accounting information, and cause them to turn to enforcing more conservatism as a means to achieving that end.

[5] suggested that foreign ownership could either boost or reduce financial reporting quality. Their results indicated that foreign ownership is positively associated with financial reporting conservatism at all three models. Studies such as [2]; [4] reveal a positive relationship between foreign ownership and accounting conservatism.

$H_2$: There is no significant relationship between foreign ownership and accounting conservatism in Nigeria listed firms.

#### 2.2.3 Institutional ownership and conservatism.

Institutional shareholders are major professional shareholders and are owners of another part of the company′s shares, who in spite of the first group, can access to internal valuable information on company′s future outlook, business strategies through direct relation with managers [28]. [7] concluded that using abilities of institutional investors to monitor corporate management and performance follows amount of their investment.

The higher level of institutional ownership, the better management, which it is a direct relationship. Theoretically, institutional investors may have incentives for active monitoring on management and consequently, increasing shareholders′ value in comparison with the shareholders with lower investments in a company block holders have a larger financial stake in the wellbeing of a company, they also pull enough weight through their rights to vote to remove and rearrange the structure of management within the company [7]. Large shareholders on the outside therefore possess a lot of power to control the behavior of the management and prevent themselves from being victims of the agency conflict [37].

Institutional investors may have incentives for monitoring financial reporting. Financial statements, especially profit and loss statements, are important source about company′s information. Empirical evidences show that presence of institutional investors has a positive relationship with market reaction to dividend distribution [18].

[5] posited that institutional investors are best armed with the skills, knowledge and all round resources to efficiently and effectively monitor and control the activities of the management in a company wherein they have invested. Therefore, the lagers shareholders present an opposition for the managers and can prevent them from being able to manipulate profits to levels that best suit their interest. In spite of all this, the heavy involvement of institutional investors in the affairs of a company is expensive and will only show its fruits in the long term in the aspect of conservatism, therefore not all institutional investors involve themselves in the corporate governance of a company [25].

Several studies have failed to show how investors that are not part of the board of directors will affect the amount of accounting conservatism of the firm. [10] opined that the policy of the firm can be affected by the institutional shareholders. They conclude that the policy of the firm can be influence through their voting right Conversely, [2], [5] and [4] in their study found a positive relationship between institutional ownership and accounting conservatism.

$H_3$: There is no significant relationship between institutional ownership and accounting conservatism in Nigeria listed firms.

### 2.3 Underpinning Theory

#### 2.3.1 Stakeholder theory

This concept posits that the managers of a company, of ethical necessity, are required to be conscious of the effects of their actions on all the parties with a stake in the company. This applies even more specifically to the shareholders who are one of the most directly affected by the overall wellbeing of the company. [13] defines stakeholders "as any person or group that may or may influenced by the accomplishment of the purpose of a corporation". The term embodies various resource providers specifically unions, shareholders, employees, suppliers, creditors, consumers, and regulatory agencies. The stakeholder theory was criticized to drastically overemphasize the major role of managers to be accountable to stakeholders without stating the way to keep their interests functioning in line with each other, but remain relevant as equity demands for conservatism determine the amount of conservatism that the managers of companies take due care to present in their financial statements.

#### 2.3.2 Transient and Active Monitoring Investors theory.

According to the findings of [9] larger shareholders are more often than not institutional and therefore institutions with significant shareholding have a say in the way organizations are run. The effect of this can however function in both the positive and negative directions because institutional investors come in two different forms, the transient investors with highly diversified portfolios and little interest in the management of the firms and short term incentives for investment, heavily dependent on accounting information to know when to withdraw their investments from the firms: they are more likely to pose a danger to the conservatism in financial reporting because they provide the equity demand incentive for managers to manipulate data in order to retain their investment or attract more of it. The Active monitoring investors have long term investment intentions with less diversified portfolios and a stronger interest in the activities of management. They are more prone to heavy monitoring on the management and strict scrutiny on how financial reports are prepared [5], [25]

This study will be centered on the Stakeholders theory on the basis that it encompasses the debt owed by management to its stakeholders the most primary of which being the shareholders) the due caution of their interests being considered in the actions taken in the running of the firms in which they have entrusted their investment.

## 3. METHODOLOGY

### 3.1 Research design

This research was carried out using correlational research design. This involves the collection of previously prepared quantitative data from valid secondary sources about the population and performing mathematical operations on them to test the hypothesis. The research was carried out within Nigeria.

### 3.2 Population and Sample size

The research population, being the total group of parties to be involved in this study includes all the banks in Nigeria quoted in the Nigerian Stock Exchange. There were 15 quoted banking firms in the NSE as at 31st December 2017.

The Judgmental sampling technique was used for this study. Owing to the fact that the population being analyzed is very small, the entire population of 15 banks was analyzed in this survey, using data from their financial statements from the years 2013 to 2017.

### 3.3 Model Specification

This study draw inspiration from the study [2]. We expect a functional relationship between ownership structure (managerial ownership, Institutional ownership, foreign ownership) and accounting conservatism.

$$\textit{Accounting Conservatism} = f\,(\textit{managerial ownership, institutional ownership, foreign ownership}) \qquad (1)$$

In econometric form and considering the panel structure of the data, equation one is transformed as:

$$AC_{it} = \alpha_0 + \alpha_1 ForeiO_{it} + \alpha_2 InstO_{it} + \alpha_3 ManO_{it} + \alpha_4 sizit + \alpha_5 profit + \varepsilon_{it} \qquad (2)$$

Where,
AC = Accounting conservatism;
ForeiO = Foreign Ownership
InstO = Institutional ownership =
ManO = Managerial ownership
Fsize = Firm Size
Profit = Profitability
ε = Error term;
i = corporations; t = the financial year.

Table 3.1: Measurement of Variables

| S/N | Variables | Measurement | Apriori Sign |
|---|---|---|---|
| | **Dependent Variable** | | |
| 1 | Accounting Conservatism | Measured using Accrual Model Formula which is express as: $\frac{Income+Depreciation\ Expenses-Net\ Operating\ Cash\ flow}{Total\ Asset}$ | |
| | **Independent Variable** | | |
| 2 | Foreign Ownership | Measured as the proportion of shares owned by foreigners' to the total number of shares in issue | + |
| 3 | Managerial Ownership | Measured as the proportion of shares owned by board of directors to the total number of shares in issue | + |
| 4 | Institutional Ownership | Measured as the proportion of shares owned by institutional investors to the total number of shares in issue | + |
| | **Control Variables** | | |
| 5 | Firm Size | Measured as the natural logarithm of total asset | + |
| 6 | Profitability | Measured as profit after tax | |

Source: Authors Computation (2019)

### 3.4 Method of Data Analysis

The analysis of the relevant figures extracted from the financial statements will be carried out first with the use of a mathematical formula for the measurement of conservatism, and a panel regression model will be adopted for the study to test the hypothesis with the aid of the STATA 13.0 software package to establish relationship or absence thereof between accounting conservatism and percentage of ownership structure as per the data in the financial statements, reason being the reliability.

## 4. EMPIRICAL RESULTS

### 4.1 Descriptive Statistics

*Table 1: Descriptive Statistics*

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| CONSERVATISM | 72 | 4.21e+07 | 4.20e+07 | -1.97e+07 | 1.78e+08 |
| MANOWN | 71 | .1052354 | .1549379 | 0 | .71858 |
| FOROWN | 71 | .176166 | .2460458 | 0 | .8589 |
| INSTOWN | 71 | .4376099 | .2641433 | 0 | 1 |
| PROFIT | 72 | 3.20e+07 | 3.60e+07 | -2.26e+07 | 1.67e+08 |
| FIRMSIZE | 73 | 12.11552 | .3373502 | 11.06684 | 12.67576 |

**Source: STATA 13.0 output (2019)**

The descriptive statistics of the variables used in the analysis presented in Table 1 explains the, minimum, maximum, standard deviation and mean values of the data distribution. The mean value of organization's conservatism in financial reporting is 4.21e+07. It had a standard deviation of 4.20e+07, a maximum absolute value of 1.78e+08 and a minimum absolute of value of -1.97e+07 revealing a large range and by so doing presenting a significant extent of variability in the conservatism of the financial statements of the banks.

The managerial ownership shows a mean of 0.1052354, with maximum and minimum values of .71858 and 0 respectively while the standard deviation is .1549379. This means an average of 10 percent of the shares of quoted banks in Nigeria is held by the management, however there exists a significant range in the variance of the percentage in different banks. The foreign ownership showed an average of.1776166, with maximum and minimum values of .8589 and 0 respectively while the standard deviation is .2460458. This implies that the average quoted bank in Nigeria is 18% owned by foreign investors although the range of differences to extent of this ownership is very wide. The institutional ownership has a mean value of .4376009, indicating that nearly half of the quoted banking industry is owned by institutions which is in agreement with the postulation that institutions possess the large funds required to make large share purchases in companies, or at least, more so than individuals. It has a standard deviation of .2641433, with minimum and maximum values of 0 and 1 respectively.

The Firm Size, a control variable in the analysis has a mean of 12.11552 and a standard deviation of .3373502 with a maximum value of and a minimum value of 12.67576 and 11.06684 respectively. Profit as computed in the financial statements is the second control variable with a mean of 3.20e+07 and a standard deviation of 3.60e+07, as well as a maximum and minimum values of 1.67e+08 and -2.26e+07 respectively.

**Robustness test**

IOP Conf. Series: Earth and Environmental Science **331** (2019) 012056 doi:10.1088/1755-1315/331/1/012056

**Test for Normality (Histogram)**

Normality typically depicts a symmetrical, bell-shaped curve, having its greatest frequency of scores at the center with reducing frequencies toward the left and right sides [15].

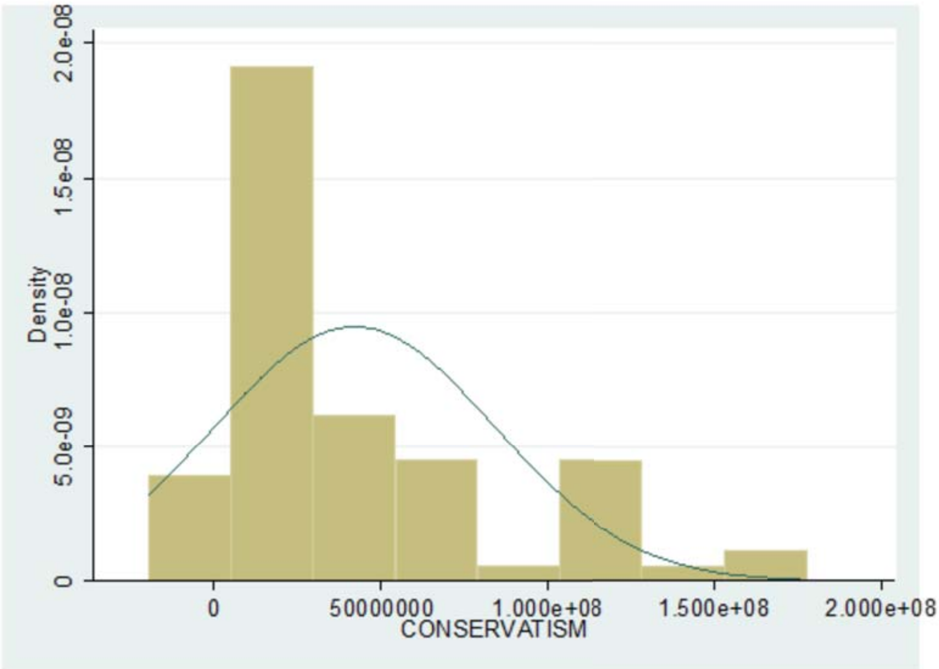


Figure 1: Test for Normality (Histogram)

Computed output (STATA 2019)

The table above shows the frequency distribution of the data analyzed presented as a histogram. The series range is separated into a number of equal length intervals and a count of the number of observations in the sample that lie within the intervals is presented by the histogram. Normality is said to exist when the outcomes of the observations are normally distributed, that is they take the expected bell shape, larger in the middle and tapering down toward the left and right. In this study however, the peak of the curve leans toward the left indicating some abnormality in the distribution, hence the assumption of normality can be said to have been significantly violated. However the extent of violation does not completely negate the premises that the score from the analysis are related. In order to further verify the normalcy of the data distribution, normal Q-Q plot tests will be carried out.

**Normal Q-Q plot.**

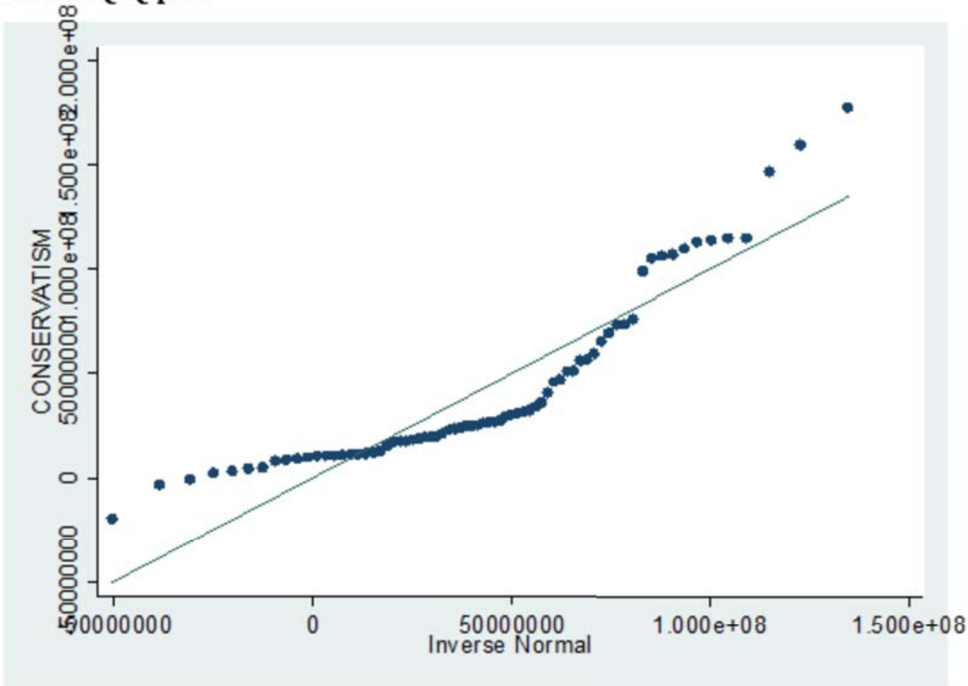


Figure 2. Normal Q-Q plot.

Computed Output (STATA, 2019)

Normal Q-Q plot affords a graphical way to ascertain the extent of normality. The dotted line indicates the tenets that data ought to ideally align with if the distribution is normal. As shown, most of the sample does not align with the line, and so the distribution is not normal.

## 4.2 Correlation Matrix

### Table 2. Pearson Correlation Matrix

| | CONSER~M | MANOWN | FOROWN | INSTOWN | PROFIT | FIRMSIZE |
|---|---|---|---|---|---|---|
| CONSERVATISM | 1.0000 | | | | | |
| MANOWN | -0.2848 | 1.0000 | | | | |
| FOROWN | -0.2634 | 0.0174 | 1.0000 | | | |
| INSTOWN | -0.3308 | -0.1464 | 0.3821 | 1.0000 | | |
| PROFIT | 0.9605 | -0.2804 | -0.2753 | -0.3426 | 1.0000 | |
| FIRMSIZE | 0.7668 | -0.3568 | -0.1829 | -0.2845 | 0.7197 | 1.0000 |

**Computed output (STATA, 2018)**

The correlation between account conservatism and managerial ownership revealed a negative relationship indicated by -0.2848 shown in the table 2. This implies that an increase in managerial ownership will lead to a reduction in conservatism.

The association between accounts conservatism and managerial ownership is a negative relationship indicated by -0.2634 shown in the table 2. This implied that an increase in foreign ownership, will lead to a reduction in account, but for the purpose of hypothesis testing, the regression analysis will be used.

IOP Conf. Series: Earth and Environmental Science **331** (2019) 012056 doi:10.1088/1755-1315/331/1/012056

The association between accounts conservatism and firm size is a strongly positive one with the coefficient of correlation being 0.9605 as shown in the table 2, which by implication indicates that as profit increases, so does conservatism. But for the purpose of testing the hypothesis, regression analysis will be later applied.

The association between accounts conservatism and institutional ownership is a negative relationship indicated by -0.3308 shown in the table 2. This means that as the institutional ownership increases, the conservatism reduces, but for the purpose of hypothesis testing, the regression analysis will be used.

The association between account conservatism and firm size according to the results of the correlation analysis are strongly positive with a correlation coefficient of 0.7668, implying that there is a positive relationship between firm size and accounts conservatism.

### 4.3 The Hausman tests.

This was carried out to establish whether or not a fixed or random effects model will be used to carry out the final regression analysis upon which the hypotheses testing will be based. The decision rule from the test is that if the difference in coefficients is systematic, then a random effects model is to be used, but if the difference in coefficients is systematic then a fixed effects model should be used for the data analysis.

**Table 3. Hausman Tests**

| | —— Coefficients —— | | | |
|---|---|---|---|---|
| | (b) fixed | (B) random | (b-B) Difference | sqrt(diag(V_b-V_B)) S.E. |
| MANOWN | 1.33e+07 | 3933066 | 9370992 | 2.81e+07 |
| FOROWN | -3649988 | -655225.8 | -2994762 | 2.28e+07 |
| INSTOWN | -2.09e+07 | 1556272 | -2.24e+07 | 1.82e+07 |
| PROFIT | .9997299 | .9906662 | .0090637 | .0717279 |
| FIRMSIZE | 5.08e+07 | 2.17e+07 | 2.90e+07 | 2.19e+07 |

```
                 b = consistent under Ho and Ha; obtained from xtreg
      B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test:  Ho:  difference in coefficients not systematic

            chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                    =        2.48
          Prob>chi2 =      0.6480
```

**Computed output (STATA, 2019)**

Based on the decision rule for Hausman data testing, the observations will be analyzed using a random effects model for multiple regression, the results of which will be the premise for the final hypothesis testing. The result shows that the correlated Hausman random-effect likelihood value (0.6480) exceeds 5 percent (0.05). The random effect model is therefore accepted as the grounds for discussion of the results.

### 4.4 Regression Analysis

**Table 4. Panel Regression Analysis (Random Effect)**

```
Random-effects GLS regression                   Number of obs      =        70
Group variable: SN                              Number of groups   =        15

R-sq:  within  = 0.7436                         Obs per group: min =         1
       between = 0.9909                                        avg =       4.7
       overall = 0.9346                                        max =         5

                                                Wald chi2(5)       =    914.77
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000
```

| CONSERVATISM | Coef. | Std. Err. | z | P>\|z\| | [95% Conf. | Interval] |
|---|---|---|---|---|---|---|
| MANOWN | 3933066 | 1.11e+07 | 0.35 | 0.723 | -1.78e+07 | 2.57e+07 |
| FOROWN | -655225.8 | 6043204 | -0.11 | 0.914 | -1.25e+07 | 1.12e+07 |
| INSTOWN | 1556272 | 6009666 | 0.26 | 0.796 | -1.02e+07 | 1.33e+07 |
| PROFIT | .9906662 | .0557123 | 17.78 | 0.000 | .881472 | 1.09986 |
| FIRMSIZE | 2.17e+07 | 6431718 | 3.38 | 0.001 | 9126799 | 3.43e+07 |
| _cons | -2.54e+08 | 7.76e+07 | -3.28 | 0.001 | -4.06e+08 | -1.02e+08 |
| sigma_u | 0 | | | | | |
| sigma_e | 11739601 | | | | | |
| rho | 0 | (fraction of variance due to u_i) | | | | |

**Computed output (STATA, 2019)**

### 4.5 Test of Hypothesis and Discussion

From the table above, the P>|z| (Prob) value for managerial ownership is 0.723 which is far above the significance level of 5% which is being used in this work. Although the slope of the coefficient is a positive value of 1.11e+07, the basis of analysis rests more importantly on the probability value, hence the null hypothesis is accepted over the alternative hypothesis. On the basis of the probability therefore, managerial ownership has no significant relationship with accounting conservatism. This is consistent with the ideas of [12] who advocate that managers use financial reporting discretion to manage earnings in both directions in order to satisfy their own goals. Including management in the shareholding of a company can therefore swing both ways in either improving or reducing accounts conservatism, an indices of earnings quality.

The result from the above table also revealed, the P>|z| (Prob) value for foreign ownership is 0.914 which exceeds the significance level of 5% being applied for this analysis. The slope of the coefficient value is –655225.8, which shows a significant negativity, the decision is however being taken on the probability which clearly exceeds 0.05, and is therefore the null hypothesis will be accepted and the alternative hypothesis rejected. By implication, this result implies that variations in foreign ownership do not affect the extent of accounting conservatism applied in the preparation of financial reports in the banking sector. This result is supported by the postulations of [30] attributing variations in incentives for accounts conservatism to ownership concentration and not nature of ownership. By implication, it is the unity of incentive of the largest shareholder group to influence management decisions that matters and not the size of the groups. The studies of [6] acknowledge that there are 2 groups of investors, the transient and the active monitoring investors, the transient ones being passive and readily willing to sell off their investments in a sudden turn of market conditions and the active monitoring ones with long run incentives to maintain their shareholding in the company. Hence, subject to the nature of foreign investors, the impact on conservatism could be both positive and negative, suggesting a likely reason for the absence of a significant relationship.

The P>|z| (Prob) value for institutional ownership is 0.796, which is clearly above the significance level of 5% being used in this research. The slope of the coefficient was a strong positive 1556272, but the decision rule rests on the probability hence the reason for accepting the null hypothesis, meaning in real terms that variations in the proportions of institutional ownership in listed banks in Nigeria has no effect on the level of accounting conservatism. This is in consistent with the theory of Transient and the Active Monitoring investors [25]. The transient investors due to their short run incentives and investment volatility, rather than monitor managers, sell their investments as soon as the market turns unfavourable, hence the incentive for the management to manipulate data increases in order to keep the transient investors happy. However, with the active monitoring investors, keen attention is paid to the management of the company because they have long term intentions to maintain their investment in such companies, hence the demand more conservatism in their financial reporting.

## 5. Conclusion and Recommendations

The study was driven by the premise that the structure of the organizations ownership has an influence on the reliability of its financial statements, in this case being measured by accounting conservatism. The aim is to provide additional data to back up the reliability of financial statements by way of the ownership structure informing the viewer of annual reports on how reliable/ conservative the financial statements of the company will likely be, and for individual investors with small financial capability and hence little power to influence management, it can be helpful in deciding where is safest to invest.

Based on the above analysis, data collection, reviews of literature and interpretation of data, among the quoted banks in the Nigerian Stock Exchange, there is no significant relationship between ownership structure of firms (specifically managerial, foreign and institutional ownership) and accounting conservatism. Although many literatures support the presence of relationships between these variables and accounting conservatism, for probable reasons, some of which have been stated above, a relationship between those variables is not traceable in the observations collected from the financial statements in the industry.

Consequently, based on the findings, the study recommends that in assessing the tendency of ownership structure and accounting conservatism, there is need for:

Financial statements to include more detailed analysis of the structure of their ownership and shareholding to provide more information for decision making for users of the accounting information such as researchers and potential investors.

Also, more attention should be placed on accounting conservatism by regulatory bodies as a means of improving the quality of earnings reported by companies.

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