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EARNING MANAGEMENT, FIRM SIZE AND INSTITUTIONAL OWNERSHIP: EVIDENCE FROM NIGERIAN MANUFACTURING FIRMS

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ABSTRACT

This paper is an empirical investigation of the role of firm size and institutional ownership on earnings management: Evidence from Nigerian quoted Firms for the period of 2000-2021. The quoted firms used in the study are thirty (30) in number out of which a sample of Twenty (22) were used for the study. Firm attributes as the independent variable was proxy with firm size, leverage, Institutional ownership, profitability, liquidity and firm growth), While the residuals from the modified Jones model by Dechow et 'al (1995) was used to proxy earnings quality. The study adopts multiple panel regression techniques and data were collected from secondary source through the annual reports and accounts of the firms. The findings reveal that leverage, liquidity and firm growth has a significant positive impact on earnings quality while firm size, institutional ownership and profitability have a significant but negative influence on earnings quality of listed oil and gas companies in Nigeria. The study contribute to knowledge by including external firms attribute and cover all quoted firms in Nigerian stock exchange. It is recommended among others that specific sector and selected companies may be used for better result, also interest rate is need to be considerably low and there is need for firms to increase their liquidity asset and turnover as it has been found empirically to enhance the quality of the firms reported earnings.

Keywords: Earning, Management, Firm Size, Ownership.

INTRODUCTION

Earnings management is used to conceal the bottom line and position of a company and makes facts that stakeholders should know unclear (Lawal, Nwanji, Opeyemi & Adama, 2018). Managers use their discretionary power to make the financial different from reality, the results are said to exist According to Kusuma and indayani (2020) managers seek to engage in the practice of profit management, benefit from the flexibility of the rules and principles when incurring expenses and recognizing income.

The risk of the presence of earnings management can cause serious problems because the interpretation of financial reports and the measurement of the profitability of the company become a mixture of the evaluation of the economic reality of the company and the likely adjustments that may have been made (Sincerre, Sampaio, Famá & Santos, 2015. Decisions of firms are affected mainly by some attributes they have. Over time, these variables influence the company's decision both internally and externally. Company attributes contain variables such as company size, company growth, indebtedness, company age, company liquidity and company turnover, among others. This variable mainly determines how business is handled by leaders (Kelvin 2020). There are arguments drawn from the literature that the variable influences the desire of managers to engage in results management practices (Iman & Nejad, 2015; Lazzem & Jilani, 2017; Shehu & Ahmad, 2013). There have being a greater attention in Nigeria on earnings management since the Cadbury Nigeria Plc scandal in 2006. The alleged cases of falsification of the audited financial statements of the directors of the above-mentioned companies necessitate investigation of earnings management in Nigeria (Ahmad, Khan & Khan, 2018). Several studies have being carried out on firm characteristic and earnings management etc. To our knowledge, there are few studies that take into account the attributes of firms on earnings management, especially in Nigerian conglomerates. Financial information systems are designed to provide relevant financials to all users (Al-Dhamari& Ismail, 2014).

High quality, consistent, comparable and understandable business enterprise reports build investor and market confidence. The managers are free to choose the accounting methods of presentation of information when the preparation of the financiers. They are often forced to present the more successful image to the market, by exploiting the inadequacies of the accounting rules (Algharaballi, 2013). One of the main issues affecting the quality of information is the extent to which managers manipulate reported earnings. Moreover, accrual based accounting contributes to the propensity of as it does not require the physical evidence of cash in recording transactions (Sulistyanto, 2008). Profit management can result from top managers trying to protect their interests in a by choosing inputs or outputs according to their preferences (preferences (Al Farooque, Suyono, & Rosita, 2014; Musa et al 2019; Oraka and Ezeala, 2021)

Research Question

In light of the above research problem, some pertinent research questions that will be answered in the study are;

i. How does firm size impact on earning quality of listed firms in Nigeria?
ii. How does Institutional Ownership impact on earning quality of listed firms in Nigeria?

Objectives of the Study

The major objective of the study is to determine effect of Firm attributes on Earning Management of quoted firms in Nigeria. Hence, the following individual objectives are highlighted below:

i. To examine the impact of Firm size on Earning Management of Listed firms in Nigeria;
ii. To ascertain the effect of Institutional Ownership on Earning Management of Listed firms in Nigeria.

Statement of Hypothesis

In view of the above objectives, the following null hypotheses have been formulated in null form.

i. Hypothesis One (HO_1) Firm size has no significant impact on Earning Management of listed firms in Nigeria
ii. Hypothesis Two (HO_2): Institutional Ownership has no significant effect on Earning Management of listed firms in Nigeria

Scope of the Study

The conceptual scope of this study is to examine the relationship between Firm attributes and Earning Management of selected firms listed on the Nigeria stock exchange. The study will assess the impact of firm size, leverage, institutional ownership, profitability, bearing of liquidity and firm growth on Earning Management as the dependent variable.

The geographical coverage of this work is delimited to quoted manufacturing firms in Nigeria between 2000 to 2021 is due to availability of data and the fact that the researcher can conveniently access annual report of selected firms within these current years.

LITERATURE REVIEW

Concept of Earning Management

Firm Size and Earning Management

Previous studies have shown that there is a correlation between company size and financial speed. Previous studies have provided several reasons to justify positive relationship. Hope and kemebradikemor (2019), found that large companies generally have more resources, more accounting staff and more advanced accounting information systems than their more Hence, large companies have the ability to prepare and publish their financial statements in a shorter period of time than their counterparts. A similar argument is offered by Owusu-Ansah (2000) suggesting that large companies tend to have strong internal control systems. As a result, external auditors spend less time performing substantive testing. In addition, larger companies are more likely to pressure the external auditor to start the audit and complete it on time (Nelson et al., 2019).

Large companies are more likely to have strict and formal policies that will facilitate quick completion (Kusuma and indayani, 2020). Large companies are more in the spotlight by the public; therefore, large corporations tend to keep the business in the public eye by submitting their financials in a timely manner.

In fact, studies that have empirically examined the relationship between company size and financial reporting timeliness in developing countries have produced mixed results. Some studies have provided empirical evidence of a relationship between firm size and financial speed, such as Abdullah (1996) in Bahrain, Owusu-Ansah and Leventis (2006) in Greece, Akle (2011) in Egypt, Ahmed (2003), Ahmed in three Asian countries namely Bangladesh, India

and Pakistan, in Turkey, Guleç (2017) in Turkey, Ahmad et al. (2018) in Malaysia, Ha et al. (2018) in Vietnam and Murti (2021) in Indonesia. On the contrary, other studies have provided empirical evidence that there is no significant effect of the size of on the timeliness of financial reports, such as Rahmawati (2018) and Bangun (2019)

Institutional ownership and Earning Management

Institutional investors include pension funds, trustees, insurance companies, finance and investment companies. According to agency theory, the problem of agency can be overcome through institutional ownership. Institutional investors are seen as an effective corporate governance mechanism.

Because of the large stake they hold in the company, are motivated to monitor the behavior of management. Institutional ownership monitoring provides proactive monitoring that cannot be provided by less-informed investors. A high level of institutional appropriation will lead to increased monitoring efforts of on the part of the institutional part of the company, so that it can hinder the opportunistic behavior of managers (Okika et.al, 2020). Kelvin (2020) argued that institutional ownership can be heavily involved in controlling and correcting the management and in directing the financial reporting activities of a firm because it is more informed individual investors. Mitra et al. (2012) document the association between ownership characteristics of the enterprise and the timely correction of weaknesses in control over financial reporting. Musa et al (2019) state that significant institutional contributions will be incentivized to monitor corporate decision-making.

This will limit the weak performance of the agent and then reflected in the improvement of the company's performance and increase in profits. Empirical studies that have examined the relationship between institutional ownership and the timeliness of financial reporting have provided evidence of a positive relationship between percentage ownership in the ownership structure of the company and financial reporting news, such as as Al-Ajmi (2008) in Bahrain, Ezat and El-Masry (2008) in Egypt, Kusuma and Indayani (2020) in Indonesian and Aksoy et al. (2021) in Turkey.

THEORETICAL REVIEW

Agency Theory

Agency theory deals with the contractual relationship between agent and principal under which shareholders delegate responsibilities to the manager to run the business. It evolved from the concept of separation of ownership from management in modern firms highlight the potential conflict between shareholders and management when ownership is distributed widely among shareholders.

The theory argues that when both parties are expected to maximise their utility, there is good reason to believe that the agent may engage in opportunistic behaviour at the expense of the principal's interest (Jensen & Meckling 1976). Jensen and Meckling (1976) and Fama, E F and Jensen (1983) modelled this condition as an agency relationship where the inability of the principal to directly observe the agent's action could lead to moral hazard, thus increasing agency cost.

The most frequently cited example of an agency relationship is between the shareholder and the management of the company. The shareholders objective is to maximise their wealth by ensuring an increase in firm value. Corporate management, on the other hand, aims to maximize personal and corporate benefits. Agency fees are borne by the principle in the need

to monitor the behavior of the agent is delegated the responsibility to manage the assets the company and whose interests are not parallel interests of principle (Deegan 2009). Monitoring costs may include the need to engage an external audit function (Gaffikin 2008). Apart from the cost of monitoring the conflicts associated with the agent/principle relationship, other costs may be incurred, including bonding costs, residual loss costs and political costs (Gaffikin 2008). In principle, the various the costs arising from conflicts within the agent/principle arise from the opportunistic behavior of the management of financial reports in an organization. Within the framework of agency theory, corporate governance mechanisms are mechanisms for overcoming agency problems and preventing opportunistic behavior. Burton (2019) believes that agency costs are best controlled by limiting management discretion through the establishment of structures to monitor and control management behaviour. These structures include an independent board of directors, a chairman and an independent sub-committee of the board such as the audit committee (Dalton et al. 1998). Corporate governance studies were motivated from the agency perspective whereby firms employed governance mechanisms to mitigate agency conflict in firms. Audit committee, board of directors, board committee, ownership structure and firms' reporting mechanisms are internal governance organs developed to meet this purpose. Additionally, empirical studies showed that firm good governance not only important in reducing the conflict of agency and managers opportunistic behaviour, but also mitigating risk exposures and thus increasing firm value.

Most studies in corporate governance and Earning Management use agency theory as the underlying basis of research propositions, among others, Ahmed, Anwer S. and Duellman (2007); Lara, Osma and Penalva (2007); and Ruddock, Taylor and Taylor (2006).

Institutional Theory

Institutional theory explores how (at a broader level) particular formal structures might be adopted in order to bring legitimacy to a firm (Deegan 2009). According to Carpenter and Feroz (2001), institutional theory provides another lens through which to view economic dependency incentives' impact on accounting rule choice. In an attempt to apply institutional theory to a corporate governance context, Meyer and Rowan (1977) suggest that organisational structures play a vital role as symbolic displays of conformity and social accountability. Institutional theorists argue that numerous aspects of formal organisational structure, policies and procedures result from prevailing societal attitudes of what comprises an acceptable practice and the views of important constituents. Firms obey rules and regulations, not just on efficiency grounds, but also to enhance legitimacy, resources and survival capacities.

Institutional pressures operate in conjunction with other forces such as completion to effect ecological influences (Kusuma and Indayani 2020).

EMPIRICAL REVIEW

Kenny and Luqman (2019) investigated firm's characteristics effect on financial reporting quality of Nigerian quoted manufacturing companies. Twenty-five (25) non-financial companies from 2009 to 2016 were used as sample. Balanced panel data was extracted via secondary source through the audited reports of the selected companies. Techniques adopted were multiple regression and modified Dechow and Dichev's (2002) model was used to proxy quality of financial reporting. Firm size, profitability, firm tangibility and growth represented firm characteristics. Findings revealed firm size and profitability have significant positive

influence on quality of financial reporting, while tangibility and firm growth were documented to have significant but negative influence on quality of financial reporting.

Hope and Kemebradikemor (2019) examined the influence of board characteristics on financial reporting quality of quoted manufacturing firms. The study used multi-method quantitative design and Generalized Linear Model was employed to test the hypotheses formulated. The findings revealed board independence as well as board diversity to have significant influence on financial reporting quality at 5 percent significance level.

Musa, Idris and Kwakipi (2019), examines the effect of company characteristics from the point of company structure, management structure, performance structure and property on the quality of reporting in listed industrial property companies in Nigeria. The correlational design was used by the study in a panel of balanced data of 11 companies which sampled the study for the period 2011-2018. The multiple regression technique was used as an analysis tool. Company size, leverage, age of and female directors have been found to have significant and negative effect on earnings manipulation of listed industrial goods companies in Nigeria. These does imply that the variables improve the financial reporting worth of companies. In addition, board meetings and significantly but positively influence companies' financial value, however, proxies for liquidity, and ownership structure have a weak influence on the value of financial information. The paper recommends that the management of listed industrial companies put more emphasis on other structures rather than just the ownership structure to ensure continuous improvement of the quality of their financial reporting as management's manipulative accounting activities are reduced

Okika Omoregbee and Echobu (2020), examined the effect of firm-specific attributes on earnings management of listed conglomerate companies in Nigeria. The dependent variable was measured using Performance-Matched accrual model. The study adopts an ex post facto research design the secondary data source was used and of the six conglomerate companies listed on the Stock Exchange for the period 2007-2017. The study employed fixed effect model in analyzing it results. The result revealed that the indebtedness and the age of have a significant negative effect on the management of while the liquidity and the rotation of the current assets of the company have a significant positive effect on earnings management of listed conglomerate companies The study concludes that higher leverage provide management of conglomerate firms in Nigeria with less incentive to manipulate earnings. Higher non-current assets turnover and Excess liquidity provides managers high incentives.

Kelvin (2020), Examine the relationship between firm characteristics and Earning Management of quoted manufacturing firms in Nigeria. The study used annual data from 2011 to 2018 of six manufacturing firms (Livestock PLC, May and Baker PLC, AG Leventis PLC, Nestle Nigeria PLC, Nigeria Bottling Company and Champions Brewery). Panel data analysis was adopted and Hausman Test was used to determine which of the appropriate method to adopt for the analysis. The study found a positive and significant relationship between firm characteristics (measured by return on asset and current ratio) and Earning Management (measured by persistence). The study recommended that Manufacturing firms may choose to go for more debt especially where the interest rate is considerably low and also increase their liquidity asset and turnover as it has been found empirically so as to enhance the quality of firms reported earnings

Oraka and Ezeala (2021), Investigated the moderating effect of board attributes on the relationship between earnings management of some listed manufacturers in Nigeria. Relationship between stock volatility and discretionary accumulation. The study was hinged on the 'agency theory'. The study adopted the ex-post facto research design. The population of the study included all manufacturing firms quoted on the Nigerian Stock Exchange as at 31st December 2019. Multiple regression analysis was employed in validating the hypotheses. The study found that board independence moderates the gap between information asymmetry and earnings management. The coefficient of the moderating variable was positive; and duality of chief executive moderates relationship between asymmetry of information and management of earnings.

RESEARCH METHODOLOGY

Introduction

Research methodology is the study of methods by which knowledge is gained. Its aim is to ascertain and organize the tools utilized for the research study. Research methodology is the system of methods followed in a particular discipline, the branch of philosophy that analyzes the principles and procedures of inquiry in a particular discipline. According to (Yomere and Agbonifoh, 1999) Cited by (Esene, 2012), it is a science of studying how research is to be carried out. Essentially, it is the procedures by which researchers go about their work of describing, explaining and predicting phenomena, methodology in most research works refers to the general strategy followed by the researcher in gathering and analyzing the data necessary for the work. This chapter thus discusses the research design, methods of collecting data, the population and sample size, method of data analysis and model specification.

Research Design

Research design means the structuring of investigation aimed at identifying variables and their relationships to one another. This is used for the purpose of obtaining data to enable the researcher test hypothesis or answer research questions (Kelvin 2020). The research design is a guide showing how the data or information regarding a research problem is to be collected and analyzed within the research setting and economy of time and materials (Anyiwe, Idahosa and Ibeh 2013), (Agbonifoh and Yomere 2011), (Nkonyeasua, 2011) and (Olannye, 2013). The study made use of correlational research design. The purpose of correlation research is to determine the relations among two or more variables. The design is appropriate because of its convenience in the study and it predicts a statistical relationship between two or more variables such that systematic changes in the value of one variable are accompanied by systematic changes in the other.

Population and Sample Size

Encyclopedia defined population size as the total number of individuals in a listed under the Nigerian Stock Exchange (NSE) to operate as a financial institution in Nigeria. The population of this study therefore, constitute of all quoted firms in Nigeria. However, focus is on manufacturing firms listed in the Nigeria Stock Exchange (NSE) in Nigeria; which constitutes the sample size of the study. Secondary data are therefore used for the empirical analysis.

Ten (10) firms will be randomly selected from manufacturing sector and data will be collected for 21 years' period 2000-2021.

Sampling Technique

This is also refers to the technique or the procedure the researcher would adopt selecting items for the sample (Kothari, 2004). For the purpose of this study, the non-probability sampling techniques were used.

Method of Data Collection

Secondary source of data was used in the study because of the nature of the study which is an empirical narratives of the Nexux between firms attributes and evidenced from listed Nigerian firms. Data that had been generated are required for this type of study. Time series data cover 21 years ranging from 2000-2021. The purpose of choosing this period is to empirically test the significance or the extent to which firms attributes impacts on of firms in the manufacturing sector, since 2000 to 2021. The data will be obtained from various Annual report of selected firms listed in Nigerian Stock Exchange (NSE) facts. The method of data analysis is the Ordinary Least Square (OLS) Multiple Regression Model (MRM).

Data Analysis

In order to estimate the regression model, the software used in the analysis is the E-view version 7.0. (Chris, 2012) opined that the E-view is encouraged and justified for such time series regression analysis because it is more robust, highly technical and highly efficient. Time series diagnostic test will be run; Unit root test, theOrdinary Least Square (OLS), the Diagnostic Test, Granger Causality Test, Co-integration Test

Model Specification

According to Gujarat (as cited by Udonsah, 2012) an econometric investigation begins with the specification of the econometric model underlying the phenomenon of interest. Also, (Asogwa as cited by Udonsah, 2012) posit that specification of a model generally is a function of the theoretical relationship between or among variables, the nature of study objectives and type of data.

Thus the general model is specified as follows:

$Y = f(X_1, X_2)$

Where: Y = (EM)

X_1= Frim Size

X_2 = institutional ownership

The linear form of the regression model is expressed as:

EM =$\beta_0 + \beta_1$Firm size + β_3 institutional ownership +μt

$\beta_1, \beta_2 ... \beta_6$ = Independent variables coefficient or parameters for to be estimated

βo = The intercept which represents the expected value of the dependent variable (EM) when all the independent variables assumed zero as value.

μ = Random or stochastic error term.

RESULT AND DISCUSSIONS

This section presents the result of data analysis and tests of hypotheses formulated earlier in the chapter one. First, descriptive statistics, followed by the correlation matrix table and then the summary of Regression Result are presented, test of research hypothesis, and the result finding.

From Table 1 shows the mean value for Earning Management is 0.0002 for firms, while Firm size, Leverage were having an average value of 22.91 and 0.79 respectively. Institutional

Ownership has an average value of 61.64, while Profitability, Liquidity and Firm Growth have an average value of 0.34, 1.27 and 8E+010.

Table 1

Descriptive Statistics

Variable	Min	Max	Mean	Std. Dev.
EQL	0.00001	0.00030	0.0001526	0.00008025
LN_FSIZE	20.39	24.78	22.9096	1.02923
ISTOW	34.51	74.50	61.6480	11.73878

Source: SPSS version 23output

The 79% average value for leverage indicates that the firm's capital is majorly financed from debt while the remaining 21% is funded using Equity. The minimum value for Earning Management is 0.00001 and the maximum value is 0.00030, both indicating a higher quality of earnings. It is however observed that the Institutional ownership has the highest standard deviation among the independent variables and therefore it shows that the institutional ownership has the lowest contribution to the endogenous variable (EQL).

The Correlation Matrix Table

The table below shows the correlation values between the dependent variable and the independent variables and also the association between the independent variables themselves. The values were extracted from the Pearson correlation of two- tailed significant

Table 2

Correlation Matrix

Variable	EQL	FSIZE	ISTOW
EQL	1		
FSIZE	-0.185	1	
LEVR	-0.107	0.231	1
ISTOW	-0.465	0.455	

Source: SPSS Version 23 output

Table 2 above shows that three of the independent variables (FSIZE, LEVR, ISTOW) are negatively related to Earning Management of listed firms in Nigeria, while the remaining three independent variables (PROFT, LIQD, FGRWTH) were positively related to Earning Management of listed firms in Nigeria. All of these variables were insignificantly related except for Institutional ownership that is significant at 1% . Amongst the independent variables, the relationship was a very weak one as expected except for only four of the independent variables that were significantly related which may not pose any colinearity problem. Five amongst the independent variables were negatively related while ten of the explanatory variables were positively related. The tolerance values and the variance inflation factor are two good measures of assessing multicolinearity between the independent variables in a study. The result shows that variance inflation factor were consistently smaller than ten (10) indicating complete absence of multicolinearity (e.gNeteret 'al; 1996 and Cassey et 'al; 1999). This shows the suitability of the study model been fit with the six independent variables. Also, the tolerance values were consistently smaller than 1.00, therefore extend the fact that there is complete absence of multicolinearity between the independent variables (Tobachmel and Fidell, 1996).

The Regression Result

This table presents the regression result of the dependent variable (CSR) and the independent variables of the study (FSIZE, LEVR, ISTOW, PROFT, LIQD and FGRWTH). The presentation follows the analysis of the association and impact between the independent variables and the dependent variable of the study and also the cumulative analysis.

$EQL_{it} = \alpha + \beta_1 FSIZE_{it} + \beta_2 LEVR_{it} + \beta_3 ISTOW_{it} + \beta_3 PROFT_{it} + \beta_3 LIQD_{it} + \beta_3 FGRWTH_{it} + \varepsilon$

Table 3

Summary of Regression Result

Variable	Coefficient	t-values	P-values	Tolerance	VIF
Constant	0.001	3.386	0.002		
FSIZE	-3.0E-005	-2.128	0.042	0.407	2.458
ISTOW	-6.8E-006	-5.698	0.000	0.445	2.249
R					0.785
R2					0.616
Adj R2					0.534
F-Stat.					7.497
P-Sig					0.000
D/W					1.786

Source: SPSS Version 23 output

The cumulative correlation between the dependent variable and all the independent variables is 0.785 indicating that the relationship between Earning Managementand Firm attributes used in the study is 79% which is strongly, positively and statistically significant. This means that for any changes in Firm attributes of listed firms in Nigeria; their Earning Management will be affected directly.

The cumulative R2 (0.616) which is the multiple coefficient of determination gives the proportion of the total variation in the dependent variable explained by the independent variables jointly. Hence, it signifies 62% of the total variation in Earning Managementof listed firms in Nigeria is caused by their Firm size, Leverage, Institutional Ownership, Profitability, Liquidity and Firm Growth. This indicates that the model of the study of the study is fit and the independent variables are properly selected, combined and used. The Durbin Watson tests of first order auto-correlation which have a value of 1.286 indicates that indicate that serial correlation is not a problem as it falls within the lower limit and upper limit of Table D.5B of Durbin- Watson statistic table of 1% level of significance as cited in Gujarati (2004).

Firm size and Earnings Quality

From the table 3 above, Firm size has a t-value of -2.128 and a beta value of -3.0 which is significant at 5%. This signifies that Firm size is strongly, negatively and significantly influencing Earning Management of listed firms in Nigeria. It implies that for every one Naira (N1) increase in total asset of the firms, the Earning Management will decrease by N3.00. This may be as a result of the fact that large firms are visible and susceptible to political attacks, in the form of pressure for the exercise of social responsibilities, greater regulation such as price control and higher corporate taxes which may make firms react by avoiding attention which disclosure of some significant facts could have brought to them (Wallace et 'al 1994; Wallace and Naser, 1995) as cited in Shehu, (2012). This provides an evidence of rejecting null hypothesis one of the study which states that Firm size has no significant impact on Earnings Quality.

Institutional Ownership and Earnings Quality

From the table 3 above, Institutional Ownership has a t-value of -5.698 and a beta value of -6.8 which is significant at 1% . This signifies that Institutional Ownership is strongly, positively, and significantly influencing Earning Management of listed firms in Nigeria. It

therefore implies that for every one percent (1%) increase in shares held by Institutions, the Earning Management will decrease by N6.8.

This may be as a result of the fact that some institutional investors encourage corporate managers to focus on short-term profit and also because they are likely to sell their holding in poorly performing firms, managers may be forced to smooth their earnings in order to maintain their institutional investors which is at the expense of the quality of their reported earnings. This provides an evidence of rejecting null hypothesis three of the study which states that Institutional Ownership has no significant impact on Earnings Quality.

Summary of Findings

This research investigates the influence of Firm attributes on Earning Management of listed firms in Nigeria. The firm size, Leverage, Institutional ownership, Profitability, Liquidity and Firm growth constitute firm characteristics, while the residuals from the modified Jones Model by Dechow et 'al (1995) was used to proxy Earning Management which represent the dependent variable of the study.

It was found that

i. Therefore the result implies that Firm attributes has strongly and significantly impacted on the Earning Management of listed firms in Nigeria.

ii. Firms that are experiencing consistent growth attract high financial performance especially when there is expansion in assets, they may expand their production line leading to increase in production and resulting to increase in sales as well as higher return from sales.

iii. If management do not have access to cash whenever they need it, it may discourage and slow down the activities of the organisation in terms of operations which may affect the fortune of the firms.

iv. Finding made on firm size that any firm having advantage of a number assets and can judiciously utilize and invest such an asset in a profitable investment is expected to attract more return from investment which will boost financial performance.

CONCLUSION

Based on collected data and tests that have been done to the problems by using multiple regression analysis model which is path analysis, so can be concluded as follows:

Firm-specific attributes has strongly and significantly effect on the earnings management of listed conglomerate firms in Nigeria firms in Nigeria. Based on this, the study concluded that as leverage level is increasing, firms in conglomerate sector Nigeria are less willing to engage in earnings management practice. It also concluded that older firms are less motivated to behavior opportunistically. On the other hand, liquidity and non -current assets turnover greatly motivate manager desire for earnings management. The study recommends that users of accounting information should take into consideration the non -current assets turnover ratio when making decision on the reliability of reported earnings.

Recommendations

The following are recommendations reached from the findings of the study:

i. Management of listed Industrial goods companies should increase their asset size through expansion as this will improve the financial performance.

ii. The firms should maintain or increase the level of their efficiency by expanding their business through opening of more branches, expansion of production lines and production of

more products. If these are efficiently and effectively utilized and managed, it will ensure high financial performance.

iii. Companies should increase on the efficiency and effectiveness of their liquidity management to ensure that they do not become insolvent. Firms are less profitable when they are less liquid and as such ought to be advised to invest more in liquid assets. This will improve the financial performance of the companies and also assist them in meeting up with short term debts as and when due.

iv. Since leverage is one of the most representative indicators on how the debt level is to the equity, therefore it is recommended that the debt obtained from outsiders (creditors) by listed Industrial goods firms should be managed more effectively in order to drive positive financial performance.

v. It is recommended that the firms may choose to go for more debt especially where the interest rate is considerably low and also increase their liquidity asset and turnover as it has been found empirically to enhance the quality of firms reported earnings.

vi. Also precautionary measures should be taken over firm size , proportion of shares held by institutions, and also pursuance of higher profit at the expense of the quality of reported earnings. This could be achieved through less regulation such as price control and reduced corporate tax in order for firms to disclose more detailed information in their annual reports and accounts.

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