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OWNERSHIP STRUCTURE AND FINANCIAL DISCLOSURE QUALITY: EVIDENCE FROM LISTED FIRMS IN NIGERIA

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Abstract

This paper examined the impact of ownership structure on financial disclosure quality of 75 firms listed on the Nigerian Stock Exchange (NSE) during the period 2011-2015. The study modeled financial disclosure quality using both accounting measure (ACCR) and

market based measure (RET). The study used foreign ownership, managerial ownership and institutional investors as ownership structure attributes. The data used for the study were collected from the annual reports, company's website and African financials website for the periods of 2011 to 2015. The General least square (GLS) regression method was used to estimate the parameters of the model. Findings from the study revealed that there is significant relationship between institutional investors, managerial ownership and quality of financial disclosure. The study recommends that Securities and Exchange Commission (SEC) should make it mandatory that all listed firms in Nigeria should have a proportion of institutional investors in their shareholdings because institutional investors have proved to be of good influence on financial disclosure quality based on the empirical results in this study.

Keywords: Financial Disclosure Quality; Foreign Ownership; Institutional Investors; Managerial; Ownership; Ownership Structure

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INTRODUCTION

The quality of corporate governance concerns the rights and interests of stakeholders. Accounting disclosure is very important to all stakeholders. Thus, it provides them with the necessary information to reduce uncertainty and helps them to make salient economic and financial decisions [1]. Recently, there has been a growing interest on the issue of institutional ownership both in the developed and emerging economies [2]. The waves of accounting scandals and financial crisis brought to fore the relevance of institutional ownership among policy makers, academics, financial institutions and investors [3,4]. Institutional ownership as advocated by several researchers [5-7] has been a necessary condition to assure and maintain the confidence of stakeholders on issues relating to the quality of financial disclosure. The large presence of institutional ownership has important implication on financial disclosure quality of most corporate organizations [2]. Institutional ownership affects the quality of financial disclosure and could as well pose a challenge on earnings management [8,9]. An organization with a presence of large institutional investors tends to increase financial disclosure quality due to strict monitoring of shares in the company.

Baxter and Peter [10] opined that institutional investors prefer organization with strong corporate governance structure like board independence, audit committee, CEO duality which tends to reduce earnings management which is a good sign of financial disclosure quality. Part of institutional investors' aim is to ensure the integrity and transparency of financial disclosure and also adhere to the rules and regulation of financial reporting including International Financial Reporting Standard (IFRS) implementation [11,12]. There has been call by users of corporate information on the need for greater transparency and quality of information for published financial reports. Cornett et al. [13] avowed that institutional investors have become increasingly willing to use their ownership rights to pressure managers to act in the best interest of shareholders. Institutional owners sometimes assumed the role of corporate monitors by ensuring proper accountability, fairness and transparency from managers regarding the quality of financial information they produce. The information asymmetry between the managers and shareholders has led to an increase in the gap between what is expected by users and what is actually disclosed. This assertion has reduced the disclosure gap in corporate entities by large institutional owners.

The spate of corporate scandals [4] in the last ten years of big companies globally and in Nigeria has cast doubt on the quality of financial disclosure which has led to loss of confidence on the information disclosure by corporate entities. These corporate scandals point to weak corporate governance and low

involvement of institutional investors [12]. The weak financial disclosure has necessitated the emergence of institutional investors in order to improve the quality of financial information disclosed. In Nigeria, there are several cases of corporate failures (Cadbury Plc., Lever Brothers, presently known as Unilever Nigeria Plc., banks failures). All these are linked to weak corporate governance, weak institutional structure and poor financial disclosure system [14,15]. Despite the increasing importance and extensive research on the relationship between institutional ownership and financial disclosure quality in developed economies [6,16] however, the same cannot be said of the developing economies (e.g. Nigeria) where there is a dearth in the literature. Hence, motivated by this fact, this study basically examined the effect of ownership structure on the quality of financial disclosure of listed firms in Nigeria.

The rest of the paper is organized as follows. Section 2 discusses the review of literature and hypotheses development. Section 3 discusses the methodology adopted as well as specification of model. Section 4 presents information regarding the data analysis and empirical results and Section 5 concludes the paper.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Conceptual Framework

Ownership structure is an important concept which has attracted public interest because of its importance to the financial and economic health of companies and public in general [17]. Zhang described ownership structure as the number of shares owned by institutional investors divided by the total number of shares outstanding. Hashim [18] conceptualized ownership structure as the ratio of shares owned by the largest corporate investors to the total number of shares issued. Institutional investors take different forms such as fund managers, private equity firms, banks, mutual funds and pension funds. Samaha and Dahawy [19] believed that ownership structure determines the extent of monitoring and this affect the quality of financial disclosure in most organizations. Velury et al. [20] believed that the presence of institutional ownership would likely influence management's attitude through increased monitoring activities by these investors. This constant monitoring tends to forestall discipline in management by producing quality financial information to shareholders. Ali et al. [21] opined that institutional investors have a major controlling interest in proportion to the total shares outstanding in an organization. These institutional investors have high professional experiences and are powerful. Their influence could restrain managers that engage in manipulative earnings management practices that could weaken the quality of financial disclosure. Ali et al. [21] viewed institutional investors as the major contributor of funds to the financial market. They are often attracted to organizations with good corporate governance. Similarly, Bushee et al. [22] and Ali et al. [21] believed that institutional investors are sensitive to organizations with sound corporate governance practices.

One function of financial disclosure quality is to restrain management from acting against the shareholders' interest [23]. Global investor opinion survey of McKinsey and Company [24] opined that institutional investors are willing to pay high premium for companies having good corporate governance and financial disclosures because these factors influence their investment decisions in any organization. Good governance goes hand-in-hand with reduced risk of financial disclosure problems and other bad accounting outcomes [25]. Information disclosed by companies in their annual reports can be used as important input in various corporate governance mechanisms [26]. Institutional investors can influence financial reporting disclosures, which in turn has an important impact on shareholders' confidence.

REVIEW OF PRIOR STUDIES

Velury et al. [20] examined the impact of institutional ownership on the selection of industry specialist auditors in relation to financial reporting transparency. The study modeled institutional ownership through five exogenous variables such as firm size, firm profitability, and growth, number of analyst and liquidity of investment. Findings from the study showed that institutional ownership is positively associated with high audit quality because of their bias for transparency in the financial reporting process. Also, Beuselinck et al. [5] examined the role of foreign shareholders in disciplining financial reporting in poor institutional quality countries. Findings from the study showed a positive relationship between foreign shareholding and quality of financial reporting in these countries. In the same vein, the implementation of International

Financial Reporting Standards (IFRS) contributed to high degree of financial reporting process. Boutchcova and Megginson [27] investigated the relationship between institutional ownership and earnings quality. They sampled 118 companies from 29 countries for the period 1961 to 1995. They employed the modified Ball model [28] for measuring earnings quality. Evidence from their study showed that a significant positive relationship existed between institutional investors and earnings quality. Similarly, the studies of Teshima et al. [7] and Adebisi et al. [29] present the same findings which show empirically that companies with high institutional investors produce high quality of financial disclosure compared with companies with low institutional ownership.

Han [30] examined the impact of ownership structure on the quality of financial reporting in the US. The study proxy ownership structure through managerial ownership and institutional ownership. Findings from the study showed that managerial ownership is negatively correlated with the quality of financial reporting. Also, the study observed a positive relationship between outside institutional ownership and quality of financial reporting. Fauzi et al. [31] examined the relationship between institutional ownership and corporate social responsibility with evidence from Indonesian companies. The authors sampled 325 listed firms on the Jakarta Stock Exchange for the year 2005. Findings from the study showed that a negative relationship existed between institutional ownership and corporate social responsibility.

Khan et al. [32] examined the impact of ownership structure on the voluntary corporate disclosure of firms in Fiji, South Pacific. The study examined 14 companies listed on the South Pacific Stock Exchange for the year 2009-2010. They observed that a negative relationship existed between institutional ownership structure and voluntary corporate disclosure. Gugong et al. [6] conducted a study on the impact of ownership structure on the financial performance of listed insurance companies in Nigeria. The study sampled 17 firms for the period 2001 to 2010. Managerial ownership and institutional shareholding were used as proxy for institutional ownership structure while ROA and ROE were used as measurement for firm performance. The study observed a positive significant relationship between institutional ownership structure and firm's performance for insurance companies in Nigeria.

Ali et al. [21] examined the relationship between disclosure quality and ownership structure from French stock market. The study sampled 86 French companies listed on the French Stock Market. Findings from their study indicated that French listed firms produced high disclosure quality due to the large presence of institutional investors in corporate organization. Similarly, Cornett et al. [13] examined the impact of ownership structure on corporate performance in US. The authors used S and P 100 firms for the period of 1993 to 2000 with an observation of 676 firm-years. The study proxy institutional ownership through executive stock ownership, board independence, board size and firm size. They observed that a significant positive relationship existed between institutional stock ownership and operating performance.

Bukar et al. [16] examined the impact of institutional ownership structure on earnings quality of listed foods and tobacco firms in Nigeria. A total of 16 firms listed on the Nigerian Stock Exchange for the period 2005-2013. Firm size and institutional ownership were used as explanatory variables for the study. Findings from the study showed that a significant positive relationship existed between institutional ownership and earnings quality for sampled firms in Nigeria. Similarly, Bukar et al. [16] and Han [30] in a related study observed that institutional ownership is negatively correlated with financial reporting quality of US firms. In the same vein, Han [30]; Redhwan and Ku [33] observed a negative relationship between institutional ownership and financial reporting quality of Malaysian companies.

Juhmani [34] examined the impact of ownership structure on corporate voluntary disclosure with evidence from Bahrain. The author used 41 listed companies on Bahrain Stock Exchange as sample size for the study. Ownership structure was measured through managerial ownership, government ownership and block holder ownership while firm size, leverage and profitability were used as control variables. The study observed that all the three explanatory variables produced a negative relationship with corporate voluntary disclosure.

OTHER FINDINGS FROM RELATED LITERATURE

The summary below shows the positive relationship between institutional ownership and quality of financial reporting as discussed in the literature (Table 1).

Table 1: Positive relationship between institutional ownership and quality of financial reporting.

Author	Title	Findings
Velury et al. [20]	The study examined institutional ownership and selection of auditor in relation to financial reporting transparency in US.	Positive relationship between institutional investors and high quality audit was established.
Barako et al. [35]	The study examined the association between voluntary disclosure and corporate governance variables of listed firms in Kenya.	Positive relationship was found to exist between voluntary disclosure and corporate governance variables.
Cornett, et al. [13]	The impact of institutional ownership structure on corporate performance of US firms was conducted.	Positive relationship was found to exist between institutional ownership structure and corporate performance.
Beuselinck, et al. [5]	The study examined the role of foreign shareholders in disciplining financial reporting from four Southern European countries.	The findings established a positive relationship between foreign ownership and quality of financial reporting.
Ali et al. [21]	The study examined the relationship between institutional ownership structure and disclosure quality of French listed firms.	Positive relationship between disclosure quality and institutional ownership structure was established.
Gugong, et al. [6]	Impact of ownership structure on financial performance of listed firms in the insurance industry in Nigeria was conducted.	The study found a positive association between ownership structure and financial performance.
Adebiyi and Olowookere [29]	The study examined impact of ownership structure on the financial reporting quality of Nigerian banks.	The study found a positive association between ownership structure and financial reporting quality.
Bukar, et al. [16]	The study examined the impact of institutional ownership on earnings quality of foods and tobacco firms in Nigeria.	The study established a positive relationship between earnings quality and institutional ownership.
Source: The Researcher's Work Based on Reviewed Literatures.		

However, other studies conducted by other researchers found a negative relationship has established in the literature (Table 2).

Table 2: Negative relationship between institutional ownership and quality of financial reporting.

Author	Title	Findings
Han [30]	The study examined the relationship between financial reporting quality and institutional investors of 500 firms in US.	The findings established a negative relationship between financial reporting quality and institutional ownership.
Fauzi, et al. [31]	The study investigated the relationship between institutional ownership and corporate social responsibility (CSR).	Negative relationship was found to exist between institutional ownership and CSR.
Redwhan and Ku [33]	The study examined the impact of institutional ownership structure on earnings predictability of Malaysian firms.	The finding showed a negative relationship between institutional ownership structure and financial reporting quality
Juhmani [34]	Impact of ownership structure on corporate voluntary disclosure was examined for firms listed on Bahrain Stock Exchange.	The study established a negative relationship between ownership structure and corporate voluntary disclosure.
Khan, et al. [32]	The study examined the impact of institutional ownership on voluntary corporate disclosure of firms in Fiji, Southern Pacific.	The finding revealed a negative association between institutional ownership and voluntary corporate disclosure.
Source: The Researcher's Work Based on Reviewed Literatures.		

Development of Hypotheses

Based on the lacuna in extant literature, the following hypotheses stated in the null form were tested in this study.

1. H₁: Foreign shareholder ownership has no significant impact on financial disclosure quality.
2. H₂: There is no positive association between financial disclosure quality and managerial ownership
3. H₃: There is no association between financial disclosure quality and institutional investors

METHODOLOGY

In achieving the objectives of this research, the study basically adopted a cross-sectional method in investigating the impact of institutional ownership on financial disclosure quality of listed firm in Nigeria over a 5-year period (2011-2015) as it relates to companies quoted on the Nigerian Stock Exchange as at 31st December 2015. The population for this study includes all the companies quoted on the floor of the Nigerian Stock Exchange as at 31st December, 2015 which is 185 (Nigerian Stock Exchange Factsheet, 2015). However, using the Yamane sampling technique, a sample size of 126 was obtained. Nevertheless, due to non-availability of data, only 75 firms were selected as our sample size. The data for the study were collected from the annual reports sourced from the company's website and African financials website for the periods of 2011 to 2015 which at present is the most complete financial period available at the time of this study. General least square (GLS) regression method was used to estimate the parameters of the model, while descriptive statistics, correlation and regression analysis were used to analyses the 75 companies for the period 2011 to 2015.

Variable Definition

Independent variables: This includes foreign ownership, managerial ownership and institutional investors.

Foreign ownership (FGNOWN): Total shares of foreign investors in firm *i* in year *t* divided by the total number of shares outstanding.

Managerial ownership (MGROWN): Total number of shares held by CEO and executive directors of firm i in year t divided by total number of shares outstanding.

Institutional investors (INTINV): total shares of firm i in year t belonged to banks, insurances, financial institutions, holding companies and governmental institutions divided by the total number of shares outstanding.

Dependent variable: Financial Disclosure Quality is measured through the combination of models of McNichols [36] and Collins and Kothari [37]. McNichols [36] used accounting accruals (ACCR) as an accounting measure to evaluate the quality of financial disclosure; Collins and Kothari [37] in their study adopted used annual stock returns (RET) as a market based measure to evaluate the quality of financial disclosure. McNichols [36] Model is stated as:

$$ACCR_{it}/TA_{it-1} = \alpha_0 + \alpha_1 CF_{it-1}/TA_{it-1} + \alpha_2 CF_{it}/TA_{it-1} + \alpha_3 CF_{it+1}/TA_{it-1} + \alpha_4 \Delta REV_{it}/TA_{it-1} + \alpha_5 PPE_{it}/TA_{it-1}$$

Where:

ACCR_{it}=The total accounting accruals,

CF_{it}=The operating cash flows of the current period,

CF_{it-1}=Is the operating cash flows of the previous period,

CF_{it+1}=The operating cash flows of the next period,

ΔREV_{it}=Captured change in revenues and

PPE_{it}=Level of property, plant and equipment. All these variables are scaled by lagged total assets (TA_{it-1}).

Collins and Kothari (1989) model is stated as:

$$RET_{it} = \alpha_1 + \alpha_2 EARN_{it} + \alpha_3 \Delta EARN_{it} + \alpha_4 NEG_{it} + \alpha_5 EARN_{it} * NEG_{it} + \epsilon_i$$

Where:

RET_{it}=is the annual stock returns of the current year,

EARN_{it}=is the net income per share of the current year,

ΔEARN_{it}=is the variation of earnings per share between year 't-1' and year 't',

NEG_{it}=is a binary variable equal to 1 if the firm makes a loss and 0 otherwise and

EARN_{it}*NEG_{it}=is the interaction between the earnings per share and their sign.

However, in order to better evaluate financial disclosure quality for the selected sample, the study adopts a principal component analysis. Hence, the study used a single axis called "FINDISC" to capture accounting estimate (discretionary accruals) and market based estimate (informativeness of earnings) to measure the quality of financial disclosure.

$$FINDISC = f(ACCR_{it}/TA_{it-1}, RET_{it}) \quad (1)$$

Where:

FINDISC=Financial Disclosure,

ACCR_{it}/TA_{it-1}=Discretionary Accruals,

RET_{it}=Annual Stock Returns

Control variables

FIRMSIZE=Is the natural logarithm of firm i in year t .

FIRMAGE=Is distance between the times of firm establishment to study period. Audit size.

(AUDITSIZE)=Is if a firm is audited by Big Four audit organization, it takes 1, otherwise 0.

Model Specification

To examine the impact of ownership structure on financial disclosure quality, a fixed effect panel regression model was used to perform an analysis regarding various parameters included in our model. Therefore, based on the literature reviewed; the following linear regression models were developed.

$$ACCR_{it} = \beta_0 + \beta_1 FGROWN_{it} + \beta_2 MGROWN_{it} + \beta_3 INTINV_{it} + \beta_4 \sum \text{CONTROLS}_{it} + \epsilon_{it} \quad (2)$$

$$RET_{it} = \beta_0 + \beta_1 FGNOWNit + \beta_2 MGROWNit + \beta_3 INTINVit + \beta_4 \sum \text{CONTROLS}_{it} + \epsilon_{it} \quad (3)$$

Where:

ACCR_{it}=Accounting Accruals

RET_{it}=Annual Stock Returns

β₁FGNOWNit=Foreign Ownership: total shares of foreign investors in firm i in year t divided by the total number of shares outstanding.

β₂MGROWNit=Managerial Ownership: total number of shares held by CEO and executive directors of firm i in year t divided by total number of shares outstanding.

β₃INTINVit=Institutional investors: total shares of firm i in year t belonged to banks, insurances, financial institutions, holding companies and governmental institutions divided by the total number of shares outstanding.

β₄∑CONTROLS_{it}=Measured by Firm size, Firm age and Audit size. Firms size (FIRMSIZE) is the natural logarithm of firm i in year t. Firm's age (FIRMAGE) is distance between the times of firm establishment to study period.

Audit size (AUDITSIZE) is if a firm is audited by Big Four audit organization, it takes 1, otherwise 0

ε_{it}=error term.

DATA ANALYSIS AND DISCUSSION OF FINDINGS

Table 3 presents the result of descriptive statistics of the dependent variable, independent variables and control variables. The average relative of financial disclosure using the discretionary accruals (ACCR) of the sample firms is 0.55 with a range of 0.44 to 0.87. This shows a significant variation in the quality of financial disclosure practices among the listed firms in Nigeria. The average relative of financial disclosure using the annual stock return measures (RET) of the sample firms is 0.69 with a range of 0.34 to 0.97. This shows a very significant variation in the quality of financial disclosure practices among the listed firms in Nigeria. The table also shows that most Nigerian investors are institutional investors while the managers have the lowest shareholdings. These facts are shown by the percentage of institutional investors of about 55% while the managerial ownership controls about 16% shareholdings.

Table 3: Descriptive statistics.

Variable	N	Min	Max	Mean	Std. Dev.	Skewness	Kurtosis
FGNOWN	375	0.07	0.57	0.2481	0.241	-0.174	1.021
MGROWN	375	0.02	0.46	0.1574	0.1747	1.012	1.516
INTINV	375	0.14	0.92	0.5474	0.5947	1.341	1.721
FIRMSIZE	375	5748	9475072	728142	1.84814	-0.561	-1.461
FIRMAGE	375	15	143	72.5	2.4108	-0.425	-1.32
AUDITSIZE	375	0	1	0.4741	0.1211	1.246	1.272
ACCR	375	0.44	0.87	0.5482	0.1124	-0.261	-1.173
RET	375	0.34	0.94	0.6897	0.1147	-0.347	-1.187

Source: Authors' Computation (2016) using SPSS Version 20.

Table 4 depicts the correlation that exists among the variables. Managerial ownership is positively correlated with ACCR, suggesting that financial disclosure quality is significantly higher for firms with greater managerial ownership. There is a positive relationship between institutional ownership and quality of financial disclosure. This shows that high presence of institutional investors enhances the quality of financial reporting especially for larger firms. There is a negative relationship between foreign ownership and managerial ownership which suggests that manager's equity interest in firm reduces as foreign ownership increases. Firm size is positively correlated with ACCR which indicates that larger firms have high level of financial disclosure. In addition, firm size is positively correlated with managerial ownership which means that manager's equity interest in the firm is increasing as the firm size increases.

Table 4: Pearson Correlation (Discretionary Accrual Measure).

	FINDISC	FGNOWN	MGROWN	INTINV	FIRMSIZE	FIRMAGE	AUDITSIZE
ACCR	1						
FGNOWN	-0.259	1					
MGROWN	0.145	-0.240*	1				
INTINV	0.522	-0.459*	-0.456*	1			
FIRMSIZE	0.452	0.155*	0.485*	0.398*	1		
FIRMAGE	0.218	0.595*	0.477*	-0.558*	0.763*	1	
AUDITSIZE	0.147	-0.04	-0.341	0.246	-0.018	-0.43*	1

Source: Authors' Computation (2016) using SPSS Version 20 *Significant at 5% level.

Table 5 shows the correlation that exists among the variables under the market based measure. Consistent with Table 4; Managerial ownership shows positive relationship with RET, which indicates that financial disclosure quality is significantly higher for firms with greater managerial ownership. Also, there is a positive correlation between institutional ownership and quality of financial disclosure. This signifies that high presence of institutional investors enhance financial disclosure quality especially for larger firms. However, there is a negative relationship between foreign ownership and managerial ownership which suggests that manager's equity interest in firm reduces as foreign ownership increases.

Table 5: Pearson Correlation (Annual Stock Return (RET) Measure).

	FINDISC	FGNOWN	MGROWN	INTINV	FIRMSIZE	FIRMAGE	AUDITSIZE
RET	1						
FGNOWN	-0.142	1					
MGROWN	0.258	-0.120*	1				
INTINV	0.652	-0.189*	-0.257*	1			
FIRMSIZE	0.597	0.278*	0.457*	0.412*	1		
FIRMAGE	0.378	0.687*	0.697*	-0.247*	0.457*	1	
AUDITSIZE	0.147	-0.41	-0.201	0.567	-0.036	-0.37*	1

Source: Authors' Computation (2016) using SPSS Version 20 *Significant at 5% level.

Table 6: Robustness check.

Variables	VIF	Tolerance
FGNOWN	2.57	0.3891
MGROWN	2.43	0.4115
INTINV	1.52	0.6579
FIRMSIZE	1.38	0.7246
FIRMAGE	1.59	0.6289
AUDITSIZE	1.07	0.9346
MEAN VIF	1.76	

Source: Authors' Computation (2016).

The essence of robustness test is to validate the authenticity of statistical inference and avoid making a wild guess. The Variance Inflation Factor (VIF) test in Table 6 shows an absence of multicollinearity because the VIF ranges from 1.07 to 2.57 which are lower than the upper limit of 10. This result indicates that there is no collinearity among the explanatory variables

Table 7: Hausman specification test.

Test of Cross-Section Random Effects		
Test Summary	Chi-Sq. Stat.	P-Value
Cross-Section random	41.4126	0.000
Source: Authors' Computation (2016) using STATA 10.		

This study conducts the Hausman specification test as presented in Table 7 to help in making a decision between Fixed Effect Model (FEM) and Random Effect Model (REM) to panel regression. The decision rule under Hausman test is to accept the null hypothesis where the p-value is greater than the 0.05 Mackinnon value. If the null hypothesis must be rejected, then the fixed effect model is appropriate to use. Table 6 above shows that the p-value is less than 0.05 absolute Mackinnon value. Therefore, FEM is the appropriate model to use in this study.

Table 8: Summary of regression result.

Dependent Variable	ACCR (Accounting Measure)			RET (Market-Based Measure)		
	B	t-stat	p-value	B	t-stat	p-value
FGNOWN	-0.114	0.076	0.401*	-1.211	0.658	0.18*
MGROWN	0.245	2.245	0.01*	0.278	3.886	0.001*
INTINV	0.322	1.995	0.03*	0.472	4.361	0.04*
FIRMSIZE	0.124	2.253	0.011*	0.321	2.095	0.03*
FIRMAGE	-0.775	0.759	0.399*	-1.473	0.651	0.23*
AUDITSIZE	0.029	1.954	0.06*	0.166	0.398	0.04*
Constant	-1.002	0.021	0.871	-9.119	1.74	0.207
F-Statistic	0.000			0.000		
Adjusted R ²	0.5545			0.6901		
Durbin watson	1.8878			2.0245		
*significant at 5% respectively						
Source: Authors' Computation (2016) using SPSS Version 20.						

Table 8 presents the result of regression analysis for the two models stated under the model specification. In order not to violate the assumption underlining the application of regression model, Durbin-Watson test (which measures the presence of autocorrelation) was conducted. The values show $d=1.88$ and 2.02 respectively which lies between the two critical values of 1.5 and 2.5 ($1.5 < d < 2.5$). The D-W values are within the acceptable range, it is accepted that there is no autocorrelation among the observed variables in the model. In terms of model fitness, the adjusted R-Squared indicates that about 55% (ACCR) and 69% (RET) of the variation in the dependent variables which is the quality of financial disclosure as measured by ACCR and RET are explained by the combined influence of institutional ownership parameters (FGNOWN, MGROWN, INTINV, FIRMSIZE, FIRMAGE and AUDITSIZE) in the model. In addition, the p-value of the F-Statistics of 0.000 is significant at 5% level of significance.

The empirical evidence derived from the regression model indicates that there is a negative significant relationship at (ACCR (-0.114) and RET (-1.211) level between foreign ownership (FGNOWN) and financial disclosure quality. This finding supports hypothesis 1 that Nigerian firms with high foreign ownership have low level of financial disclosure. The implication of this result is that foreign investors may want to conceal certain information in order to protect their investment in case of capital repatriation. This

outcome is consistent with previous empirical studies of refs. [32,33]. Therefore, the null hypothesis 1 is accepted which shows that foreign ownership has no positive significant relationship with the quality of financial disclosure.

The empirical results as presented in Table 8 also show that there is a significant positive relationship between managerial ownership and financial disclosure quality at the regression coefficient (ACCR (0.245) and RET (0.278) respectively. The finding indicates that listed firms in Nigeria with higher managerial ownership have high level of financial disclosure. Also, it implies that managers tend to influence financial disclosure due to their equity interest in the firm. This outcome is in tandem with the findings of [13]; Morck et al., [38]; and Beuselinck et al., [5]. Hence, the null hypothesis 2 is rejected. The regression coefficient (ACCR (0.322) and RET (0.472) between institutional investors and financial disclosure quality shows a significant positive relationship. That shows that institutional investors positively impact the quality of financial disclosure of Nigerian listed companies. The implication is that high presence of institutional investors enhances the quality of financial reporting especially for larger firms. Investors believe that good disclosure could influence the potential for profitable investment opportunities which can enhance the stake of their investment. Managers tend to influence financial disclosure due to their equity interest in the firm. This result is consistent with the empirical studies provided in refs. [5,21,22], therefore, the null hypothesis 3 is rejected.

The adjusted R^2 under the discretionary accrual (ACCR) measure indicates that 55% explains the impact of the independent variables on the quality of financial disclosure while the adjusted R^2 under the annual stock returns (RET) shows that 69% explains the impact of the independent variables on the quality of financial disclosure. Based on the empirical evidence from this study, it is better to measure the impact of ownership structure on quality of financial disclosure through market based estimate for listed firms in Nigeria. Table 8 further depicts the impact of control variables on the quality of financial disclosure. Firm size shows a positive relationship with financial disclosure quality at regression coefficients of (ACCR (0.124) and RET (0.321) which are statistically significant at 5%. This implies that institutional investors prefer to invest in large firms due to heterogeneity of portfolio of different investors. Audit size is also positively correlated with financial disclosure quality. This shows that the size of audit firm influences financial disclosure in Nigeria. However, the age of firm is negatively correlated to financial disclosure quality as evidenced from the above result [39-41].

CONCLUSION AND RECOMMENDATIONS

This study examined the relationship between ownership structure and the extent of financial disclosure quality of listed firms on the Nigerian Stock Exchange. The extent of financial disclosure was measured using both accounting estimate and market based measure to capture financial disclosure quality with the sample size of 75 firms from 2011-2015. Three explanatory variables were used in the study which includes foreign ownership, managerial ownership and institutional investors based on the literatures reviewed. Also, three control variables were used to test the study hypotheses which are firm size, firm age and audit size. Based on the empirical results, institutional investors and managerial ownership show a positive relationship with the level of financial disclosure among Nigerian firms while foreign ownership shows a negative relationship with financial disclosure quality in Nigeria.

This study therefore, recommends that Securities and Exchange Commission (SEC) should make it mandatory for all listed firms in Nigeria to have a proportion of institutional investors in their shareholdings, because institutional investors have proved to be of good influence on financial disclosure quality than foreign shareholders and managerial ownership based on the empirical results of this study. Furthermore, the study recommends that market based measure should be used for financial disclosure quality for listed firms in Nigeria because it provides a more representative measure than accounting measures.

The important contribution of this study is that it shows empirically by using both accounting and market based estimate to capture the quality of financial disclosure of listed firms in Nigeria thereby advancing the understanding on how ownership structure affects the quality of financial information in Nigeria.

Limitation of Study

Considering only listed firms in this study is a major limitation. Hence, based on the availability of data, the study suggests that future research in this area could consider the non-listed firms in other to have a more holistic analysis and discussion. Furthermore, other corporate governance variable not captured in this study could be addressed in future research.

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