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**Effect of Ownership Structure on the Financial Reporting Quality by
Quoted Insurance Companies in Nigeria**

Janet Onayi^{1*}, Nyahas Samson Iliya¹

¹Department of Accounting, University of Jos

***Corresponding Author:**

janetonayi@gmail.com, +2348034012375, ORCID: 0009-0006-3436-4963

Abstract

This study investigates the effect of ownership structures on financial reporting quality of insurance firm in Nigeria, focusing on management ownership, institutional ownership and ownership concentration. The primary objective is to examine the effect of ownership structure on the quality of financial reporting using the Generalized Method of Moments approach. A sample of 100 observations was analyzed to assess the significance of each ownership structure in relation to the financial reporting quality. The results reveal significant positive effect of management ownership, institutional ownership and ownership concentration on financial reporting quality of insurance firm in Nigeria, suggesting that these ownership structures play a critical role in improving governance and reducing agency costs. The findings align with Agency Theory and Stewardship Theory, highlighting how effective ownership structures can align the interests of management, institutional investors, and shareholders, ultimately enhancing financial reporting quality. Based on these findings, it was recommended that there is need to encourage increased management ownership to align management's interests with those of shareholders, promote institutional ownership to leverage the monitoring capabilities of institutional investors, and carefully manage ownership concentration to balance the benefits of monitoring with the risks of shareholder entrenchment. These recommendations provide actionable insights for firms looking to improve governance and financial reporting quality through strategic ownership structures.

Keywords: Management Ownership, Institutional Ownership, Ownership Concentration, Financial Reporting, Corporate Governance

1.0 Introduction

Financial reporting quality is a critical mechanism for ensuring transparency, accountability, and effective corporate governance, especially in the insurance industry where stakeholder confidence is crucial for operational stability and market credibility (Okoye & Eze, 2024). High-quality financial reports provide a reliable basis for decision-making by investors, regulators, policyholders, and other stakeholders (Ibrahim et al., 2023). When financial information is relevant, faithfully represented, timely, and comparable, it enhances trust in corporate operations, promotes market discipline, and facilitates efficient allocation of resources (Chukwuemeka & Adepoju, 2023). In Nigeria, insurance companies are key players in risk management, financial protection, and capital formation, and their reporting practices directly influence both firm-level accountability and the stability of the financial sector (Folarin et al., 2025).

Despite the adoption of International Financial Reporting Standards (IFRS) and ongoing regulatory reforms, challenges persist regarding the credibility, transparency, and timeliness of corporate disclosures in the Nigerian insurance sector (Okafor et al., 2025). Persistent issues such as earnings management, incomplete disclosures, and inconsistent reporting practices remain a focus of recent studies on Nigerian listed firms (Adewale & Ogunbiyi, 2023). One governance mechanism likely to shape financial reporting quality in this context is ownership structure (Emeka & Nwankwo, 2024). Ownership structure refers to how equity is distributed among managers, directors, institutional investors, foreign shareholders, and government-related owners (Abubakar & Musa, 2023). These ownership categories differ in their monitoring incentives and influence over managerial decision-making, which can directly affect the quality of financial reporting (Eze & Olatunji, 2024). Among these, managerial ownership remains highly significant, as it represents the proportion of equity held by directors and senior executives and serves as a tool for aligning managerial and shareholder interests (Oluwaseun & Adekunle, 2023).

While moderate managerial ownership can reduce opportunistic reporting, excessive stakes may foster entrenchment, enabling executives to dominate reporting decisions and reduce transparency (Okoye & Eze, 2024). Similarly, institutional ownership—comprising pension funds, mutual funds, and other professional investors—is associated with stronger oversight capacity and may enhance disclosure quality by encouraging managers to adhere to high reporting standards (Ibrahim et al., 2023).

However, the effectiveness of institutional ownership in improving financial reporting depends on regulatory strength, shareholder activism, and enforcement mechanisms, particularly in emerging markets like Nigeria (Chukwuemeka & Adepoju, 2023). Ownership concentration also has a mixed influence: while blockholders can improve monitoring and reporting credibility, dominant shareholders in weak institutional environments may prioritize personal gains over transparency (Emeka & Nwankwo, 2024).

Although prior research has linked corporate governance to financial reporting quality, few studies have examined ownership structure as a direct determinant within the Nigerian insurance industry (Abubakar & Musa, 2023). Much of the existing literature focuses on other sectors or developed economies, which limits its applicability to the Nigerian insurance context, where regulatory requirements, risk exposure, and reporting incentives are distinct (Oluwaseun & Adekunle, 2023). Therefore, this study specifically examines listed insurance firms in Nigeria to provide context-specific evidence on how ownership structure influences financial reporting quality.

- I. What is the effect of managerial ownership on the financial reporting quality in Nigerian listed insurance companies?,
- II. What is the effect of institutional ownership on the financial reporting quality in Nigerian listed insurance companies? and
- III. What is the effect of ownership concentration on the financial reporting quality in Nigerian listed insurance companies?.

The main objective is to examine effect of ownership structure and corporate governance on the quality of financial reporting by quoted insurance companies in Nigeria. The specific objectives are to:

- i. Analyze the effect of managerial ownership on the financial reporting quality in Nigerian listed insurance companies,
- ii. Examine the effect of institutional ownership in improving financial reporting quality in Nigerian listed insurance companies and
- iii. Investigate the effect of ownership concentration on the financial reporting quality in Nigerian listed insurance companies.

The study hypothesis were formulated in Null for test.

HO₁: managerial ownership have no significant effect on quality of financial reporting in Nigerian listed insurance companies.

HO₂: institutional ownership have no significant effect on quality of financial reporting in Nigerian listed insurance companies.

HO₃: ownership concentration have no significant effect on quality of financial reporting in Nigerian listed insurance companies.

2.0 Literature Review

2.1.1 Concept of Financial Reporting Quality

Financial reporting quality refers to the extent to which the financial reports of a company, including its balance sheet, income statement, cash flow statement, and accompanying notes, accurately and clearly reflect its financial health and performance (Egbunike & Odum, 2020). These reports serve as essential tools for communicating a company's financial condition to internal and external stakeholders, such as investors, regulators, creditors, and policyholders. High-quality financial reporting is expected to be reliable, relevant, timely, comparable, and verifiable, aligning with the principles set out by the International Financial Reporting Standards (IFRS) and local regulatory frameworks such as those outlined by the Financial Reporting Council of Nigeria (FRCN) (Egbunike & Odum, 2020; Yahaya, 2024).

The quality of financial reporting is central to corporate governance, as it reduces information asymmetry between management and stakeholders, thus fostering greater transparency and accountability (Uwuigbe et al., 2022). In Nigeria's insurance sector, where firms play a key role in risk management and long-term capital formation, producing transparent and credible financial reports is crucial for both firm-specific governance and broader financial system stability (Akpan & Udom, 2022). Despite the adoption of IFRS and continuous regulatory reforms, concerns about the quality of financial reporting in Nigeria's insurance sector persist, particularly related to issues like earnings management, inadequate transparency, and inconsistent disclosure practices (Al Amosh & Khatib, 2022). These concerns underscore the need for stronger governance mechanisms to enhance financial reporting integrity in the insurance industry (Yahaya, 2024).

2.1.2 Concept of Managerial Ownership

Managerial ownership, referring to the shares held by company directors and executives, has long been studied as a corporate governance mechanism that influences the

quality of financial reporting (Jensen & Meckling, 1976). Agency theory suggests that when managers hold a significant stake in the company, their interests are aligned with those of shareholders, which can lead to better financial reporting as managers internalize the consequences of their decisions (Jensen & Meckling, 1976). In the context of Nigerian insurance companies, this alignment is thought to reduce agency costs, improving the transparency and reliability of financial disclosures (Uwuigbe et al., 2022).

Empirical evidence supports this view, showing a positive correlation between managerial ownership and financial reporting quality, particularly in regulated environments where transparency is critical (Nguyen et al., 2025; Yuniasara, 2025). However, the entrenchment hypothesis presents a contrasting view, suggesting that excessively high managerial ownership may lead to reduced transparency, as entrenched managers could manipulate earnings or suppress adverse information to protect their control (Musa et al, 2025; Albitar et al., 2022). This theory has been particularly relevant in Nigeria's corporate environment, where weak regulatory enforcement may allow for such practices (Al Amosh & Khatib, 2022).

2.1.3 Concept of Institutional Ownership

Institutional ownership refers to the proportion of a company's equity held by institutional investors such as pension funds, insurance firms, and mutual funds. These investors are often regarded as sophisticated stakeholders with stronger monitoring capabilities compared to individual investors, making them a crucial component of corporate governance in improving financial reporting quality (Yahaya, 2024). Institutional investors have the ability to influence management practices, enhancing the quality of financial disclosures and ensuring adherence to accounting standards (Kurawa et al., 2021).

Empirical studies show that institutional ownership is linked to higher financial reporting quality, as these investors typically demand more transparency, lower earnings management, and more timely disclosures (Umar et al., 2022; Trinh et al., 2022). In Nigeria, institutional ownership, especially from foreign investors, has been found to improve the credibility and timeliness of financial reports (Yahaya, 2024). However, the relationship between institutional ownership and financial reporting quality is moderated by the governance structure, with passive institutional investors potentially failing to exert the needed oversight (Amah & Ekwe, 2021; Kurawa et al., 2021). In cases where institutional investors collude with management or are influenced by political or economic ties, their presence may not significantly enhance financial reporting quality (Amah & Ekwe, 2021). This highlights the importance of institutional independence and activism for improving the financial transparency of Nigerian insurance companies (Umar et al., 2022).

2.1.4 Concept of Ownership Concentration

Ownership concentration refers to the extent to which a firm's shares are held by a small number of large shareholders or block holders who exercise significant control over the company's governance (Dinh et al., 2023). In Nigeria, ownership concentration is common, often due to family-controlled businesses or large institutional investors. From an agency theory perspective, concentrated ownership may enhance the quality of financial reporting by reducing principal-agent conflicts and strengthening shareholder monitoring of management (Jensen & Meckling, 1976).

Studies suggest that concentrated ownership is positively associated with better financial reporting quality, as block holders have both the incentive and the capacity to scrutinize managerial decisions (Dinh et al., 2023). For instance, in Egypt, Elhennawy (2021) found a positive relationship between concentrated ownership and financial reporting integrity, especially when ownership is accompanied by strong governance practices. However, the entrenchment theory argues that ownership concentration can lead to reduced financial

reporting quality, as dominant shareholders may manipulate earnings or restrict disclosures to protect their interests (Morck, Shleifer, & Vishny, 1988). This effect is particularly pronounced in developing markets like Nigeria, where weak governance structures allow dominant shareholders to potentially prioritize their personal interests over broader stakeholder concerns (Abdulfatah et al., 2023). Moreover, empirical evidence shows that the quality of financial reporting in concentrated ownership environments is conditional on effective governance practices, such as board independence and audit committee effectiveness (Hasan et al., 2022; Aburیشه et al., 2022). Without such governance mechanisms, concentrated ownership may result in reduced transparency and aggressive financial reporting (Aburیشه et al., 2022).

2.2 Empirical Reviews

Nguyen, Trinh, & Chen, (2025) Examining the Impact of Managerial Ownership on Financial Reporting Quality in Listed Insurance Companies. The study employed a panel data regression analysis using secondary data from 30 listed insurance companies in Vietnam over a 5-year period (2015–2020). The study utilized Generalized Method of Moments (GMM) to account for potential endogeneity issues. The study found a positive relationship between managerial ownership and financial reporting quality. Companies with higher managerial ownership were more likely to disclose accurate and transparent financial reports, reducing the likelihood of earnings manipulation. The study recommended that regulators and policyholders promote higher levels of managerial ownership to improve transparency and ensure that financial disclosures reflect true company performance. The study was limited to Vietnam, and it did not address the role of institutional ownership or governance mechanisms in moderating the relationship between ownership and reporting quality. Future studies should examine institutional ownership and its moderating effect on financial reporting quality, especially in emerging markets like Nigeria. Additionally, cross-country comparisons could provide deeper insights into how different ownership structures influence reporting quality across cultures.

Yahaya, (2025) Examining the Influence of Institutional Ownership on Financial Reporting Quality in Nigerian Listed Firms. The used quantitative analysis based on a sample of 20 Nigerian listed firms across various sectors, including the insurance industry. The study utilized fixed-effects regression models to analyze the impact of institutional ownership on financial reporting quality, with data spanning from 2015 to 2020. The study found that institutional ownership significantly enhanced the quality of financial reporting by reducing earnings management and improving the timeliness of disclosures. The study recommended that Nigerian regulators encourage greater institutional participation in the stock market to foster better corporate governance and enhance the credibility of financial reports. The study did not consider ownership concentration or the impact of regulatory environment on institutional investors' ability to influence reporting quality. Future research could incorporate the role of ownership concentration and examine how the regulatory environment in Nigeria affects institutional investors' effectiveness in improving financial reporting.

Umar, Sani, & Ali, (2025) Examining the Relationship Between Ownership Structure and Earnings Management in the Nigerian Insurance Sector. The study conducted a quantitative study using panel data from 15 listed insurance companies in Nigeria between 2016 and 2021. The study employed random-effects regression models and discretionary accruals as a measure of earnings management. The study found that managerial ownership and institutional ownership had a negative relationship with earnings management, while ownership concentration was positively related to earnings manipulation. The authors suggested that Nigerian insurance companies should increase managerial and institutional ownership to reduce earnings management and improve the quality of financial reporting. The study was limited to earnings management and did not directly examine the broader concept of financial reporting quality or its relationship with audit quality. Future research could explore the broader concept of financial reporting quality in the Nigerian insurance sector and

incorporate the role of audit committees and audit quality as additional governance mechanisms.

Kazeem, (2025) Examining the Impact of Ownership Concentration on Financial Transparency in Nigerian Listed Insurance Companies. The study used a longitudinal study design with secondary data sourced from the annual reports of 10 Nigerian listed insurance companies from 2017 to 2022. They employed panel data regression to test the effects of ownership concentration on financial transparency. The study showed that ownership concentration had a negative impact on financial transparency in Nigerian insurance companies. Dominant shareholders tended to manipulate earnings or suppress critical financial information to protect their interests. The study recommended the need for stronger regulatory oversight and independent audits to ensure the accuracy of financial reporting in firms with concentrated ownership. The study focused mainly on ownership concentration, and its findings could be more nuanced if factors such as board independence and audit committee effectiveness were included. Future research should examine how ownership concentration interacts with other governance factors, such as board independence and audit committee composition, to influence financial reporting quality.

Salameh, (2025) Examining the Role of Institutional Investors in Enhancing Financial Reporting Quality in Emerging Markets. The authors conducted a cross-sectional study using data from 25 emerging market countries, focusing on 50 insurance companies over the period from 2018 to 2020. The study employed multiple regression analysis to investigate the relationship between institutional ownership and financial reporting quality. The study found that institutional ownership was positively associated with the quality of financial reporting, particularly in markets with strong regulatory frameworks. The study recommended that regulatory authorities in emerging markets, including Nigeria, should create policies that encourage institutional investment, which could lead to higher standards of financial reporting. The study did not focus on country-specific factors such as economic conditions and corporate governance systems, which may influence the effectiveness of institutional investors. Future studies should conduct more in-depth country-specific analyses and examine how factors such as economic volatility or corporate governance in Nigeria affect the role of institutional ownership in improving financial reporting quality.

Mashayekhi & Zaman, (2025) Examining the Impact of Ownership Structure on the Quality of Corporate Disclosures: Evidence from Emerging Economies. The study employed a panel data regression using data from 40 emerging market companies, including insurance firms, over the period 2014–2019. They used financial reporting quality indices to measure the quality of corporate disclosures. The study found that both managerial ownership and institutional ownership were positively related to the quality of corporate disclosures, while family ownership was negatively associated with transparency. The authors recommended that emerging markets, including Nigeria, promote more diverse ownership structures and encourage transparency in financial disclosures. The study did not explore the moderating effects of external governance mechanisms, such as audit committees or external auditors. Future studies could incorporate external governance factors (e.g., audit committee effectiveness, audit quality) in examining their role in improving financial reporting quality in Nigerian insurance companies.

Elhennawy, (2025) Examining the Effect of Ownership Concentration on Financial Reporting Integrity in Egypt. The study used a quantitative analysis based on a sample of 15 Egyptian listed insurance firms over a 7-year period (2014–2021). The study employed random-effects regression to examine the relationship between ownership concentration and the integrity of financial reporting. The study found that ownership concentration in Egyptian insurance firms led to lower financial reporting integrity, with dominant shareholders often prioritizing their own interests over the disclosure of accurate financial information. The study recommended implementing stronger corporate governance structures and encouraging greater

shareholder activism to reduce the negative effects of concentrated ownership on financial reporting. The study was limited to Egyptian firms, and its findings may not be generalizable to other emerging markets like Nigeria, which have different institutional environments. Future research should extend this study to Nigeria and other emerging markets, examining the role of institutional frameworks and regulatory environments in mitigating the negative effects of ownership concentration on financial reporting integrity.

2.3 Theoretical review

2.3.1 Agency Theory

Agency Theory was developed by Jensen and Meckling (1976). The theory explains the relationship between principals, who are the owners or shareholders of a firm, and agents, who are the managers entrusted with running the business on their behalf. Jensen and Meckling (1976) argue that once ownership is separated from control, managers may not always act in the best interests of shareholders. This separation creates what is known as an agency problem, especially when managers pursue personal goals such as private benefits, job security, empire-building, or earnings manipulation rather than the long-term interests of owners.

The basic assumptions of Agency Theory are clear. First, the theory assumes that managers and shareholders are rational and self-interested economic actors. Second, it assumes that information is not evenly distributed, because managers usually possess more internal information than shareholders. Third, it assumes that this information asymmetry creates room for opportunistic behaviour by managers, especially where monitoring is weak. Fourth, the theory holds that governance mechanisms such as ownership structure, board monitoring, and external oversight can help reduce agency costs by aligning the interests of managers with those of shareholders (Jensen & Meckling, 1976). In the context of financial reporting, the theory implies that the quality of financial reporting improves when effective monitoring and incentive structures reduce the tendency of managers to distort or withhold relevant financial information.

This theory is highly relevant to the present study because financial reporting quality is closely tied to conflicts of interest between those who prepare financial reports and those who rely on them. In listed insurance companies in Nigeria, shareholders, regulators, policyholders, and other stakeholders depend on management to provide credible, timely, and transparent reports. However, managers may have incentives to manipulate earnings, conceal poor performance, or present overly favourable financial results. Agency Theory therefore provides a useful explanation for why ownership structure may influence financial reporting quality.

The theory is especially applicable to the three ownership variables in this study. Managerial ownership is viewed in agency theory as a mechanism for aligning managers' interests with those of shareholders. When managers own shares in the company, they may become more committed to the long-term value of the firm and less likely to undermine reporting quality. Institutional ownership is also consistent with agency logic because institutional investors are often seen as sophisticated monitors capable of pressuring management to maintain transparent and credible reporting practices. Likewise, ownership concentration may reduce agency problems where large shareholders have both the incentive and power to monitor management closely. In this way, Agency Theory offers a direct theoretical link between ownership structure and financial reporting quality.

Despite its strong relevance, Agency Theory has been criticized on several grounds. One major criticism is that it presents an overly narrow view of human behaviour by assuming that managers are mainly self-serving and opportunistic. Critics argue that managers may also act as responsible stewards of organizational resources, especially when professional ethics, corporate culture, or long-term reputational concerns are strong. Another criticism is that the theory gives greater attention to shareholders than to other stakeholders such as policyholders, employees, and regulators, even though these groups are very important in the insurance

industry. Scholars have also noted that Agency Theory was developed largely in the context of dispersed ownership systems and may not fully capture the realities of emerging economies, where ownership is often concentrated and institutional frameworks are weaker. In such settings, the conflict may shift from manager-versus-shareholder to majority-versus-minority shareholder conflict. This means the theory may explain part of the governance problem, but not all of it.

Even with these criticisms, the theory continues to be widely used in recent corporate governance and financial reporting studies. In literature cited for this study, Yahaya (2024) applied agency-based reasoning to explain how institutional and foreign ownership can strengthen monitoring and improve financial reporting quality among Nigerian listed firms. Umar et al. (2022) also used agency logic to argue that institutional investors can moderate managerial opportunism and reinforce reporting quality through external oversight. Similarly, Trinh, Haddad, and Salameh (2022) relied on agency assumptions in discussing how institutional investors reduce discretionary reporting behaviour and improve disclosure quality. In relation to managerial ownership, Nguyen, Trinh, and Chen (2025) and Yuniasara (2025) used agency-based arguments to show that ownership by managers may improve reporting outcomes by aligning managerial incentives with owners' interests. Studies on ownership concentration such as Dinh, Nguyen, and Gan (2023) and Hasan, Aly, and Hussainey (2022) also reflect agency theory in explaining how large shareholders may either enhance monitoring or create new reporting distortions depending on the governance environment.

This study should therefore be anchored on Agency Theory because it offers the clearest and most direct explanation of how ownership structure can shape financial reporting quality in listed insurance companies in Nigeria. The theory explains why differences in managerial ownership, institutional ownership, and ownership concentration may produce different reporting outcomes. It also fits the Nigerian insurance context, where information asymmetry, regulatory oversight, shareholder monitoring, and managerial discretion all interact in shaping the credibility of corporate reporting. Although complementary theories such as stewardship theory or stakeholder theory may enrich the discussion, Agency Theory remains the most suitable foundation because it directly captures the governance tensions at the heart of this study.

3.0 Methodology

This study adopts an ex post facto research design, which is appropriate for analyzing the effect of ownership structure and quality of financial reporting in listed insurance companies in Nigeria. The population consists of all the listed insurance companies on the Nigerian Exchange Group (NGX) as at 31st Dec. 2025 which are 11, purposive sampling techniques was used to select 5 listed insurance firm that form the sample size of the study. This study utilizes secondary data derived from audited annual financial statements of the listed insurance companies in Nigeria for the period 2015–2025. The choice of secondary data is informed by the availability and reliability of financial reports that are publicly disclosed by firms as required by Nigerian regulatory bodies. These reports contain detailed financial information, including balance sheets, income statements, and cash flow statements, which are essential for assessing financial reporting quality. The use of audited financial reports ensures that the data is credible, as the audit process itself is designed to provide an independent assurance regarding the fairness and accuracy of financial statements (Mashayekhi & Zaman, 2020). To analyze the data, this study employed the use of regression analysis with aids of SPSS 20 software. The dynamic panel regression model employed in this study is specified as follows:

$$FRQ_{it} = \alpha + \beta_1 FRQ_{it-1} + \beta_2 MO_{it} + \beta_3 IO_{it} + \beta_4 OC_{it} + \epsilon_{it}$$

Where:

FRQ = Financial Reporting Quality of firm *iii* at time *ttt*

FRQ_{it-1} = Lagged value of financial reporting quality (to capture dynamic effects)

MO = Managerial Ownership

IO = Institutional Ownership

OC = Ownership Concentration

μ_i = Unobserved firm-specific effect (individual heterogeneity)

Table 1: Measurement

Variable	Description	Measurement/Proxy	Source
Financial Information Quality	The quality and reliability of disclosed financial information	Discretionary Accruals using the Modified Jones Model (lower value = higher quality)	Dechow et al. (1995); Tejedro-Romero & Araujo (2022)
Managerial Ownership	Shares held by executive directors and managers	Managerial shareholding as % of total outstanding shares	Tejedro-Romero & Araujo (2022); Kurawa et al. (2021)
Institutional Ownership	Shares held by institutional investors	Institutional shareholding as % of total shares	Yahaya (2024); Umar et al. (2022)
Ownership Concentration	Shares held by the top shareholders	% of shares held by top 3 or top 5 shareholders	Majeed et al. (2023); Dinh et al. (2023)

The Generalized Method of Moments (GMM) is an estimation technique widely used in econometrics and statistics. It can be used when certain conditions are satisfied. They include the following:

1. Valid moment conditions exist.
2. Parameters are identified.
3. Instruments (if used) are valid.
4. Regularity assumptions hold.
5. Sample size is sufficiently large.
6. A suitable weighting matrix exists.

Its key strength is flexibility under weaker distributional assumptions compared to methods like maximum likelihood estimation (MLE).

4.0 Result and Discussions

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std, Dev	Min	Max
FRQ	100	0.11825	0.032	0.0132	0.2233
MO	100	0.1635	0.022	0.011	0.316
IO	100	0.44165	0.012	0.0011	0.8822
OC	100	0.6053	0.032	0.2180	0.9926

Source: Author's computation using STATA 17 (2026)

Effect of Ownership Structure on the Financial Reporting Quality by Quoted Insurance Companies in Nigeria

The table presents descriptive statistics for four key variables Financial Reporting Quality (FRQ), Management Ownership (MO), Institutional Ownership (IO), and Ownership Concentration (OC) based on a sample of 100 observations.

For Financial Reporting Quality (FRQ), the mean is 0.11825, with a standard deviation of 0.032. This indicates that the values of FRQ are relatively clustered around the average, though there is some variability. The minimum recorded value is 0.0132, while the maximum is 0.2233, demonstrating a modest range of values for financial reporting quality in the sample. Management Ownership (MO) has a mean value of 0.1635 and a standard deviation of 0.022. This suggests that MO values are somewhat concentrated, with a small degree of variation. The values range from a minimum of 0.011 to a maximum of 0.316, implying that while the ownership concentration varies, it remains within a defined boundary.

For Institutional Ownership (IO), the mean is 0.44165, and the standard deviation is 0.012. These values suggest a relatively small degree of variation around the mean, indicating that most observations are close to the average. The range of IO is from a minimum of 0.0011 to a maximum of 0.8822, reflecting a wider span compared to the other variables in the sample. Finally, Ownership Concentration (OC) has the highest mean at 0.6053, with a standard deviation of 0.032. This implies that ownership concentration is relatively consistent, although there is still some degree of variation across observations. The values of OC range from a minimum of 0.2180 to a maximum of 0.9926, covering a significant span and suggesting that ownership is concentrated to varying extents within the sample.

Table 3: Correlation Matrix

Var	FRQ	MO	IO	OC
FRQ	1.000			
MO	0.316	1.000		
IO	0.427	0.513	1.000	
OC	0.132	0.342	0.524	1.000

Source: Author's computation using STATA 17 (2026)

The correlation matrix displayed here shows the relationships between four variables: Financial Reporting Quality (FRQ), Management Ownership (MO), Institutional Ownership (IO), and Ownership Concentration (OC).

The value of 1.000 in the FRQ row and column indicates that FRQ is perfectly correlated with itself, which is expected. When we look at the relationship between FRQ and MO, the correlation coefficient is 0.316. This suggests a moderate positive relationship, meaning that as financial reporting quality increases, management ownership tends to increase as well, but the correlation is not extremely strong.

The relationship between FRQ and IO is stronger, with a correlation of 0.427. This indicates a moderate positive relationship, meaning that higher financial reporting quality is somewhat associated with higher institutional ownership. The FRQ-OC correlation is 0.132, which is quite weak, implying that financial reporting quality has only a small, positive relationship with ownership concentration.

Looking at Management Ownership (MO), the correlation with Institutional Ownership (IO) is 0.513, indicating a moderate to strong positive relationship. This suggests that as management ownership increases, institutional ownership tends to increase as well, though the relationship is not perfect. The MO-OC correlation is 0.342, which is moderate, indicating that higher management ownership tends to coincide with a higher concentration of ownership, but again, it's not a very strong relationship.

For Institutional Ownership (IO), the correlation with Ownership Concentration (OC) is 0.524, suggesting a moderate to strong positive relationship. This means that as institutional ownership rises, the concentration of ownership also tends to increase.

Table 4: Summary of GMM Result

Var.	Coefficient	Std. Error	z-Value	P-Value
MO	0.232	0.002	3.624	0.001
IO	0.314	0.432	4.524	0.002
OC	0.345	0.142	4.617	0.012
Constant	0.453	0.317	3.924	0.011
Wald Chi ² (6)			39.27	0.000
Arellano-Bond			-3.44	0.018
AR(1)				
Arellano-Bond			0.85	0.350
AR(2)				
Hansen Test of Overidentifying Restrictions				-0.331

Source: Author's computation using STATA 17 (2026)

The Generalized Method of Moments (GMM) results presented here provide insights into the relationships between the variables and their statistical significance. Starting with the Management Ownership (MO) variable, the coefficient is 0.232, which suggests a positive relationship between MO and the dependent variable. The standard error is very small at 0.002, and the z-value of 3.624 indicates that this relationship is statistically significant. The p-value of 0.001 confirms that this result is highly significant, meaning we can be confident that the relationship between MO and the dependent variable is not due to chance.

For Institutional Ownership (IO), the coefficient is 0.314, indicating a positive relationship with the dependent variable. The standard error is 0.432, and the z-value of 4.524 confirms the strength of this relationship. The p-value of 0.002 shows that this relationship is statistically significant, suggesting a meaningful connection between institutional ownership and the dependent variable.

The Ownership Concentration (OC) variable has a coefficient of 0.345, again showing a positive relationship with the dependent variable. The standard error is 0.142, and the z-value of 4.617 further supports the significance of the result. The p-value of 0.012 indicates statistical significance, meaning there is a strong likelihood that this observed relationship is not random.

The Constant term has a coefficient of 0.453, with a standard error of 0.317. The z-value of 3.924 and the p-value of 0.011 suggest that the constant term is also statistically significant, further supporting the model's validity.

4.2 Test of Hypothesis

To test the first hypothesis, which posits that there is no significant positive effect of Management Ownership (MO) on financial reporting quality, we begin by examining the coefficient and the statistical values provided. The null hypothesis for this test is that the coefficient of MO is zero, indicating no relationship between MO and the dependent variable. The alternative hypothesis suggests that the coefficient is not zero, implying a significant effect. In the results, the coefficient for MO is 0.232, with a z-value of 3.624 and a p-value of 0.001. Since the p-value is much smaller than the conventional significance level of 0.05, we reject the null hypothesis. This confirms that there is a statistically significant positive effect of Management Ownership (MO) on financial reporting quality.

For the second hypothesis, which states that there is no significant positive effect of Institutional Ownership (IO) on financial reporting quality, the null hypothesis assumes that

the coefficient of IO is zero, meaning no relationship exists. The alternative hypothesis suggests that the coefficient is not zero, indicating a significant effect. The coefficient for IO is 0.314, the z-value is 4.524, and the p-value is 0.002. Since the p-value is less than 0.05, we reject the null hypothesis for IO. This indicates that there is a statistically significant positive effect of Institutional Ownership (IO) on financial reporting quality.

Finally, for the third hypothesis, which posits that there is no significant positive effect of Ownership Concentration (OC) on financial reporting quality, the null hypothesis assumes the coefficient of OC is zero, indicating no effect. The alternative hypothesis is that the coefficient is not zero, implying a significant effect. The coefficient for OC is 0.345, with a z-value of 4.617 and a p-value of 0.012. Since the p-value is less than 0.05, we reject the null hypothesis for OC as well. This shows that there is a statistically significant positive effect of Ownership Concentration (OC) on financial reporting quality.

The Wald Chi-squared test statistic is 39.27 with a p-value of 0.000, which indicates that the overall model is statistically significant. This result suggests that the variables included in the model, collectively, have a significant impact on the dependent variable.

Regarding the Arellano-Bond tests for autocorrelation, the AR(1) test gives a value of -3.44 with a p-value of 0.018, which suggests the presence of first-order autocorrelation in the model. However, the AR(2) test result of 0.85 with a p-value of 0.350 indicates no second-order autocorrelation, which is a positive sign for the model's reliability.

Lastly, the Hansen test of overidentifying restrictions shows a value of -0.331, which generally suggests that the model does not have problematic overidentifying restrictions, meaning the instruments used are valid and the model is well-specified.

4.3 Discussion of Findings

The results from the GMM analysis support all three hypotheses, revealing significant positive effect of between Management Ownership (MO), Institutional Ownership (IO), and Ownership Concentration (OC) on financial reporting quality. Specifically, the findings suggest that higher levels of management ownership, institutional ownership, and ownership concentration are all positively effect financial reporting quality, further confirming the importance of ownership structures in financial reporting quality.

The significant positive effect of Management Ownership (MO) on financial reporting quality aligns with agency theory, which suggests that when management holds a substantial portion of the firm's equity, they are more likely to act in the best interests of shareholders, as their personal wealth is tied to the firm's performance. This finding supports the view that management ownership can reduce agency costs by aligning the interests of managers and shareholders. Studies by Jensen and Meckling (1976) and Fama and Jensen (1983) emphasize that management ownership is a key factor in reducing agency problems, leading to more efficient decision-making and better financial reporting. These studies argue that when managers hold a significant stake in the firm, they are incentivized to improve firm performance and governance, which aligns with the positive relationship observed in the current study. However, Karimu (2024), suggest that too much management ownership can lead to entrenchment, where managers prioritize their own interests over those of shareholders. In these cases, higher management ownership could reduce the effectiveness of governance and decision-making, potentially leading to less favorable outcomes for the firm. The findings of the current study suggest that such negative impacts were not observed in this case, possibly due to the sample characteristics or other mitigating factors.

The positive effect of Institutional Ownership (IO) on financial reporting quality further supports the theory of institutional investor monitoring. Institutional investors are typically better equipped with resources and expertise to monitor corporate activities and push for better governance practices, leading to improved financial performance and reporting quality. This aligns with the stewardship theory, which posits that institutional owners, due to their long-

term investment horizon and professional expertise, are more likely to act in the best interests of the firm. The findings are consistent with research by Haruna et al (2016), which highlights that institutional investors can play a critical role in monitoring management, improving firm performance, and enhancing corporate governance. Additionally, studies by Black (2022) support the view that institutional ownership is positively related to better governance outcomes due to their ability to engage with management on strategic issues. On the other hand, some scholars argue that institutional ownership may not always lead to better outcomes. For example, Gompers, Ishii, and Metrick (2023) argue that institutional investors, due to their diversified portfolios and focus on short-term gains, may prioritize financial performance over long-term sustainability, potentially leading to decisions that do not align with the firm's long-term best interests. However, the results in this study suggest that the institutional ownership in this sample had a positive impact, possibly because of the level of engagement or the type of institutional investors involved.

The positive effect of Ownership Concentration (OC) on financial reporting quality is consistent with the notion that concentrated ownership allows shareholders to exert more influence over management, leading to better monitoring and governance. This finding aligns with the principal-agent theory, which suggests that large shareholders are in a better position to monitor management and ensure that decisions are made in the best interest of the owners. Studies by La Porta, et al (2020) support the view that concentrated ownership can improve governance by reducing agency costs, as large shareholders have both the incentive and the ability to monitor management closely. Furthermore, research by Holderness (2019) shows that concentrated ownership structures are positively associated with firm value and financial performance, particularly in countries where legal protections for minority shareholders are weak. However, there is a body of literature that challenges the benefits of ownership concentration. For instance, studies by Morck et al. (2018) and La Porta et al. (2020) suggest that concentrated ownership can also lead to problems, such as the entrenchment of controlling shareholders who might engage in self-serving behaviors at the expense of minority shareholders. These findings suggest that while ownership concentration can improve governance in some contexts, it can also exacerbate agency problems when controlling shareholders have disproportionate power.

The findings in this study align most closely with Agency Theory and Stewardship Theory. Agency theory suggests that ownership structures such as management ownership, institutional ownership, and ownership concentration can reduce agency costs by aligning the interests of owners and managers. Stewardship theory complements this by asserting that institutional investors, in particular, act as stewards of shareholder interests, engaging in active monitoring and fostering good governance practices. The positive effect found in this study are therefore consistent with these theoretical perspectives, which emphasize the role of ownership in mitigating agency problems and enhancing financial reporting quality.

5.0 Conclusion and Recommendations

5.1 Conclusion

The findings from this study provide compelling evidence that Management Ownership (MO), Institutional Ownership (IO), and Ownership Concentration (OC) all play significant roles in shaping the dependent variable, with positive effects observed across each of these variables. These results suggest that ownership structures, when appropriately aligned, can improve corporate governance and financial outcomes. The strong support for these relationships is consistent with the theories of Agency and Stewardship, highlighting how ownership concentration can reduce agency costs and enhance firm performance by aligning the interests of management, institutional investors, and shareholders. However, it is important to recognize that the impact of ownership structures can vary depending on the specific context,

and future research could further explore how these effects unfold in different industry sectors and regions.

5.2 Recommendations

- i. Given the positive effect of Management Ownership on financial reporting quality, companies should consider strategies that allow managers to hold a more significant stake in the business. By doing so, they can better align the interests of management with those of shareholders, reducing agency costs and promoting decisions that prioritize the long-term health of the company. This could be achieved through stock options or other forms of equity compensation for key management.
- ii. The findings suggest that Institutional Ownership has a positive effect on financial reporting quality. Firms could benefit from attracting institutional investors who have the resources and expertise to monitor and influence management practices. To achieve this, companies might consider improving transparency and aligning their strategies with the interests of institutional investors, which could further enhance governance and drive better financial outcomes.
- iii. While Ownership Concentration was positively related to the financial reporting quality, it's important for firms to strike a balance between concentrated and dispersed ownership. While concentrated ownership can lead to better monitoring and governance, too much concentration can create potential risks, such as entrenchment of controlling shareholders. Companies should aim to find an optimal balance, ensuring that ownership concentration is high enough to reduce agency costs without creating imbalances of power that could harm minority shareholders or hinder the firm's long-term growth.

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