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FOREIGN AND INSTITUTIONAL OWNERSHIP AND FINANCIAL STATEMENT FRAUD AMONG NON-FINANCIAL LISTED FIRMS ON THE NIGERIA EXCHANGE GROUP

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ABSTRACT:

This work examines the influence of foreign and institution ownership on financial statement fraud among non-financial listed firms in Nigeria. The high rates of business failure are linked with financial statement fraud; hence this study tends to examine the influence of foreign and institution ownership on the financial statement fraud among selected listed manufacturing firms in Nigeria. The objective of this study is to examine the influence of foreign and institution ownerships on financial statement fraud among non-financial listed firms on Nigerian Exchange Group. The study used an ex post facto research design. Ninety-five (95) non-financial firms listed as at 31st December 2022. The study used a purposive sampling technique to select the sample size from the population. The study adopted secondary source of data. Ordinary Least Square multiple regression and Binary Logit Regression Technique were used to analyze the data collected for this work through the aid of E-View 9.0 software. The findings of the study revealed that foreign and institutional ownerships have significant effects on the financial statement fraud among non-financial listed firms in Nigeria. Based on the results and analysis, this study concludes that foreign and institutional ownerships have significant effect on the financial statement fraud of non-financial firms listed on the Nigerian Exchange Group (NGX). This study recommended among others based on the findings of this study since foreign and institutional ownership have significant effects on financial statement fraud, regulatory authorities like Financial Reporting Council of Nigeria and Nigeria Exchange Group (NGX) should make policy that will encourage foreign investors to own more shares in non-financial listed firms because foreign ownership will demand management to be transparent in financial reporting to maximize control and minimize fraudulent actions.
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1. INTRODUCTION

Financial statement is the responsibility of management and prepared to report to the various stakeholders on how the resources of the companies have been used and their effectiveness in achieving the organisational goals (Hassan, 2011). These statements also provide the means of informing shareholders about the current financial positions of the firms (Alzoubi, 2012). Thus, financial report is expected to report the real economic positions of companies. However, in preparing the financial reports, there are potential of risk of manipulations of the reported earnings such that the reported results of operations do not reflect the actual conditions of the companies (Obigbemi, Omolehinwa, Mukoro, Ben-Caleb, & Olusanmi, 2016). The business environment in this country is also plagued with ethical problems associated with corporate scandals involving large companies (Enobong, 2017). Thus, it was indicated that there were about 1,639 cases with losses of 18.5 million USD in 2012, 314.5 million USD with 3,380 cases in 2013, and the highest number of cases 3,756 with losses of 254.5 million USD were recorded in 2014 (Enofe, Omagbon, & Ehigiator, 2015). For example, the Cadbury (Nig) PLC scandal has remained a reference point for fraudulent financial reporting. Other incidences of fraudulent financial reporting in Nigeria include the fraud at Afribank Plc, the case of Oando oil Plc and Arik airline are the corporate frauds recorded in 2017, Gupta scandal in 2017, Samsung accounting scandal in 2018, Wells Fargo and Co. in 2018, Nissan in 2018, Tesla corporate scandal in 2018, Steinhoff corporate fraud in 2019 and Wirecard accounting fraud in 2019 among others.

Norazida and Moorison (2014) said financial statement fraud involve the falsification of accounts and records, which, ultimately, misleads the financial statement users. In this case, the false financial reporting can be associated with market manipulation through which the manipulation of financial figures is achieved to mislead the company's investors. Expectedly, the business community at large and in Nigeria has shown serious concerns for financial statements fraud. Ownership structure is seen as the collection of owners that exercise control over activities of a firm. Therefore, these ownership structure mechanisms as foreign and institutional are supposed to act as pre-emption mechanisms and preserve investors' wealth (Ohidoa – Toluwa & Ohidoa, 2021). Ownership structure has become a great global concern because of the rising frequency and widespread pattern of deliberate accounting irregularities and fraudulent financial reporting. Adams, Hermalin, and Weisbach (2010) argued that these financial scandals had placed foreign and institutional ownership in the limelight of governance reforms. In Nigeria, different corporate governance codes have been developed, most of which are industry-specific, such as the Code of Corporate Governance in Nigeria of 2003, 2011, 2016

and now 2018.The 2003 and 2011 codes were both issued by the Securities and Exchange Commission (SEC).The 2016 and 2018 were issued by the Financial Reporting Council of Nigeria. Beyond these mentioned codes, the Code of Corporate Governance for Central Bank of Nigeria's (CBN's) (2006) issued Code of Corporate Governance in Nigeria for post-consolidation; the Code of Corporate Governance for Licensed Pensions Operators 2008 issued the Pension Commission (PENCOM), Code of Corporate Governance for Insurance Industry in Nigeria 2009 issued by the National Insurance Commission (NAICOM).

Despite these reforms, fraudulent financial reporting appears to occur at a growing rate and with an increasing severity that continues to be a big challenge to the confidence of investors, financial analysts and other stakeholders. Hence, this study seeks to ascertain the effect of foreign and institutional ownership on financial statement fraud among listed non-financial firms in Nigeria. Financial statement is expected to report the real economic positions of companies. However, in preparing the financial reports, there are potential of risk of manipulations of the reported earnings that do not show the actual economic position the company. These fraudulent activities that characterize process of preparing financial reports and account are referred to as financial statement fraud. Ibadin and Oladipupo (2015) describe financial statement fraud involve the falsification of accounts and records, which, ultimately, misleads the financial statement users. In this case, the false financial reporting can be associated with market manipulation through which the manipulation of financial figures is achieved to mislead the company's investors. Expectedly, the business community at large and in Nigeria has shown serious concerns for financial statements fraud.

Some of the companies that suffered from fraudulent financial statement frauds are: Cadbury (Nig) PLC scandal has remained a reference point for fraudulent financial reporting. Gupta scandal in 2017, Samsung accounting scandal in 2018 and Wirecard accounting fraud in 2019 among others. This incidence makes investors uncertain about returns on their investment and gradually losing confidence in financial statement prepared by companies. However, financial reporting process of listed companies contains monitoring structures that ought to enhance the accountability and transparency of financial information and therefore guard investors' interests from the harmful effects of financial statement fraud. Hence, ownership structure was introduced in corporate governance codes to harmonize the interests of agent with those of the principal. Different corporate governance codes have been developed, most of which are industry-specific, such as the Code of Corporate Governance in Nigeria of 2003, 2011, 2016 and now 2018.

Unfortunately, the high rates of business failure are linked with financial statement fraud. Hence this study tends to examine the influence of foreign and institutional ownership on financial statement fraud among selected listed manufacturing firms in Nigeria. When financial statement fraud occurs, the company is not the victim but rather the instrument of fraud and firm stakeholders. The perpetrators of financial statement fraud are within the firm, holding a sufficiently senior position to be able to browbeat other employees into participating in the fraud. Despite the provisions of the above-mentioned codes of corporate governance, the role played by ownership structure in the recent collapse of some industries has spurred series of arguments. In Nigeria, studies like Peter and Aimienrovbiye, 2019; Uwuigbe, et al, 2019; Uwalomwa, Daramola and Anjolaoluwa, 2014; Ohidoa – Toluwa and Ohidoa, 2021; Ilaboya and Lodikero, 2017; Anichebe, Agbomah and Agbagbara, 2019 have studied ownership structure and financial statement fraud, but did not consider the elements of foreign and institutional ownership in relation to financial statement fraud. Some of the studies focused on consumer goods, some focused on food and beverage industry while some studies focused on Money Deposit Banks while this study will focus on non-financial listed firms on the Nigeria Exchange Group. Most of the studies cover the period of 2006 to 2009, while some covers 2011 to 2016. Researcher is not aware of any study on this tropical issue that covers the period of 2011 to 2022. Hence this study tends to fill this periodical gap.

In addition, prior research has shown that one stream of researchers found that ownership structures do not significantly affect financial statement fraud (Ohidoa – Toluwa & Ohidoa, 2021; Bello, 2011; Eneh,2018) whereas, another stream of researchers found that there is significant relationship between ownership structure and financial statement fraud (Riadi & Mita, 2018; Hamadi & Ines, 2011).

1.1 Objectives of the Study

To reconcile these inconsistencies and inconclusive findings from previous studies, this study tends to examine the effect of foreign and institutional ownership on financial statement fraud among non-financial listed firms in Nigeria. The specific objectives are to:

1. ascertain the effect of foreign ownership on financial statement fraud among non-financial listed firms in Nigeria.
2. dtermine the effect of institutional ownership on financial statement fraud among non-financial listed firms in Nigeria.

1.2 Research Hypotheses

In order to test the effect of sustainability reporting on financial performance of listed oil and gas companies in Nigeria, the following hypothesis are formulated in their null form:

Ho_1: Foreign ownership has no significant effect on the financial statement fraud among non-financial listed firms in Nigeria.

Ho_2: Institutional ownership has no significant effect on the financial statement fraud among non-financial listed firms in Nigeria

2. LITERATURE REVIEW

2.1 Conceptual review

2.1.1 Ownership Structure

The corporate governance has been variously defined by different researchers, and these several definitions have evolved over the years. Some researchers are of the view that corporate governance is set of mechanisms proposed to mitigate agency related problems that arise owing to ownership separation and control between the managers and shareholders (Armstrong *et al.*, 2010). Ownership of companies and the crisis associated with the style of ownership has also become a center of agenda for both business leaders and regulators all over the world. Corporate governance mechanism that can moderate organization performance is ownership structure of the firm (van Essenet, Otten, & Carberry, 2015). The extent to which the board can monitor executives will be affected by ownership concentration and distribution (institutional, block, and director shareholdings) and the influence of these owners, particularly major shareholders (Sanchez-Marin & Baixauli-Soler, 2014). The greater monitoring usually associated with block ownership can be a substitute for a good incentive alignment mechanism that is able to effectively restrain executive pay and improve organizational performance (Ntim, 2013). The ownership structure is a proportion of the shares held by different parties in the equity (ordinary shares) of the company. These parties are known as the owners of the corporation, ranging from promoters, individual and institutional investors, private and public corporations and foreign owners. In this study, ownership structure is proxy with foreign ownership and institutional ownership. The proxies are discussed below.

2.1.2 Foreign Ownership

Company shares owned by foreign individuals, foreign legal entities, and foreign governments are included in foreign ownership (Meilita & Rokhmawati, 2017). Foreign ownership is ownership of shares possessed by multinationals (Mardiana, 2015). Affan et. al., (2017) specified that the greater shares owned by foreign parties, the greater the number of the external party allocated to a significant position, such as board of directors in the company to align the

interests of management and shareholders, resulting in improving the quality of financial reporting. Mardiana (2015) maintains that foreign companies have a better information system to meet internal needs as well as more substantial requests such as customers, suppliers among others. This characteristic will make foreign ownership companies have less opportunity to commit fraud. Therefore, foreign ownership will demand management to be transparent in financial reporting to maximize control and minimize fraudulent actions.

2.1.3 Institutional Ownership

Institutional ownership is the institution that trade in securities in high dimensions. Exemplars of institutional investors are banks, insurance companies; investment and pension funds are among the institutional investors. Moreover, institutional ownership is an imperative effectual exogenous control device. This set of stockholders is in a position to impact the adopted practices by companies and their existence can lead to a change in company behaviours. The ownership of shares by companies and financial institutions in a company is called institutional ownership (Paramitha & Firnanti, 2018). The measurement of institutional ownership according to Reyna (2018) is the sum of institutional ownership shares divided by the total outstanding shares.

2.1.4 Financial Statement Fraud

Financial statement serves as a tool for communicating to users and stakeholders the true and fair view of the company. Financial statement shows where the company is, and where it is heading. Weygandt and Warfield (2007) assert that financial statements are useful for the assessment of a company's liquidity, solvency, financial flexibility and performance. Financial statements have been viewed in connection with avenue to perpetuate fraudulent activities and deception. ACFE (2003) claims that financial statement fraud is the deliberate misrepresentation of the financial condition of an enterprise accomplished through the intentional misstatement or omission of amounts or disclosures in the financial statements to deceive financial statement users.

Warsharvsky (2012) identifies some examples of accounting manipulations or manipulations that can occur in the financial statement data to include but not restricted to: recording revenue too soon or with questionable quality; recording fictitious revenue; boosting income with one-time gains; shifting current expense to a different period; capitalizing otherwise currently recognizable expenses, and failing to record, or improperly reducing, liabilities, among others. Therefore, financial statement fraud is a deliberate misstatement of material facts by management in the books of accounts of a company with the aim of deceiving investors and creditors. This illegitimate task performed by management has a severe impact on the economy

because it significantly dampens the confidence of investors. Gupta and Gill (2012) explain that manipulated financial statements present a charming financial position to the investors by manipulating and concealing the financial information and qualitative disclosures of financial statements. More so, these disclosures may not apparently contain fraud indicators, however, the warning signs of fraud or manipulation can be identified by a proper understanding of the syntactic as well as the semantics of any natural language because fraudsters may create artificial indicators by using semantic of the language in the manipulated financial statements. Different studies have adopted different measures of financial statement fraud such as earnings misstatement (Agrawal &Chadha, 2005), Chen et al., 2006, and Dechow et al., 1996), accounting conservatism (Ahmed & Duellman, 2007), and abnormal accrual (Carcello et al., 2006; Peasnell, et al., 2005).

2.1.5 Beneish Model

Beneish developed the m-score model using forensic accounting principles. Proceeding from the Altman Z-Score, Messod D. Beneish, an associate professor at the Kelly School of Business, Indiana University, researched the quantitative differences between public companies that had committed financial statement manipulations and those that had not. Beneish (1999) in his study, *The Detection of Earnings Manipulation* had formulated eight mathematical ratios (M-score) to identify the likelihood of manipulations by a company. Each ratio represents the characteristics of a typical earnings manipulator. The m-score gained popularity by successfully detecting financial scandals before the public discovered them. For this study, the Beneisch M score was used to categorise the firm into manipulators (where the Beneisch M index is greater than -2.22) and non-manipulators (where the Beneisch M index is below the -2.22 benchmark).

2.2 Theoretical Review

2.2.1 Agency Theory

The term *agency relationship* is used to describe an arrangement where one entity, the principal, legally appoints another entity, the agent, to act on its behalf by providing a service or performing a particular task (Forjan, 2019).The origin of agency theory can be traced back to Adam Smith in 1776, who pointed out that people act in their own self-interest, and that we cannot expect people to watch over someone else's money with the same anxious vigilance that they would have over their own. Agency theory in corporate governance is the type of agency relationship that exists between the principal (shareholders) and agents (directors/management) of a company. The different interests of principals and agents may become a source of conflict, as some agents may not perfectly act in the principal's best interests (Investoedia, 2019).

Nonetheless, according to Sanjay (2019), despite this clear rationale of electing the board of directors, there are a lot of instances when complicated issues come up and the executives, knowingly or unknowingly, take decisions that do not reflect shareholders' best interest. According to Yegon, Sang, and Kirui (2014), agency costs can manifest in various forms, including self-serving behaviour on the part of managers who focus on status or empire-building objectives, excessive perquisite consumption, non-optimal investment decision-making or acts of accounting mismanagement or corporate fraud. The theoretical perspective that guided this study is linked to the idea that firms with an efficient corporate governance structure have better financial reporting than those without it. Therefore, this study is anchored on agency theory.

2.3 Empirical Review

Al-dhamari and Ku Waidi and Johnson (2016) studied the relation between ownership structure and reported earnings quality of banks in Nigeria for the time frame of 2005 to 2013. Using Ordinary Least Square (OLS) Regression techniques, outcomes showed that managerial ownership insignificantly effect on earnings quality. Likewise, in china, Hsu and Wen (2015) employed accrual and financial statement fraud and conclude that institutional investors give managers the opportunities to manipulate the discretionary accruals.

Boubakri and Cosset (2015) explored the association between foreign ownership and financial statement fraud of 350 listed companies from 45 countries for 2002-2012. The result showed that foreign investors reduce financial statement fraud.

Ismail (2014) urged that companies having large presence of institutional shareholders, among others, showed improved earnings predictability and less agency problems. similarly, Alzoubi (2016) indicated negative significant association between financial statement fraud and institutional ownership in Jordan. More recently, Abousamak and Shahwan (2018) suggested that institutional ownership was negatively associated with financial statement fraud in Egypt. Hassan, and Ahmed (2012) used a sample of 15 listed food and beverages companies from 2006-2010 and employed multiple regression techniques. The authors reported significant negative influence of institutional shareholders on the financial statement fraud.

.Klai and Omri (2011) examined the importance of foreign investors and financial statement fraud in Tunisia. It was found that firms with foreign investors experienced higher financial statement fraud. Hassan, and Ahmed (2012) used a sample of 15 listed food and beverages companies from 2006-2010 and employed multiple regression techniques. The study reported

significant negative influence of institutional shareholders on the financial statement fraud among sample population.

Koh (2003) conducts an analysis of institutional shareholders and aggressive earnings practice of listed Austrian firms. The result indicates a positive significant influence of institutional investors on earnings aggressiveness, even enormous when the percentage of ownership is relatively low.

3. MATERIAL AND METHOD

The research design to be adopted for this study is ex post facto research design to examine the effect of foreign and institutional ownership on financial statement fraud among listed non-financial firms on the Nigerian Exchange Group. This is appropriate for a developing economy like Nigeria, and also, it is adequate enough to validly capture any behavioural change contrary to a cross-sectional design method usually associated with most studies in this area both in developed and developing economies. The population of the study is made up of non-financial firms listed on the Nigerian Exchange Group (NGX). As at 31st December 2022, ninety - five (95) non-financial firms were listed on the Nigerian Exchange Group floor. The choice of non-financial firms that consists of Industrial Goods, Natural Resources, Consumer goods, Health care, Agriculture, Services, conglomerate, ICT, Oil and Gas and Construction/Real estate is based on the fact that most of these companies are seriously affected by financial statement fraud. The study used purposive sampling technique to select the sample population. This sampling technique is used to enable researcher to select firms that the data can be conveniently assessed. Non-financial firms that have not operated on the floor of Nigeria Exchange Group for the period of ten years (2011 to 2022) are excluded from the population. The total numbers of non-financial firms that have their financial statements available either on their website or in the office of the Nigerian Exchange Group as at 31st December, 2022 are used as our sample population. Based on these conditions highlighted above, seventy four (74) firms are selected as our sample population. **The** secondary data was used for this study. The sources of data will include annual reports and accounts of companies, corporate website of companies and the Nigerian Exchange Group Fact books and CBN Statistical Bulletin, covering a period of 12 years (2011 – 2022).

This study used Ordinary Least Square (OLS) multiple regressions to estimate the panel data from 2011 to 2022 to examine the effect of foreign and institutional ownership on financial statement fraud of listed non-financial firms on Nigerian Exchange Group. This was carried out with the aid of E - View 10 statistical software.

3.4 Model Specification

In this study, the extent of financial statement fraud is measured using the Beneish M-score model. Beneish M-score model was developed by Beneish (1999) to estimate the probability of financial statement fraud. If the predictive M-score is greater than -2.22, benchmark it indicates a red flag meaning that there is a possibility of accounting fraud occurring in the organization, or it could also indicate a strong likelihood of the firm engaging in financial statement fraud (Beasley, 1996; Ohiokha, 2017; Okoye, 2016). The predictive M-score was calculated for the non-financial firms over the years covered by the study. The score of "1" was given if the companies had red flags indicating that there was a possibility of financial fraud and "0" if otherwise. The measurements are Days to Sales in Receivable Index (DSRI), Gross Margin Index (GMI), Asset Quality Index (AQI), Sales Growth Index (SGI), Depreciation Index (DEPI), Sales, General and Administrative Expenses Index (SGAI), Leverage Index (LVGI) and Total Accrual to Total Assets (TATA).

The study will adopt Beneish (1999) M-Score expressed in an equation as follows:

M - Score = -4.84 + 0.92 DSRI + 0.528 GMI + 0.404 AQI + 0.892 SGI + 0.115 DEPI – 0.172 SGAI + 4.679 TATA – 0.327 LVGI.

Where:

DSRI : Days' to sales in receivable Index = (Net Receivables t / Sales t) / Net Receivables t-1 / Sales t-1)

GMI : Gross Margin Index = [(Sales t-1 – Cost of Goods Sold t-1) / Salest-1] / [(Sales t – Cost of Goods Sold t) / Sales t]

AQI : Asset Quality Index = [1 - (Current Assets t + Plant, Property & Equipment t + Securities t) / Total Assets t] / [1 - ((Current Assets t-1 + Plant, Property & Equipment t-1 + Securities t-1) / Total Assets t-1)]

SGI: Sales Growth Index = Sales t / Sales t-1

DEPI: Depreciation Index = (Depreciation t-1/ (Plant, Property & Equipment t-1 + Depreciation t-1)) / (Depreciation t / (Plant, Property & Equipment t + Depreciation t))

SGAI: Sales, General and Administrative Expenses Index = (Selling General & Administrative Expense t / Sales t) / (Selling General & Administrative Expense t-1 / Sales t-1)

LVGI : Leverage Index = [(Current Liabilities t + Total Long Term Debt t) / Total Assets t] / [(Current Liabilities t-1 + Total Long Term Debt t-1) / Total Assets t-1]

TATA : Total Accrual to Total Assets = (Income from Continuing Operations t - Cash Flows from Operations t)/ Total Assets t

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Foreign Ownership Company shares owned by foreign individuals, foreign legal entities, and foreign governments divided by the total outstanding shares

Institutional ownership is the sum of institutional ownership shares divided by the total outstanding shares. A functional relationship between the dependent variable and the independent variables was expressed as:

FRAUD = f(FOW,INSOW, μ) ……Eqn 1.

Equation 1 was transformed into econometric forms as:

FRAUDit = β0+β1 FOWit+β2 INSOWit + μ**it……**Model1

Where;

FRAUD = Beneish M-score for model 1,

FOW = foreign ownership

INSOW = institutional ownership

β0 is the constant, β1, β2 are the coefficients of the explanatory variables for the model; μ is the error term that captures the stochastic variables in the model; i = is the collection of the firms; and t = is the time factor. The *apriori* expectations are stated as: β1>0; β 2>0; β 3>0; β 4>0; β 5>0;

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

4.1.1 Description Statistics

Table 1: Descriptive Analysis of the Variables

	BENI	*FORO*	*INSO*
Mean	0.940492	41.07359	45.89394
Median	1.000000	40.00000	51.00000
Maximum	10.41000	94.00000	98.00000
Minimum	-8.790000	0.000000	0.000000
Std. Dev.	0.702917	21.65776	26.89480
Skewness	-2.780669	0.184905	-0.163528
Kurtosis	117.9740	2.698271	1.919373
Jarque-Bera	510123.3	8.770280	49.07674
Probability	0.000000	0.012461	0.000000
Sum	869.0150	37952.00	42406.00
Sum Sq. Dev.	456.0477	432941.0	667633.6
Observations	924	924	924

Source: E-views, 10 Outputs

The mean value for the variable Beneish Index (BENI) is 0.940492, with a maximum of 10.41 and a minimum of -8.79. The standard deviation is 0.702917, and the skewness is -2.780669, indicating that the distribution may be negatively skewed. The high kurtosis value of 117.9740 and the low probability of the Jarque-Bera test (0.0000) suggest that the distribution is not normal and has more extreme values at the tails than a standard normal distribution. The mean value for the variable Foreign Ownership (FORO) is 41.07359, with a maximum of 94 and a minimum of 0. The standard deviation is 21.65776, and the skewness is 0.184905, indicating a roughly symmetric distribution. The kurtosis value of 2.698271 is slightly higher than normal, but the probability of the Jarque-Bera test is still low, suggesting that the distribution is sufficiently normal..

The mean value for the variable Institutional Ownership (INSO) is 45.89394, with a maximum of 98 and a minimum of 0. The standard deviation is 26.89480, and the skewness is -0.163528, indicating a roughly symmetric distribution. The kurtosis value of 1.919373 is relatively low, and the probability of the Jarque-Bera test is low, suggesting that the distribution is normal.

4.2 Test of Hypotheses

Table 2: Test of Hypotheses

Dependent Variable: BENI

Method: Robust Least Squares

Date: 10/26/23 Time: 13:45

Sample: 1 924

Included observations: 924

Method: MM-estimation

S settings: tuning=1.547645, breakdown=0.5, trials=200, subsmpl=6,
refine=2, compare=2

M settings: weight=Bisquare, tuning=4.684

Random number generator: rng=kn, seed=1567408895

Huber Type I Standard Errors & Covariance

Variable	Coefficient	Std. Error	z-Statistic	Prob.
FORO	0.009858	0.000336	29.35469	0.0000
INSO	0.003216	0.000412	7.803561	0.0000
C	0.066570	0.027897	2.386316	0.0170

Robust Statistics			
R-squared	0.018908	Adjusted R-squared	0.013564
Rw-squared	0.615033	Adjust Rw-squared	0.615033
Akaike info criterion	1558.785	Schwarz criterion	1590.775
Deviance	44.41246	Scale	0.169283
Rn-squared statistic	1262.709	Prob(Rn-squared stat.)	0.000000
Non-robust Statistics			
Mean dependent var	0.940492	S.D. dependent var	0.702917
S.E. of regression	0.679034	Sum squared resid	423.2784

Source: E-views, 10 Outputs

The output of the regression analysis on the effect of foreign ownership, institutional ownership, on financial statement fraud is shown in Table 2 above. The R-squared (R^2) value is a statistical measure that indicates the proportion of the dependent variable's variation (in this case, financial statement fraud) that is explained by the independent variables (foreign ownership, institutional ownership) in the regression model. The R-squared value is 0.018908 which suggests that the independent variables in the model explained or predicted only about 2% of the variations in financial statement fraud. In other words, the variables examined in the study do not have a very high joint explanatory impact on financial statement fraud. However, this regression output was accepted based on the Rn-squared statistic of 1262.709 which is significant. The Prob (Rn-squared stat.) value was used to test the statistical significance of the Rn-squared statistic. Given that the Prob (Rn-squared stat.) value of 0.000000 is less than 0.05, it suggests that foreign ownership and institutional ownership have a joint significant effect on financial statement fraud, despite the very low R-squared value. We proceed to testing the two null hypotheses using the coefficients and the respect *p*-values.

4.2.1 Hypotheses One

H_o: Foreign ownership has no significant effect on the financial statement fraud among non-financial listed firms in Nigeria.

The coefficient for foreign ownership is 0.009858, which suggests that a one-unit increase in foreign ownership will result in a 0.009858-unit increase in financial statement fraud on average. Since the coefficient is positive, it indicates that foreign ownership may be associated with a higher level of financial statement fraud. The probability value of 0.0000 indicates that

the coefficient is statistically significant at 0.05 significance level. Therefore, the study provides strong evidence for the acceptance of the alternate hypothesis that foreign ownership has a significant positive effect on financial statement fraud.

4.2.1.1 Decision: Based on the analysis above, the Null hypothesis (Ho) is rejected while alternate hypothesis (Hi) is accepted; which state that foreign ownership has significant effect on the financial statement fraud among non-financial listed firms in Nigeria. This study is consistent with Usman, Akpan, Luka and Abolugne (2020); Siraji and Nazar (2021); Dong et al (2020); Pambudi (2020); Piosik and Genge (2019) results revealed that foreign ownership has significant effect on the financial statement fraud among non-financial listed firms in Nigeria.

4.2.2 Hypotheses Two

H_o: Institutional ownership has no significant effect on the financial statement fraud among non-financial listed firms in Nigeria

The coefficient for institutional ownership is 0.003216, meaning that a one-unit increase in institutional ownership tends to result in a 0.003216-unit increase in financial statement fraud on average. Since the coefficient is positive, it suggests that higher levels of institutional ownership may be associated with higher levels of financial statement fraud. The probability value of 0.0000 indicates that the coefficient is statistically significant at 0.05 significance level. Therefore, we accepted the alternate hypothesis and then concluded that the effect of institutional ownership on financial statement fraud is significant and positive.

4.2.1 Decision: Based on the analysis above, the Null hypothesis (Ho) is rejected while alternate hypothesis (Hi) is accepted; which state that institutional ownership has significant effect on the financial statement fraud among non-financial listed firms in Nigeria**.** This study is consistent with Abousamak and Shahwan (2018); Waidi and Johnson (2016); Nguyen, (2016) Hsu and Wen (2015) results that revealed institutional ownership has a significant positive effect on financial statement fraud.

CONCLUSION AND RECOMMENDATIONS

This study examined the effect of foreign and institutional ownership on financial statement fraud among non-financial listed firms in Nigeria. To the best of our knowledge, this is the first study that provides empirical evidence on effect foreign and institutional ownership on financial statement fraud among non-financial listed firms in Nigeria for the period of 2011 to 2022. Based on the results and analysis above, this study indicates that foreign ownership and institutional ownership have significant effect on the financial statement fraud of non-financial

firms listed on the Nigerian Exchange Group (NGX). Based on the above findings we hereby recommend the following:

i. Since foreign ownership has significant effect on financial statement fraud, regulatory authorities like Financial Reporting Council of Nigeria, and Nigeria Exchange Group (NGX) should make policy that will encourage foreign investors to own more shares in non-financial listed firms because foreign ownership will demand management to be transparent in financial reporting to maximize control and minimize fraudulent actions.

ii. Since institutional ownership has significant effect on the financial statement fraud among non-financial listed firms in Nigeria companies should encourage other companies and or financial institutions to own shares in their company because it will help to strengthen financial reporting quality and reduce financial statement fraud.

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