EQUITY OWNERSHIP STRUCTURE AND EARNINGS MANAGEMENT IN NIGERIAN QUOTED COMPANIES

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Abstract

The purpose of this paper is to examine equity ownership structure and earnings management in Nigerian quoted companies. Samples of thirty-five (35) companies quoted on the stock exchange were used for the study. The time period for the study covers financial statements of the companies from 2010-2013. There were basically three explanatory variables (managerial ownership, institutional ownership and foreign ownership) and a dependent variable in the study (earnings management), upon which data was gathered. The secondary source of data was adopted in this study. The data for the explanatory variables were computed based on their ratio to total ownership. The dependent variable was computed using discretionary accruals by applying the modified Jones model. The data collected were analyzed using the Ordinary Least Square (OLS) regression technique.The result in this study suggests that Managerial ownership has a negative and significant effect on earnings management, Institutional ownership has a positive but not statistically significant effect on earnings management and foreign ownership has a positive but not statistically significant effect on earnings management.Thus the study recommends that the issue of improving managerial ownership should be considered by firms. Also there may be need for companies to involve a higher degree of institutional ownership especially participatory institutions that can influence efficient monitoring. The issue of improving foreign ownership should be considered by firms.

Keywords: managerial ownership, institutional ownership, foreign ownership and earnings management

1.1 INTRODUCTION

The basic objective of financial reporting is to provide information about an enterprise that is useful to a wide range of users in making economic decisions. However, the validity of this objective is being questioned by many users of corporate financial reports because of the probable effects of earnings management

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on information contents of such reports. Hence earnings management is a growing issue of concern, threatening the credibility of both the accounting and auditing functions. While the problem is not new, it was one of the key themes in corporate finance and corporate governance in the 1980s (Cheng & Warfield, 2005). By the early 1990s, earnings management was well and truly recognized by national and international regulators as one of their major challenges of financial reporting. Broadly speaking, Jaggi and Tsui (2007) defined earnings management as a strategy used by the management of a company to modify the firm's earnings so that the figures match a predetermined target. Noronha and Zeng (2008) also views earnings management as a continuum of purposeful interventions in the external financial reporting process, from legitimate activities to fraud violating GAAP, with the intention of misleading some stakeholders about the underlying economics and performance of the company.

The concept has developed geographically both in its practices, complexity and in its nomenclature. Thus, the term preferred in the USA and the most frequent one is that of "earnings management" where as in Europe the phrase "creative accounting" is often used. In the literature, earnings management can still be found under the name of income smoothing, earnings smoothing, cosmetic accounting or accounting cosmetics, financial crafts or accounting crafts.

An evaluation of extant literature on the subject of ownership structure and earnings management has failed to show a clear cut and unanimous conclusions regarding what the effect is and how it is achieved (Long & Fu, 2011; Hadi, 2012; Al-Fayoumi, Abuzayed & Alexander, 2010 & Greco, 2012). A similar gap in the findings of extant studies is also observed for institutional ownership and foreign ownership where again no clear cut conclusions can be reached (Almazan, Hartzell & Starks, 2005; Duggal & Millar, 1999; Claessens & Fan, 2002; Ding, Zhang & Zhang, 2007). Consequently, this absence of any clear and unanimous conclusions regarding what the effect of ownership structure and earnings management is, has created the gap that motivates the study.

Based on the observed gap in previous studies (Claessens & Fan, 2002; Almazan, Hartzell & Starks, 2005; Duggal & Millar, 1999; Ding, Zhang & Zhang, 2007 & Hadi, 2012), the general objective of this study is to examine the equity ownership structure and earnings management in Nigeria quoted companies. However, the specific objective of the study is to examine whether the effect of managerial ownership on earnings management, determine the impact of institutional ownership on earnings management, ascertain the impact of foreign ownership on earnings management.

To achieve this objective, the paper is divided into five sections. The next section presents the review of literature on the dependent and explanatory variables and theory underpinning the study. Section three examines the materials and methods used in the study. Section four presents the results and discussion, while the final section concludes the study.

2.1 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This section presents the theory underpinning the study and reviews the literature on both the dependent and independent variables. This section also presents the development of the hypotheses to be tested in the study.

2.2 THEORETICAL FRAMEWORK

In providing a theoretical premise for the role of ownership structure in earnings management, we fall back to the basic issues postulated by the Agency theory. According to the theory, the firm can be viewed as a nexus or network of contracts, implicit and explicit, among various parties. Agency problems occur when the interests of agents are not aligned with those of principals owing to the separation of management and ownership. Thus earnings management may be perceived as a reflection of th e existence of agency problems.

This work relies on agency theory (Jensen & Meckling, 1976; Jensen, 1986) to build a comprehensive framework to test hypotheses and explain empirical findings in this study. The reason for choice of the agency theory is because according to Jenson & Meckling (1976), under a contract in which one or more persons (principals) engage another person (the agent) to perform some service on their behalf, delegation of some decision making authority to the agent is needed to enable the agent to achieve the desired result. Agency problems may arise between the principal and the agent. To limit these problems, both principal and agent have to increase investment in information systems and control mechanisms to reduce agency costs associated with information asymmetry.

2.3 EARNINGS MANAGEMENT

Up to date, there is no agreed definition about earnings management. Various definitions have been propounded by various scholars. One of such scholars is Schipper (1989) who defined earnings managem ent as a purposeful intervention in the external financial reporting process, with the intent of obtaining some private gain (as opposed to say, merely facilitating the neutral operation of the process). Scott (1997) also defines earnings management as a selection of accounting policies from a set of GAAP by managers to maximize their own utility and/or the market value of the company. Earnings management is recognized as attempts by management to influence or manipulate reported earnings by usi ng specific accounting methods or accelerating expense or revenue transactions, or using other methods designed to influence short-term earnings (Isenmila & Afensimi, 2012).

One of the most popular definitions of earnings management was given by Healy and Wahlen (1999). They defined Earnings management as when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholder about the underlying economic performance of the company, or to influence contractual outcomes that depend on reported accounting numbers. The practice of earnings management is said to involve the deliberate dampening of fluctuations about some level of earnings considered to be normal for a firm. Furthermore, earnings management includes a wise and proper activity that includes a part of financial management process and reviving stockholders' value. Good earnings management starts with running a company with perfect management in which manag ement identifies reasonable budget and positively reacts to unexpected threats and opportunities and fulfils most or all of his obligations (Faghani & Amoei, 2014).

Dechow, Sloan and Sweeney (1995) asserts that the analysis of earnings management (EM) often focuses on management's use of discretionary accruals. There are several accrual based models for detecting earnings management (EM). Healy (1985) for instance, estimates discretionary accruals using a two-step process:

(1) estimation of non-discretionary accrual by scaling the mean of total accruals by lagged total assets from the estimation, (2) measurement of discretionary accrual by the difference between current year total accrual scaled by lagged total assets and estimated non-discretionary accruals.

2.4 OWNERSHIP STRUCTURE

It is believed that one of the most important ways through which a firm maximizes its value is through well-designed and effective ownership structure of the firm's shares (Long et al., 2011). Ownership structure of a firm can be categorized into two groups: proportion of shares owned by insiders and outsiders; proportion of shares owned by institutional versus individual shareholders (Wong, Loo & Shamsher, 2009). There are two streams of thought regarding an effective structure of ownership. First, insiders or managers of the firm act also as shareholders if they acquire a considerable portion of the entity's shares, and this is deemed to be useful in reducing agency conflicts and aligning the int erests of management and shareholders. Secondly, outsiders who own a significant number of the firm's shares, have more power and more incentive to monitor management activity, mainly the process of financial reporting, thus reducing the earnings management probability (Ebraheem & Mohamad, 2012).

Ownership structure is a subset of corporate governance that relates to the nature of ownership of the equity shareholding of a firm. Demsetz (1983) argues that the ownership structure of a corporation should be thought of as an endogenous outcome of decisions that reflect the influence of shareholders and of trading on the market for shares. When owners of a privately held company decide to sell shares, and when shareholders of a publicly held corporation agree to a new secondary distribution, they are, in effect, deciding to alter the ownership structure of their firms (Demstz & Villalonga, 2001).

Ownership deals with the necessity of monitoring company management and differentiating an econo mic unit from its ownership and maintaining the rights of investors and stockholders (Faghani & Amoei, 2014). Govert and Brian (2010) simply asserted that ownership structures relates to the objectives of both managers and owners. Corporate ownership structure can potentially affect the monitoring mechanisms used to control agency costs and earnings management activities (Siregar & Utama, 2008).

2.4.1 Managerial Ownership

Managerial ownership is considered an important device of ownership structures for mitigating the co nflict between managers and shareholders. Managers with high ownership interest in the firm are less likely to alter earnings for short term private gains at the expense of outside shareholders. Managers whose interest is consistent with shareholders are more likely to report earnings that reflect the underlying economic value of the firm (Dhaliwal, Salamon & Smith, 1982). The level of managerial ownership affects both the informativeness of earnings and the magnitude of discretionary accounting accruals. Consistent with these assertions, academic researchers provide evidence of less earnings management activities when managers hold more shares in a firm (Bradbury et al., 2006;Saleh et al., 2005). Results from empirical works shows that managerial ownership is positively associated with earnings explanatory power for returns. For example, managerial ownership could have negative effect on earnings management (Warfield et al.,

1995) or a positive effect due to entrenchment or expropriation effects (Cheng & Warfield, 2005). When there is little separation between owners and managers, management face less pressure from capital market to signal the firm value to the market and they pay less attention to the short-term financing report (Jensen, 1986; Klassen, 1997) therefore, highly invested managers are more likely to manipulate earnings, since this lack of market discipline may lead insiders to make accounting choices that reflect personal motives rather than firm economies.

Koh (2003) investigated Australian firms in relation to the relationship between managerial ownership and aggressive earnings management practice and found a positive association between them. This result is consistent with the view that high managerial ownership encourages managerial accruals discretion. Hsu and Koh (2005) extended Koh's (2003) research by investigating the effect of both short-term and long-term managerial ownership on the extent of earnings management in Australia. They found that managerial ownership is statistically significant for all linear specifications but insignificant for the non-linear models. However, managerial ownership is positively associated with income-decreasing discretionary accruals and negatively associated with income-increasing accruals.

2.4.2 Institutional Ownership

Previous literature illustrates that institutional investors can be considered as sophisticated investors who typically serve a monitoring role in reducing pressures for myopic behavior. Chung *et al.* (2002) argue that institutional shareholders have implication on earnings management. For instance, Bushee (1998) investigated as to whether institutional investors create or reduce incentives for corporate managers to reduce investment in research and development (R&D) to meet short-term earnings goals. The results indicated that managers were less likely to cut R&D to reverse earning decline when institutional ownership is high. It is a global view that institutional investor involvement in corporate governance is complementary to corporate governance mechanism. Latest studies use the level of institutional ownership and average percent of outstanding shares that are owned by institutional investors (Koh, 2003).

Empirical evidence supports the hypothesis of increased institutional investors' ownership as an effective corporate governance mechanism in constraining earnings management. It is considered as an important channel through which minority shareholders are protected against expropriation of controlling shareholders in emerging markets (Oehl, 2000).

Al-Nasser (2012) in his study fined a significant negative relationship between institutional investors' ownership and the likelihood of earnings management. Hadi (2012) findings suggest that the proportion of institutional investor's ownership negatively affect the magnitude of earnings management. On the other hand, Soongso (2004) empirically revealed that a positive relationship exist between outside institutional shareholdings and earnings management.

2.4.3 Foreign Ownership

Foreign investors are typically mutual funds or other institutional investors (Dahlquist & Robertsson, 2001). Foreign owners can reduce agency costs by constraining real earnings management. Prior research provides evidence that foreign investors can enhance firm value through spreading positive spillover effects

(Hejazi & Safarian, 1999; Douma et al., 2006; & Ferreira & Matos, 2008), through reducing firms' cost of capital (Bekaert & Harvey, 2000), through fostering appropriate investment in R&D (David et al., 2006), and through initiating changes in corporate governance practices of local firms (Gillan & Starks, 2003; Ferreira et al., 2010). Ho et al. (2010) find that the greater the foreign ownership in small firms is, the more positive is the relation between IT investment and firm performance, suggesting that foreign investors may bring IT expertise to help those small firms

Foreign ownership is also found to improve corporate governance. Gillan and Starks (2003) argue that foreign institutional investors play a central role in prompting change in many corporate governance systems through either direct monitoring by using their voting rights to influence management decisions or indirect monitoring by threatening to sell their shares.

3.1 MATERIALS AND METHODS

This study employs a longitudinal research design. The be nefit of a longitudinal study is that researchers are able to detect developments or changes in the variables of interest. The population of the study comprised the 185 companies listed on the Nigerian Stock Exchange as at March, 2015.These companies fall under one of the following sectors; Agriculture, Conglomerates, Construction/Real estate, Consumer goods, Financial services, Health care, ICT, industrial goods, Natural resources, Oil and gas and Services. The study focuses on non-financial co mpanies. This is because available studies on ownership structure and earnings management are not adequate for non-financial companies. Consequently, this study using the simple random sampling technique selected 35 non-financial companies which represent about 1/3 of the total non-financial companies.

Secondary data retrieved from the financial statements was used for the analysis. The focus on financial reports is that it contains most of the relevant data about corporate entities and it is fre e from any subjective manipulation by the researcher.In this study, the descriptive statistical method includes numerical techniques such as the means, standard deviation, range, frequency distribution. More importantly, Ordinary Least squares regression will be used as data analysis method for the study.

3.2 Model Specification

The model of this study examines the effect of ownership structure on earnings management ***in Nigeria. The model builds on the studies of*** *Jara and Lopez (2011).The model for the study is specified thus;*

$$ERNMGT= \varphi_0+\varphi_1\ MANOWN + \varphi_2\ INSTIOWN + \varphi_3\ FOROWN + \varphi_4\ BDSIZE + \varphi_5\ FSIZE + \mu$$

Where ERNMGT= Earnings management is measured using the modified Jones model. This version of the Jones (1991) model adjusted the change in revenues for the change in receivables in the estimation of the level of non-discretionary accruals (NDA) for each of the sample companies. In this research, the following estimation model was run to estimate the level of non-discretionary accruals for each sample company. Discretionary accruals are thus the residual of the NDA_{it} model using the equation below;

$NDA_{it} = a_i[1/A_{it-1}] + b_{1i}[\Delta REV_{it} - \Delta REC_{it}/A_{it-1}] + b_{2i}[PPE_{it}/A_{it-1}]$

Where: NDA_{it} = Non-discretionary accruals in year t for firm i

A_{it-1} = Total assets in year t - 1 for firm i;

ΔREV_{it} = Revenues in year t less revenues in year t - 1 for firm i;

ΔREC_{it} = Net receivables in year t less net receivables in year t- 1 for firm i;

PPE_{it} = Gross property, plant and equipment in year t for firm i.

The modified Jones (1991) model in the above equation implicitly assumes that all changes in credit sales in the event period result from earnings management (Dechow, Sloan & Sweeney, 1995). Dechow, Sloan and Sweeney (1995) justified the inclusion of the change in receivables by arguing that earnings management was more likely to occur in relation to credit sales rather than cash sales.

3.3 OPERATIONALIZATION OF VARIABLES

Table 3.3: Variable Definition and Measurement

Variable	Apriori expectation	Measurement
Earnings management (ERNMGT)		Discretionary accruals using modified Jones model
Institutional ownership (INSTIOWN)	+	Ratio of institutional ownership to total ownership.
Managerial ownership (MANOWN)	+	Ratio of managerial ownership to total ownership.
Foreign ownership (FOROWN)	+	Ratio of foreign ownership to total ownership

4.1 RESULTS AND DISCUSSION

The results obtained are discussed and forms the basis for the hypotheses, conclusion and recommendations.

Table 4.1. Regression Results

Variable	Pred. sign	Fixed Effects. Coefficients ( ) standard error { } p-values
C		1322.922* (552.4778) {0.0173)
INSTOWN	+	2.665 (2.0300) {0.1902}
MAOWN	+	-11.1129* (7.1299) {0.0046)
FOROWNN	+	2.2110 (3.6044) {0.5401)
FSIZE	+	-173.876* (57.524) {0.003)
BDSIZE	+	10.433 (13.070) {0.4254)
R^2		0.6429
Adj R^2		0.5849
F-Stat		12.8027
P(f-stat)		0.000
D.W		2.15
Mean dependent var		24.76266
S.D. dependent var		7670.021
Hausman test	0.045	

*Source: Eviews 7.0 * significant at 5% **significant at 10%*

Table 4.1, shows the regression estimates for the effect of managerial ownership on earnings management. Specifically, the result clearly provides empirical evidence of the effect of Managerial ownership (MAOWN), foreign ownership (FOROWN) and Institutional ownership (INSOWN)} on earnings management measured using DACC. The fixed effects estimation was used based on the Hausman test statistics. Using the fixed effects estimation, the R^2 is able to explain about 64.3% of systematic variations in a ccrual based earnings management with an adjusted value of 0.5849 The F-statistics for the variables is significant as the p-values are all less than 0.05 and this indicates that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected at 5% level while the Durbin Watson statistics of 2.15 indicates that, the presence of serial correlation in the residuals is unlikely. Commenting on the performance of the variables, the slope coeffic ient and p-values are as follows; INSTOWN (2.665, p=0.1902), MAOWN (-11.1129, p=0.0046) and FOROWN (2.2110, p=0.5401). MAOWN is negative and also significant which suggest that increases in individual and managerial ownership will tend to reduce accrual-based earnings management. INSTOWN and FOROWN both seem to display similar coefficient signs but were however found to be insignificant at 5% level. For the control variables, FSIZE (-173.876, p= 0.003) and BDSIZE (10.433, p=0.4254).

4.2. TEST OF HYPOTHESIS

4.2.1. Managerial Ownership and Earnings Management

Commenting on the performance of the variables, the slope coefficient and p-values are as follows; MAOWN (-11.1129, p=0.0046). The result reveals that MAOWN is negative and also significant which suggest that increases in individual and managerial ownership will tend to reduce based earnings management. The thinking is that managers whose interest is consistent with shareholders are more likely to report earnings that reflect the underlying economic value of the firm. Thus we reject the null hyp othesis that Managerial ownership has no significant effect on earnings management

4.2.2. Foreign Ownership and Earnings Management

Commenting on the performance of the variables, the slope coefficient and p-values FOROWN (3.6044, p=0.5401) reveals that FOROWN is found to be insignificant at 5% level. The result suggests that the presence of foreign ownership does not impact significantly in constraining accrual-based earnings management. Thus we accept the null hypothesis that foreign ownership has no significant effect on earnings management.

4.2.3. Institutional Ownership and Earnings Management

Commenting on the performance of the variables, the slope coefficient and p-values INSTOWN (2.665, p=0.1902) reveals that INSTOWN is found to be insignificant at 5% level. The result suggests that the presence of institutional ownership does not impact significantly in constraining accrual-based earnings management. Thus we accept the null hypothesis that institutional ownership has no significant effect on earnings management .

4.3 DISCUSSION OF FINDINGS

4.3.1. Managerial Ownership and Earnings Management

From the regression result, the slope coefficient and p-values are as f ollows; MAOWN (-11.1129, p=0.0046). The thinking is that managers with high ownership interest in the firm are less likely to alter earnings for short term private gains at the expense of outside shareholders. Managers whose interest is consistent with shareholders are more likely to report earnings that reflect the underlying economic value of the firm (Dhaliwal, Salamon & Smith, 1982). The study is in tandem with Spinos (2012) Using a sample of 34 non-financial listed Portuguese firms for years from 2002 to 2007, found that discretionary accruals as a proxy for earnings management is negatively related both to managerial ownership.

4.3.2. Foreign Ownership and Earnings Management

From the regression result, the slope coefficient and p-values for FOROWN (2.2110, p=0.5401) reveals that the variable was found to be insignificant at 5% level. The finding appears to be at variance with the theoretical expectation and a likely reason may be in relation to the extent of foreign ownership and the degree of participation in management of the enterprise. I n the Nigerian setting anecdotal views suggest that foreign affiliation is simply used by most companies for reputation purposes and to gain some level of credibility and expertise especially in bidding for contracts and other businesses purposes. The finding is in tandem with Duggal and Millar (1999); Claessens and Fan (2002) which found that foreign investors do not play an active role in monitoring management activities.

4.3.3 Institutional Ownership and Earnings Management

From the regression result, the slope coefficient and p-values INSTOWN (2.665, p=0.1902) reveals that INSTOWN is found to be insignificant at 5% level. The result suggests that the presence of institutional ownership does not impact significantly in constraining accrual-based earnings management. Thus we accept the null hypothesis that institutional ownership has no significant effect on earnings management. The finding appears to be at variance with the theoretical expectation and a likely reason may be that the dominance of institutional ownership is scarcely observed as depicted by the mean in the descriptive statistics and this suggest that where the level of institu tional interest is small, their attention maybe less pervasive. Again those institutions have as their first interest their own management rather than that of the companies where they own shares and this may suggest that these institutions are unlikely to be absolutely engaged in the monitoring activities of the companies where they own shares. At best a few individuals representing their interest on the board suffice. We argue that this may unlikely be the case where a company is wholly instit utionally–owned. The finding is in tandem with a line of literature that institutional and foreign investors do not play an active role in monitoring management activities (Duggal & Millar 1999; Claessens & Fan, 2002). However, at variance with this finding are those (Koh, 2003; & Cornett, Marcus, Saunders & Tehranian, 2008) who argue that that institutional ownership is associated with a better monitoring of management activities, reducing the ability of managers to opportunistically manipulat e earnings.

5.1 RECOMMENDATIONS

Based on the study findings, the following recommendations are suggested;

Firstly; managerial ownership is negative and also significant and this suggest that increasing the level of managerial ownership could tend to reduce accrual-based earnings management and thus the study recommends that the issue of improving managerial ownership should be considered by firms.

Secondly, Institutional ownership is positive but not statistically significant and the finding suggests that the presen ce of institutional ownership may not be effective in reducing accrual-based earnings management. However, for this study, a likely reason may be that the dominance of institutional ownership is scarcely observed as depicted by the mean in the descriptive statistics and this suggest that where the level of institutional interest is small, their attention maybe less pervasive. This may unlikely be the case where a company is wholly institutionally–owned. Thus the study recommends that there may b e need for companies to involve a higher degree of institutional ownership especially participatory institutions that can influence efficient monitoring.

Thirdly, foreign ownership is positive but not statistically significant. Although the study did not find significant foreign ownership intensity for majority of the companies; it is likely that a reason for the non-statistical significance of the variable may be in relation to the extent of foreign ownership and the degree of participation in management of the enterprise. The study recommends that the issue of improving foreign ownership should be considered by firms.

6.1. CONCLUSION

The scenarios resulting in the preponderance of earnings management have long been contextualized in the agency theoretical arguments. Thus monitoring managerial decisions becomes essential to assure that shareholders' interests are protected, and to ensure reliable and co mplete financial reporting. The ownership structure of a firm is considered an important managers' monitoring mechanism, so it may have a monitoring role in constraining the occurrence of earnings management. The review of extant literature reveals that the ownership structure of an entity can revolve around any of the following-managerial ownership, institutional ownership and foreign ownership.

However, there is documented evidence that different ownership structures imply different incentives to control and monitor a firm's management and that the quality of earnings is also associated with different types of ownership. The result reveals that Managerial ownership has a negative and significant effect on earnings management, Institutional ownership and foreign ownership have positive but not statistically significant effect on earnings management.

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APPENDIX 1

Dependent Variable: DACCRESID01
Method: Panel EGLS (Cross-section weights)
Date: 05/4/16 Time: 12:54
Sample (adjusted): 2009 2014
Iterate coefficients after one-step weighting matrix
Convergence achieved after 17 total coef iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1322.922	552.4776	2.394526	0.0173
INSTOWN	2.665267	2.030023	1.312924	0.1902
MAOWN	-11.11291	7.129878	-2.855577	0.0046
BDSIZE	10.43335	13.07014	0.798258	0.4254
FOROWN	2.211060	3.604457	0.613424	0.5401
FSIZE	-173.8759	57.52398	-3.022667	0.0027
AR(1)	-0.120155	0.025156	-4.776427	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.642976	Mean dependent var	24.76266
Adjusted R-squared	0.584927	S.D. dependent var	7670.021
S.E. of regression	6461.359	Sum squared resid	1.21E+10
F-statistic	2.802786	Durbin-Watson stat	2.150204
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.170957	Mean dependent var	-156.8712
Sum squared resid	1.48E+10	Durbin-Watson stat	1.759653

Inverted AR Roots -.12

APPENDIX 2

Table 4.1: Descriptive Statistics of the data

	CASFO	RECVB	PATAX	FASST	TASST	REVEN	MAOWN	INSTOWN	FOROWNN
Mean	4917.443	6068.551	2955.021	17861.81	36697.46	34667.86	7.121418	33.30437	4.712836
Median	526.4	1215.4	229.4	3709.7	8570.8	6226.9	0	26.7	0
Maximum	281738.3	143738.8	201198.1	747793.8	984720.5	673182	100	100	74.99
Minimum	-23621.6	0	-19536.2	0	117.3	49.2	0	0	0
Std. Dev.	19410.4	14605.39	14753.08	55557.82	89402.43	74238.21	16.91469	29.03212	14.36583
Skewness	9.425809	5.114894	9.860117	8.368693	6.012995	3.967746	3.107056	0.419005	3.32612
Kurtosis	113.8154	35.21405	112.6381	90.71867	49.44301	23.71162	13.19311	1.886756	13.21027
Jarque-Bera	278506	25180.26	273523.7	175775.8	50730.61	10843.24	3141.263	42.79551	3273.229
Probability	0	0	0	0	0	0	0	0	0

Source: Researcher's Compilation (2016)

burglary, robbery, etc. the other type of delinquent offence called status offences are delinquent conducts that do not apply to adults, such as running away from home, truancy, etc. (Alemike&Chukwuma 2001; Alfrey, 2010). The origin of juvenile delinquency in Nigeria dates back to the 1920s when youth crimes such as pick pocketing and prostitution became predominant issues in Nigeria newspapers in that period. This ugly trend led to the establishment of judicial administrative processes by the colonial administrators to deal with juvenile delinquents (Fourchard, 2006). It's appalling that the worrisome issues of juvenile delinquency still plagues the contemporary Nigeria society in a serious dimension (Muhammad, Salami, Adekeye, Ayinla and Adeoye 2009).

Statement of Problem

Mugo (2006) says that various reasons such as poor marriages, lack of parental controls, ineffective parental behaviour and failure to provide a natural and loving environment have been to the rise in delinquency. Juvenile delinquency in Nigeria is a major social problem which affects the whole society and constitutes a serious impediment to development (Muhammed *etal*2009). In Benin metropolis today, crime is common among the young people, many of who are caught in one criminal act or the other such as examination malpractice, armed robbery, assault, rape, house breaking, forgery, truancy, cultism etc. (Isalegan, 2015). Inadequate supervision arising from family structure seems to be associated with juvenile delinquency (Alfrey, 2010).

Alfrey further explained that those children in single-parent families tend to receive lower levels of supervision. According to him, inadequate parental supervision has a tendency to increase the likelihood of juvenile delinquency. Dogget (2004) opine that when there is one parent living in the home as opposed to two, it is more difficult to supervise children all the time. According to Dogget, every day activities like errands and work must be completed by the single parent, which leaves no parent in the home. Because of this, children in single-parent homes tend to receive lower levels of supervision (Sanni et al, 2010). Lack of parental monitoring contributes not only directly to children's anti-social behaviours, but also indirectly as it contributes to exposing them to associate with deviant peers, which is predictive of higher levels of deviant acts (Okorodudu, 2010). From observation, it seems that parents and care givers are not doing much in the supervision of their chi ldren. The juvenile involvement in crimes can be because of lack of parental care, parental criminality, young mothers, family size, parental supervision, child abuse or disrupted families to the delinquency of children source. This is because these factors tend to be related not only to each other but also to other risk factors for delinquency such as low family income, poor housing, impulsiveness, low intelligence and low school attainment. The most important dimensions of child-rearing are su pervision or monitoring of children, discipline or parental reinforcement, warmth or coldness of emotional relationships and parental involvement with children. This study hopes to give answers to the following research questions:

1. What are the causes of juvenile delinquent behaviour in children in Benin City?
2. Do children staying/living with both parents engage in delinquent behavior?