



**On The Impact Of Family Versus Institutional Block-Holders on
Accrual-Based Earnings Management and Firm Performance:
Evidence from an Emerging Market.**

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Abstract

After the passing of the Sarbanes-Oxley Act and the emphasis placed by professional authorities on restricting the flexibility of accounting standards, the purpose of this paper is to investigate the extent to which family/institutional ownership has a significant impact on the manipulation of earnings and the financial performance of companies. This research was done on 49 listed companies, involving 392 observations, whose shares were among the 100 most traded shares in Egypt from 2013 to 2020 (EGX100 price index). The alignment effect is supported by path analysis and multi-group analysis using structural equation modelling (SEM), which suggests that high levels of ownership encourage most types of significant shareholders to take part in company monitoring. The results show that strong family ownership, in particular, strengthens company capability to limit the use of managers' opportunistic discretion. The association between institutional ownership and profits manipulations, on the other hand, is not statistically significant. However, the results suggest that there is a large, direct, and favourable association between institutional ownership and the ROA, ROE, and ROS proxies of company value. However, the study's findings show that family shareholding has little effect on accounting performance.

Keywords; Family and Institutional Own, Earnings Management, Financial Performance, Multi-Group Analysis, Structural Equation modelling

Introduction

Due to the flexibility that has been given through the preparation of financial reports, There are many decisions taken by the administration that may affect the accounting information contained in the financial reports, as well as the auditors' reports, where the concerned parties of the company depend on. This is within the framework of accounting standards that still give the company's management wide flexibility in choosing among policies, procedures, alternative accounting methods, or other methods other than that that affects profits, which may be exploited to achieve some special purposes or goals. In order to limit or restrict these practices, the trend has been towards corporate governance, which aims to achieve transparency and justice and activate the accountability of management, as the emergence of governance has led to effective changes in the business environment in general and the environment of the accounting and auditing profession in particular, as it works to link professional practices in business Administrative, accounting and legal (Swai, et al 2016; Susanto, et al., 2016; Roychowdhury, et al 2006).

Based on the foregoing, the problem of the study can be formulated in the following, as the subject of earnings manipulations is still remain a general topic and is considered a matter of controversy and discussion, as many corporate tend to manipulate financial statements in order to improve financial conditions, whether in terms of profits or in terms of financial position to achieve these goals (Cheng, et al 2015; Alhadab, 2017; Cooper, Downes, and Rao, (2018); Khurana, et al 2018,Attia, 2020).

Investors from abroad and at home are constantly looking for businesses with dependable corporate governance systems and good corporate governance practices. In order to protect the interests and financial stake of shareholders, some of whom may be thousands of miles away and distant from the management of the company, corporate governance is important because it focuses on how companies are managed internally and overseen by boards of directors. In order to improve and guide owners' investment decisions and to better enable them to assess whether their interests are being met, excellent corporate governance also promotes organizations to operate in a democratic and transparent manner (Mensah, 2002; Rabelo and Vasconcelos, 2002).

Due to its expanding role in facilitating the flow of finance to businesses in developing nations, corporate governance is taking on more significance. Due to a lack of domestic savings, money must be directed towards the most lucrative businesses, which can only happen if the concepts of corporate governance, transparency, and oversight are widely accepted. Furthermore, corporate governance offers an additional mechanism for efficient managerial discipline and monitoring in businesses due to the absence of market mechanisms (underdeveloped stock and bond markets and an inefficient banking system, particularly in emerging nations). Corporate governance provides an additional mechanism for effective managerial discipline and oversight in firms (Attia, Ismail, and Massoud, 2022).

The goal of the study is to experimentally investigate how earnings management (EM), a form of ownership structure, affects company performance in the Egyptian market. The following sub-objectives can help to accomplish this main goal: first, assessing the degree to which the ownership structure can protect corporate governance mechanisms from aggressive earnings manipulations in the Egyptian context; and second, comparing which family/institutional shareholding can be most effective at boosting a company's financial performance in the EGX100.

The following several factors serve as the driving forces for this study: First, despite extensive literatures discussing the role of family/institutional ownership structure in corporate governance throughout the world (Shleifer and Vishny, 1997; La Porta, R., Lopez-De Silanes, and Shleifer, 1999), there is noticeably little accounting

research in the areas of ownership structure, earnings management, and financial outcomes in emerging economies such as Egypt. This study seeks to determine whether the presence of family board members on the board provides incentives to reduce or create earnings management and to improve or deteriorate firm value in light of the competing theoretical arguments regarding the relationship between family ownership, earnings management, and corporate performance, study looks for data about whether or not having family board members on the board in the Egyptian context offers incentives to minimise or increase profits management and to boost or degrade company value. Third, recent research has emphasised the crucial part that institutional investors play in corporate oversight to safeguard the interests of minority shareholders. The majority of global capital markets have changed from having a single controlling investor to having institutional investors play a key role. Almost all organizations worldwide are moving in this direction for a variety of reasons, including financial disintermediation, financial innovation, along with the rising sophistication of financial assets, improvements in information technologies, the motivation to take part in fair decision-making, transparency and review, and assessment of the company (Gholipour and Nahandi, 2011), which in turn strengthen the application of corporate governance principles. As a result, examining the current institutional ownership situation in Egypt can be seen as a crucial first step in raising the level and calibre of business financial performance.

2. Literature Review:

2.1. Theoretical background

Regarding family businesses, two agency issues may have differing effects on EM in family and non-family organizations. Chen (2011) argued that because manager compensation is less likely to be linked to the earnings figure, families are better at monitoring and controlling performance, which lowers the management tendency to experience earnings manipulations (i.e., lower incidence of Agency Problem (I)). As opposed to this, Ali, Chen, and Radhakrishnan (2007) claimed that because of the conflict between the controlling shareholder and minority shareholders in family businesses, families are more likely

to expropriate the firm's earnings for their own interests (i.e., a higher incidence of Agency Problem II) due to the need to conceal the serious financial problems of rent extraction.

Surprisingly, some studies including Chu (2009) and Mazzi (2011) found that the relationship between ownership concentration and EM could assume the shape of a curve-linear relationship from another angle. According to their findings, there was initially a negative link up to a certain point, followed by a favorable relationship. As a result, an inverted U-shaped relationship between family ownership and EM is anticipated. Therefore, firms should take into account a number of factors when deciding on their governance structures, including growth opportunities, the need for outside financing, firm size and maturity, firm complexity and the size of monitoring costs, the legal environment and the strength of the takeover market, ownership structure and the size of agency costs, as well as CEO and management power (Silva and Majluf, 2008; Audretsch, Hulsbeck, and Lehmann, 2013; Attia, 2020). However, management typically makes these decisions, and they are not necessarily in the minority shareholders' best interests. For instance, weaker governance practices are more common in family-owned businesses than in other types of businesses (Anderson and Reeb, 2003), which may be a deliberate decision made by the family group to maximize its consumption of private benefits (Shleifer and Vishny, 1986). As the agency theory offers conflicting perspectives on how family ownership affects the quality of discretionary accruals. The study decided to employ a non-directional hypothesis as a result. As a result, an empirical question arises regarding the direction of the relationship between family ownership and the quality of discretionary accruals.

2.2. Empirical studies

2.2.1 Institutional Ownership and (EM) Practices

This section examines studies done in both developed and developing nations, either in listed or non-listed companies throughout the countries, to see whether there is a positive or negative association between institutional shareholding and opportunistic EM. Numerous research showed how important institutional firms were in preventing opportunistic earnings manipulation. For instance, Aygun, Suleyman,

and Sayim (2014) study of 230 Turkish companies listed on the Istanbul Stock Exchange (ISE) between (2009 and 2012) indicated that institutional ownership has "a negative significant effect" on EM. According to certain studies, distinct characteristics, diverse sectors in the institutional structure of ownership, as well as their behavior and size, may have a different impact on how they manipulate earnings. For instance, Zouari and Rebai (2009) used a neural network to test the relationship between various characteristics and performances of institutional investors (pensioners' monetary supply, investors' monetary supply, as well as banks) and EM techniques on data from the American Security and Exchange Commission from (2002 to 2005). The study's findings determined that institutions investors encourage management to generate lowering accruals for tax-motivated reasons. On the other hand, banks through discretionary accruals (DAs) and the pension's monetary supply determine how the EM behaves.

However, because managers are short-term oriented, the large investment fund ownership motivates them to increase income accruals. Additionally, it appears that the EM's attitude and behavior are greatly influenced by the size and managerial control of the company. In particular, Abdul-Jalil and Abdul-Rahman (2010) examined the relationship between investment strategies, institutional owner behaviors (pressure sensitive and pressure-insensitive), and opportunistic EM using a sample from the Malaysian stock market. They demonstrated that pressure-agnostic investors do not lessen EM. This finding conflicts with other pieces of literature, including those by Brickley, Lease, and Smith, (1988) and Abdul-Wahab, and Abdul-Rahman, (2009), which claimed that institutional investors that are not sensitive to pressure had a substantial negative connection with DAs. Second, the findings showed that there was no statistically significant link between DAs and sensitive institutional investors. These could be consistent with the findings of Cheng and Reitenga (2009), who hypothesized that sensitive institutions might not have the same influence as insensitive ones. While observing, they are irrationally objecting to bad performances out of concern for dwindling commercial prospects or maintaining the firm's portfolio.

In order to look into the ownership structure on EMs, Jaikengkit (2011) also did his research on samples of non-financial listed

enterprises in Thailand for the year 2007. The study indicated that because short-term institutional investors are sensitive to news about recent profits, it is significantly anticipated that they will report stronger upward EMs to avoid earnings reductions or losses. With 18,969 firm-year observations, Lin and Manowan (2012) focused on major, extensively traded, operated enterprises in the United States from 1996 to 2001. The study's findings revealed a strong positive association between institutional short-term investors (those with various portfolios and high turnovers) and the DAs. On the other hand, there is no discernible interaction between devoted institutions (those with substantial portfolios and low turnovers) and the DAs. The varied influences of outside block-holders on EM make it prudent to avoid treating institutions as continuous clusters.

Interestingly, a number of studies found no correlation between institutional ownership and EM practices. A sample of 195 firm observations from the Amman Stock Exchange between 2001 and 2005 were examined by Al-Fayoumi, Abuzayed, and Alexander, (2010). According to Arellano and Bond's Generalized Method of Moment (GMM) findings from 1991, there is no statistically significant link between the variables institutions & block-holders and EM. Wong (2022) examined the impact of institutional structure on EM in Bursa Malaysia. Due to the study's ineffective examining and lack of the financial expertise necessary to uncover the EM, it was determined that there was no significant association between the proportionate proportion of institutions investors and EM practices. Therefore, even with more institutional shareholders, particularly in businesses with highly concentrated ownership equity, governance practices might not be improved. Iqbal and Strong (2010) examined samples of 100 publicly traded companies in the UK between (1991-1995) to determine the effects of the ownership arrangements on the DAs. There is no connection between managerial or institutional ownership and discretionary accruals, according to the empirical findings.

In a study done by Farooq and El Jai, (2012) in the Casablanca Stock Exchange of Morocco, which was entirely made up of companies with non-financial majors during the years of 2004 and 2007, was examined. Interestingly, the study's findings revealed a weak correlation between high concentrations of ownership (>50%) and

EMs. Additionally, there is a bad correlation between the presence of institutions, local or not, and EM where there is a high concentration of ownership. These findings were in line with those of Ding et al. (2007), who found that when ownership concentration reaches a particular level, it can either lead to reinforced results or result in reduced EM and arrangement effect. Consequently, greater EM when lots of shareholders gain actual monitoring of the firm, any growth in voting rights does not additionally reinforce him. Furthermore, greater cash flow “rights” leads to a diminishing minimal remaining private profit from the supplementary seizure of corporate assets.

H1: There is a negative and significant association between the institutional ownership and EM.

2.2.2 Institutional Ownership and Firm Performance

The connection between institutional holdings and performance is a subject of heated discussion. A group of scholars discovered a strong correlation between institutional ownership and productivity. Additionally, a negative correlation was discovered, while a non-linear association was claimed by a third group of researchers (Brickley et al. (1988), Chen et al. (2007), Burns, Kedia, and Lipson, (2010), Iqbal and Strong (2010), Song (2013), and Fazlzadeh and Hendi (2011).

On the one hand, studies by Elyasiani and Jia (2010) and Gürbüz, Aybars, and Kutlu, (2010) supported the idea that institutional ownership is crucial for enhancing firm performance when it comes to the capital structure. Additionally, particularly for people with limited commercial relationships with portfolio companies. They disclosed that these investors frequently have incentives to gather data, exercise discipline, and keep an eye on management performance in order to divulge more information to the public, such as investment strategies and expected returns, which immediately raises regulatory scrutiny. Fazlzadeh and Hendi (2011) used panel data regression analysis to reach their conclusion that there is a positive correlation between institutional ownership and corporate performance because institutional investors are powerful and have the resources and know-how to keep an eye on management decisions to ensure that they benefit all stakeholders. The study revealed, however, that there is a significant

inverse relationship between institutional concentration and performance because management would be intimidated by its influence and would pursue its own interests over those of all shareholders, preferring to appease the institution that holds the majority of the firm's equity. This suggests that institutional ownership only helps an organization out until a certain point, after which it starts to hurt the organization.

In a study of Chinese publicly traded companies, Song (2013) discovered a weak correlation between mutual fund ownership and company success. According to the study, higher levels of mutual fund ownership are associated with greater corporate performance and lower levels of EMs. Additionally, mutual funds could take on the role of sophisticated investors by watching the executive and supplying relevant accounting data. However, if it reaches a certain level, there is a negative correlation between high mutual fund ownership and the performance of the company. However, when mutual fund managers retain a disproportionate amount of authority, they can extort value from small owners, which has a favorable effect on tunneling behavior. Gürbüz et al. (2010) examined the financial performance of the listed Turkish companies in the Corporate Governance Index and found that, after accounting for firm size, age, debt level, dividend policy, capital intensity, and liquidity, corporate governance practices improve financial performance over the observation period. Institutional investors are also interested in enhancing the financial performance of all companies, albeit their influence is greater on those whose names appear in the index than on those whose names do not. In Sri Lankan enterprises, Nirosha and Stuart (2012) came to the conclusion that institutional ownership had a detrimental impact on financial performance. Institutional ownership, however, is unrelated to Tobin's Q. The results support Lee's (2008) findings that there is no statistically significant correlation between institutional ownership of Korean-registered enterprises and Tobin's Q.

The link between institutional and organizational performance has, interestingly, been found to be nonlinear according to Burns et al. (2010), Brickley et al. (1988), Chen et al. (2007), Iqbal and Strong (2010), Song (2013), and Fazlzadeh and Hendi (2011). This is brought on by differences in investment time horizons, institutional holding sizes, business relationships with investee companies, ownership sensitivity, and shareholder activism. A non-linear relationship between institutional ownership and financial performance was discovered by Lin (2010). The value of the company will decline once institutional investors' ownerships surpass a specific threshold. That example, the efficient monitoring hypothesis states that active monitoring may increase the firm's worth, but only up to a particular level of ownership. Hence, institutional investors could encourage sub-optimal decisions that might be harmful to the firm worth (cost of capital, conflict-of-interest, and strategic alignment hypotheses) in the advanced levels of share ownership. A combination of these hypotheses causes the expectation of a nonlinear connection amid institutional ownership and the firm's value.

H2: There is a positive and significant association between the institutional ownership and financial performance.

2.2.3 Family Ownership and Earnings Management

The researcher discovered that there is disagreement on whether family ownership reduces or enhances the incentives to participate in opportunistic EM after looking into the empirical data of earlier studies. On the one hand, Halioui and Jerbi (2012) and Amador (2012) argued that concentrated family ownership may result in conflicts of interest between shareholders who control the majority and minority stakes. Even if their preferences differ from those of minority shareholders, large controlling shareholders can use their monitoring rights to influence their own favorites and provide private gains (expropriation hypothesis or entrenchment effect). Large shareholders may therefore meddle in management and encourage managers to participate in EM to increase their own benefits. Managers are also concerned about the consequences of cutting costs. Also, managers are worried about negative effects for reducing performance from controlling shareholders, therefore they might have incentive to be involved in EM.

On the other hand, it was suggested by Wang (2004, 2006), Siregar and Utama (2008), Usman and Yero (2012), Ghabdian, Attaran, and Froutan, (2012) and Karuntarat (2013) that large shareholders in family-owned businesses should be motivated to dynamically detect and influence the company's management in order to safeguard their significant investments (the efficient monitoring hypothesis or alignment effect). As a result, they lower agency costs by increasing their awareness of and attention to the free-ride issue. They devote their time and resources to effectively monitoring management behavioral activities as a result, which lessens the possibility of managerial opportunism for EM. Furthermore, management will be under less pressure to watch shareholders and focus more on the long term in order to realize the chances for short-term earnings. Therefore, as specified by the efficient monitoring hypothesis, ownership concentration limits the managers' discretionary attitudes.

H3: There is a positive and significant association between the family ownership and EM.

2.2.4 Family Ownership and Firm Performance

It can be seen that earlier research on the impact of family ownership on performance produced contradictory findings. On the one hand, it has been claimed by Reyna and Encalada (2012), Anderson and Reeb (2003), Isakov and Weisskopf (2010), Maury (2005), Ibrahim and Abdul Samad (2011), Yo Han and Naughton (2009), and Saito (2008) that there is a favorable relationship between family ownership and firm performance. They discovered that family wealth is closely correlated with the firm's value, especially when families have strong incentives to keep an eye on agents and foster enduring loyalty. Furthermore, because families have been around for a very long time and want to keep their name alive. Family-owned businesses have a larger stake in the enterprise and are more willing to sacrifice short-term gains in order to pass the enterprise down to succeeding generations and preserve the family name. In relation to non-family businesses, this view may give rise to long-term economic worries. Therefore, it was anticipated that family businesses would likely be more successful than non-family ones.

Otherwise, Samaha et al. (2012) and Ibrahim and Abdul-Samad (2011) suggested that family businesses with high ownership concentration were more likely to experience the conflict between controlling and marginal shareholders. Despite the fact that family firms profit from their concentrated ownership structure, this property strategy has drawbacks as well. This is due to the family's restricted skill pool and the challenges brought on by entrenched management. Regarding the former, the business is negotiated by the family's obligation to maintain control, which results in their monopolizing managerial and supervisory roles. This makes it more difficult to select new hires based on their qualifications, professionalism, and talents. As a result of the increased risk of hiring unprofessional executives, the firm's worth will be reduced.

According to the entrenchment theory, the concentration of ownership might encourage major shareholders to expropriate the minority shareholders through excessive reimbursements, distinctive dividends, and even fantastic decisions that result in the firm's poor performance. Family businesses consequently perform poorly because their owners want to increase their own wealth and ensure that their advantages come at the expense of minor shareholders. The relationship between family concentrated ownership and company performance, however, appears to vary depending on marketing and performance indicators, according to studies by Omran, Bolbol, and Fatheldin, (2008), Abdel Shahid (2003), and Ibrahim and Abdul Samad (2011). The findings of Omran et al. (2008) that link ownership characteristics with company success differ from those of Abdel Shahid (2003). While the latter finds a negligible correlation with stock market indicators (measured in terms of P/E and P/BV ratios) and a strong association between ownership structure and ROA and ROE. According to Omran et al.'s (2008) research, there is no correlation between ownership structure and profitability (as measured by ROA and ROE ratios), although there is a strong positive correlation between ownership structure and Q-ratios. Ibrahim and Abdul Samad (2011) stated a favorable influence based on ROE and a negative correlation between family firms and company value based on Tobin's Q. Intriguingly, Arosa, Iturralde, and Maseda, (2010) and Lin and Tsangyao (2010) discovered that family firms' performance and firm performance have a curved linear relationship as a result of monitoring and expropriation consequences.

H4: There is a positive and significant association between family ownership and financial performance.

3. Research Design

3.1. Sample and Data Collection

The sample consists of 49 listed businesses whose equities have been among the top 100 most actively traded shares in Egypt for the eight years ending in 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020. Banks, financial institutions, and insurance companies are among the businesses that are not included since their capital and investment environments cannot be compared to those of non-financial organizations. Additionally, because these institutions are overseen by distinct laws and a variety of authorities, several companies were excluded from the sample. Additionally, businesses were typically excluded from the examination of data because they lacked sufficient and pertinent information. Companies who lack the data necessary to calculate DAs are also eliminated.

3.2. Variable Measurement and Research Model

The study looks into the relationship between family/institutional ownership, performance, and EM. To do this, a multigroup analysis using SEM to evaluate the degree and direction of the association between family/institutional ownership, EMs and firm performance. The next section provides an explanation of the research variables:

First; Dependent Variables : (Quality of Financial Reporting)

The study measures the quality of financial reporting using Accrual Earnings Management (AEM). DAs is used as proxy of AEM by using different models. EM is measured by using the Modified Jones Model (Dechow, Sloan, and Sweeney, (1996). While, firm performance is measured using profitability (ROA ROE, ROS, EPS)

Second; Main Independent Variable and Control Variables

Family ownership is measured using dummy variable is considered as one in case the company allows a presence of a dominant shareholder who is the family largest shareholder and owns more than the percentage of institutional shareholding, otherwise equal to zero. Institutional ownership is the threshold variable is considered the equity percent that is possessed by national business firms, governmental institutions, financial institutions, corporate institutions, mutual funds, foreign financial institutions, foreign institutions, foreign mutual funds and international reciprocated capitals, as well as lots of further firms.

We involves several control variables to help in balancing the company-and business-particular differences that possess the inclination to

influence the dependent variable (EM). Different control variables are involved to organize the causal association and to get a more complete empirical model and to eliminate the predicament of endogeneity. According to Emile et al., (2014); Al-Najjar and Clark, (2017), these control variables such as leverage (LEV), firm size (Size), liquidity (LIQ). (Table 1) summarizes the study variables and the measurement of these variables.

Table 1: Variable measurement

Variables	Definition	Source
Family own	The dummy variable is considered as one in case the company allows a presence of a dominant shareholder who is the family largest shareholder and owns more than the percentage of institutional shareholding, otherwise equal to zero.	Board of director reports
Institutional own	The threshold variable is considered the equity percent that is possessed by national business firms, governmental institutions, financial institutions, corporate institutions, mutual funds, foreign financial institutions, foreign institutions, foreign mutual funds and international reciprocated capitals, as well as lots of further firms.	Board of director reports
ROA	The ratio of net income to total asset at the end of fiscal year	Data stream
ROE	It is ratio of the net income scaled by average equity.	Data stream
ROS	The ratio of net income scaled by net sales at the end of fiscal year	Data stream
EPS	It is a ratio that divides a company's earnings by the number of shares outstanding to evaluate profitability and gain a pulse of the company's financial health.	Data stream
Liquidity	It is computed by dividing current assets by current liabilities.	Data stream
Firm size	It is calculated by the ordinary logarithm of total assets as in Omran et al. (2008), and Mallorqui & Martin (2011) and Claessens, et al. (2000).	Data stream
CEO Duality	A "dummy variable" which is equal 1 in case the CEO of the company is the board's chairman too, and 0 elsewhere	Data stream
Financial leverage	It is calculated by dividing the total debts by total equity; this ratio gives an idea of the financing methods of the firm. Firm leverage is the corporate financial structure implying the corporate choice of debt	Data stream
Earnings management (EM)	It is calculated by discretionary accruals using Modified Jones Model.	Data Stream

3.2. The Specification of the Accrual-based EM Model

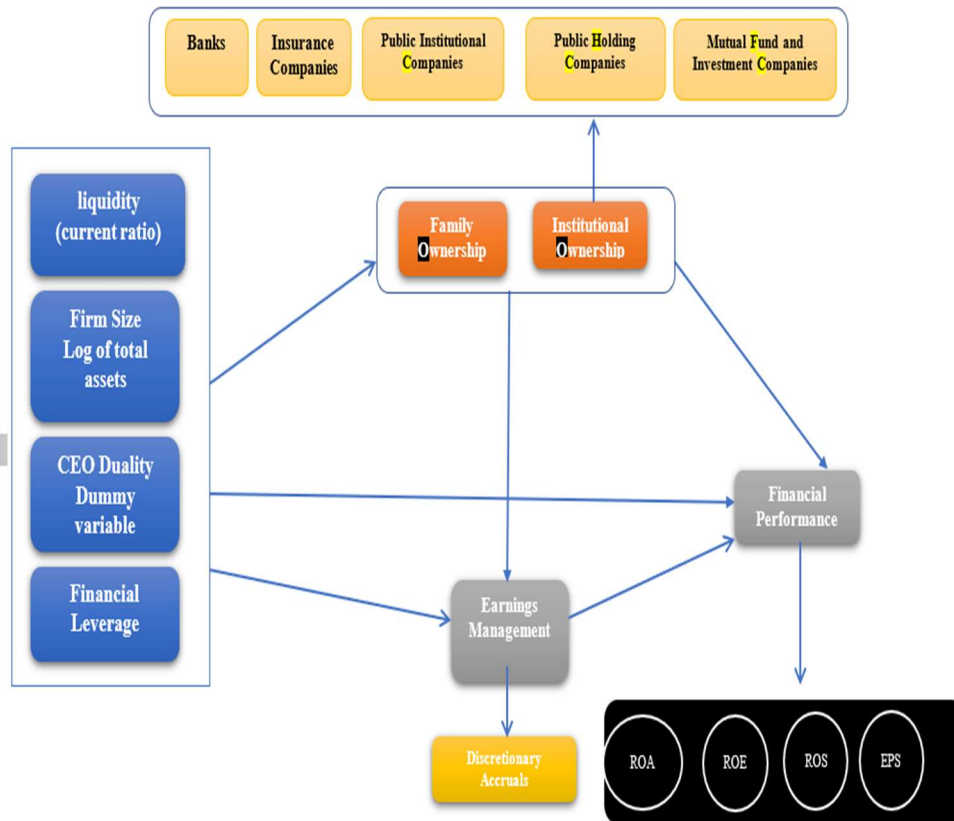
The empirical model investigates the impact of audit quality on the accrual EMs (AEM). The proposed regression model is defined by the following equation:

$$EM_{jt} = \beta_0 + \beta_1 \text{Family Own}_{jt} + \beta_2 \text{Instit.Own}_{jt} + \beta_3 \text{LIQ}_{jt} + \beta_4 \text{Size}_{jt} + \beta_5 \text{Lev.}_{jt} + \beta_6 \text{CEO Dual}_{jt} + \varepsilon_t$$

$$\text{PerF}_{jt} = \beta_0 + \beta_1 \text{Family Own}_{jt} + \beta_2 \text{Instit. Own}_{jt} + \beta_3 \text{LIQ}_{jt} + \beta_4 \text{Size}_{jt} + \beta_5 \text{Lev.}_{jt} + \beta_6 \text{CEO Dual}_{jt} + \beta_7 \text{EM}_{jt} + \epsilon_t$$

Where;

EMs refers to earnings management; Perf refers to Performance LIQ refers to liquidity; Lev refers to leverage; Size refers to firm size; CEO DUL refers to CEO duality; Family Own refers to family ownership; Institutional own refers to institutional ownership;



4. Empirical Result and discussion

4.1. Descriptive Statistics

Descriptive analysis helps in understanding the most important characteristics of the data, and accordingly it contributes in driving the way of how path analysis and the multi-group analysis, and the results will be interpreted. Table (2) includes the data of the explanatory variables, ownership structure, EMs, and performance.

Table 2: Descriptive Statistics

		Mean	Standard deviation	Skwenes	Kolmogorov-Smirnov	
					Statistics	sig
Panel 1 ROA	FAM	6.1453	5.678	.023	.067	.200*
	INST	5.6427	4.49511	.494	.083	.018
ROE	FAM	14.0877	12.26477	.142	.114	.002
	INST	13.1764	13.1764	.132	.097	.002
ROS	FAM	18.966	16.755	.672	.087	.048
	INST	16.377	16.727	.167	.104	.001
EPS	FAM	.5531	.68137	.480	.131	.00000
	INS	.6800	.74262	-.331	.148	.0000
Panel 2 EM	FAM	-.045712	.0679455	.593	.057	.200*
	INST	-.042435	.0728133	-.154	.039	.200*
Panel 3 FIRM SIZE	FAM	7.04827	1.597280	.298	.100	.011
	INST	6.57827	1.626598	-.941	.069	.096
LIQ	FAM	1.3582	.73823	.058	.101	.010
	INST	1.5958	.51995	.157	.082	.022
Leverage	FAM	.7116	.68467	.728	.199	0.0000
	INS	.7895	.68613	1.501	.176	0.0000

Panel 1 of Table (2) displays the descriptive statistics of ROA, ROE, ROS, EPS in family and institutional ownership and indicates that the performance measures using ROA, ROE, and ROS is most prevalent in the family firm, followed by institutional ownership. While, EPS as proxy for financial performance is most prevalent in institutional shareholding than family firm.

Panel 2 of Table (2) displays the descriptive statistics of AEM in both family and institutional ownership. The results reveal that there is less dominance of EM in family ownership over institutional ownership. This is consistent with karuntarat, (2013) and Ghabdian, et al., (2012) who found significant and negative relationship between family firm and discretionary accruals.

Panel 3 of table (2) shows the descriptive statistics of firm size, financial leverage, and liquidity in both family and institutional ownership. The results reveal that the average of financial leverage of

institutional shareholding (mean= .7895) is more than the average number of financial leverage in family firm (mean= .7116). On the other hand, the mean of liquidity (1.35) in family firm is slightly lower than the mean of liquidity (1.59) in institutional firm. The finding implies that the standard deviation of liquidity is greater than its mean. This finding determines that there is a high level of dispersion between family and institutional companies on their level of liquidity.

To test the normality distribution among the explanatory variable, EM, and financial performance measures in family and institutional ownership, **Kolmogorov-Smirnov test** is conducted regarding AEM in family and institutional ownership and performance, the results reveal that the null hypothesis is accepted and concludes that residual is normally distributed regarding DAs, and ROA in family shareholding, since the significant of Kolmogorov-Smirnov statistic is greater than 5%. On the other hand, regarding the other variables (explanatory variables, EM and financial performance measures) in institutional shareholding group as well as (firm size, financial leverage, and performance measures using (ROE, ROS, and EPS) in family group, the result finds that the null hypothesis is rejected as it concludes that residual is non-normally distributed, since their significant of Kolmogorov-Smirnov statistic is less than 5%.

Although the financial data is not normally distributed, the study prefer to use parametric tests due to the following reasons; First, parametric tests can perform well with continuous data that are non-normal data if the study satisfy a large sample size; Second, parametric tests can perform well when the spread of each group is different; Third, the mean accurately represents the center of distribution; Fourth, parametric tests usually have more statistical power than nonparametric tests. Thus, the study considers focusing on parametric tests not non-parametric tests.

4.2. Correlation Matrix

Table 3 uses Pearson tests to show the relationships between the explanatory factors, the two forms of ownership structure, the DAs, and the financial performance proxies. The correlation coefficients for the study variables are shown in Table 3 to check for high collinearity. It

tries to provide details about collinearity between variables in empirical models.

There is no multi-collinearity, according to the correlations matrix in Table 3 because none of the variables correlate above (0.8 or 0.9). According to a number of earlier studies, including one by Gujarati (2003), 0.8 is the point at which multi-collinearity issues may hurt the regression analysis.

❖ **Table (3): Pearson Correlations Coefficients for study constructs**

Dimension	FIRM SIZE	LIQUIDITY	FINANCIAL LEVERAGE	CEO DUALITY	INS. Own	FAM. OWN	EM	ROA	ROE	EPS	ROS
Firm size	1										
Liquidity	0.028	1									
Fin.LEV	-.385(**)	-.163(*)	1								
CEO Duality	-.153(*)	.240(**)	0.027	1							
INS Own	.178(**)	-.058	-.224(**)	.205(**)	1						
Family Own	0.038	-.188(**)	.284(**)	-0.07	-.138(*)	1					
EM	0.102	.189(**)	-0.125	-0.004	-0.062	-.169(**)	1				
ROA	.246(**)	-0.064	-.144(*)	-0.075	.156(*)	.204(**)	-.178(**)	1			
ROE	-.153(*)	-.145(*)	-0.122	-0.125	0.118	.161(*)	-.145(*)	.752(**)	1		
ROS	-.168(**)	0.051	-.187(**)	0.109	.301(**)	0	.139(*)	.274(**)	.322(**)	1	
EPS	-0.096	0.015	0.029	-0.047	.269(**)	.270(**)	-0.103	.474(**)	.440(**)	.211(**)	1

4.3 Result of Path analysis and Multi-group analysis using structural equation modeling (SEM)

A thorough statistical technique is utilized to represent, estimate, and test the relationships between observable and latent variables in a theoretical network of (mainly linear) relationships between variables (Bollen, 1989; Loehlin, 2004). It was also used to examine predicted patterns of directional and non-directional relationships between a group of measurable and latent variables that were both observed and measured. Understanding the patterns of correlation and covariance

among a group of variables and attempting to account for as much of their variance using the proposed model are the basic goals of SEM.

4.3.1 Path Analysis Using Structural Equation Modelling

Firstly; It is important to set up some simultaneous equations of structural model to indicate direct and indirect relationship between the study variables before explaining the following figure in-details as follow;

Thus, The structural Equations can be Presented as Follows:

$$M1 = a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + e_1$$

$$M2 = a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + e_2$$

$$M3 = a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + a_5 M_1 + a_6 M_2 + e_3$$

$$Y1 \text{ (ROA)} = a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + a_6 M_1 + a_7 M_2 + a_8 M_3 + e_4$$

$$Y2 \text{ (ROE)} = a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + a_6 M_1 + a_7 M_2 + a_8 M_3 + e_5$$

$$Y3 \text{ (EPS)} = a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + a_6 M_1 + a_7 M_2 + a_8 M_3 + e_6$$

$$Y4 \text{ (ROS)} = a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + a_6 M_1 + a_7 M_2 + a_8 M_3 + e_7$$

Where; M1: Family Ownership, M2: Institutional Ownership, M3: Earnings Management, X1: Firm Size (LOG T.A), X2: Liquidity (Current Ratio), X3: Financial Leverage (DER), X4: CEO Duality, Y1: Return On Assets (ROA), Y2: Return On Equity (ROE), Y3: Earning Per Share (EPS), Y4: Return On Sales (ROS)

Then, the figure (1) presents the direct and indirect relationship between the endogenous and exogenous variables (explanatory variables, family ownership, institutional ownership, discretionary accruals as proxy for EM, and four performance proxies).

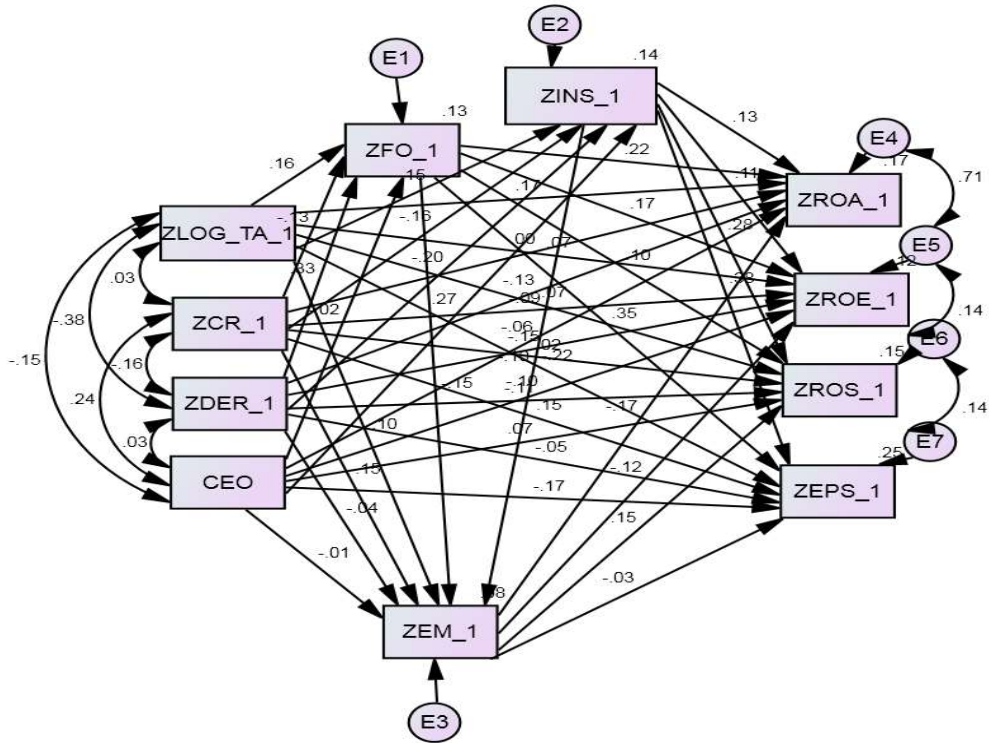


Figure (1): Structural Model before the Exclusion of non-Significant Relationship

To increase the model's fitness, the paths with P-values > larger than (0.10) from the regression weights data presented in Table (I) of the appendix should be removed. It's important to note that maximum likelihood (ML) approaches, not ordinary least squares (OLS) methods, are used to estimate the parameters. OLS techniques reduce the squared variances between actual criterion variable values and model predictions. The goal of ML, an iterative process, is to increase the probability that the obtained values of the criterion variable will be properly predicted.

**Second, measuring the Goodness Fit of the Structural Model
before excluding non-significant paths**

(Table 4)The Goodness of Fit Indices in the SEM

Chi-Square	28.374
Degree of Freedom	4
Level of Significance	.077
Normed Chi-Square	7.08
Root Mean Square Residual (RMR)	.072
Goodness of Fit Index (GFI)	.949
Adjusted Goodness of Fit Index (AGFI)	.857
Normed Fit Index (NFI)	.865
Relative Fit Index (RFI)	.856
Incremental Fit Index (IFI)	.871
Tucker Lewis Index (TLI)	.941
Comparative Fit Index (CFI)	.859
Root Mean Square Residual Approximation (RMSEA)	.083
R ² : INS.OWN=13.6%, R ² : F.O=12.5%, R ² :EM= 7.8%, R ² :ROS= 14.8%, R ² :ROE= 11.8%, R ² :ROA= 16.6%, R ² :EPS= 25.4 %	

As indicated in Table (4), the goodness of fit measures for the hypothesized model came nowhere near the minimum requirements for the benchmark fit indices. The results reveal that normed chi-square is more than 5% which indicates the structural equation model is not the best fit, P-value is > .05, and then the null hypothesis is accepted (H0) which means that the observed model equals to the theoretical model.

The other values of the measures fit such as (RFI=. 856), (TLI=. 941), (NNFI=. 865), (CFI=. 859), and (RMSEA=. 083) indicate that this structural model is not acceptable to be the final. These measures indicate a 'bad fit' for the hypothesized model. Since the hypothesized model did not have a 'good fit', it is rejected although some fit measures seem perfectly fit to the standardized model.

After that, due to the existence of several non-significant paths between variables in the structural model (2) and initial model did not fit well, the researcher finds the necessity to eliminate non-significant paths between variables to improve the fit measures of the SEM model. After many improvements that have been done in the structural model, excluding non-significant paths from the structural model, the following model (2), the results of measures of goodness fit and the regression weight analysis as indicated in Tables (5), and (6) imply that the final structural model has the best goodness of fit measures, and it can be considered the standard model for the study.

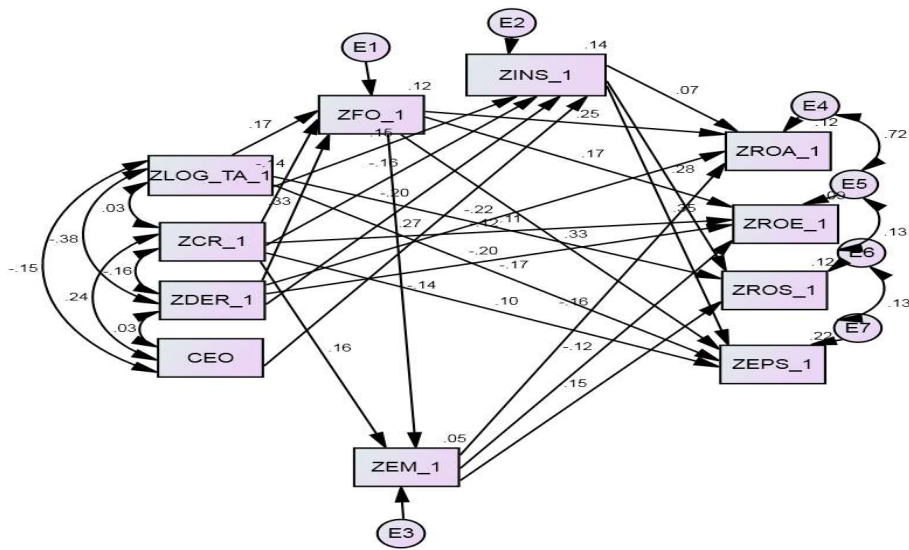


Figure (2) Structural Model after excluding non-Significant Relationships

(Table 5) :Regression weights according to Maximum Likelihood Estimates after excluding non-Significant Paths.

			Standardized estimate	Unstandardized Estimate	S.E.	C.R.	P
ZFO 1	<---	ZLOG TA 1	.167	.167	.065	2.570	.010
ZFO 1	<---	ZCR 1	-.139	-.139	.061	-2.293	.022
ZFO 1	<---	ZDER 1	.325	.325	.066	4.940	***
ZEM 1	<---	ZFO 1	-.138	-.138	.063	-2.180	.029
ZEM 1	<---	ZCR 1	.163	.163	.063	2.578	.010
ZINS 1	<---	ZLOG TA 1	.147	.147	.065	2.250	.024
ZINS 1	<---	ZCR 1	-.159	-.159	.062	-2.560	.010
ZINS 1	<---	ZDER 1	-.200	-.200	.065	-3.066	.002
ZINS 1	<---	CEO	.271	.575	.132	4.361	***
ZEPS 1	<---	ZFO 1	.333	.336	.058	5.819	***
ZROA 1	<---	ZINS 1	.072	.072	.043	1.681	.093
ZROA 1	<---	ZFO 1	.249	.249	.063	3.940	***
ZROA 1	<---	ZDER 1	-.218	-.218	.063	-3.448	***
ZROA 1	<---	ZEM 1	-.159	-.159	.061	-2.615	.009
ZROE 1	<---	ZFO 1	.170	.167	.063	2.640	.008
ZROE 1	<---	ZCR 1	-.116	-.114	.043	-2.668	.008
ZROE 1	<---	ZDER 1	-.198	-.195	.062	-3.121	.002
ZROE 1	<---	ZEM 1	-.122	-.120	.061	-1.953	.051
ZROS 1	<---	ZINS 1	.281	.280	.060	4.663	***
ZROS 1	<---	ZEM 1	.149	.148	.059	2.508	.012
ZEPS 1	<---	ZINS 1	.348	.352	.058	6.045	***
ZEPS 1	<---	ZCR 1	.098	.098	.058	1.703	.089
ZROS 1	<---	ZLOG TA 1	.110	.110	.060	1.838	.066
ZEPS 1	<---	ZLOG TA 1	-.172	-.174	.058	-2.993	.003

** Significant at level less than (0.01). *** Significant at level less than (0.001)

Table 6: The Goodness Fit Indices in the SEM

Chi-Square	116.412
Degree of Freedom	22
Level of Significance	0.165
Normed Chi-Square	5.29
Root Mean Square Residual (RMR)	6.7
Goodness of Fit Index (GFI)	.959
Adjusted Goodness of Fit Index (AGFI)	.887
Normed Fit Index (NFI)	.879
Relative Fit Index (RFI)	.883
Incremental Fit Index (IFI)	.839
Tucker Lewis Index (TLI)	0.975
Comparative Fit Index (CFI)	0.930
Root Mean Square Residual Approximation (RMSEA)	.063
<i>R²: INS.OWN=13.6 % , R² : F.O=12.5% , R² :EM= 5.4% , R² ROA= 12.4% , R² :ROE= 8.6% , R² :EPS= 22.1% , R² ROS= 12.4%</i>	

From Table (6), the researcher noticed that since Normed Chi-square of the final structural model is equal to 5.21, GFI is improved from .949 to .959, AGFI is improved from .857 to .887, RFI is improved from .856 to .883, and RMSEA is improved to .063. These measures of fit indices indicated that fit model of the structural model is developed after eliminating some non-significant paths between study variables. The fit measures indicate the goodness fit of the final structural model in its ability to measure the effect of ownership structure and EM on firm performance.

4.3.2. Multigroup Analysis using SEM to compare between Family and Institutional ownership

After path analysis has been conducted to eliminate the non-significant paths to reach an improved model and be able to conduct multi-group analysis between institutional ownership and family ownership. This section presents a brief definition of multi-group analysis and steps conducted for testing measurement invariance between the two groups of ownership structure (family and institutional ownership) in relation to EM and financial performance in Egyptian context.

Steps Conducted for Testing Measurement Invariance in a Multiple Group Analysis

First, it is best to test the model in each group separately. Second, conduct a concurrent test with a similar factor structure. Third, make sure the factor loadings are equivalent. Fourth, make sure the indicator intercepts are all equal. Test the equality of indicator residual variances in the fifth step (optional because it is extremely constrictive and rarely holds in real data). Test the equality of the latent means, the equality of the latent variances, and the equality of the factor covariances (but only if you have more than one hidden variable). It's important to note that stages 1 through 5 are frequently more interesting than step 6 (Brown, 2006; Byrne, 2004).

Afterward, SEM using the AMOS software will produce two sets of parameters (unstandardized and standardized regression weights, covariances, correlations, and squared multiple correlations), but only one set of model fit coefficients, including one chi-square. The two group models are similar to the parameters entered by the researcher or the default values accepted by the researcher in the Multiple Group Analysis dialogue, according to a non-significant chi-square. The conclusion is one of group-level invariance as a result. In the event that the tested model was a measurement model, it can be deduced that the latent variables are calculated and interpreted consistently across groups. The "Model Fit Summary" confirms the Multi-group model with Goodness of Fit measures $>.95$, RMSEA $.05$, etc. (Byrne, 1998). In order to compare two types of ownership structures (family shareholding and institutional shareholding) in relation to accounting earnings manipulation and to the financial performance using four proxies (ROA, ROE, ROS, and EPS), this study finds it preferable and appropriate to apply multi-group analysis.

First structural group to measure direct relationship between family ownership and financial performance or indirectly through EM

Figure (3), Tables (7) and (8) present the relationship between the two different perspectives of ownership structure, EM, and the organizational performance to determine the direct and indirect relationship among them and to measure the strength of the perspectives effect of ownership structure on financial performance through EM.

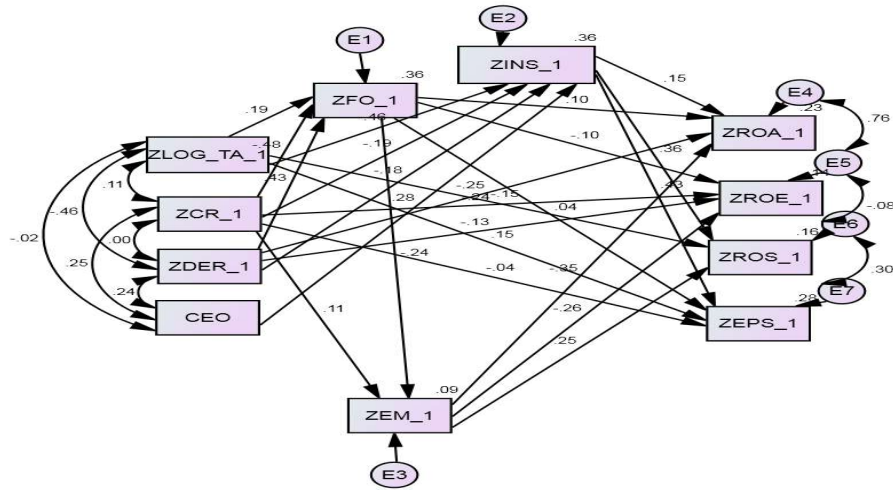


Figure (3) Structural Model between Family Ownership, EM and Financial Performance

Table (7): Standardized Direct Effects between Family Ownership, Institutional Ownership and Performance

	ZDER_1	ZCR_1	CEO	ZLOG_TA_1	ZFO_1	ZINS_1	ZEM_1
ZFO_1	.427	-.482	.000	.186	.000	.000	.000
ZINS_1	-.184	-.185	.283	.460	.000	.000	.000
ZEM_1	.000	.108	.000	.000	-.239	.000	.000
ZROS_1	.000	.000	.000	-.149	.000	.359	.250
ZROE_1	-.128	-.239	.000	.000	-.099	.000	-.255
ZROA_1	-.254	.000	.000	.000	.095	.150	-.352
ZEPS_1	.000	-.041	.000	.150	.041	.434	.000

Table (8): Standardized Indirect Effects between Family Ownership, Institutional Ownership on Performance through EM

	ZDER_1	ZCR_1	CEO	ZLOG TA_1	ZFO_1	ZINS_1	ZEM_1
ZFO_1	.000	.000	.000	.000	.000	.000	.000
ZINS_1	.000	.000	.000	.000	.000	.000	.000
ZEM_1	-.102	.115	.000	-.044	.000	.000	.000
ZROS_1	-.092	-.011	.102	.154	-.060	.000	.000
ZROE_1	-.016	-.009	.000	-.007	.061	.000	.000
ZROA_1	.049	-.152	.042	.102	.084	.000	.000
ZEPS_1	-.063	-.100	.123	.207	.000	.000	.000

The analysis as shown in the tables (7) and table (8) reveal that; First, family ownership structure has direct linear effect on the organizational performance using (ROA, ROE, ROS, and EPS) by (9.5%, -9.9%, 0%, 4.1%) respectively, whereas the indirect relationship between family-ownership and performance using the four measures (ROA, ROE, ROS, and EPS) through EM revealed (8.4%, 6.1%, - 6%, and 0 %) respectively, this indicates that the family ownership has a positive and an increasing impact on the performance by using ROA, ROS, EPS directly rather than indirect relationship. This means that the performance by using ROA, ROS, and EPS of family firm has been decreased indirectly through EM rather than direct relationship. Worth mentioning that EM as mediator variable plays a significant role in the family firm on reducing the organizational performance by using ROA, ROS, and EPS. Alternatively, EM has little impact on reducing performance by using ROE Ratio.

Secondly, the institutional ownership has a direct linear effect on the organizational performance using ROA, ROE, ROS, and EPS by (15%, 0%, 35.9%, and 43.4%), whereas the indirect relationship between institutional ownership and performance using the four measures (ROA, ROE, ROS, EPS) through EM revealed (0%, 0%, 0%, and 0%) respectively, this indicates that the institutional ownership has a positive and an increasing impact on the performance directly rather than indirect relationship, worth mentioning that EM as mediator variable does not play a significant role in reducing the impact of institutional ownership on enhancing the organizational performance.

Thirdly, the study result reveals that institutional ownership has a significant, a direct, a positive, and an increasing impact on the organizational performance by using four measures (ROA, ROE, ROS, and EPS) more than family ownership as indicated in the tables below (7) and (8).

Second structural model to evaluate direct relationship between family ownership and financial performance or indirectly through EM

The structural model (4) and table (9 and 10) show the relationship between study variables to determine the significant and non-significant relationships in the structural model. The results of firm-fixed effects regression show the impact of institutional ownership on EM and on firm performance (ROA, ROE, ROS, EPS).

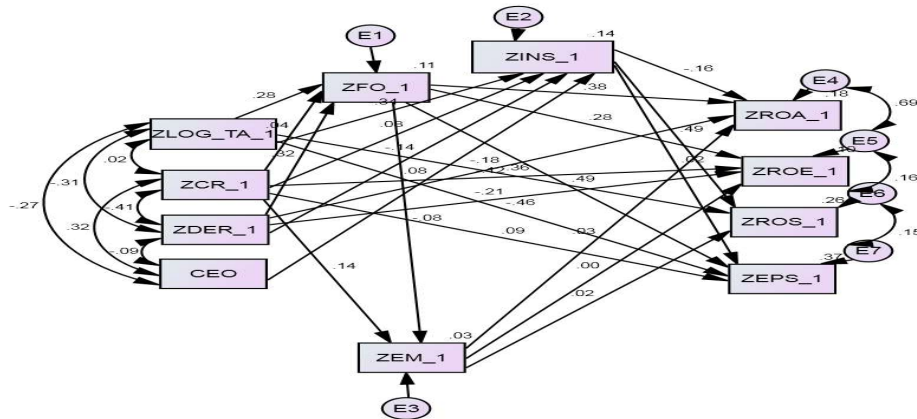


Figure (4) Structural Model between Institutional Ownership, EM and Financial Performance

Table 9 :Standardized direct Effects between institutional ownership, Family ownership, and performance

	ZDER_1	ZCR_1	CEO	ZLOG TA 1	ZFO_1	ZINS_1	ZEM_1
ZFO 1	.318	.041	.000	.277	.000	.000	.000
ZINS 1	-.138	.076	.075	-.335	.000	.000	.000
ZEM 1	.000	.138	.000	.000	-.075	.000	.000
ZROS 1	.000	.000	.000	.359	.000	.488	.024
ZROE 1	-.212	-.121	.000	.000	.285	.000	.003
ZROA 1	-.177	.000	.000	.000	.377	-.163	.027
ZEPS 1	.000	.085	.000	-.458	.488	.015	.000

Table 10: Standardized indirect Effects between institutional ownership, Family ownership, and performance through EM

	ZDER_1	ZCR_1	CEO	ZLOG TA 1	ZFO_1	ZINS_1	ZEM_1
ZFO 1	.000	.000	.000	.000	.000	.000	.000
ZINS 1	.000	.000	.000	.000	.000	.000	.000
ZEM 1	-.024	-.003	.000	-.021	.000	.000	.000
ZROS 1	-.068	.040	.037	-.164	-.002	.000	.000
ZROE 1	.090	.012	.000	.079	.000	.000	.000
ZROA 1	.142	.007	-.012	.159	-.002	.000	.000
ZEPS 1	.153	.021	.001	.130	.000	.000	.000

It has been concluded from Tables (9) and (10) that; First, institutional ownership structure has negative effect on the organizational performance using ROA, ROE, by (-16.3%, 0%) and has a positive effect on the performance using EPS and ROS by (1.5%, 48.8%). Whereas the indirect relationship between institutional ownership and performance measures (ROA, ROE, ROS, EPS) through EM revealed (0%, 0%, 0%, 0%) respectively, this indicates that the institutional ownership has impact on the performance directly not indirectly, because there is non-significant relationship between institutional shareholding and EM.

Second, family ownership structure has direct linear effect on the organizational performance using ROA, ROE, EPS, and ROS, by (37.7%, 28.5%, 48.8%, 0%) respectively, whereas the indirect relationship between family-ownership and performance using the four measures ROA, ROE, ROS, EPS through EM reveal (-.2%, 0%, -.2%, 0%) respectively, this indicates that the family ownership has negative and decreasing impact on the performance using ROA, ROE and EPS indirectly through EM. However, it is noted that performance using ROS of family firm are not affected either directly or indirectly through EM. Worth mentioning that EM as mediator variable play a significant role in the family firm on reducing the organizational performance using ROA, ROE and EPS.

To conclude, the study results reveal that family ownership outperforms institutional ownership directly. Alternatively, institutional firm can develop financial performance more than family firm if the family management conducts opportunistic EM that deteriorate firm performance indirectly.

Discussion, and Conclusions:

First, the study finds that ownership levels can be viewed as a controlling and significant mechanism that can encourage a variety of block-holders to take part in closely monitoring and supervising management, hence lowering the likelihood of mismanagement and misbehavior. These businesses do gain, in particular, from having significant family or institutional shareholders. The study's findings indicate that the degree of family ownership is important and inversely

related to the size of discretionary accruals. Therefore, this result supports the efficient monitoring hypothesis or the alignment hypothesis, indicating that family firms may exercise less accounting discretion over accruals because they have a long-term interest in the company. They may also demand high-quality earnings reports and may be more interested in monitoring (Ali et al., 2007; Wang, 2006; and Karuntarat, 2013). According to Morck et al. (2005) and Jaggi et al. (2009), high ownership concentrations, particularly when there are dominant shareholders, can hurt businesses because they can extract private profits at the expense of smaller stockholders and lead to investors misjudging the performance of the companies they control. These findings, however, refute this theory.

Second, according to the Modified Jones model, this study's findings suggest that institutional Concentrated Own is not significantly correlated with unsigned discretionary accruals. Although other studies, like Brickely et al., (1988) showed a positive relationship between discretionary accruals/revenue and short-term (passive) institutional ownership, this result is consistent with Wong et al. (2009); Iqbal and Strong (2010); and Al-Fayoumi et al. (2010). While other studies, such as those by Zouari and Rebai (2009) and Hadani et al. (2011), found a negative correlation between opportunistic behavior and institutional shareholding, large institutional investors must control executives to ensure that they receive greater compensation from their equity ownership, improve the accuracy of the financial reporting process, and provide greater assurance to stockholders about the quality of the company's operations. The majority of Egyptian institutional investors are not regarded as long-term investors since there is insufficient security to provide adequate monitoring, which could be an explanation for this result. Another explanation for the disparity between the findings of this study and those of earlier ones could be that investors of institutions have different characteristics, as cultural and experiential ones.

Surprisingly, The results imply that the levels of share ownership by institutions themselves do not have any important influence upon the firm's performance based on EPS measures. The positive relation has been consistent with Elyasiani and Jia (2010); and Gürbüz et al. (2010) who justified that institutional firms frequently encourage their dynamic contribution in the structure of corporate governance's increased transparency and accountability. As they are sufficiently capable of the interference in the firms' actions and have the skills as well as the abilities to be like operational monitors. For instance, several studies argued that institutional investors possess expertise in managing, knowing-how to select managers, credible decisions in the amount that ought to be expended for advertising or on studies. Institutional investors might try to lessen this clash of importance by opposing the control of further big stockholders. This is due to the fact that controlling authorities are strictly supervising institutional investors; that's why, they might have greater expenditures to dig out private profits. The challenge to the big stockholders' control by institutional investors might be the basis to escape the knowledge of further regulatory stockholders and to develop the significance of the company. Thus, the study can conclude that positive impact of institutional ownership can enhance the rating of the corporate governance application, which can add more to the current investors or the potential shareholders' value.

However, this result contradict that of Bhojraj and Sengupta (2003); and Nirosha and Stuart (2012) who documented that

institutional investors are not dynamic participant in the system of corporate governance, due to their investment objectives and the compensation system. They are not in need of having dynamic importance in the firm's corporate governance since the institutional investors do have their main fiduciary accountability towards their own beneficiaries as well as investors, which could result in a clash of attention with their performing as proprietors.

Likewise, Drucker (1976) has formerly observed "...it is their job to invest the beneficiaries' money in the most profitable investment. They have no business trying to manage. If they do not like a company or its management, their duty is to sell the stock...". Therefore, the part the institutional investors can perform in the system of corporate governance of any firm is a debatable question till now. Though some claim that the institutional investors have to be imposed in the firm's system of corporate governance, others think that these investors have other investment's goals to achieve. Additionally, the study reveals that institutional ownership has a significant, positive and increasing influence on the organizational performs using four measures (ROA, ROE, ROS, and EPS) more than family ownership.

According to the findings of the researchers, the study recommends the use of additional governance variables (eg, the role of families on supervisory or advisory boards, family composition, number of family managers and founders, the positions they hold, and their educational backgrounds), and several samples to analyze the conditions. In which the family and the management of the founder influence the performance of the company. The fruitful path would clearly distinguish the effects of family management across generations on financial performance beyond what was achieved in the present study.

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Appendix:

Table 1: Regression weights according to Maximum Likelihood Estimates

			Stand estimate	Unstand. Estimate	S.E.	C.R.	P
ZFO 1	<---	ZLOG TA 1	.163	.163	.066	2.489	.013
ZFO 1	<---	ZCR 1	-.134	-.134	.063	-2.138	.033
ZFO 1	<---	CEO	-.022	-.047	.133	-.351	.726
ZFO 1	<---	ZDER 1	.325	.325	.066	4.944	***
ZINS 1	<---	ZLOG TA 1	.147	.147	.065	2.250	.024
ZINS 1	<---	ZCR 1	-.159	-.159	.062	-2.560	.010
ZINS 1	<---	ZDER 1	-.200	-.200	.065	-3.066	.002
ZINS 1	<---	CEO	.271	.575	.132	4.361	***
ZEM 1	<---	ZINS 1	-.099	-.099	.066	-1.491	.136
ZEM 1	<---	ZFO 1	-.148	-.148	.066	-2.244	.025
ZEM 1	<---	CEO	-.013	-.028	.142	-.199	.843
ZEM 1	<---	ZLOG TA 1	.103	.104	.069	1.501	.133
ZEM 1	<---	ZDER 1	-.041	-.041	.072	-.566	.572
ZEM 1	<---	ZCR 1	.149	.150	.066	2.271	.023
ZEPS 1	<---	ZFO 1	.351	.356	.061	5.880	***
ZROA 1	<---	ZINS 1	.127	.128	.063	2.016	.044
ZROA 1	<---	ZFO 1	.220	.220	.063	3.477	***
ZROA 1	<---	ZCR 1	.004	.004	.063	.066	.947
ZROA 1	<---	ZDER 1	-.129	-.129	.069	-1.880	.060
ZROA 1	<---	ZEM 1	-.168	-.168	.061	-2.753	.006
ZROE 1	<---	ZINS 1	.105	.104	.064	1.619	.105
ZROE 1	<---	ZFO 1	.173	.171	.064	2.670	.008
ZROE 1	<---	ZCR 1	-.087	-.086	.064	-1.345	.179
ZROE 1	<---	ZDER 1	-.148	-.146	.070	-2.101	.036
ZROE 1	<---	ZEM 1	-.121	-.120	.062	-1.941	.052
ZROS 1	<---	ZINS 1	.276	.276	.064	4.324	***
ZROS 1	<---	ZDER 1	-.108	-.108	.069	-1.554	.120
ZROS 1	<---	ZCR 1	.022	.022	.064	.341	.733
ZROS 1	<---	ZFO 1	.101	.100	.064	1.575	.115
ZROS 1	<---	ZEM 1	.149	.149	.061	2.425	.015
ZEPS 1	<---	ZINS 1	.384	.389	.061	6.420	***
ZEPS 1	<---	ZCR 1	.147	.149	.061	2.461	.014
ZEPS 1	<---	ZDER 1	-.046	-.046	.066	-.703	.482
ZEPS 1	<---	ZEM 1	-.030	-.030	.058	-.521	.603
ZROA 1	<---	ZLOG TA 1	.173	.174	.066	2.630	.009
ZROE 1	<---	ZLOG TA 1	.073	.072	.067	1.075	.282
ZROS 1	<---	ZLOG TA 1	.068	.068	.066	1.024	.306
ZEPS 1	<---	ZLOG TA 1	-.220	-.223	.063	-3.538	***
ZROA 1	<---	CEO	-.057	-.122	.135	-.902	.367
ZROE 1	<---	CEO	-.100	-.210	.136	-1.538	.124
ZROS 1	<---	CEO	.069	.146	.136	1.073	.283
ZEPS 1	<---	CEO	-.168	-.361	.129	-2.799	.005

* Significant at level less than (0.05). ** Significant at level less than (0.01)