

**Audit Quality and Financial Performance of Listed Nigerian Money Deposit Banks in
Nigeria**

**Isaiah Adeoluwa TADE
LCU/PG/001193**

**Being a MSc Thesis Presentation to the Department of Management & Accounting,
Faculty Management & Social Sciences, Lead City University, Ibadan, Oyo State,
Nigeria**

**In Partial Fulfilment of the Requirements for the Award of Masters of Science Degree
(MSc) in Finance**

2023

Certification

This is to certify that this thesis was carried out by **Isaiah Adeoluwa TADE** with Matric No **LCU/PG/001193** of the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan.

Prof. G.E Oyedokun

Supervisor

Date

Dr. T.M Akinbo

Head of Department

Date

Do Not Copy, Lead City University, Nigeria

Dedication

This Thesis is dedicated to Almighty God for His guidance, protection, and blessings.

Do Not Copy, Lead City University, Nigeria

Acknowledgments

First, I express my sincere gratitude to the Almighty God for the successful completion of this thesis. May His blessing continue to be upon us. My special appreciation goes to my supervisor Prof. G. E. Oyedokun for the encouragement, useful comments, and valuable suggestions. I am highly grateful. I also wish to thank Professor K.A. Adeyemo, the Vice Chancellor, Lead City University, Ibadan, for his unflinching support, encouragement, and scholarly pieces of advice.

My gratitude goes to my lecturers Prof. E.G. Oyedokun, Dr Joseph. A.O, Dr Adejuwon. J. A, Dr Olaleye J.O, and PG School Dean Dr. A. Oredein, Dr. T.M. Akinbo.

My appreciation goes to my wife, Mrs. Bolanle Tade, and my sons Tijesunimi and Jedidiah Tade. Thank you for your love and support always.

My gratitude also goes to my boss and mentor for his unflinching support, Mr. Francis Popoola, Mrs. Omotayo Ayo-Afolabi, and other colleagues.

I sincerely appreciate classmates Mr. Sorunke, Mrs. Ade (PG school), Mr. & Mrs. Mordi, Paul Dunga, Mr. Felejaye Olusola, and other classmates.

To all Academic and Non-Academic staff of Lead City University.

Once again, many thanks

“Even though the above institutions and persons have assisted in the process of this research work, I alone, stand responsible for the errors, if any, found in this work”.

Abstract

Many countries' economies may not grow to their current levels without the banking sector's function as financial mediators connecting surplus and deficit economic agents. Therefore, it remains a significant global phenomenon for corporate organisations to continuously achieve improvement in corporate performance. However, in Nigeria the ripple effect of the financial crisis, economic recession and economy recovery policies both from the Federal government and the CBN have created tougher times for many Nigerian business including banks and this has negatively affected the performance of the banking sector in the country. To address these issues in the Nigeria's banking sector for the better, both the industry regulator and banking experts suggested that the banks corporate parent needs to conduct audit assignment with an assurance of the high audit quality can be used as a framework to address the many challenges. Hence, on the strength of the signaling and agency theories, this study examined the effects of audit quality on financial performance of DMBs in Lagos State. The study adopted an *ex-post facto* research design by utilizing secondary data obtained from the selected quoted banks annual reports, using time series data from 2016 to 2021. The study adopted correlation analysis and ordinary least square regression analysis to test the hypotheses formulated. The findings of the study revealed that all the dimensions of audit quality have positive and significant relationship with the financial performance. Moreover, audit quality has positive and significant effect on financial performance of DMBs in Lagos State, Nigeria ($R^2= 0.76$, $p= 0.000$). The study concluded that audit quality do have effect on financial performance of listed DMBs in Nigeria. Therefore, it is imperative for management of DMBs to see that quality audit engagement is critical for the long-term sustainability of their establishment.

Keywords: Audit quality, Deposit Money Banks, Financial Performance.

Word Count: 300

Do Not Copy.

Table of Contents

| Content | Page |
|---------------------------------------|-------------|
| Title Page | i |
| Certification | ii |
| Dedication | iii |
| Acknowledgements | iv |
| Abstract | v |
| Table of Contents | vi |
| Chapter One: Introduction | |
| 1.1 Background to the Study | 1 |
| 1.2 Statement of the Problem | 6 |
| 1.3 Objectives of the Study | 8 |
| 1.4 Research Questions | 9 |
| 1.5 Research Hypotheses | 9 |
| 1.6 Significance of the Study | 10 |
| 1.7 Scope of the Study | 10 |
| 1.8 Limitations of the Study | 11 |
| 1.9 Operational Definition of Terms | 12 |
| Endnotes | 15 |
| Chapter Two: Literature Review | |
| 2.1 Conceptual Review | 17 |
| 2.1.1 Financial Performance | 17 |
| 2.1.2 Earnings Per Share | 26 |

| | | |
|--|---------------------------------------|-----|
| 2.1.3 | Return on Assets | 31 |
| 2.1.4 | Audit Quality | 37 |
| 2.1.5 | Audit Fees | 55 |
| 2.1.6 | Audit Firm Size | 58 |
| 2.1.7 | Audit Independence | 61 |
| 2.2 | Theoretical Framework | 66 |
| 2.2.1 | Signaling Theory | 66 |
| 2.2.2 | Resources Dependence Theory | 71 |
| 2.2.3 | Agency Theory | 78 |
| 2.3 | Review of Empirical Studies | 84 |
| 2.4 | Conceptual Model | 102 |
| 2.5 | Summary of Gap in Literature Reviewed | 103 |
| | Endnotes | 105 |
| Chapter Three: Methodology | | |
| 3.1 | Research design | 116 |
| 3.2 | Population of the study | 116 |
| 3.3 | Method of Data Analysis | 120 |
| | Endnotes | 121 |
| Chapter Four: Result and Discussion of Findings | | |
| 4.1 | Data Analysis - Preliminary Tests | 122 |
| 4.1.1 | Descriptive Statistics | 122 |
| 4.2 | Hypotheses Testing | 124 |
| 4.3 | Discussion of Findings | 128 |
| | Endnotes | 147 |

Chapter Five: Conclusion

| | | |
|-----|-------------------------------|-----|
| 5.1 | Summary of Findings | 149 |
| 5.2 | Conclusion | 150 |
| 5.3 | Recommendations | 151 |
| 5.4 | Suggestions for Further Study | 153 |

| | | |
|--|---------------------|-----|
| | Bibliography | 155 |
|--|---------------------|-----|

Appendix I: Panel OLS Results

Appendix II: Descriptive Statistics

Appendix III: Correlation Matrix

| | | |
|--|-----------------|-----|
| | Bio-data | 166 |
|--|-----------------|-----|

| | | |
|--|--|-----|
| | The University Compliance Certification | 168 |
|--|--|-----|

Do Not Copy, Lead City University, Nigeria

Chapter One

Introduction

1.1 Background to the Study

Many countries' economies may not grow to their current levels without the banking sector's function as financial mediators connecting surplus and deficit economic agents. Therefore, it remains a significant global phenomenon for corporate organisations to continuously achieve improvement in corporate performance indicators like return on asset and return on equity. Bank management also fully acknowledges the importance of maximising both return on asset and return on equity as cornerstones of sound financial planning and reporting. For a bank to be efficient and sustainable over the long term, it must have strong internal controls and a clear strategic direction, both of which can be verified by a thorough audit conducted by the bank's corporate parent. However, according to industry report on banking sector review, the numbers of banks that have either been acquired or taken over by the asset management corporation of Nigeria between 2013 and 2022 have raised the question what is the relevance of audit quality in addressing this development¹.

Globally, the banking sector performance as experienced significant growth in terms of earnings, size and resilience between 2008 and 2018. According to The Banker's Top 1000 World Banks Ranking for 2018, total assets reached \$124 trillion, while return on assets (ROA) stood at 0.9 percent². Similarly, tier 1 capital ratio as a proportion of assets rose to 6.7 percent, significantly higher than in 2008. However, the recovery since the financial crisis has not been uniform across regions³. Global banking sector outlook suggest that US

banks, compared to their European, Asia-Pacific, South America and the Middle East and Africa (MEA) counterparts, are ahead on multiple measures. Aggressive policy interventions and forceful regulations helped propel US banks to health more quickly⁴. And more recently, favourable GDP growth, tax cuts, and rising rates have further bolstered the state of the industry. Total assets in the United States reached a peak of \$17.5 trillion. Capital levels are up as well, with average tier 1 capital ratio standing at 13.14 percent. Return on equity (ROE) for the industry is at a post-crisis high of 11.83 percent. Efficiency ratios also are at their best. Similarly, on other metrics, such as nonperforming loans and number of failed institutions, the US banking industry is robust⁵.

The same cannot be said of the banking industry in other regions. For example in Europe, Structural deficiencies, overcapacity, low/negative interest rates, and the absence of a pan-European banking regulatory agency have all likely contributed to European banks experiencing persistent profitability challenges. Many European banks have become smaller, retrenching from international markets and exiting former profitable businesses. Consider the fact that profits of the top five European banks dropped from \$60 billion in 2007 to \$17.5 billion in 2017. However, European banks are showing some improvement. ROE for Western European banks in the top 1,000 world banks grew to 8.6 percent in 2017, compared with 5.5 percent in 2016⁶.

In the Asia Pacific (APAC) region, the growth of Chinese banks has been the most stunning development in the last 10 years (2008-2018). The Chinese banking industry has surpassed that of the European Union (EU) in terms of size. The world's four largest banks in 2018 are Chinese; in 2007, none of the top 10 banks in the world were Chinese and they are also doing well in terms of profitability⁷. However, the concern with economic growth and the tariff war with the United States are already affecting prospects. Meanwhile, Japanese

banks, which escaped the financial crisis, have long suffered the effects of slow domestic growth and low/negative interest rates. Despite this overall optimistic picture for the global banking industry, uncertainties loom on the horizon. Real GDP growth forecasts from the International Monetary Fund (IMF) point to a deceleration in all regions, including China and Emerging Asia.

Africa has emerged as the world's second banking market in terms of growth and profitability, according to a study by management consulting firm McKinsey and Company in 2018. Low banking penetration and income levels, as well as economies that are largely cash-based and viewed as a high credit risk, have long been considered major obstacles to the development of the continent's banking sector. However, that growth is by no means evenly spread, either geographically or among income groups⁸.

Only five countries South Africa, Nigeria, Egypt, Angola and Morocco currently account for 68 percent of Africa's total banking revenue. And about 60 percent of the total retail revenue growth of nearly \$18 billion expected over the next five years will be concentrated in South Africa, Egypt, Nigeria, Morocco and Ghana. In all of this PWC report pointed out that the performance of Banks in Africa, is affected by factors such as, banks characteristic, competitive environment, audit engagement, political factors, economic indicators, regulation and legal environment, country risk were major issues surrounding the performance of banks in Africa⁹. Stressing that the issues surrounding the performance of commercial banks is critical not only to the management of these commercial banks but also to other stakeholders and interest groups such as the country's Central Bank, the government as a whole, the banker's association as well as other financial authorities in the region.

In Nigeria the ripple effect of the financial crisis, economic recession and economy recovery policies both from the Federal government and the CBN have created tougher times for many Nigerian business including banks and this has negatively affected the performance of the banking sector in the country. For example Between “2014-2022” the sector have experienced about five bank failures (Skye bank, Diamond Bank, Oceanic bank, Intercontinental bank, Mainstreet banks) which led to a further merger and acquisition¹⁰.

In addition, proshare economy report stressed that Deposit money banks (DMBs) continue to grapple with significant Non-Performing Loans (NPLs), regulatory hurdles and unstable economic environment¹¹. The huge non-performing loan portfolios have eroded the ability of banks to effectively and efficiently function as credit institutions. Empirical evidence suggested that nonperforming loans have adverse effects on firm growth, bank profitability, efficiency, and often lead to bank failures¹². According to the CBN’s economic report, asset quality of the banking industry, measured by the ratio of non-performing loans to total loans (NPL ratio) fell to 12.45% at the end of June 2018, compared with 14.80% and 15.02% at the end of December 2017 and the end of June 2017, respectively¹³. At this level, the ratio, remained above the regulatory threshold of 5.0%. Above-average NPL ratios were reported at several of the Fitch-rated banks, and these will be difficult to resolve swiftly. More so, data from the National Bureau of Statistics, revealed that the value of Non-Performing Loans (NPLs) in the third quarter of 2018, Q3’18, increased by NGN400 billion or 21% to NGN2.3 trillion from NGN1.9 trillion in the second quarter of same year¹⁴. This corroborates the most recent report of global rating agency, Moody’s which warned that losses to bad loans remain high in Nigeria’s banking industry with the potential negative consequences for bank performance¹⁵.

Majority of the issues identified above especially that of NPL, bank failures with respect to liquidity thresholds and slow growth have been attributed to the inability of the bank operators to conduct comprehensive risk management for loan applications, engaging in unethical practices which cloud due process (fairness and transparency) in the administration of banking financial activities in loan application, board structure irregularities, and weak control infrastructure^{16,17}. To address these issues in the Nigeria's banking sector for the better, both the industry regulator and banking experts suggested that the banks corporate parent needs to conduct audit assignment with an assurance of the high audit quality can be used as a framework to address the many challenges. This is because audit quality ensures the accuracy and reliability of a bank's financial statements. This is vital for investors, regulators, and stakeholders to make informed decisions and assess the bank's financial health. Reliable financial reporting helps build trust and confidence in the banking system, which is essential for sustainable operations. Likewise, audit quality helps identify and assess risks within a bank's operations. Thorough auditing procedures can detect potential irregularities, fraudulent activities, or weaknesses in internal controls¹⁸.

By addressing these risks, banks can enhance their risk management practices, reduce vulnerabilities, and mitigate potential threats to their sustainability. Banks operate in a highly regulated environment, and adherence to regulatory guidelines is crucial for their sustainability. High-quality audits ensure that banks comply with accounting standards, legal requirements, and industry-specific regulations. Compliance failures can result in penalties, reputational damage, and even regulatory interventions, which can significantly impact a bank's sustainability. Moreover, Quality audits contribute to effective corporate governance within banks. They provide an independent assessment of the bank's financial reporting, internal controls, and risk management practices. This oversight helps foster

accountability among management, board members, and other stakeholders, promoting responsible decision-making and sustainable business practices and helps facilitate the early detection of financial weaknesses or deteriorating financial performance¹⁹.

Scholarly works have been done to substantiate the effect of audit quality on organisational performance in divers sectors; however scholars have recommended the need for more studies on the performance effect of audit quality in the banking sector especially after the COVID-19 pandemic^{19,20,21}. It is important to stress that the sector is battling with problems ranging from inefficient service delivery, people's distrust for the banking sector, rising bad loans, and extreme poverty which makes it difficult for the average Nigerian to deposit money in banks. It is against this backdrop of events that this study intends to evaluate the effect of audit quality on the performance of deposit money banks in Ibadan.

1.2 Statement of the Problem

Evidence from the total asset base of the banks revealed that banks growth was observed to be on a continuous decline across Wema, FCMB, Polaris and Fidelity banks. The financial report of Wema bank revealed a dip in total assets from ₦330.87bn (2013) to a borrowing position of ₦385.38bn (2017), indicating a backward growth of the bank. Similar scenario was observed in FCMB, where a fluctuating trend was observed from ₦1,314.80bn (2013) to a negative position of ₦1,293.70 (2015) and then a slight improvement to ₦1,316.30 (2017). This position is an aberration and a hug contrast from the trend in Zenith Bank plc that has witnessed a healthy consistent growth of the firm from a ₦3,143.13bn (2013) to ₦5,595.25bn (2017). This decline could possibly be attributed to the stiff competition existing among the banks, however it is further aggravated by the perceived lack of transparency of the borad members of the affected deposit money banks²².

The five year annual reports of Wema bank and First City Monument Bank (FCMB), revealed a worrisome downward trend of profitability from 2013 to 2017. In the case of FCMB, the bank recorded ₦6.03m in 2013, ₦5.59m (2014), ₦2.52m (2015) and although a marginal increase was recorded in 2016 (₦3.73m), a further drop to ₦1.52m was observed in 2017. Similar trend was observed in Wema bank as profitability fluctuated across the years from ₦1.59m (2013), ₦2.37m (2014), -₦2.27m (2015), and ₦2.59m (2016) to a major loss position in ₦2.3m (2017). This declining trend in profitability has been perceived to be arising from weak audit engagement. According to Scholars, it has become a common phenomenon in Nigerian banks to extend loans and advances to family relations, friends and directors without due process²². This clearly violates the required internal control protocols, risk management practices and fairness (something internal audit would have addressed), and has led to bad debts caused by inadequate recovery procedures. Consequently, these banks have remained incapacitated their ability to recover the loans and advances extended to these categories of stakeholders ultimately leading to banking distress and negatively affecting their profitability.

Despite the theoretical projections that the audit quality plays vital roles in determining a firm financial performance, the empirical outcomes to that effect have been largely contradictory in literature. There is a debate in the literature about the extent to which audit quality and financial performance are related. Some studies have found a positive relationship between audit quality and financial performance, while others have found no significant relationship. Further research is needed to better understand the nature of these relationships and their implications for stakeholders. This creates a knowledge gap for this study in order to understand how audit quality can influence financial performance of deposit money bank. By understanding this relationship, researchers and practitioners may

be able to develop strategies for improving financial performance of deposit money banks in Nigeria²³.

Further survey of extant studies, especially those by Nigerian authors, shows the dominant use of financial-based measures of firm performance (ROE), in relation to board of directors' characteristics. Although ROE is germane performance indicators, recent studies have argued that "ROE do not provide a detailed view of the firm performance; hence it's imperative to include ROA to get a better picture of financial performance²³. A recently published work aligned with the above recommendation and suggesting they are used as financial performance measures²⁴. Bearing in mind the gaps identified above in existing literature and problems acknowledged concerning the DMBs in Nigeria, this study intends to evaluate the effect of audit quality on financial performance of DMBs in Oyo State, Nigeria.

1.3 Aim and Objectives of the Study

The study aims to evaluate the effect of audit quality (audit independence, audit fees, firm size) and financial performance (earnings per share and return on asset) of listed deposit money banks in Nigeria. The specific objectives are to;

- i. assess the relationship between audit independence and the financial performance of listed deposit money banks in Nigeria.
- ii. examine the relationship of audit fees and the financial performance of listed deposit money banks in Nigeria.
- iii. determine the relationship between audit firm size and the financial performance of listed deposit money banks in Nigeria.

- iv. examine the effect of audit quality on the financial performance of listed deposit money banks in Nigeria.

1.4 Research Questions

Based on the stated objectives, the following research questions will be answered in this study:

1. what is the relationship between audit independence and the financial performance of listed deposit money banks in Nigeria?
2. How does audit fees relate to financial performance of listed deposit money banks in Nigeria?
3. In what ways is audit firm size related to the financial performance of listed deposit money banks in Nigeria?
4. To what extent can of audit quality affect financial performance of listed deposit money banks in Nigeria?

1.5 Hypotheses

- H₀₁:** Audit independence has no significant relationship with the financial performance of listed deposit money banks in Nigeria.
- H₀₂:** There will be no significant relationship between audit fees and financial performance of listed deposit money banks in Nigeria
- H₀₃:** There will be no significant relationship between audit firm size and financial performance of listed deposit money banks in Nigeria
- H₀₄:** Auditquality has no significant effect on financial performance of listed deposit money banks in Nigeria.

1.6 Significant of the Study

The research is significant to stakeholders, management of DMBs, policy makers and regulatory authorities in Nigeria, like Financial Reporting Council of Nigeria (FRCN), academic community as follows:

Stakeholders who are constantly looking for ways to promote audit quality in the country will find the study useful. However, in general, understanding the significance of the relationship between audit quality, ownership structure, and financial performance of listed deposit money banks can provide insight into the factors that impact the financial performance of listed deposit money banks and may assist the management to develop strategies for improving financial performance and increasing shareholder value.

The management of DMBs in Nigeria will be able to look for ways of making auditor and Audit department a completely independent function from the management thus making it more effective.

For the policy makers the finding of this study could suggest that investing in high-quality audits may be a worthwhile strategy for improving financial performance. The study could help to inform regulatory and policy-making decisions related to the banking industry, audit practices are associated with better financial performance.

The study could provide regulatory authorities with valuable information about the factors that impact the financial performance of listed deposit money banks. This could help regulatory authorities to identify potential risks to the financial stability of the banking industry and to take appropriate action to mitigate those risks.

For the academic community this study will extend and contribute to the body of knowledge and adds to the growing body of literature by using Nigerian listed DMBs to investigate the likely effect of audit quality on financial performance. Likewise, provide an opportunity into the prevailing situation of audit quality and financial performance of listed deposit money banks in Nigeria.

1.7 Scope of the Study

Audit quality and financial performance of listed deposit money banks in Nigeria is the focus of the study. However, it is confined to the audit quality and financial performance of listed deposit money banks' metrics between 2016 and 2021 in order to capture the latest trend in the banking sector. The independent variable that is audit quality is to be measured with audit fees, audit independence, audit firm size and audit tenure metrics. Also, financial

performance of listed deposit money banks in Nigeria is measured with Return on Assets and Earnings Per Share metric is used as the dependent variable.

1.8 Limitations of the Study

These were the limitations of this study:

1. One limitation inherent in this study stems from resource constraints, which unfortunately hindered the exploration of the long-term effects of audit quality on financial performance beyond the specified time frame. However, it's important to note that I was able to research the period of ten years timeframe.
2. This study is constrained by its exclusive concentration on listed Deposit Money Banks, leading to the exclusion of other sectors within the broader economy. This limitation arises from challenges related to both cost and time. However, future research with additional resources and an extended timeframe could remedy this limitation, allowing for a more comprehensive examination across diverse sectors.
3. A limitation of this study is the inability to investigate the impact of audit quality on financial performance using both primary and secondary data, primarily due to the substantial resources required for such an extensive data collection approach.
4. The last limitation of this study is the restricted choice of variables, encompassing audit fees, audit independence, and audit firm size, stemming from the study's scope. Nevertheless, it is noteworthy that additional variables like audit tenure and value for audit could offer valuable insights into their interplay with the financial performance of Deposit Money Banks (DMBs), but they were not included in this analysis.

1.9 Operationalisation of the Research Variables

The functional model showing the relationship between audit quality and financial performance is given as follows:

$$Y=f(X)$$

The functional relationship is estimated as:

$$Y (y_1, y_2, y_3) = f[(X_1, X_2)]$$

$$X_1 = [x_{11}, x_{12}, x_{13}]; X_2 = [x_{21}, x_{22}, x_{23}, x_{24}]$$

Dependent Variable

Y= dependent variable – Financial Performance

y₁= Return on Asset (ROA)

y₂= Earnings per share (EPS)

Independent Variables

X₁= Audit Quality

x₁₁ = Audit Fees (AF)

x₁₂ = Audit Independence (AI)

x₁₃ = Audit Firm Size (Big4)

1.10 Operational Definition of Terms

The following concepts are defined in accordance with their literal and inferred meanings and usage during the study:

Audit Quality: Audit quality refers to the degree to which an audit is conducted in accordance with professional standards and effectively detects material misstatements in financial statements.

Audit Fees: Audit fees are the fees charged by an audit firm for conducting an audit of a company's financial statements. These fees are typically based on the complexity and size of the company, as well as the scope of the audit engagement.

Audit Independence: Audit independence refers to the impartiality and objectivity of the auditors in conducting an audit. It means that auditors must be free from any financial or personal relationships that could compromise their judgment or create a conflict of interest.

Audit Firm: An audit firm, also known as an accounting firm or a public accounting firm, is a professional services firm that specializes in providing independent audit and assurance services to organizations.

Financial Performance: Financial performance refers to the assessment of a company's profitability and efficiency based on its financial statements. It involves analyzing various financial metrics to evaluate how well a company has utilized its resources and generated profits.

Return on Assets (ROA): Return on Assets is a financial ratio that measures a company's profitability relative to its total assets and it is calculated by dividing net income by average total assets and is expressed as a percentage. A higher ROA indicates better utilization of assets to generate profits.

Earnings Per Share (EPS): Earnings per Share is a financial ratio that represents the portion of a company's profit allocated to each outstanding share of common stock and it is

calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding

Do Not Copy, Lead City University, Nigeria

Endnotes

1. P.U., Nwafor, & N.N., Amahalu. *Auditors independence and audit quality of quoted deposit money banks in Nigeria*. **American Research Journal of Humanities Social Science (ARJHSS)**, 4(09), 2021, pp.77-85.
2. R., Ekinci, & G., Poyraz. *The effect of credit risk on financial performance of deposit banks in Turkey*. *Procedia Computer Science*, 158, 2019, pp.979-987.
3. R., Ichsan, S., Suparmin, M., Yusuf, R., Ismal, & S., Sitompul. *Determinant of sharia bank's financial performance during the Covid-19 pandemic*. **Budapest International Research and Critics Institute-Journal (BIRCI-Journal)**, 4(1), 2021, pp.298-309.
4. H.U., Ahmed, S.I., Ningi, & B.S., Dalhat. *Capital structure and performance of deposit money banks in Nigeria*. *NDIC quarterly*, 33(3), 2018, pp.49-76.
5. K.O.S., Ngumo, K.W., Collins, & S.H., David. *Determinants of financial performance of microfinance banks in Kenya*. arXiv preprint arXiv:2010, 2020, 12569.
6. D.F., Eluyela, O.O., Akintimehin, W., Okere, E., Ozordi, G.O., Osuma, S.O., Ilogho, & O.A., Oladipo. *Board meeting frequency and firm performance: examining the nexus in Nigerian deposit money banks*. *Heliyon*, 4(10), 2018.
7. S., Singh, & S., Das. *Impact of post-merger and acquisition activities on the financial performance of banks: A study of Indian private sector and public sector banks*. *Revista Espacios Magazine*, 39(26), 2018, p.25.
8. M.S., Shabbir, & O., Wisdom. *The relationship between corporate social responsibility, environmental investments and financial performance: evidence from manufacturing companies*. *Environmental Science and Pollution Research*, 27, 2020, pp.39946-39957.
9. M.A., Ledhem, & M., Mekidiche. *Economic growth and financial performance of Islamic banks: a CAMELS approach*. *Islamic Economic Studies*, 28(1), 2020, pp.47-62.
10. D., Fatihudin. *How measuring financial performance*. **International Journal of Civil Engineering and Technology (IJCIET)**, 9(6), 2018, pp.553-557.
11. C.F., Egbunike, & C.U., Okerekeoti. *Macroeconomic factors, firm characteristics and financial performance: A study of selected quoted manufacturing firms in Nigeria*. **Asian Journal of Accounting Research**, 3(2), 2018, pp.142-168.
12. E., Nizam, A., Ng, G., Dewandaru, R., Nagayev, & M.A., Nkoba. *The impact of social and environmental sustainability on financial performance: A global analysis of the banking sector*. **Journal of Multinational Financial Management**, 49, 2019, pp.35-53.

13. I., Robin, R., Salim, & H., Bloch. *Financial performance of commercial banks in the post-reform era: Further evidence from Bangladesh*. *Economic Analysis and Policy*, 58, 2018, pp.43-54.
14. C., Ike, I., Salama, & P., Ngbede. *Effect of audit quality on performance of money deposit banks in Nigeria*. **International Journal of Research in Management & Business Studies**, 7(1), 2020.
15. A.I., Isah, & L., Muhammad. *Impact of audit quality on financial performance of listed deposit money banks in Nigeria*. **SOKOTO Journal of Management Studies**, 18(1), 2019, pp.141-157.
16. O.C., Ogbodo, & N.J., Akabuogu. *Effect of audit quality on the financial performance of selected banks in Nigeria*. **International Journal of Trend in Scientific Research and Development (IJTSRD)**, 3(1), 2018, pp.45-61.
17. I., Serwadda. *Impact of credit risk management systems on the financial performance of commercial banks in Uganda*. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 2018.
18. R.A., Ezejiofor, & F.E., Erhirhie. *Effect of audit quality evidence from*. **International Journal of Trend in Scientific Research and Development**, 2(6), 2018, pp.1235-1244.
19. N., Amahalu. *Effect of auditors' rotation on audit quality of quoted deposit money banks in Nigeria*. 2019. SSRN 3704505.
20. G.O., Adewinmisi, M., Ahmed, & O.A., Yahaya. *Audit committee independence and audit quality of Nigeria listed deposit money banks*. **TSU-International Journal of Accounting and Finance**, 1(3), 2022, pp.16-26.
21. M.O., Oladejo, S.O., Yinus, & T., Sanni. *An appraisal of the roles of regulatory authorities on external audit quality in the Nigerian deposit money banks*. **KIU Interdisciplinary Journal of Humanities and Social Sciences**, 1(2), 2020, pp.211-228.
22. O.D., Apalowowa, A.T., Olofintuyi, T.E., Apeko, & I.E., Falusi. *Audit quality control and financial performance of deposit money banks in Ekiti State, Nigeria*. **International Journal of Innovative Science and Research Technology**, 8(4), 2023, pp.1372-1378.
23. J.M., Onyabe, J., Okpanachi, T., Nyor, O.A., Yahaya, & M., Ahmed. *Effect of audit committee tenure on financial reporting quality of listed deposit money banks in Nigeria*. **European Scientific Journal**, 14(4), 2018, pp.257-271.
24. E.G., Erasmus, & L.C., Micah. *Audit quality indicators and market price per shares of listed deposit money banks in Nigeria*. **International Journal of Business and Law Research**, 9 (4): 1, 2021, 22.

Chapter Two

Literature Review

This chapter reviews relevant literature which also provides a detailed explanation of the concepts used in this study, as well as theories and the empirical findings of past research works. This will be done under the following subheadings including conceptual review, theoretical review, empirical review, conceptual framework and summary of gaps in literature.

2.1 Conceptual Review

The concepts to be reviewed include financial performance and audit quality.

2.1.1 Financial Performance

The correlation between the production of high-quality financial reports and the performance of a corporation is of great importance. The favorable influence on confidence levels within capital markets and potential reduction in financing costs for enterprises can be attributed to the reliability and correctness of financial reports¹. As a result, this has the ability to improve the overall performance of companies. In addition, the existence of investor confidence and dependence on the financial statements presented by management has the ability to result in heightened investments in the organization, thereby bolstering the overall performance of the firm².

On the other hand, if financial reports contain misrepresentations or mistakes, there is a possibility of negative impacts on a company's reputation and a consequent decrease in investor confidence, ultimately leading to harmful outcomes for the organization's overall effectiveness. Therefore, the guarantee of generating financial reports of exceptional quality is a crucial factor in achieving and maintaining strong organizational performance. The

primary objective of conducting a financial statement audit is to address the issue of information asymmetry and protect the interests of various stakeholders³. This is achieved by providing a reasonable level of assurance regarding the absence of serious misstatements in the financial statements that are issued by management. The study posits that auditors have a major impact on financial performance through their efforts to reduce the occurrence of serious misstatements and ensure adherence to existing rules and regulations during the compilation of financial statements^{4,5}.

Financial performance can be characterized as the evaluation of firms' efficacy and efficiency in their internal and external operations⁶. The attainment of a commercial entity is regarded as the fundamental aspect of the organization in modern society, as the success of a firm relies on its capacity to improve its expansion through favorable performance. The company's degree of quality can be deduced from its thorough and insightful financial statements. According to existing research, stakeholders play a crucial role in providing financial support for the quality control efforts of an organization, with the condition that the organization demonstrates adequate performance. In order to promote the development of the organization, it is crucial to evaluate the present performance of the organization, thereby uncovering the degree of progress required to achieve the organization's goals. The success of a firm is mostly determined by its outcomes, which are evaluated using various methods and strategies⁷.

The implementation of corporate governance practices within a corporation exerts a substantial influence on its overall success. The achievement or lack thereof of a company is dependent on the efficient allocation and utilization of its resources. Hence, the adoption of rigorous corporate governance practices, such as the formation of an audit committee, empowers companies to improve their performance, optimize the allocation of resources,

and ensure efficient management⁸. The primary emphasis is placed on the performance of a company, which comprises the total wealth generated prior to its allocation among various stakeholders, rather than just on the accounting advantages obtained by shareholders⁹. There exists a multitude of methodologies that can be employed to evaluate the financial performance. Categorization can be classified into two distinct categories: accounting-based metrics and market-based measures. The assessment of firm performance can be conducted by considering seven unique dimensions, namely growth, profitability, market value, customer happiness, employee satisfaction, social performance, and environmental performance^{5,10,11}. Numerous academics employ a range of financial performance assessment tools, whereas the predominant approach among investors is relying on accounting ratios such as Earnings Per Share, Return on Equity, and Return on Assets to evaluate the financial success of a company. Nevertheless, this particular study utilized profits per share (EPS) as an innovative measure to evaluate the financial performance of companies¹².

The concept of financial performance refers to the extent to which a corporation is attaining its financial goals by employing various measurements and performance indicators, with accounting ratios being the most commonly used. The evaluation of a company's financial performance is crucial in assessing its overall health and allows for comparisons to be made across various sectors, industries, and even within the same organization. This analysis aids in the assessment of business lines. The focal point of the discussion revolves around the influence of contributions on the financial performance. This pertains to the long-lasting confidence of the market and the general public in the financial statements of publicly traded corporations, which is established by the verification of their reliability by the auditing firm¹³.

The deposit money banks industry in Nigeria requires a significant initial investment and vast operational resources to effectively meet client responsibilities, like to other corporate entities¹⁴. Nevertheless, it is crucial to acknowledge that the lack of auditing inputs could potentially signify inherent company risks that may result in financial losses. It can be asserted with accuracy that the deposit money banks industry offers answers to the dangers faced by participants in many industries. The act of distributing financial risks across several entities and persons who comply with the conditions of their contractual agreement assists to facilitate the management and reduction of risks. To maintain the optimal functioning and sustainability of a firm, it is crucial for an organization to undertake the responsibility of accepting the transfer of distinct business and financial risks from its clients, alongside its own corporate hazards¹⁵. However, there is a scarcity of academic research concerning the financial data of deposit money banks organizations. The present circumstances necessitate the undertaking of this investigation within its appropriate setting.

The evaluation of a company's financial performance is a crucial statistic that assesses the efficiency of its resource allocation in creating profits. The aforementioned indicator carries substantial significance for multiple stakeholders within an organization¹⁶. The group comprises many stakeholders, including trade creditors, bond holders, investors, employees, and management. Each collective entity has its own inherent stake in the surveillance of a company's financial performance. Analysts ascertain the financial performance by scrutinizing publicly accessible yearly reports. The report is a mandatory legal document that requires publishing by all companies listed on the stock exchange. The purpose of this report is to provide stakeholders with accurate and reliable financial statements that present a full representation of the organization's financial position¹⁷.

Financial performance pertains to the assessment of an entity's capacity to efficiently deploy its assets obtained from its fundamental business activities for the purpose of generating income¹⁸. Financial performance is sometimes utilized as a comprehensive measure of a company's overall financial health within a specified period of time¹⁹. Performing an empirical examination of performance is an essential prerequisite for implementing subsequent policy improvements. Financial performance is the assessment of a company's ability to meet its established goals within a specified period of time. Several Nigerian enterprises have exhibited stability and resilience in response to the challenges arising from the global financial crisis and the collapse of unauthorized domestic organizations. Financial statements provide a comprehensive set of information pertaining to the financial performance of an organization. The evaluation of a company's performance should begin with an assessment of its capacity to achieve the objectives set by stakeholders^{20,21,22}.

The concept of "firm performance" is a comprehensive and subjective word that refers to the efficiency with which a firm employs its many assets to generate profits or revenue. The evaluation of a firm might encompass its financial performance, comprising accounting measurements, and its market performance²³. Financial performance can be defined as the degree to which financial goals are accomplished. The indicator measures the financial performance and operational efficiency of a corporation using monetary units, allowing for an evaluation of its total fiscal health within a designated period. Financial performance is an evaluative measure that gauges a company's capacity to efficiently utilize its assets obtained from its core business operations to generate revenue²⁴.

The word described above is frequently used as a comprehensive measure of a company's financial health within a certain period, and can be applied for comparisons across different

industries. The evaluation of a company entity's profitability and financial strength often relies on the critical criterion of financial performance. Financial performance pertains to the assessment of a company's strategies and activities in relation to monetary results, as evidenced by the firm's return on investment and assets²⁵. Financial performance refers to the assessment of a company's strategies, initiatives, and operational results in terms of monetary value. The aforementioned conclusions are apparent in the company's metrics such as return on investment, assets, capital employed, and profitability. One of the noteworthy advantages linked to the utilization of financial measures relates to their ease of calculation, as well as their universally recognized definitions²⁶. The assessment of financial performance is inherently subjective, making it challenging to rely only on profitability as a metric. This is because profit does not guarantee or necessarily align with robust liquidity. This requires the examination of organizations' performance evaluation across multiple dimensions, such as efficiency, solvency, growth, liquidity, capital utilized, asset base, and market values, among other factors²⁷.

Performance can be defined as the final result that is attained after participating in a specific undertaking. The assessment of performance within the corporate sector is dependent on the particular type of organization being evaluated and the fundamental objectives that guide the evaluation procedure. This serves as a standard for determining the suitable metric for evaluating performance. Numerous models for the examination of financial performance have been presented by scholars in the field of strategic management. The multidimensional view on performance suggests that employing various models or patterns of linkages between organizational performance and its determinants will result in unique associations between dependent and independent variables in the estimated models²⁸.

The evaluation of financial performance can be carried out by analyzing many indicators, such as market premium, profitability, and productivity. Contrarily, it is argued that profitability holds a pivotal position in augmenting the wealth of shareholders, hence establishing it as a noteworthy objective in relation to financial performance⁹. The evaluation of insurers' financial performance is best conducted through the analysis of many key measures. These indicators include underwriting profits, premiums earned, return on assets, yearly income, turnover, and return on equity^{4,5}. The contention posited is that elevated profits offer a twofold benefit by facilitating more access to financial resources through retained earnings or the capital market, while also serving as a catalyst for new investments due to the potential for a substantial rate of return. The argument states that the primary objective of financial success is to achieve profitability. Profitability, size, and continuity are key performance indicators that are commonly employed to evaluate a company's performance. The magnitude of a corporation can be considered as a measure of expansion, influenced by the reinvestment choices made in relation to retained earnings and leverage³⁵. In contrast, profitability functions as a quantitative measure used to evaluate a company's ability to make financial gains from its investments and assets. Contrarily, continuity pertains to the ability to maintain operations in the foreseeable future, even in periods marked by slow economic or industrial growth²⁹.

The evaluation of an organization's success has predominantly been shaped by the utilization of traditional accounting metrics as the principal measures of financial performance³⁰. Critique is aimed against the exclusive dependence on financial measures owing to their retroactive nature, which constrains their capacity to effectively forecast the future trajectory of an organization. In recent times, the subject of performance evaluation in financial institutions has undergone significant changes from both internal and external

viewpoints³¹. The performance of financial institutions has been impacted by a range of external factors, encompassing shifts in the business environment, technological improvements, the involvement of commercial banks and financial institutions, and intensified rivalry. Consequently, stakeholders currently exhibit a heightened expectation for enhancements in both financial performance metrics and the attainment of equilibrium between financial and non-financial metrics³².

Performance can be classified into two main categories: financial performance and non-financial performance. A common distinction is often made between the realms of financial or economic performance and inventive performance. Sales growth, turnover, and stock prices are often used indicators to assess the financial or economic performance of a company or organization⁴⁰. In the realm of conventional understanding, the notion of inventive success is commonly defined by quantifiable measures such as patents, innovation expenditures relative to sales, or self-reported consequences of innovation³³.

The evaluation of a company's performance can be classified into two primary categories: liquidity ratios and profitability ratios. The profitability ratio is commonly utilized as a statistic for assessing performance. There are several profitability measures that are commonly used in financial analysis, including Returns on Assets (ROA), Return on Equity (ROE), net profit margin, and gross profit margin. In this study, the researchers employed Return on Assets (ROA) as a surrogate indicator for performance³⁴. The primary performance parameter utilized in the majority of empirical studies investigating the performance of deposit money banking organizations is return on assets (ROA)^{1,3,5,6,10}.

Financial performance pertains to the assessment of an entity's fiscal and economic endeavors in relation to monetary metrics. When evaluating the fiscal performance of an entity, it is crucial to take into account the cash flow statements, income statement, and

financial position reports. The aforementioned reports function as dependable sources of vital information, offering insights into the holistic state of the organization. Furthermore, it provides a full justification to stakeholders, owners, and analysts on variations in a company's cash balances throughout a specific accounting period. The recognition of the significance of financial ratios is crucial in understanding their use as valuable instruments for obtaining information that aids in evaluating the financial performance of banks⁴³. In addition, the evaluation of corporations' operational effectiveness and financial achievements can be carried out by means of financial ratio analysis. Therefore, it becomes feasible to objectively evaluate facilitating aspects such as solvency and efficiency³⁵.

It is imperative to recognize that the banking industry has experienced substantial effects from the forces of globalization, macroeconomic imbalances, technological breakthroughs, intricate supervisory frameworks, fierce rivalry, and a very unpredictable business climate³⁶. The deposit money banks industry is required to continually adapt and apply innovative tactics in order to effectively address the demanding problems and improve its performance. The function of deposit-taking institutions in promoting economic development is significant, hence requiring increased attention towards their performance. In light of the significant progress achieved by the deposit money banks sector in Nigeria, it remains imperative to continue striving for alignment with domestic and global macroeconomic trends, technological improvements, and proactive regulatory and supervisory policies³⁷.

An independent study was undertaken to analyze the impact of audit quality on financial performance, mostly utilizing secondary data obtained from financial statements¹¹. Return on assets is commonly considered the dependent variable utilized for evaluating financial success. The independent variables considered in this study include the size of the audit committee, the level of audit independence, the extent of audit activity, the quality of the

external audit, the number of shares owned by different shareholders, the age of the company, the presence of independent board members and institutional investors, the audit fees, the rotation of audit firms, the size of the audit, the audit fee, and the growth rate³⁸. Previous research on the impact of internal audit quality on financial performance has predominantly utilized the method of administering individual surveys to collect data from participants^{2,11}. The present investigations investigated the impact of internal audit quality on the financial performance of the organization. This was accomplished by administering questionnaires to a significant number of participants, resulting in a big sample size.

Within the scope of this study, the evaluation of firm performance encompasses a comprehensive analysis of the extent to which a company efficiently employs its resources to carry out its operational activities, create income, and maintain a competitive standing within the market. Based on the provided definition, the assessment of a company's success can be carried out by employing either accounting-based measures, such as financial ratios, or market-based measures, such as share price, earnings per share (EPS), Tobin's q, and similar indicators. This study employs the accounting measure of performance, namely return on assets, as well as the market-based measure of firm performance, specifically Tobin's q, to evaluate the influence of different board composition variations on the sub-sector of Deposit money banks.

2.1.2 Earnings Per Share

Earnings per share, abbreviated EPS, is a financial term that is used to assess the profitability of a firm on a per-share basis. EPS is also known as earnings per share. Earnings per share, or EPS for short, is a financial metric that measures the proportion of net income that is assigned to each outstanding share of common stock. It is also known as the earnings ratio. An increase in the firm's earnings per share (EPS) is typically a solid

sign of the company's enhanced financial success. This is because an increase in EPS demonstrates that the company is able to create higher profits per unit of its outstanding shares. Analysts and investors place a high level of importance on the metric known as earnings per share (EPS) due to the fact that it has the potential to provide valuable insights into the profitability of a firm. The process of determining the value of a company's shares frequently makes use of it. In the examination of the factors that influence stock prices in the Nigerian banking sector, it was found that the impact of earnings per share (EPS) on stock prices was significant. EPS is short for earnings per share. The authors say that investors typically place a high level of emphasis on the earnings per share (EPS) indication because it delivers significant information regarding the profitability associated with each individual piece of stock. This assertion is supported by the fact that investors commonly place a high level of value on the earnings per share (EPS) indicator. Additionally, it has been underlined that businesses that have higher earnings per share (EPS) often display larger market capitalization and stock prices³⁹.

The researchers decided to investigate the effect that firm-specific factors have on stock returns within the Jordanian banking industry by carrying out a study. Their research showed that there is a meaningful connection between earnings per share (EPS) and stock returns, and that this connection is favorable. The authors underlined that one of the most common reasons for an increase in stock prices is that investors are providing incentives to businesses that have raised earnings per share (EPS). When analyzing the performance of a company in the market, however, investors take into consideration various variables in addition to profits per share (EPS). Additional crucial variables include the sales growth of the corporation, the profit margins of the company, the return on equity, and the debt-to-equity ratio⁴⁰.

Before the official publication of accounting numbers, around 85–90 percent of the essential accounting data was made available to investors. This was proven by net income and earnings per share (EPS), both of which were reported by the company. In the twelve months leading up to the official earnings reports, the average cumulative abnormal return showed a good trajectory. This trajectory coincided with the accounting department's presentation of favorable information, therefore it is likely that the two are related. The dissemination of interim reports and statements, which have the capacity to supply investors with more current information in contrast to yearly reports, may help to elucidate this phenomenon to some degree. Interim reports and statements are also known as quarterly reports. It was shown that there was a positive relationship between the presence of pay increases and an average excess return of 7.5%. When it comes to unpleasant news, a pattern quite similar to this one was observed. Previous research has uncovered findings that are comparable to those that were recently presented by Ball and Brown (year). During the course of this particular inquiry, it was discovered that the cumulative mean excess return had a value that was around 10% below zero (citation), as indicated by an observation. In order to provide accurate projections regarding future stock returns, an exhaustive investigation was carried out. This study required the consolidation of numerous components derived from the financial statements into a single, unified summary statistic⁴¹. The researchers carried out a study making use of a complete collection of 68 accounting descriptors, which led to the discovery of a major finding. Based on this conclusion, it appears that financial statements include vital information that is not fully captured by the various pricing mechanisms that are currently in place⁴².

Profits and dividends, according to one researcher's hypothesis in an academic study titled "The Correlation between Wages and Expected Returns," have the ability to forecast future

returns. In addition, wages are thought to be informative because of the association that they have with the situation that the economy is in⁴³. When compared to Western markets, Chinese stock markets have a far higher degree of positive autocorrelation in return on investment. In addition, when compared with the volatility of stock returns in developed markets, China's market is markedly different in a number of important ways. In addition, the researcher came to the conclusion that the many initiatives taken by the government in relation to the stock market lead to an increase in the volatility of the market¹⁵.

One of the most prevalent ideas that can be found within academic discourse proposes that the primary financial objective of a corporation should be the maximization of the wealth of its shareholders, which can be measured by the value that the company's shares command on the open market. A company has the ability to create capital through two distinct channels: equity funds, which require the issuance of ownership shares, and borrowed money, which is more often known as debt. Both of these channels are referred to as funding mechanisms. A corporation will begin the process of issuing and selling equity shares after it has determined that it needs to secure financial resources through equity. The right of an individual to acquire ownership is represented by their holding of shares. People who buy into a company by purchasing shares are frequently referred to as shareholders since they take on the role of legitimate owners of the company. People commit their available financial resources to the purchase of stocks in a company in the hope that they will see a return on the initial capital investment they made⁴³.

Dividends and capital gains are the two components that make up shareholder returns. Specifically, they are the two components. The procedure of selling off their shares results in the shareholders realizing capital gains as a result of the transaction. Since the distribution of dividends to shareholders is not a requirement that is specified by the

Companies Act 55 as a legally obligatory provision, this responsibility falls under the purview of the company's Board of Directors. When there is a gain in the market valuation of a firm's shares, shareholders have the opportunity to realize a profit on their initial investment in the company. The earnings per share of a corporation are an important factor in determining how much market value should be assigned to its shares. As a consequence of this, the corporation is able to maximize its profits per share, which in turn allows it to maximize the price of its shares. In this particular scenario, it is predicted that shareholders will enjoy significant benefits as a result of their ownership of a greater number of shares, which may result in a significant increase in capital gain. In addition, it is essential to recognize that an increase in profits does not necessarily correspond to an increase in earnings per share. This relationship is not always the case. As a result, the metric known as earnings per share (EPS), which measures a company's profitability on a per-share basis, carries a great deal of weight when doing an analysis of the financial performance of a business. It is a common observation that an increase in earnings per share (EPS) is correlated with an improvement in a company's financial wellbeing. When assessing the market performance of a company, however, it is essential for investors and analysts to take into account supplemental aspects⁴³.

2.1.3 Return on Assets

The Return on Assets (ROA) statistic is a measurement of a company's profitability in relation to its total assets. It is calculated as the ratio of net income to total assets. Return on assets, often known as ROA, is a measure that may be used to evaluate how effectively a company's management utilizes its assets in order to generate profits. Return on assets, also known as ROA, is a type of financial indicator that is calculated by dividing the annual earnings of a company by the sum of all of its assets. Typically, this ratio is presented in the form of a percentage. There are some instances in which the phrase "Return on Investment" (ROI) is used for "Return on Assets." Return on assets (ROA) is a financial term that quantifies a company's profitability by assessing the earnings earned from the company's invested capital, specifically its assets. This metric is also known as "return on investment." Return on assets (ROA) can exhibit significant variability for publicly traded companies, with the magnitude of this variability being highly determined by the particular industry in which the company works. The Return on Assets (ROA) indicator is used to determine how profitable a firm is in comparison to the total value of its assets⁴³. Return on assets (ROA) is a metric that managers, investors, and analysts use to gain insight into the efficiency with which a company's management utilizes its assets to generate profits. When performing this calculation, some investors opt to include interest expenditure in net income. This allows them to make use of operating returns before the cost of borrowing is included in. Return on assets (ROA) is a financial term that quantifies a company's profitability by assessing the earnings earned from the company's invested capital, specifically its assets. This metric is also known as "return on investment." Firm performance is the all-encompassing evaluation of an organization's policies and operations, which is then measured in financial terms by making use of a variety of performance measures⁴⁴. Accounting measures and market performance metrics are the two basic approaches that can be used to evaluate a company's or individual's level of success. The accounting measures that are utilized in the

process of performance evaluation include a wide range of indicators, some of which include return on assets, return on equity, and return on investment, amongst others. In the field of accounting, one of the most common performance metrics used is called return on assets (ROA), which stands for return on investment. It is commonly believed that Return on Assets (ROA) demonstrates higher efficacy as a measure of performance when compared to other accounting-based performance indicators⁴⁵. This is one of the more widely held beliefs.

The ratio of a company's profit to its total assets is referred to as the return on assets (ROA) ratio, and it is an important indication of a company's profitability. This statistic was developed to serve as a measurement of a company's overall asset base in comparison to its profitability. The income-to-total-asset ratio is the ratio that is being referred to in this context. This indicator is used to assess how proficient the leadership of the organization is in creating revenue by making efficient use of the assets that are available to the company in question⁴⁶. In its most basic form, it is a measurement of the extent to which the company's resources are put to good use in the process of earning revenue¹¹. This profitability ratio can be used as an indicator of both the efficacy of management and the rate of returns. This conclusion gives additional evidence regarding the effectiveness of management in a corporation in creating a net income from all organizational resources that are at their disposal. Return on assets, also known as ROA, is a type of profitability metric that evaluates a firm based on how profitable it is in comparison to the total value of its assets⁴⁷. This offers some insight into how well the management of the company is able to capitalize on the company's resources in order to achieve financial success. It is generally agreed that the return on assets (ROA) measure is the most appropriate indication to use when assessing the success of a company. When compared to the financial success of other

companies, a positive trend in the ROA ratio shows positive results, while a negative trend suggests the opposite of the financial performance⁴⁸.

Underwriting profits, investment profits, and net profit are the three primary metrics that are utilized in the majority of situations when assessing the performance of a general insurer. Underwriting profits are the returns that are created by the basic operations of an insurer, which is the act of writing insurance policies. On the other hand, investment profits are those that are made as a result of the operations involving investments that are carried out by the insurer. In conclusion, the net profit is a measurement of the entire returns on total sales for the business. Despite the broad adoption and acknowledgment of returns on assets (ROA) as a significant and extensively deployed financial indicator in accounting literature, the question of which metric is the most appropriate for determining a company's level of profitability remains a matter of subjectivity and lack of consensus. Utilizing metrics such as return on assets (ROA) and operating profit ratios, as defined in prior academic works, the research evaluates the monetary performance of corporations by analyzing their returns at both the operational level and the net income level. In doing so, the research determines how well corporations are doing financially⁴⁹.

The return on assets (ROA) for publicly traded companies can display large variations, with a notable degree of dependence on the particular industry in which the company operates¹⁹. These changes can be caused by a number of factors. When utilizing Return on Assets (ROA) as a comparison metric, it is best practice to compare it either with the historical ROA numbers of a company or with the ROA of a company that is comparable to the company being evaluated. It is essential to keep in mind that the total worth of a company's assets is comparable to the sum total of the value of its liabilities and the equity that its shareholders have invested in the company. Both of these methods of funding are utilized

by the company in order to provide financial assistance for its operational activities. It is a common observation in the field of corporate finance that the assets of a company can be funded by either the firm's debt or its shareholders' equity. As a result of this, some analysts and investors choose to ignore the cost that is connected with acquiring these assets by including interest expenditure in the calculation of Return on Assets (ROA)⁵⁰. When using Return on Assets (ROA) as a comparative indicator, it is best practice to compare it either to the historical ROA numbers of a company or to the ROA of a company that is comparable¹². In order to fund its assets, a business will typically use a combination of debt and equity as part of its capital structure. The Return on Assets (ROA) statistic offers investors valuable information regarding the effectiveness of a company's utilization of its capital resources in the production of net income. It is generally agreed that a higher return on assets, also known as ROA, is a positive indicator, since it shows that the company is earning greater profits in relation to its investment. Return on assets, often known as ROA, is a metric that is used to evaluate a company's potential to make profits in the future by making use of all of the assets that it currently possesses. A greater ROA implies that the company is extremely efficient, which is a favorable indication for investors who are wanting to invest in the company's shares. In addition, a higher ROA suggests that the company is profitable. As a consequence of this, there is a possibility that the value of the company's stock will go up on the stock market⁵⁰.

To put it another way, the implications of carrying a higher level of debt are rendered moot if the costs of borrowing are factored into the calculation of net income, and the average value of the firm's assets for a given period of time is used as the denominator⁵¹. As a result of the fact that interest expense is not factored into net income, this line item on the income statement is presented apart from the net income line item. If an analyst chooses to ignore

the cost of debt, then the calculation that they will use is as follows: To determine the Return on Assets (ROA), simply take the sum of the Net Income and Interest Expense and divide it by the Average Total Assets⁵². This will give you the ROA. The Return on Assets (ROA) measure gives investors an idea of how well a company generates net income from its invested capital. This information can be useful in making investment decisions. A higher Return on Assets (ROA) value is favorable since it implies that the company is making greater profits in relation to its investment. This is the case when the ROA value is greater than 1. In the following discussion, we will evaluate the Return on Assets (ROA) measure for three different businesses that are involved in the retail industry⁵³. The Return on Assets (ROA) statistic is particularly useful for evaluating companies that operate within the same industry. This is due to the fact that the use of assets varies significantly from industry to industry. As an illustration, the return on assets (ROA) for service-oriented businesses such as banks is anticipated to demonstrate a significantly bigger magnitude when compared to the ROA found in capital-intensive corporations such as construction or utilities companies⁵⁴. This is due to the fact that service-oriented businesses tend to generate more revenue per customer than capital-intensive organizations do. The Return on Assets (ROA) metric gives a measure of the effectiveness with which a company utilizes its assets to generate profits. It does this by taking into account the value of those assets. Because the degree to which a company's capital is invested in assets is dependant on the particular industry that is being considered here, the applicability of this ratio differs depending on the sector being considered here⁵⁵.

As a result of the fact that the fees paid to external auditors have a tendency to influence a company's financial performance, a number of researchers in the field of literature have come to the conclusion that there is at least some degree of correlation between audit fees

and the financial performance of businesses. When the impact of managerial influence overcomes the impacts of the breadth of activities or reputational incentives, there is a possibility that there will be a drop in the product's overall quality. It is possible that there may be a positive link between financial performance and the audit fee if these dynamics were to ultimately reverse themselves. This would make the possibility more likely¹². There is an inverse relationship between the audit fee and financial performance, which, as a result, contributes to an improvement in the overall quality of financial reporting⁵⁶. The writers contest the concept that audit fees have a negative impact on an organization's ability to remain independent. Audit fees are frequently used as a measure of audit quality due to the fact that they are associated with increased audit effort, which ultimately results in a higher degree of audit quality⁵⁷.

It has been discovered that the size of an audit firm has a beneficial effect on the firm's overall financial performance. This can be linked to the widespread belief among multiple stakeholders that companies whose financial statements are examined by the Big Four are less likely to have major inaccuracies. As a direct consequence of this perception, stakeholders' confidence is boosted, and as a result, they spend a bigger quantity of capital in the companies that have been audited. The participation of an audit company within the group that is usually referred to as the "Big 4" is the predominant measure of audit quality qualities, and it has been the subject of much research and analysis. There is a school of thought among academics that suggests the hiring of joint auditors in a business has the ability to improve that business's overall financial performance. When audits are carried out by two well-known audit firms, the resulting quality of the financial report is of the greatest possible standard; on the other hand, the quality of the report is of the lowest possible standard when it is the responsibility of a single, less well-known audit business. The

controversy surrounding joint audits: in the goal of protecting the general public, it has been noticed that businesses who choose to participate in joint audits are more likely to rack up much higher audit fees when compared to organizations that voluntarily choose to work with a single auditor¹³. In a similar spirit, the purpose of this study is to investigate the impact that joint auditor pairs have in France on the accuracy of financial reporting, with a particular emphasis on the degree to which earnings are conservatively reported⁵⁰. The author presents research that suggests there is no association between auditor pairs consisting of members of the Big 4 and earnings conservatism; however, there is a correlation between auditor pairings consisting of members of the Big 4 and non-Big 4 auditors and conservatism. On the other hand, market-based performance measurements refer to the practice of utilizing a company's market value of shares as a tool to evaluate the organization's overall success. The value that investors place on a company is reflected in the market value of its shares when traded on the stock market. This rating is affected by a number of factors, one of which is the caliber of the audit⁸¹ performed by the company⁵⁰.

2.1.4 Audit Quality

When it comes to assuring the accuracy of financial reports and the efficiency of the auditing process, the role played by auditing companies is both crucial and challenging. There has been a discernible rise in the number of accounting scandals involving corporations in recent years, and this rise has been accompanied by a significant demand for transparency and integrity in financial reporting⁵¹. As a direct outcome, there have been events and occurrences that have led to the creation of logical consequences. For an effective response to the complex accounting manipulations that have hidden the truth and transparency of financial statements, the acquisition of auditing skills has become an absolute necessity as a prerequisite for effective action. Despite this, the increased

economic instability that has arisen as a direct result of the global financial crisis has made it abundantly clear that reliable, high-quality, and extraordinarily reliable financial reporting mechanisms are an absolute must. It is envisaged that the function of external audit will have a significant and critical impact on the development of high-quality financial reporting within organizations and on the progress toward achieving this goal⁵². Without a shadow of a question, the relevance of maintaining a high level of financial reporting and audit quality has remained a crucial component of attempts to regulate and supervise businesses over the course of time. The value of audited financial information extends much beyond the scope of individual consumers to include a wide range of stakeholders, including organizations, governments, and regulatory bodies¹⁵. Auditing and audit methods, in general, serve as monitoring tools with the goals of eliminating informational disparity and preserving the interests of a variety of stakeholders. Their major goal is to ensure the accuracy and dependability of a company's financial statements by identifying and preventing significant misstatements⁵⁰. This is accomplished by the detection and prevention of material misstatements. Many stakeholders are of the opinion that auditors fulfill a fiduciary duty by making significant contributions to both the financial reporting and the financial performance of an organization. This opinion is based on the notion that auditors assist limit the danger of major deception by ensuring that financial statements are prepared in compliance with established norms, regulations, and standards⁵¹. This belief originates from the fact that auditors help ensure that financial statements are prepared in compliance with established norms, regulations, and standards⁵².

The absence of a definition of audit quality that is universally accepted presents a barrier when attempting to construct standardized criteria for measuring performance in the real world 16. An audit does not involve the personnel who are responsible for preparing

financial information; rather, an audit uses a team of accountants, who are referred to as auditors, to prepare a report in line with the requirements set forth by the law. Audits are conducted for the dual purposes of ensuring quality control and determining whether or not financial statements are presented accurately. The degree to which an audit complies with the applicable auditing principles and standards is one definition of audit quality that is frequently seen in the academic literature^{53,54}. However, a significant body of research also suggests that the quality of audits is typically associated with the competence and independence of auditors in identifying (through competence) and subsequently disclosing (through independence) any material misstatements in the financial statements that were prepared by management⁵⁵. This finding is consistent with the notion that the quality of audits is directly proportional to the level of competence and independence of the auditors. It is of the utmost importance to recognize that the notion of audit quality is frequently split up into two unique components, namely perceived audit quality and real audit quality, throughout the body of academic research. This is a fact that must be acknowledged. There are two aspects that can be considered when discussing audit quality: the actual audit quality and the perceived audit quality. The actual quality of the audit is determined by the auditor's ability to detect and report on major errors that have been made in the financial statements. On the other hand, perceived audit quality is associated with the opinions and subjective evaluations of various stakeholders regarding the auditors' skill in discovering and reporting such misstatements⁵⁶.

The aggregate chance, as determined by the market, that an auditor will successfully find a violation of Generally Accepted Auditing Standards (GAAS) inside a client's accounting system and will then disclose this breach is one definition of audit quality. Another definition of audit quality is the probability that an auditor will successfully identify a

violation of GAAS within a client's accounting system and will then report this breach. The capabilities of the auditing company and the particular audit technique used both play a role in determining how likely it is that such a security breach would be found. On the other hand, the degree of autonomy enjoyed by the auditing firm plays a significant role in determining the chance of the found error being reported⁵⁷.

The study mentions various research that indicate the importance of audited financial statements to investors in terms of making investment decisions. These studies demonstrate the varied definitions of audit quality as perceived by different stakeholders. According to what is found in the review, the viability of an audit engagement is dependent on the precision of the audit opinion. However, the meaning of audit quality is interpreted differently by different stakeholders⁵⁸. Users of financial accounts may describe a high-quality audit as one that can withstand litigation, whereas audit firms and society may define a high-quality audit as one that prevents severe inaccuracies. The investigation has also revealed that there is no universally accepted definition of audit quality that can be utilized as a benchmark for evaluating employee performance. As a result, academics and regulators have collaborated to produce composite frameworks, which define broad areas of audit quality and highlight areas of overlap between academic frameworks and regulatory frameworks. In addition to this, the paper presents a composite framework that identifies three important determinants of audit quality: the input, the output, and the environment of the audit, and it recommends measurements⁵⁶. The review comes to a conclusion by pointing out that this study will concentrate on a select few measurements from the framework.

Within the canon of previously published research, the idea of audit quality has been investigated and appraised in a variety of settings and approaches. It is dependent on the

chance of issues within an accounting system being identified as well as disclosed. To be more specific, audit quality refers to the auditors' willingness to identify instances of major manipulation or misstatements that may have the potential to lead to increasing uncertainties or concerns with going concern. In addition, the possibility that an auditor would withhold from releasing an unqualified report for financial statements that contain serious errors also plays a role in the determination of this factor. A high degree of audit quality is characterized by the absence of material misstatements or omissions in the financial statements. In spite of the substantial amount of study that has been carried out on the subject, there has not yet been an audit quality definition or measurement that is widely accepted⁵⁵. Researchers have utilized a variety of proxies in order to evaluate audit quality. These proxies have included expected discretionary accruals, the likelihood of auditors issuing a going concern opinion, non-audit fees, and the predisposition to give changed audit opinions^{54,55,56}.

The audit market has recently been subjected to major change, which has led to the formation of a dual market structure. This structure is made up of a relatively small number of dominating firms that are well known for offering audits of a high quality, as well as a larger number of lesser firms whose audits are regarded as being of a lower quality⁵⁷. Empirical studies have suggested the use of the Big 4 classification as an indicator of audit quality, particularly in developing countries that have weak legislative frameworks¹⁸. This recommendation was made in light of the fact that the Big 4 designation was created. The standards that have been established by the Public Company Accounting Oversight Board are adhered to in the process of determining how audit fees should be calculated. These standards stipulate that fees for professional services are required in order to carry out an

audit or review, including services that are related to the examination of a company's annual financial statements⁵⁷.

Audit quality can range from very poor audit quality on one end of the spectrum all the way up to extremely high audit quality on the other. Poor audit quality indicates that the audit was not successful; as a result, the audited financial statements may lead users of financials in the wrong direction. This can occur in one of two scenarios: either the audit firm did not enforce the Generally Accepted Accounting Principles or the audit firm did not issue a qualified audit report when it was required. Both scenarios have the potential to lead to this result. When an auditor satisfies all of the audit's objectives and carries out their work in accordance with the established norms and standards, a quality audit has been conducted. The objective of an audit may be connected to transactions or balances, or it may be related to the presentation and disclosure of information. Each of these purposes may be further subdivided into completeness, correctness, occurrence, and classification²³. Regulations and standards are established by the legal system of a country in accordance with international best practices and international organizations that determine international policy, such as the International Federation of Accountants (IFAC) and the International Standards on Auditing (ISA)²³.

The concept of audit quality does not take into account institutional influences in any way, whether they be the legal environment or the intervention of the government, both of which might change the obligation of the auditor^{20,58}. The significance of auditing services extends far beyond the independent and specialized expertise that they require. Those definitions, given that many of the features that they try to characterize are inherently unobservable, given that the ones that were just listed. Users of financial statements will be unable to determine whether or not the audit report has any significant errors in its findings. Users

won't be able to determine whether or not the accounts are a precise representation of the company's actual, honest state of affairs²⁰. Also claims that the parties are not given the opportunity to see the audit evidence throughout the process of the audit, and as a result, they are not in a position to evaluate whether or not an audit is quality unless it fails. In the absence of a direct measurement of genuine audit quality, numerous other proxies have been developed in an effort to quantify the degree to which actual audit quality has been achieved⁵⁹. The Understanding of a Quality Audit requires acquiring sufficient and relevant audit data to support the conclusions on which the audit report is based, as well as making audit judgments that are both objective and appropriate⁶⁰.

"Audit quality is dynamic; the indicators and drivers of audit quality change over time." A quality audit (also) involves appropriate and complete reporting by the auditors, which enables the Audit Committee and the Board to appropriately fulfill their obligations. Therefore, the definition provided by the Financial Reporting Council does not provide a precise definition; however, it does provide five primary drivers of audit quality, which are as follows: (1) the traditions of the audit firm; (2) the individual qualities and expertise of staff and audit partners; (3) the efficiency of the audit process; (4) the worth and dependability of audit reporting; and (5) factors that affect audit quality beyond the control of the audit firm. The concept of audit quality is an ongoing one that maps very strongly onto the concept of financial reporting quality^{61,62}. A higher audit quality as a larger guarantee that the financial statements accurately depict pertinent information about the company's important financial status as well as the company's fundamental features and financial reporting culture. It is essential to keep in mind that the perspective from which audit quality is defined varies greatly depending, to a considerable extent, on the eyes of the person doing the defining. Users, auditors, regulators, and society are all considered to be

stakeholders in the process of producing financial reports; nevertheless, their perspectives on the components that make up quality audit may vary greatly from one another. That will have a significant impact on the metric that is used to measure the quality of the audit⁶³.

The association between the quality of audits and the size of audit firms is investigated in depth across the academic literature. The idea that the size of an audit company might be used as a proxy for audit quality is one that has gotten support from other researchers⁶⁴. There is both theoretical and empirical evidence to show that larger auditing firms may be able to offer audits of a higher quality⁶⁵. This can be linked to the fact that larger audit firms require more fees as a result of their established reputation, which, in turn, incentivizes greater independence and a better degree of audit quality⁶⁶. In addition, as audit firms grow in size, the possibility of incurring future losses can motivate them to improve the quality of their audits.

In addition, a number of studies have offered empirical data demonstrating that clients audited by larger audit firms demonstrate a higher inclination to voluntarily reveal information. These research have found that clients of larger audit companies are more likely to submit information freely. This can be ascribed to the larger audit companies' increased resources as well as their ability to attract people who are highly competent and experienced, which, in turn, enables them to better discover errors⁶⁷. The bulk of research supports this relationship, while there are a few studies that have not identified a significant link between audit quality and the size of the audit company. Because of this preponderance of data, the researchers behind this study have decided to use audit company size as a stand-in for audit quality⁶⁸. According to their reasoning, larger audit companies are more likely to offer superior auditing services. The factors that determine the quality of audits have

been the subject of substantial research, with academics concentrating their attention on a variety of factors connected to the auditing profession, auditors, and audit firms⁶⁹.

In the literature on audit quality, the significance of audit team and firm factors in determining the level of audit quality has been examined at length on numerous occasions. The question of whether the elements that pertain to the audit team or those that pertain to the audit firm are more important in determining the quality of the audit is one that is still being discussed. On the other hand, some people believe that audit team factors should be given more consideration in this regard. When it comes to determining audit quality, some of the most important elements to look at include the experience that both the audit team and the firm has had working with the client, as well as competence in the relevant industry, responsiveness to client demands, and adherence to generally accepted auditing standards. In addition, studies have been conducted to investigate the effect that the supply of non-audit services has on the quality of audits, and these studies have concluded that the provision of non-audit services does not lower audit quality when the disclosure of non-audit fees is made¹¹.

It is common knowledge that the knowledge and experience of auditors significantly contribute to the quality of an audit. Understanding of accounting and auditing concepts by the auditor is the single most important factor affecting the quality of the audit. In addition, it was emphasized as a key factor that auditors have the ability to communicate accounting changes to customers, that they adhere to ethical rules, and that they have extensive understanding of the industry. According to the findings of a study that was carried out in Saudi Arabia, the criteria that have the most impact on the quality of an audit are the auditor's level of expertise, objectivity, and academic credentials. In addition, it was noted that the duration of an audit partnership was positively correlated with the quality of the

audit. In a nutshell, the findings of these researches suggest that the quality of an audit is determined by a number of parameters connected to the audit team, the audit business, as well as the knowledge and competence of auditors⁵⁹.

In the body of research that has been done on audit quality, a wide variety of potential factors that influence audit quality have been investigated. Competencies held by professional auditors have been shown to have a favorable impact on the quality and reputation of audits⁶⁰. In a similar vein, audit independence has a positive link with audit quality, whereas audit quality also has a positive association with audit credibility²⁴. It was determined that self-regulated peer review is an excellent method for determining the quality of an auditing firm and can accurately predict whether or not an audit would be successful. The quality of the audit is determined by a number of different characteristics and circumstances. These factors are broken down into two categories: those that directly affect the quality of the audit (financial reporting in accordance with IAS, auditor quality review, company performance, profit quality, etc.), and those that indirectly affect the quality of the audit (audit firm size and characteristics of the audit company, audit mandate, audit fees, auditor independence, auditor competencies, etc.). The former category includes the factors that directly affect the quality of the audit. Many of these qualities aren't entirely evident, which is why different scholars have come up with different ways to quantify audit quality. As indicators of audit quality, various studies have included factors such as the size of the audit firm, the experience of the auditors, the audit fees, auditor rotation, and auditor independence^{16,23,34}. A number of studies have highlighted the impact that audit quality has on the quality of corporate governance, while others have offered empirical evidence on the effect that audit quality has on financial performance⁶¹. Several of these researches can be found in the references section of this article. On the subject of the role, function, and

features of the internal auditor, as well as his position in the financial structure of various firms, a number of other studies have been carried out. Other researchers have identified a variety of indicators as being reflective of audit quality, and their findings suggest that improved audit quality has an impact on financial performance⁶².

The relationship between the quality of the audit and some factors linked to the audit company as well as other factors related to the firms that were being audited²⁵. According to the findings, the quality of the audit is connected to the size of the audit firm, the number of the clients, and the financial status of the clients. Rather than focusing on researching financial indicators, the primary objective of this study is to analyze the effect that the ownership structure has on audited companies as a characteristic of corporate governance. Audit quality and found that factors associated with the audit work team had the most significant effect on audit quality, while variables concerning the organization of the audit company had the lowest effect. This was based on the perspective of Jordanian auditors using two questionnaires that were circulated to a sample of auditors in Jordan⁶³. Audit quality and found that factors associated with the audit work team had the most significant effect on audit quality. When taken together, these studies provide evidence that a number of characteristics, including as professional audit competences, audit independence, peer review, the size of the audit firm and its clients, financial situation, ownership structure, and factors connected with the audit work team, can have an effect on audit quality⁶⁴.

Audit quality practices are the procedures that are implemented by auditors to guarantee that financial reports successfully communicate relevant and reliable information to both internal stakeholders within an organization and external stakeholders in the public arena. This information is communicated to both groups through the use of financial statements. Depending on criteria such as their size, the nature of their operations, and the applicable

legal regulations, the specific practices adopted by various audit organizations may differ from one another⁶⁵. The concept of audit quality refers to the amount to which an audit is successful in finding and reporting serious misstatements, hence minimizing the information imbalance that exists between management and shareholders and protecting the interests of the latter group. The ability to discover misstatements and errors in financial accounts, as well as the subsequent reporting of these major misstatements and errors, are the two primary components that make up the essence of audit quality. Researchers have used different variables, such as audit size, audit hours, audit fees, reputation, lawsuit rate, and discretionary accruals, as proxies to quantify audit quality⁶⁵. This is because these qualities are sometimes difficult to directly examine.

However, the majority of the variables that were discussed in the research that looked at the elements that influence audit quality were those that pertained to the clients of the auditors as well as the institutions that they worked for. The likelihood to issue updated audit opinions, which serves as a measure of audit quality, has been shown to have a negative correlation with customer importance, despite the findings of some of these studies indicating that there is no detrimental influence of client significance on audit quality. The quality of an audit is determined not so much by the size of an audit firm's portfolio but rather by the qualities of other portfolios and clients, such as client visibility characteristics and solvency characteristics⁶⁶. In light of the fact that negotiations between auditors and clients have the potential to have an impact on the auditing process, and that clients have the power to push auditors to have a greater tendency to compromise their independence, which in turn leads to a decline in the audit quality, many researchers have a tendency to study factors that may affect auditor-client relationships^{23,25,27}. This is due to the fact that clients have the power to push auditors to have a greater tendency to compromise their

independence. Taking into consideration the fact that the Jordanian Companies Law assigns the process of choosing and employing an external auditor to the shareholders board, the procedure for selecting competent auditors is contingent on the ownership structure of the company. This structure can be broken down into three distinct categories: concentrated ownership, which refers to shareholders who control more than 5% of the total shares; institutional ownership, which refers to investments made by certain institutions; and foreign ownership, which refers to investments made by investors who are not Jordanians. As a result, the purpose of this study is to explore the effect of the ownership structure, specifically concentrated ownership, foreign ownership, and institutional ownership, on the degree of audit quality as defined by the size of the audit firms⁶⁷.

The personal desire and drive to arrive at a suitable opinion on a set of financial accounts is the most crucial part of the motivation to offer audit quality. This desire and drive must come from the auditor. The company has to hire people who possess the personal values that are necessary to be a professional, and these values need to be consistently reinforced through clear communication. Auditors often have to make challenging conclusions, often under the potential influence of the client management²⁸. Audit partners need to know that the company has a strong consultation ethos and will listen to and back their judgment even when it may mean losing the audit; partners should never feel as though their careers are based on maintaining a big audit client relationship. Reward systems need to be put in place to guarantee that the best people are drawn to and kept working in the auditing profession. One component of these structures is the distribution of rewards for quality work. connections with clients In order for businesses to achieve high audit quality, they need to both manage their total client base and maintain close working connections with each of

their particular clients. Auditors serve the best interests of the company's shareholders while also taking into account the interests of the general public⁶⁹.

The shareholders have delegated authority to govern the company to a separate group known as the board of directors. The executive directors, senior management, and middle management are the ones with whom the auditors typically interact on a day-to-day basis. Due to the fact that the directors and shareholders of owner-managed enterprises are the same people, the distinction between the two roles is not as stark. There is a risk that auditors will view the directors, and more specifically the senior management, as the key stakeholder⁷⁰. This is a problem for the auditing profession. Significant advances have been made in corporate governance as a direct result of the realization of the inherent risks posed by this position for publicly traded corporations. This is especially true in regard to the development of the function of oversight played by audit committees, which are composed of nonexecutives. Auditors have adjusted their practices in response to these changes and now consider contact with the audit committee to be an essential component of efficient client management⁷¹. Leaders are obligated to back audit quality and foster a culture of quality throughout the entire organization. They have a responsibility to ensure that they convey to their employees, as well as to their current and potential customers, the significance that they place on the matter. The success of an audit is heavily reliant on the caliber of the individuals conducting it. The Auditing Practices Board has compiled the nine fundamental principles of independent auditing into the Auditors' Code, which was released to the public. A number of the tenets of the Code, most notably judgment, integrity, objectivity, and rigor, are, at their core, personal qualities⁷².

An audit is typically carried out by a group of people with varied levels of experience, which frequently includes specialists. These individuals collaborate to acquire the audit

evidence required by the partner in order to form the judgments that are the basis for the audit opinion. Auditors are frequently required to exercise their professional judgment in situations for which auditing and accounting principles, guidelines, or precedent do not provide a definitive solution. A person's personal aptitude, knowledge, experience, and the ability to consult with others can all contribute to their capacity to make sound judgments. In particular, personal aptitude includes characteristics like honesty, objectivity, and a healthy dose of skepticism. Competence and drive are two essential qualities for anyone working in auditing⁷³. The user of financial reports may have the misconception that excellent audit quality means there are no substantial misstatements included in the financial statements. According to the auditor who carried out the audit procedure, a quality audit is one that adequately completes all aspects of the firm's audit technique. The auditing firm is also able to determine whether or not an audit is of sufficient quality to successfully defend itself in the event that legal action is taken against it. A high quality audit is one that complies with the relevant professional requirements, according to the regulators. In conclusion, the public can consider an audit to be of high quality if it does not pose any potential economic risks to a company or the stock market. In light of this, one might reach the conclusion that the various perspectives on audit quality require using different metrics⁷⁴.

Two essential components that make up the quality of an audit are the professional judgment of the auditor and the influence that independence has on both the third party and other clients¹³⁰. Professional judgment is a key component of auditing quality because it significantly enhances the informational value of the audit report for the third party. This makes professional judgment a vital component of auditing quality. However, if auditor independence is compromised, auditors may decide not to conduct more audits that could

lead to the discovery of financial misstatements that will only be revealed if there is an audit failure. This is because the misstatements will only be discovered if the audit is unsuccessful. Because of this, some people have arrived at the belief that the concepts of audit quality, competence, and independence are all interrelated⁷⁵. The quality of the auditing can be evaluated based on the inputs, outputs, and environmental factors, which are the three fundamental components. In addition to auditing standards, there are various other factors that contribute to auditing quality. An example of this kind of input would be the distinctive and notable characteristics of the auditor, such as his or her experience, moral values, and tendencies. The auditing process is also considered to be one of the other essential aspects. This process encompasses auditing methodology, the extent of the impacts of the auditing methods that have been implemented, and the extent to which access may be gained to the necessary auditing records and evidences⁷⁶.

There are many different indicators that have been established as proxies for true audit quality despite the fact that evaluating audit quality is a complicated process. These indications include the possibility of issuing an opinion on the company's ability to continue operations, the size of the auditing firm, the fees charged for the audit, and measurements that are connected with earnings management. The likelihood of issuing a going concern opinion is one of these proxies that is frequently used to evaluate audit quality⁷⁷. According to the findings, the length of time an auditor has been employed does not play a role in the determination of whether or not to offer a going concern opinion. Similarly, the likelihood to issue a going concern opinion was used as a measure of audit quality in a study that looked at the switching patterns of publicly traded Australian companies between 1995 and 2003^{77,78}. This study examined the voluntary switching patterns of these companies. According to the findings, the length of time an auditor has

been practicing has a beneficial impact on the quality of the audit. However, the authors stress the inherent limitations connected with this metric, as the chance of providing a going concern opinion depends on the specific circumstances of the company in question⁷⁹. This means that the likelihood of issuing a going concern opinion varies significantly from company to company.

The quality of audits can be affected by a number of factors, including audit fees, payments for services other than audits, audit tenure, audit firm alumni, and audit committees. In general, a higher audit charge is associated with a higher quality audit since it implies the engagement proficiency, qualified human capital, and enhanced audit effort. This is the case because a higher audit price indicates these factors. Companies that participate in earnings smoothing frequently pay higher non-audit fees to the accounting firms that do their audits. This is due to the fact that the provision of both audit and non-audit services creates an economic bond between the audit firm and the auditee. This, in turn, increases the likelihood of the audit firm caving in to management pressure and compromising audit quality, thereby allowing the client to engage in earnings management⁸⁰. In contrast, when auditors provide services that are not related to auditing, they become familiar with the auditee's accounting system. This familiarity can have a beneficial effect on the quality of the audit.

When auditors' tenure is lengthened - the auditee has the same external auditor year in and year out without changing him – this can also lead to a decline in the quality of the audit. This can cause auditors' independence to be compromised, and it also turns the auditor into a puppet that the auditee controls. On the other hand, familiarity with the auditee through a long-term relationship can be useful in certain situations rather than randomly switching auditors. This is due to the fact that it takes time for a new auditor to become familiar with

the accounting system. Alumni of audit firms are another important factor in determining the quality of audits. This suggests that there are former employees of the audit company who are currently working in management positions at the audit client. It's possible that this will make the auditing company less skeptical and less objective. In addition, as a result of the alumni's familiarity with the methodology utilized by the audit firm, it is simple for them to deceive the auditor. Last but not least, the existence of a powerful and impartial audit committee as well as a board of directors has a favorable effect on audit quality since it is an essential mechanism that protects the integrity of the company's financial statements. Consequently, this factor contributes to a higher overall audit rating³⁰.

There are many different measures that have been utilized in previous literature to attempt to capture the idea of audit quality³⁰. This is because, as was mentioned, the nature of audit quality is quite complicated, and it is difficult to assess genuine audit quality. These measurements include direct measurements such as "financial reporting compliance with GAAP, quality control review, bankruptcy, desk review and SEC performance" and indirect measurements such as "audit size, auditor tenure, industry expertise, audit fees, economic dependence, reputation, and cost of capital³⁰." The application of direct measures is not very prevalent because of how difficult it might be. The most significant obstacle is the difficulty in obtaining data as a result of its private ownership; as a result, the use of indirect measures¹³⁶ has been increasingly common. Nevertheless, in a separate study, the authors of that study stated that the measures of audit quality might not capture actual audit quality and, at best, would capture perceived audit quality⁸¹. The justification offered arises from an examination of the meaning of audit quality. The term "market assessed probability" refers to the quality of the audit. This indicates that the evaluation is based on information provided by a third party—the market or the public—that is not privy to the

actual audit process. As a result, the best that can be said about their assessment is that it is based on what they perceive, and this impression is founded on measures or proxies. Because of this, audit quality cannot be easily detected; consequently, the measurements utilized have to be a near and valid proxy in order to guarantee reliability. The auditor's size, audit fees, auditor industry specialization, and accruals quality are among the most common proxies that are used^{26,27,29,32}. On the other hand, the size of the auditing firm is the proxy for audit quality that is employed the most frequently. On the other hand, for the purposes of this study, audit quality is evaluated based on audit fees, audit independence, and the size of the auditing company.

2.1.5 Audit Fee

The clients that the auditor works for are the ones responsible for paying them in the form of fees. Auditors typically choose the amount of money they will charge for their services based on the amount of time and effort they put into an engagement, in addition to any inherent risks associated with the task³². It is common practice to interpret high audit fees as a sign of a comprehensive audit³⁸. Several researchers have relied on audit fees as a factor to consider when determining the quality of an audit^{31,32}. There is a statistically significant association between the size of the auditing firm and the audit fees that are charged when comparing audit fees for Big Eight companies to those charged by non-Big Eight companies³². Because of the broad acceptance of auditor size as an indicator of audit quality, audit fees can be considered an appropriate proxy for audit quality. This is especially true in view of the widespread acceptance of auditor size as an indicator of audit quality. In a similar vein, it was demonstrated that using audit fees as a measure for audit quality was more effective than using a Big Eight vs. non-Big Eight dichotomy in

explaining fluctuations in the amount of local government transparency (the latter was the topic of the section that came before this one).

When referring to the aggregate total of audit expenses, the term "audit fee" is used. The audit fees that are paid by the audit client are the most accurate indicator of market share. The larger the audit provider, the greater the amount of revenue that the auditing company makes from audits. Audit fees are a stand-in for market allocation and serve that purpose. The sum of all audit fees collected from Clients is the most reliable indicator of the overall size of the audit market. Due to the fact that the audit fee is highly sensitive to the overall population size, it is the surrogate that provides the highest level of accuracy. When referring to the payment that an external auditor requests for their services, the term "audit fees" is used⁸². This information is readily available to the general public in Nigeria due to a legal requirement that stipulates all publicly traded companies must describe in their annual reports the total sum that was paid to their auditors. The amount of money paid to auditors is a significant component in determining the reliability of audits. Following this, the author continues by providing further explanation regarding the connection between greater auditor compensation and improved audit quality⁸².

The word "audit fee" is used to indicate the cost of an audit, which can vary greatly based on the experience and expertise of the auditor, in addition to other factors. The amount of money that the auditor invested (in the form of a salary) into the examination of the company that was being audited. After a discussion of the extent, nature, and number of persons who will be participating in the audit, auditors and their clients will typically come to an agreement on the fees that will be charged. The audit fee is typically established in advance the majority of the time. The risk of the assignment, the complexity of the services provided, the knowledge required to carry out the services at a proficient level, the cost

structure of the firm in question, and various other professional considerations are all factors that go into determining audit costs. There is a cost associated with the official assignment number of the audit⁸³.

The term "audit fee" refers to these associated expenditures. According to the SEC, these charges include the cost of examining financial statements and performing an audit for the current year. In the majority of instances, the price, which may include public editor fees, is sufficient to cover the overall cost of the audit. In any case, these explanations suggest that audit costs should vary according to the size of the entity being audited as well as the level of difficulty associated with the auditing operation⁸³.

Even while third parties and other kinds of auditees would prefer that auditors maintain their independence at all times, auditees have the right to fire auditors if they consider that the audited financial reports' independence has been compromised. To answer the empirical question of whether or not auditors will lose their independence to a particular auditee, auditors will need to evaluate the potential rewards and reputational costs of a botched audit. Nevertheless, auditor independence is a relative concept that is difficult to quantify. By doing regular reviews of audit plans, audit scope, and staff performance, management is able to periodically evaluate the independence of the audit company⁸⁴. Because they rely on financial statements, investors and creditors do not have adequate access to measures of autonomy. This results in a major information gap because the auditing business is the only entity that has comprehensive knowledge of both its competence and its impartiality. Due to the disparity between these two measurements, a corporation has the potential to reap the benefits of what is in reality an illusion of great independence. There is a need for the development of a robust indicator for actual audit quality. Existing research focuses at a

variety of surrogates for determining audit quality, such as the size of the firm, the reputation of the brand, and the specific area of expertise⁸⁵.

There has been a significant amount of study conducted on the topic of independent factors and firm performance, in addition to audit fees and firm performance. According to the findings, there is a negative correlation between the costs of the audit and the results of the finances of the company. The person who pays the audit fees is placed in a potentially advantageous position to make projections on the organization's financial health⁸⁶. As a result of the risk-based structure of audit planning and pricing, audit fees will often be higher for clients that an auditor considers to provide an especially high level of risk. As a consequence of this, audit expenses are considered by many to be an indicator of both current and future performance⁸⁷. Auditor compensation and financial outcomes for Brazilian companies that are publicly traded. They asserted that the market would have a better understanding of which businesses had quality audits conducted on them if they were required to pay a higher fee for the privilege. Tobin's q is the sole statistic that is used when determining the performance of a company; all other indicators are ignored. They found a connection between the amount of money spent on audits and a company's overall value⁸⁸.

2.1.6 Audit Firm Size

There is a positive association between the size of the audit company and the quality of the audit. It is becoming increasingly common practice to use the size of the auditing company as a stand-in for the quality of the audit³⁵. Larger audit firms have a greater motivation to provide high-quality service delivery since they have a larger customer base and, as a result, generate more money from auditing. Larger audit firms also have a higher reputation to uphold, which adds another layer of responsibility. This assertion is supported by a

substantial amount of empirical research, which has demonstrated that there is a positive association between the size of audit firms and the quality of audits⁸⁹.

According to the available research, there is a positive association between the number of auditors and the performance of the company. Specifically, when compared to audit companies that are not members of the big four, big-four auditors have a tendency to improve corporate performance⁹⁰. All of these factors, in addition to their increased experience auditing publicly traded companies, contribute to the major four audit firms' improved performance. They are better equipped to handle complex audits, have higher-quality human resources, and have greater experience in the field overall. A positive and statistically significant link between auditing by the "big four" accounting firms and overall company success was discovered in a study of companies who had their books audited by one of the "big four" accounting firms. This conclusion is comparable to one that was made previously. However, contrary to what was observed in other studies, a negative link exists between the size of the auditing firm and the performance of the firm⁹¹.

Audit corporations are professional, knowledge- and service-intensive organizations with the primary mission of assuring the honesty of public reporting. In previous research, the size of auditing firms was used as a stand-in for audit quality as a result of the larger firms' well-known track records for maintaining and guaranteeing the objectivity and high-quality standards of their auditing services. Large audit firms are better equipped to withstand management pressure and service a larger range of clients than their smaller counterparts⁹². This is because large audit firms have higher resources, research skills, and talent pools than their smaller competitors. They are consequently less reliant on any certain client or client group as a result of this. On the other hand, non-Big-Four audit companies, which focus on delivering more individualized services due to their smaller customer bases, may

feel forced to give in to management requests in more ubiquitous situations⁹³. This is because their primary focus is on catering to the specific needs of their clients.

The Connection between Audit Fees and the Achievements of the Accounting Firm The accounting literature is in agreement that audit fees are representative of auditors' work. This is due to the fact that the audit market is tightly regulated, which reduces the potential for rents to be gained. Due to the increased amount of work that is demanded of audit firms in the form of more extensive reviews and closer monitoring of staff, audit firms typically ask for a higher price in proportion to the amount of work that is involved in the auditing process. As a result, the payment of audit fees sends a message to the market that the company's financial information is more credible, this in turn increases the value of the business. In relation to this subject, there has been evidence that contradicts itself⁹⁴. The auditor's fees reflected the increased amount of work that was put in. Nevertheless, discord arises when audit fees do not match to a greater volume of auditing that is being performed. These studies provide evidence that supports the conclusions reached by another body of research that audit fees are related to the establishment of a financial connection. When there is an economic link between auditors and client audit, it is anticipated that the fees will have a negative correlation with the performance of the firm. However, the auditor-client economic nexus was widespread among auditing firms other than the Big 4, which suggests that these companies prioritized the defense of their reputations over the acquisition of financial gain. As a consequence of this, audit fees ought to should increase in proportion to the level of success achieved by a firm⁹⁵.

Previous research has examined the effect that the size of an audit firm has on the quality or performance of audits, but it has paid less attention to how the size of an audit firm may influence the reported financial performance indicators of audit clients³⁹. In light of this, in

order to determine whether or not there is a correlation between the size of audit firms and ROA, the proxy for the financial performance of auditors' customers in the current investigation, we gathered information about the size of audit firms using the same metrics that were used in previous research. We did this in order to evaluate whether or not there is a correlation between the two⁹⁶.

2.1.7 Audit Independence

When discussing auditing and the reporting of financial data, the term "independence" refers to the auditor's capacity to think and behave in an objective manner at all times⁴⁰. Lack of independence is a significant factor that contributes to a considerable decrease in the quality of the audit service and the audit report⁴⁰. The absence of influence, persuasion, or bias is the definition of independence. If an auditor is not completely independent, there is a greater chance that they may be perceived as being less than unbiased. Because of this, it is less likely that the auditor will report discovering a security problem. If it is required that public disclosure of audit fee and non-audit fee be made, the auditor may be willing to issue a qualified audit opinion, regardless of how financially significant the client is to them. An independent auditor is one who does not have a vested interest in the outcome of their work (which would go against the norms of impartiality and honesty). An auditor who has a vested interest in the outcome of their work would not be independent. Since the purpose of an audit opinion is to enhance the credibility of financial accounts as a management assertion, the lack of independence between a public accountant and their client renders the view meaningless⁹³.

The public's trust in a company's financial accounts is predicated on the impartial opinion of the company's external auditor. The mental condition of being objective and free from bias is the essence of what we mean when we talk about independence. Because of this, the

level of auditor independence is dependent on the policies and procedures of the audit business as well as the attitudes of the personnel who are doing the audit's stated tasks⁴¹. The auditor's capacity for objectivity in the performance of his duties as an auditor is what we understand by the term "independence." The most convincing evidence of auditors' independence is the candor and objectivity with which they approach their work, along with that of their audit teams.

During every stage of the auditing and reporting process for financial records, maintaining audit independence is a crucial concern. It is the auditor's capacity to develop objective evaluations that is being looked at here. If the auditors are truly independent, they won't have to worry about being influenced, swayed, or biased in any way when they go about their auditing duties. If an auditor is not completely independent, then they have a greater propensity to be biased and a lower propensity to be objective⁴¹. A non-independent auditor has a lower probability of reporting a violation, which is a strong indication that a breach has taken place. Auditors are expected to uphold the standard of maintaining their independence, which indicates that they should not allow their own personal interests to impact the manner in which they carry out their duties. Because increasing the dependability of accounting records is one of the primary purposes of an external audit, a public accountant's perspective may be subjective and misleading if the public accountant is not independent from the client. This is because one of the primary goals of an external audit is to raise the trustworthiness of accounting records as a management claim⁹².

When auditors and clients work together for extended periods of time, it is possible for personal relationships and familiarity to develop between the parties, which could result in the auditor's neutrality being compromised. If the audit appointment becomes routine, the auditor's capacity to detect gaps in internal controls and new sources of risk is weakened.

The case of Tesco, a well-known large firm in the retail business in England, lends support to the arguments that a closer link between auditors and a company's senior management over time may create fears over the predicted deterioration or loss of audit independence. Tesco is a retailer with a substantial presence in the United Kingdom. Reports indicate that Tesco's management overstated the firm's profits for 2015 by a total of 263 million British pounds without informing the auditors of the company, who had worked for the company for a total of 32 years¹⁵⁹. The auditor's neutrality and credibility were put in jeopardy as a result of the connection between the auditing firm and Tesco's management, which had existed for a long time. This link undoubtedly played a role in the business' reticence to uncover misreporting on the company's side^{92,93}.

An independent audit provides assistance in building trust and confidence in a corporation. The financial statements that are produced by the directors of a company are relied upon by the shareholders of that company because the shareholders think that these statements reflect an accurate and fair representation of the financial condition and performance of the firm. The purpose of the audit is to assuage any concerns that shareholders may have regarding the state of the firm by demonstrating that everything is in order. The proper execution of an audit has the potential to increase investors' levels of confidence⁹⁴. The auditing profession relies heavily on honesty and impartiality as its guiding principles. The value and credibility of the assurance services that auditors provide are predicated, in large part, on the auditors' ability to think and act independently. The majority of the research that have been done in the past on auditor independence and objectivity have been conducted in relation to external auditing. In recent years, there has been a rise in the amount of focus placed on the greater inspection of the independence and objectivity of the internal auditing function. The growing significance of internal auditing as both a tool for

corporate governance and a consultation service has been a driving force behind the expansion of research into this particular field. Internal auditors are in a unique position since they provide corporate management with both assurance services and consultation. This puts internal auditors in a special position. This dual role has the potential to put the internal auditor in a conflicting position, and as a result, it has given rise to a great amount of controversy⁹⁵. Due to the fact that internal auditors are also employees of the corporation, their objectivity has been called into question. Both increased financial performance and smoother operations in the market are based on having faith in the validity and integrity of financial records, which can be backed by an independent quality audit⁹⁶. External audits that are carried out in accordance with high quality auditing standards can be used to accomplish a number of goals, including promoting the adoption of accounting standards by reporting entities and contributing to the assurance of the trustworthiness, transparency, and usefulness of such entities' financial statements⁹⁷.

A reliable audit can assist in reinforcing strong corporate governance, risk management, and internal control, all of which contribute to the financial performance of a company⁴³. The quality of the independent audit (including the size of the audit committee, the independence of the audit committee, and the size of the firm) has a considerable influence on all three of these financial metrics: return on assets, return on equity, and profit margin. Assuring that an auditor is not too familiar with a client so as not to risk their integrity and weaken their independent opinion is fundamental to the function of an independent auditor in boosting the quality of financial reporting⁴⁵. Maintaining investors' faith in the dependability of audited financial accounts is dependent on the auditors' ability to perform their duties objectively. If the auditor provides services to the client other than auditing or has business ties to the client's company, this could affect the auditor's ability to maintain

objectivity during the auditing process. In addition, if an auditor remains with a client for an excessively lengthy period of time, their independence may be jeopardized. As a result, the relevant authorities produced standards to structure the relationship between auditors and clients.

It has been demonstrated that independent internal auditors contribute positively to their organizations and earn the respect of their contemporaries. Due to the fact that internal auditors are completely independent from the organization they are auditing, the appropriate and correct audit reports significantly improved the quality of decisions made by the organization, which in turn promoted growth and performance. The significance of putting one's attention on the improvement of an organization's performance is widely acknowledged on a global scale. Unscrupulous special-interest groups have a detrimental effect on audit reports, which is the primary reason why the vast majority of organizations are unable to meet expectations. It is necessary for the audit reports to be compiled separately. Internal auditing that is effective will first carry out a comprehensive and objective evaluation of all important financial and operational data, as well as all relevant systems and procedures, and will then make any required recommendations for enhancements⁹⁸. Independence within auditing provides a number of benefits, both to individual audits and to the practice of internal auditing as a whole. He also stated that the auditor's independence plays a role in the success of the audit as well as the organization. This is because the auditor's independence assures the quality of the organization's internal auditing, which in turn ensures the appropriateness of the auditor's techniques and operations⁹⁹. He said this plays a role in the success of the audit as well as the organization. An independent auditor is able to evaluate the effectiveness of management's other controls because they are free from the influence of any one person or group's prejudice. These

controls ensure things like efficient operations, low costs, full utilization of available resources, and maximum benefit extraction⁴⁴. In order for an organization's management to ensure that its auditors continue to keep their independence and generate credible reports that would assist the company's financial condition, the auditors need be given the proper support.

2.2 Theoretical Framework

This study will use three theoretical frameworks to analyze the functional relationship between audit quality and financial performance of listed deposit money banks in Nigeria. The three theories are Resource Dependence Theory, Agency Theory, and Signaling Theory. While Resource Dependence Theory will be used to explore audit quality, Agency Theory will be used to examine affects financial performance. Signaling Theory will serve as the overall anchor for this study, providing a broader perspective on the relationships between the different variables. These theories will be used in a complementary manner to provide a comprehensive understanding of the relationships between audit quality, and financial performance of listed deposit money banks in Nigeria.

2.2.1 Signaling Theory

Spence is generally regarded as the person who first put up this hypothesis. This strategy makes it possible for the parties engaged in a transaction to have a conversation about how trustworthy the transaction is. The main focus of the theory is on the ways in which reliable knowledge can be used to make decisions. Within the framework of signaling theory, an investigation was carried out to determine the level of quality and trustworthiness of the financial information provided by corporations to their consumers of financial information

for the purpose of making investment decisions. A company that has high performance stands out from a company that has low performance in the perspective of the capital markets and possible investors because the high-performing company sends a good signal regarding its performance. The company will communicate with its shareholders through the financial statement, which will also include information on the company's expected future financial performance. In addition, according to signaling theory, it is considered that managers have greater access to the financial information of a corporation than shareholders have⁹⁹.

Researchers have made use of the notion of signaling to describe how corporations with different boards demonstrate to its many stakeholders⁹⁵ their dedication to social values. Users of the financial statements are unable to discern which information is accurate and which is not because of the way the auditing process is designed. Regarding this matter, the majority of the parties involved are desirous of having an impartial investigation carried out and reporting on its findings. Because it was crafted by management and subjected to audit by the auditor, the intended recipient of the financial statement figure believes that the financial statement is free of flaws and errors and that it can also be trusted to make economic judgments. This belief stems from the fact that the financial statement was prepared and audited by the auditor. The signaling theory offers an explanation that is consistent with this finding because audit quality has been found to have a positive correlation with the ownership structure of financial reports. As a result of this, the research depended on theoretical connections between board features and management stock ownership and the audit quality of deposit money banks businesses as a route for signaling the genuine position of the companies to the deposit money banks businesses. Businesses use the "signalling" theory, which states that they should send out various signals in order

to convince customers, investors, and lenders of the value of their products and services. Some examples of signals that organizations may utilize include financial reporting, corporate governance structures, and ownership arrangements. A company may make use of its ownership structure in order to demonstrate to investors and lenders the level of risk that it presents as well as its capacity for financial stability. In a similar vein, the auditor that an organization chooses and the level of detail that is included in its audit can be indicators of the organization's openness to the public as well as its financial health¹⁰⁰.

The thoroughness with which Nigerian deposit money banks firms conduct their audits is one factor that may be used to evaluate the financial soundness of these firms. A firm's ownership variety may be regarded as an indication of a more varied risk profile by external stakeholders, but the ownership concentration of a company may be seen as an indication of increased financial stability and improved risk management by these same stakeholders. In a similar vein, investors are more likely to put their money into businesses that have completed comprehensive audits because it is viewed as a sign of enhanced financial transparency and accountability¹⁰¹.

By examining the relationship between audit quality and financial performance, this study has the potential to make a significant contribution to a better understanding of the signalling mechanisms that are in play within the Nigerian deposit money institutions business. In particular, the study can shed light on how various ownership arrangements and audit quality levels affect the financial performance of deposit money banks firms and how these characteristics can influence the views of these organizations' financial health among external stakeholders. In addition, the study can shed light on how various ownership arrangements and audit quality levels can influence the views of these organizations' financial health among internal stakeholders. Both the firm's reputation and

its capacity to attract investment are helped by an audit of high quality since it conveys to stakeholders the extent to which the organization is committed to transparency and accountability. Through research of the connection between audit quality, ownership structure, and financial performance of deposit money banks companies in Nigeria, one may gain a better understanding of signaling theory as well as the aspects that influence external stakeholders' view of a company's performance¹⁰².

One of the most significant issues with signaling theory is that it makes the assumption that market participants have complete and accurate information. It is possible that investors and other outside parties might not have comprehensive access to the data they require in order to correctly evaluate the signals created by companies. Another criticism leveled at signaling theory is that it fails to take into account the possibility of strategic behavior on the part of companies in the context of their signaling efforts¹⁰³. It's possible for businesses to purposefully mislead external stakeholders by sending signals that are inconsistent with their true financial performance. Another argument against signaling theory is that it places an excessive amount of importance on external signals such as ownership and audit quality, while at the same time placing an inadequate amount of importance on internal factors that have the capacity to influence business success. In spite of the fact that it has been criticized for the lack of empirical support it receives, signaling theory is still commonly utilized to describe how firms communicate with their stakeholders regarding their financial health¹⁰⁴.

In light of the signalling theory, investigations into the audit quality, ownership structure, and financial performance of enterprises operating as deposit money banks in Nigeria are carried out. This concept has the potential to shed some light on the reasons why and the methods by which businesses use their ownership structures and audit quality to communicate their financial health to the general public. This is of utmost significance in

Nigeria since there is a lack of openness and trust in the financial reporting that occurs within the market for deposit money banks in that country. Deposit money banks organizations can use the findings of this study to communicate their financial success to external stakeholders by using the ideas of signaling theory to their ownership structures and audit quality criteria. This can be done by using the findings of this study to communicate their financial success to external stakeholders. Both deposit money banks enterprises and their external stakeholders can benefit from greater openness and less information asymmetry, both of which can improve the quality of financial performance and investment options. Deposit money banks firms can benefit from higher transparency because it can improve the quality of financial performance and investment decisions. In addition, the study may contribute to the existing body of literature on signaling theory by exploring the practicability of the theory in the Nigerian market for deposit money institutions. This may be helpful in acquiring insights on the generalizability of the theory as well as in refining and developing it further¹⁰⁵.

This study placed a significant emphasis on signaling theory since it offers a framework for determining how audit quality and ownership structure communicate information to the public and other interested parties regarding the financial health of deposit money banking enterprises in Nigeria. This study's objective is to evaluate whether or whether audit quality and company size have an impact on the financial performance of Nigerian deposit money banks firms as measured by accounting and market-based performance indicators. If they do have such an impact, the study will also investigate how such an influence operates. The findings of the study can be helpful to investors, regulators, and other parties in understanding how these aspects interact to communicate information about the financial performance of deposit money banks organizations to outside parties. By understanding

how these factors communicate signals, stakeholders in Nigeria may be able to make more informed decisions regarding their investments in enterprises dealing with deposit money¹⁰⁶. Consequently, with the assistance of signaling theory, we are able to investigate the relationship between audit quality and financial performance in the case of enterprises operating as deposit money banks in Nigeria. The study focuses on signaling theory in order to understand how audit quality can effectively indicate the financial performance of deposit money institutions. This is accomplished by analyzing the relationship between audit quality and financial performance¹⁰⁷.

2.2.2 Resource Dependence Theory

The resource dependence theory (RDT) asserts that companies have a high risk of failing due to the unpredictability of the settings in which they operate. Organizational theory is a theoretical framework that clarifies the ways in which businesses use and are formed by their external contexts. It does this by focusing on the relationships between these two factors. It gives the impression that in order for businesses to be successful, they require resources from outside the firm such as money, data, and knowledge. The Resource Dependence Hypothesis states that in order for a firm to have a lasting competitive advantage, it is essential for the organization to have the power to influence the external environment in which it operates. The organization's influence is dependent on things outside of it, such as its supply chain, customers, and board of directors. These are all important to the organization. The corporation is able to deal with unforeseen events and reduce its dependency on external factors by utilizing a variety of different strategies¹⁰⁸.

The Resource Dependence Theory is comprised on three primary ideas or principles. To begin, one cannot ignore the importance of the wider world. Two things are abundantly clear: (1) the social environment in which a company operates has the potential to have an

impact on resource allocation, and (2) businesses are able to create strategies to strengthen their autonomy in obtaining and distributing resources in order to improve their overall performance. The pursuit of autonomy can reduce a company's dependency on other sources of funding, and market domination is essential to understanding both the company's internal and external actions. The resource dependence theory focuses on market power, which distinguishes it from other theories that aim to explain the activity of the company, in particular. There are 178 different theories that attempt to explain the action of the corporation¹⁰⁹.

According to the concept of resource reliance, the success of an organization is largely reliant on both the internal and external resources that the organization possesses. Even though the distribution of resources may be planned, there are still unknowns regarding the ease and expense of getting data on those resources. This is the premise of the argument. As a result, firms place a significant emphasis on their resource management. Internal as well as external ecosystems of a company may be able to supply it with helpful resources. Customers, investors, suppliers, competitors, regulators, the community, and the environment are all examples of external resources. Internal resources, on the other hand, can include things such as capital, labor, technology, management knowledge, production and marketing capabilities, board of directors, employees' morale and satisfaction, owners' family networks, and managers' networks¹²⁰. As a consequence of this, it is not uncommon for the resources that a particular organization needs to be owned by unrelated businesses. These assets are the backbone of a company's market strength, making it feasible for enterprises that would otherwise operate independently of one another to depend on one another. The strength of a company's position in the market and the extent to which it is

dependent on its resources are closely intertwined. This authority is constrained by the surrounding environment and may be jointly exercised by both of the parties engaged¹¹⁰.

RDT recommends that companies collaborate with outside parties in order to lessen the amount of dependency they have on limited inputs. It argues that those who are lacking resources will develop partnerships with individuals who have more of what they require¹¹¹.

In conclusion, RDT sheds light on the connection that exists between the utilization of external resources and the following organizational behavior, network interactions, and outcomes¹¹². The concept of power, which may be understood as command over necessary means of production, is at the heart of these operations. The goal of organizations is to weaken the authority of others while simultaneously increasing their own control over the world. Even while managers may be constrained by factors beyond their control, there are still actions they may take to reduce the degree of environmental reliance and unpredictability.

The Resource Dependence Theory (RDT) focuses on the part that environmental factors play in determining the dynamics of an organization's resources and how they are used. According to RDT, in order for organizations to ensure their own survival and success, it is necessary for them to consciously control the interactions they have with the resources found in their external environment. When RDT is used in the context of the study of corporate governance, it enables us to conduct an in-depth investigation of the manner in which companies manage their relationships with various stakeholders, including shareholders, regulators, customers, and suppliers. It suggests that companies need to develop strategies to win and maintain the support of various stakeholders in the form of money, knowledge, and data in order to be successful. RDT can be helpful when illustrating how companies may need to strike a balance between the expectations of shareholders for

financial returns and the interests of other stakeholders, such as the environment and society. RDT can also be useful when illustrating how firms may need to strike a balance between the interests of shareholders and the interests of other stakeholders. In a similar vein, RDT can throw light on the delicate interplay between the requirements of a company to comply with laws and regulations and the demand to maintain operational efficiency¹¹³. Both of these obligations are placed on the organization. When the Resource Dependence Theory is applied to the way in which businesses engage with their external stakeholders, it can provide light on the elements that contribute to or detract from the performance of those businesses¹¹³.

The purpose of this research was to investigate the relationship between audit quality and financial performance at listed deposit money banks in Nigeria. After that, an application of the Resource Dependence Theory was carried out in order to evaluate the effects of the environmental conditions. How successfully a firm handles its relationships with shareholders, regulators, and other stakeholders who supply funds, knowledge, and information can have an impact on the decisions about ownership structure and audit quality. Stakeholders include those who provide information. RDT might, for instance, offer insight on why certain organizations choose for a more thorough audit in response to regulatory pressure or legal requirements. RDT can also shed light on why certain businesses choose to conduct RDT. The Resource Dependence Theory may complete existing theoretical frameworks, such as the Agency Theory and the Signalling Theory, by explaining how corporations manage their stakeholder connections through thorough auditing. Specifically, the theory focuses on explaining how these ties are maintained¹¹⁴.

It was also stated that not all resources have the same impact on the performance of a company, despite the fact that they can all be limited in some way. This is despite the fact

that all resources can be limited in some way. This encompasses human capital, financial capital, raw materials, a company's board of directors, the personal networks of employees, and the initiative of business owners. In addition, due to restricted resources and low budgets for collecting resource-related information, organizations might not be able to employ each resource contingent fairly. This is a potential problem. However, in order for them to be successful, they need to have access to the necessary resources that will enable them to contribute to the organization's primary business¹¹⁵. Because of this, it is of the utmost importance for companies to identify the resources that are most valuable to them and concentrate on ensuring that they remain in good condition.

The Resource Dependence Theory is a supplement to the Agency Theory. It proposes that the board of directors can be utilized to rein in the self-serving behaviors of managers while also offering an irreplaceable resource to the organization. Candidates for the position of director are judged based on a variety of characteristics, such as their technical, interpersonal, conceptual, and management qualities, in addition to their links to the market and, more specifically, to the organization's customers, suppliers, and financiers. Therefore, the board of directors may serve as a hub that connects the internal settings of the company with the external settings of the company, so maximizing the efficiency of both sets of resources. There is a possibility that the corporation would benefit from the addition of more individuals from the outside world to its board of directors. Even if they don't have much of a say in the most important business decisions, an outsider's perspective can be extremely helpful because of its credibility as an objective voice, its function as a complementary source for learning about the wants and needs of customers, and its ability to provide a balanced understanding of the potential social and economic impact of a

business decision¹¹⁶. Even if they don't have much of a say in the most important business decisions, an outsider's perspective can still be extremely valuable.

The Resource Dependence Theory has been criticized by a number of academics for being overly simplistic since it fails to take into consideration the way in which internal and external forces interact with one another to shape the dynamics of an organization. Some people believe that RDT places an excessive amount of attention on the external environment and not enough on the internal factors that might also have an effect on the behavior of employees and customers. In addition, some scholars have claimed that the deterministic view of organizations that is held by RDT implies that organizations have no agency and are entirely dependent on the environment in which they find themselves. They argue that this perspective fails to take into account the ability that organizational actors have to shape the environment in which they operate and create opportunities for themselves¹¹⁷. Another criticism leveled against RDT is that it does not do enough to shed light on the complicated power and conflict dynamics that exist between an organization and its external stakeholders¹¹⁸. This is one of the criticisms that has been leveled against RDT. It has been suggested that RDT fails to take into account the fluid nature of the power dynamics and the interests of stakeholders that exist both within and between organizations. Although it is true that the Resource Dependence Theory gives light on how firms interact with their surrounds, this does not mean that the theory is without its critics¹¹⁷.

Utilizing Resource Dependence Theory (RDT), one is able to study the degree of correlation that exists between the quality of audits and the financial performance of the banking industry in Nigeria. This concept may prove valuable in evaluating what factors that are not under the control of the company affect the audit quality judgment. When the company has a solid understanding of these external effects, it will be able to more

effectively deploy its resources, which will ultimately lead to an increase in its bottom line. In addition to this, RDT is able to shed light on the impact that interactions with stakeholders have on the organization's financial outcomes. Examples of the former category include decreased regulatory fees and greater access to credit, whereas examples of the latter category include fines and penalties that harm the company's bottom line¹¹⁸.

In contrast, RDT's focus on resource reliance and management may provide fresh perspectives on how DMBs might ensure a high level of audit quality in the context of this study on the relationship between audit quality and the financial performance of deposit money banks in Nigeria. The study examined the relationship between audit quality and the performance of deposit money banks in Nigeria. RDT can offer insight on how external stakeholders such as regulators and shareholders can affect a company's audit quality decision. Examples of these stakeholders are regulators and shareholders. If the company needs money from these partners, it may decide to go for a more stringent audit in order to establish that it is credible and to reduce the likelihood that it will make false representations regarding its financial situation. In addition, if the organization is subject to regulatory responsibilities that mandate a particular degree of audit quality, it may be necessary for the organization to make investments in audits of a higher level in order to achieve those standards and maintain access to vital resources. When integrated with other theoretical frameworks, RDT has the potential to provide light on the myriad of ways in which a company's reliance on its resources can influence the quality of its decisions, audits, and financial performance¹¹⁹.

2.2.3 Agency Theory

The Agency Cost Theory served as the foundation for this investigation. This inquiry is based on an updated version of a previous concept, which serves as its theoretical underpinning. According to the agency hypothesis, there is the potential for conflicts of interest to arise between managers and the shareholders they represent. When managers chase personal advantages at the expense of the long-term performance of the firm, they run the risk of acting in a manner that is detrimental to the interests of their principals, who are the shareholders. Agency theory is a well-researched subfield of economics that focuses on the relationships that form between principals and the agents they employ. Agents are hired by principals to act as their representatives, carry out the principals' instructions, and make decisions on their behalf. Principals hire agents to function as their representatives and make decisions on their behalf. On the other hand, as a result of this, there may be competition between the interests of the principal and those of the agent. The theory seeks to describe how these conflicts may be addressed and how the agent's performance can be monitored in order to guarantee that the agent is representing the principle in a manner that is consistent with the principal's interests¹²⁰.

The theoretical relationship between ownership and business performance could be positive, negative, or have no statistical relationship at all depending on the choices between the alignment and entrenchment effects. Alternatively, the relationship could be statistically insignificant. The standard principle agency problem is mitigated to some degree when a greater number of firm insiders (management and/or directors) own equity in the company. This is because the manager's financial interests are aligned with those of other shareholders when this occurs. Maintain the position that controlling shareholders are better prepared to oversee and control managers even when they are not personally participating

in management¹²¹. The alignment hypothesis predicts that there will be a positive correlation between them, thus this should be the case.

The conceptual framework of agency theory is utilized rather frequently in the business discipline of corporate governance. It makes the assumption that there is a principal-agent relationship between the shareholders (the principals) and the management (the agents) of a corporation. Stockholders in a firm are not responsible for the operational management of the company on a day-to-day basis. Instead, they rely on the management team to act as their representatives and carry out the wishes that they have expressed. On the other hand, there are instances in which the interests of management and shareholders might not be aligned. Investors want to make as much money as they can, while managers may have other interests, such as raising their own compensation or remaining in their existing positions. The investors' goal is to make as much money as they can. As a consequence of this, there is the potential for competition to arise between the two groups¹²².

The theory of agency can shed light on how corporate governance systems like the board of directors and executive remuneration can be organized to align the interests of shareholders and management. Examples of such systems are the board of directors and executive compensation. It is possible, for instance, to organize the board of directors in such a way that it includes people who do not participate in management. Because of this, there is a greater possibility that the board will put the interests of the shareholders ahead of the interests of the management¹²³. Through the implementation of strategic pay schemes for senior executives, it is possible to bring the interests of management and shareholders closer together. Receiving stock options as compensation could provide a financial incentive for executives to work on increasing their company's stock price. Agency theory offers a helpful framework when applied to the context of corporate governance, making it

possible to better understand the relationship that exists between shareholders and management. It is possible to identify any potential conflicts of interest and create mitigation strategies after doing so¹²⁴.

When it comes to organizations that deal with depositing money, shareholders want to ensure that their investments produce the highest potential return. On the other hand, management might prioritize the interests of non-shareholders over those of shareholders. As a result, we might make use of agency theory to investigate how the choice of ownership structure and audit quality can help to better align management's interests with those of shareholders¹²⁵. High-quality audits and a concentrated ownership structure have the potential to reduce agency costs. These factors work together to reduce agency costs by encouraging transparency and accountability, which in turn drives management to act in the best interests of shareholders. It is possible to use executive compensation as an incentive for management to act in the best interests of shareholders, and the agency theory can be used to help explain how the board of directors can exercise supervision and control over management. The financial performance of deposit money banks firms in Nigeria can be better understood through the perspective of agency theory, which investigates how the interests of shareholders and management can be better aligned¹²⁵. This theory studies how the financial success of deposit money banks firms in Nigeria can be better understood through the lens of agency theory¹²⁶.

Other than placing an emphasis on one's own self-interest, agency theory is criticized for not effectively addressing the ethical aspects of corporate governance, according to its detractors. Some people argue that the theory is flawed because they believe that it does not fully account for the role that ethics and social responsibility play in the process of making business decisions. Buchanan contends that this approach ignores the fact that people's

motivations can be impacted by factors such as social and environmental considerations, and he claims that this approach is flawed. The relationship between principals and agents is also oversimplified in agency theory, which has been criticized precisely because of this reason¹²⁷. The concept postulates that in order to exert control on the agent, the principal will employ control mechanisms such as monitoring and incentive alignment. This paradigm, on the other hand, does not take into consideration the complexities of human behavior or the social elements that play a role in the principal-agent interaction. In spite of the fact that agency theory is helpful in shaping our understanding of corporate governance, its detractors argue that it oversimplifies the relationship that exists between principals and agents and disregards important ethical and social issues¹²⁶.

In spite of the criticisms leveled against it, agency theory continues to find widespread application in research on corporate governance due to the numerous benefits it has to offer. This model can be utilized by organizations in order to improve their comprehension of the principal-agent dynamic and identify any potential agency problems. The theory offers guidelines for the construction of acceptable governance procedures, in addition to addressing agency issues and making it easier for principals and agents to have interests that are aligned with one another. By analyzing the role of governance institutions like the board of directors and executive remuneration in ensuring that management acts in the best interests of shareholders, useful insights regarding corporate governance practices that enhance business performance can be obtained from agency theory. These insights can be used to develop corporate governance practices that boost business performance¹²⁷.

It is possible to use agency theory to analyze the dynamic between shareholders (the principals) and management (the agents) in businesses involving deposit money banks in Nigeria. This may be done by looking at the businesses in question. In particular, it can

throw light on the ways in which the audit quality and ownership structure may affect the financial performance of the company, and therefore how the interests of shareholders and management may be aligned or misaligned. In addition, it can shed light on the ways in which the audit quality and ownership structure may affect the financial performance of the firm. According to the agency theory, management may choose a lower quality audit in order to reduce costs and increase their personal reward, whereas shareholders may prefer a higher quality audit because they want accurate financial reporting and the security of their investments. Both of these goals are addressed by the agency theory. A number of different factors—some of which are explained by the theory, have the potential to influence the degree to which the interests of shareholders and management are aligned¹²⁸. Through the utilization of corporate governance mechanisms such as the board of directors and executive remuneration, which can be studied using agency theory, shareholders' interests and management's interests can be brought into alignment with one another. For instance, the board of directors of a firm can keep an eye on management to ensure that the company is looking out for the best interests of its shareholders. On the other hand, executive remuneration can be structured in such a way as to encourage alignment between the goals of management and those of shareholders by, for instance, basing pay increments on the financial results of the firm. It is possible that agency theory will prove to be a useful framework when examining the dynamic relationship that exists between audit quality, ownership structure, and financial performance in the context of enterprises operating as deposit money banks in Nigeria. It can provide insight into the extent to which shareholder and management interests may be aligned or misaligned, as well as clarify the purpose of corporate governance processes in making sure that management prioritizes shareholder returns. Moreover, it can clarify the function of corporate governance procedures in making sure that management prioritizes shareholder returns¹²⁹.

Other theories, such as signaling theory, can be supplemented by agency theory when attempting to explain the connection between ownership structure and financial performance. While the focus of signalling theory is on how ownership structure communicates the company's financial health to outside stakeholders, agency theory offers insight into how ownership structure influences the alignment of interests between shareholders and management, and thus how it can affect financial health. This is in contrast to the focus of signalling theory, which is on how ownership structure communicates the company's financial health to outside stakeholders. The agency hypothesis provides an explanation for how the concentration of ownership might influence the behavior of management. In an ownership structure with a high degree of concentration, it is possible for managers to prioritize the interests of the controlling shareholder over those of the minority shareholders. When ownership is held by a greater variety of individuals, managers may have more latitude to make decisions that are to the organization's overall advantage. Therefore, whereas signaling theory may shed light on how ownership structure might communicate a company's financial success, agency theory can shed light on how ownership structure affects the behavior of management and how this behavior might impact a company's financial performance. Additionally, signaling theory may shed light on how ownership structure might communicate a company's financial success. Combining the two theories enables for a more comprehensive understanding of the connection between ownership structure and financial performance when applied to the context of Nigeria's deposit money banks business¹³⁰.

2.3 Review of Empirical Studies

Relevant studies on audit quality, ownership structure, and performance are reviewed.

2.3.1 Audit Quality and Financial Performance

In recent years, a significant amount of research has been devoted to examining the impact of audit quality on the financial performance of organizations. As an example, Deposit Money Banks (DMBs) in Nigeria as well as listed firms in Pakistan have been used as case studies. The relationship between audit quality and financial performance for small and medium-sized businesses (DMBs) in Nigeria is examined using a dependent variable (return on audited assets) and several independent factors (size of audit company, number of auditors, and audit fee). The findings demonstrated that collaborative audits and larger audit firms led to an improvement in ROA, whilst audit fees led to the reverse effect¹³¹. In order to improve the overall quality of audits, the authors strongly advocated for the obligatory implementation of joint audits and supported the development of smaller audit companies. How the cost of auditing and the reputation of auditing firms affect the quality of audits performed on publicly traded corporations⁴⁶. The reputations of the audit firm (Big 4 versus Non-Big 4 auditors) and the audit fees were included as study criteria, with discretionary or irregular accruals serving as a surrogate for income manipulation. According to the evidence that we have, audit fees have a negative effect on the quality of audits, and smaller auditing firms do better than the "Big 4" when it comes to the quality of audits in general. According to the findings of the analysis done by the authors, higher audit costs lead to lower audit quality. Regulators and policymakers now have a better grasp of how audit quality affects financial performance as a direct result of the research that was conducted on the topic. The findings of the research conducted by scholars, which focused on the banking industry in Nigeria, shed light on the quality of auditing in other developing

nations, such as Pakistan¹³². More research on this subject is necessary if one wants to achieve a complete comprehension of the connection that exists between audit quality and financial performance.

In Nigeria, a number of empirical studies have been conducted to investigate how the quality of audits influences financial performance, the manipulation of income, and the length of time it takes to release audit results. Listed Deposit Money Banks in Nigeria and the Impact of Audit Quality on Financial Performance³⁵. Listed Deposit Money Banks in Nigeria. Their research indicates that the audit fee does not influence the ROA of DMBs; rather, the size of the audit firm and the presence of a joint audit do. Alternately, The Effects of Audit Fees and the Reputation of Audit Firms on the Audit Quality of Listed Firms in Pakistan³. According to the findings of their investigation, non-Big 4 audit firms in Pakistan generate audits of a higher quality compared to audits produced by Big 4 audit firms, and auditors create audits of a poorer quality in exchange for more audit fees. In a study on an investigation of the opinions of a selected group of Nigerian consumer goods businesses, concerning the influence of audit fees on audit quality³⁵. The study found that audit fees, client profitability, and financial leverage all have a positive but moderate effect on audit quality in the consumer products sector of listed corporations in Nigeria. On the other hand, audit tenure and client size both had a strong positive effect. Last but not least, the influence of audit quality on the tardiness of audit reports for Nigerian makers of industrial goods¹³³. It was discovered that audit quality had a positive and statistically significant effect on audit report delay for industrial products companies in Nigeria, however auditor independence does not have any such effect. The findings of these empirical studies give light on the ways in which audit quality affects a variety of aspects of financial reporting in Nigeria and Pakistan.

The quality of earnings in the manufacturing sector of publicly traded companies is impacted by a number of aspects linked to external auditing. These factors include audit quality, audit size, auditors' fees, customer retention period, auditor's opinion, and auditor's expertise in client's industry. It was discovered that the fees paid to auditors had the greatest impact on the quality of earnings as well as the quality of the audit, which was used as a proxy for the company's financial performance. Differences between the Big Four and other audit companies in Indonesia and how they affect audit quality⁹². It was discovered that there is no association between the length of time an auditor has worked for a company and the quality of their audits. On the other hand, it was discovered that audit firm rotation had a positive impact on audit quality, particularly for firms other than the Big 4. In the study, there was found to be no association between the quality of audits and the ROA of companies. How the level of audit effort might affect the amount of anomalous audit fees (AAF) charged by publicly traded financial institutions in Nigeria⁷⁷. According to the findings of the study, there is a favorable relationship between joint audits and AAF. This is in contrast to the findings that found negative associations between AAF and IFRS, CPX, and SIZ. It was found that there was a significant association between AAF and client size, however it was found that joint audit had the biggest effect. This correlation was found to be unfavorable. However, the effect of audit fees and other factors on the financial performance of corporations was not investigated in this study. Those results are not presented here. It has been demonstrated that several aspects of an external audit have a major influence on a company's financial performance. These aspects include the auditor's fees, the audit quality, the rotation of audit firms, and collaborative audits. To determine the extent of the connection between audit fees and financial results, however, more research is required⁶³.

The influence of audit independence, audit time, and audit firm size on the financial performance of Nigerian consumer goods companies. The foundation of this descriptive and cross-sectional analysis is secondary data taken from the annual reports of five randomly chosen publicly traded businesses operating in the consumer products market over the course of five years. According to the findings of the analysis, all of the other independent criteria had a significant and combined effect on the financial performance of the selected firms, with the exception of the size of the audit firms. This suggests that the quality of audits (in terms of audit independence, audit tenure, and the size of audit firm) has a considerable effect on the financial performance of Nigerian consumer goods companies, and that this effect is positive. The analysis, however, did not find a statistically significant connection between the size of the audit organization and the financial results⁹². The findings of the study are confirmed by the discovery that the quality of audits has a substantial impact on the financial performance of consumer products companies in Nigeria³⁶.

An investigation on the correlation between the size of the auditing company, the number of audits performed jointly, and the auditing charge for each of Nigeria's publicly traded DMBs from 2011 to 2017¹⁵. When examining the data, we make use of a variety of research methodologies, including ex post facto research, multiple regressions, and correlation analysis. According to the findings of the study, larger audit businesses were associated with higher financial performance. This shows that size mattered with regard to both aspects of the equation. On the other hand, an inverse association that was judged to be statistically significant between joint audit and financial performance 210 was discovered. This indicates that a negative impact is felt on financial performance if two audit firms work together on a single project. It was found that there is a negative

association between audit fees and financial results, however this correlation is statistically negligible. This suggests that the audit fee is not a significant component in the overall financial success of the organization. According to the findings of the study, there is a statistically significant negative correlation between joint audit and financial performance. This finding lends credence to the hypothesis that joint audit may have a detrimental impact on financial outcomes. As a consequence of this finding, the study recommends obligating joint audit in order to improve financial performance. Given that the study found a positive and statistically significant association between audit firm size and business performance, it recommends that smaller audit firms be actively sought out for engagement in order to take advantage of the benefits that come with working with them. Because of this, it's feasible that audits carried out by smaller organizations will be more comprehensive, which might have a positive impact on the bottom line. As a result of this research, insightful recommendations for improving audit quality and financial performance in Nigerian organizations are presented. These recommendations may be found in the next paragraph⁹.

It is investigated how various banks in Nigeria fared as a consequence of the quality of the audits. The study examines the impact that audit committees have on the profit margins of Nigerian banks, as well as the impact that the size of audit firms has on ROA and the impact that audit committee independence has on ROE. The study applies regression analysis to the data collected from the financial accounts of sixteen deposit money banks that were listed on the Nigerian Stock Exchange between the years of 2008 and 2017. This study evaluated the impact of audit quality on the corporate performance of selected banks in Nigeria. It was found that some independent variables had significant effects on several measures of financial performance³⁸. Additionally, this study investigated the relationship between audit quality and corporate performance. It was discovered that the size of the firm,

the independence of the audit committee, and the number of members on the audit committee each had a significant impact on the return on assets, return on equity, and size of the audit committee, respectively. The findings of the study indicate that organizations should employ auditing firms that have established track records of conducting high-quality audits. This is due to the fact that higher-grade audits allow for the possibility of better financial results being attained. The findings suggest that smaller audit organizations may be more devoted to executing entire audit assignments; as a result, regulatory bodies ought to encourage the usage of these companies. According to the findings of the study, obligatory joint auditing should be implemented in order to improve audit quality and, therefore, financial performance. The research provides useful insights into the connection between audit quality and financial success in Nigeria, as well as ideas for how businesses and regulatory agencies may improve audit quality to better serve investors¹⁸. In addition, the paper provides recommendations for how businesses and regulatory agencies might improve audit quality to better serve investors.

The dependent variable was earnings per share, the independent factors were auditor independence, audit firm size, audit committee size, and audit committee financial expertise, and the total was the financial performance of three Nigerian manufacturing enterprises over the course of 18 years. Earnings per share were used as the dependent variable. For two of the three firms that were researched, it was discovered that the financial understanding of the audit committee, the independence of the audit committee and the independence of the audit had a substantial influence on earnings per share. The paper recommends that companies engage auditors with a good reputation in order to improve the quality of audits, and it recommends that regulators encourage the hiring of smaller audit firms and demand collaborative audits³.

Impact of the quality of internal audits on the profitability of deposit money banking enterprises in Kosovo, determined by multiplying the ratio of firms' net profits to their total assets by scholars. The study that examined data from six-month financial statements from 2015-2021 used internal audit standards, professional competence, independence of the auditor, and effectiveness of the internal audit as independent variables. The study was carried out in 2015. It was found that there is a correlation between professional competence and financial performance, which is in a positive direction, while there is a correlation between the efficiency of internal auditing and financial performance, which is in a negative direction. The age of the deposit money banks company had a large and unfavorable impact on the company's overall financial performance, although the size of the company had a positive link. This study highlights the significance of regulatory bodies encouraging companies to engage high-quality auditors and making joint audit compulsory in order to improve audit quality. Additionally, it recommends that companies that deal in deposit money pay particular attention to the efficiency and independence of internal auditors in order to improve financial performance. The need of conducting an audit of a high quality in order to ensure efficient administration of financial resources, coupled with some suggestions for achieving this objective²⁰.

This study's objective is to ascertain whether or not audit independence, audit tenure, and audit firm size have any influence whatsoever on the monetary performance of consumer goods companies in Nigeria. The theoretical underpinnings of the framework consist of the stakeholder theory, agency theory, contingency theory, and the credibility theory of lending. For the purpose of this descriptive, cross-sectional study, secondary data was collected over the course of five years from the annual reports of five different publicly traded consumer goods companies that were chosen at random. The investigation's findings demonstrated

that every one of the independent criteria, with the sole exception of audit firm size, had a significant influence on the analyzed companies' financial outcomes. According to the findings, in order to conduct an audit of a high quality, it is necessary to have effective internal control procedures and practices that address fundamental auditing procedures. As a result, achieving high levels of audit quality calls for the implementation of internal control procedures and practices that address fundamental auditing procedures. According to this piece of counsel, organizations should make the development and implementation of effective internal control systems and practices their top priority in order to improve audit quality, which, in turn, can improve financial results³⁴.

The influence of audit committee characteristics on the financial performance of food and beverage companies listed on the Nigeria Stock Exchange. Earnings per share, also known as EPS, were utilized as a proxy for financial performance, whereas audit committee independence, audit committee financial understanding, and audit committee meetings were utilized in order to quantify audit committee attributes. In this study, a retrospective research methodology was adopted, and secondary data were compiled from the annual reports of fourteen typical companies during the eight-year period of 2011-2018. On the Nigerian Stock Exchange, audit committee meetings had a positive and statistically significant impact on the earnings per share of publicly traded food and beverage companies, whereas audit committee independence and audit committee expertise had positive but statistically insignificant impacts. To improve their overall performance, companies should ensure that their audit committees continue to meet on a regular basis and that their committee members are equipped with the necessary financial knowledge, particularly in the area of accounting. In order to ensure that the audit committee is

effective, it is imperative that regulatory bodies follow these principles and put them into practice⁴⁴.

OLS regression on panel data was used to investigate the effects of leverage, firm age, firm size, firm capital, tangible assets, liquidity, firm growth, and audit variables (including the size of the audit firm, the mandate/term of the audit, and the relationship between the audit firm and the deposit money banks firm) on return on assets (ROA) for the years 2015-2020. According to the findings of the research conducted, the audit mandate was the only significant predictor that had a positive and strong association with the performance of audit firms in Kosovo⁴². Company size, leverage, and growth were three other significant elements to consider. In a separate piece of research, the relationship between ROA and other factors of audit quality (statutory audit services, audit tenure, auditor independence, and audit-firm size) is investigated. On the other hand, statutory audit service was found to have a favorable impact on firm performance (ROA), contrary to the findings on audit independence, was determined to have a negative impact on ROA¹⁴⁵. The cumulative effect of audit quality indicators has been shown to have a significant bearing on return on investment. However, the influence of audit quality on the performance of publicly traded financial and non-financial firms in Botswana and Uganda over the five years 2014-2018 was inconsistent. This was the case for both countries. The firm's performance was evaluated based on Tobin's Q, return on assets, and audit fees, with audit size serving as a proxy for audit quality³³. Although there was a negative link between financial performance and audit quality, the statistical significance of this correlation could not be determined. Therefore, audit quality qualities have a major impact on the performance of businesses; however, the precise nature of this influence might change depending on the setting, the method, and other factors. The findings point out how important it is for regulatory bodies

to place a greater emphasis on audit quality in order to ensure that financial reporting is compliant with existing regulations⁴⁶.

The purpose of this study is to carry out an empirical investigation into the connection that exists between the quality of audits and the financial outcomes of publicly traded companies in Nigeria. The purpose of this study is to evaluate how auditing financial statements can help level the playing field by closing knowledge gaps and encouraging healthy competition. The data for this study originated from the annual reports and accounts that were made accessible to the public by four representative companies. These reports and accounts were acquired for this study utilizing a correlational and ex-post facto design. Following the presentation of our hypotheses, we put them to the test by doing a multiple regression analysis with SPSS Version 15.0. According to the findings, the financial performance of publicly traded cement businesses in Nigeria is significantly impacted not only by the size of the auditing firm but also by the independence of the auditing firm, with the latter having a more substantial bearing on the outcome. Increases in auditor salaries and the employment of auditing firms with excellent reputations for honesty and transparency should be made by publicly traded cement businesses in order to improve their financial outcomes. It has been hypothesized that businesses that hire larger audit firms as well as auditors who work independently have higher overall financial performance. This demonstrates that utilizing auditing firms that are reliable and independent is an effective approach to guarantee high-quality audit services, which, in turn, may increase a company's bottom line¹⁴.

The empirical research offers light on the association between audit quality and the financial success of organizations across different locations and different industries. A number of proxy metrics, including audit firm size, tenure, independence, and fees, were

utilized in the research projects. The studies make use of a number of different financial ratios, including return on assets (ROA), Tobin's Q, and others; yet, they all reach the same conclusion: audit quality has a significant impact on financial success. On the other hand, the studies come to different conclusions regarding which particular variables are the most relevant. According to the findings, businesses should pay close attention to audit quality characteristics such as auditor size, tenure, independence, and fees because these factors might have an effect on financial performance¹⁹. According to the findings of the research conducted on Kosovo deposit money banks organizations, company size, leverage, and growth were the most relevant or statistically significant variables. However, the research conducted on Nigerian listed corporations indicated that auditor independence had a greater influence than auditor size. The studies also reveal that excellent internal control methods and practices that deal with significant auditing practices are essential for achieving high-quality audit results. This is one of the most important takeaways from the studies. The results of these studies can also be utilized by regulators and policymakers to inform the formation of recommendations meant to check particularly for auditors' length of service, adherence to existing regulatory frameworks, and the hiring of audit firms with spotless reputations and ethics²⁰. These suggestions can be informed by the findings of these research.

The purpose of another piece of research is to investigate the influence that the quality of auditing has on the connection that exists between the attributes of Nigerian manufacturing companies and their financial performance. The authors found, through the use of a random effect multiple regression analysis, that leverage greatly improves financial performance, whereas liquidity and tangibility significantly decrease it. This was found to be the case when comparing leverage to tangibility and liquidity. When audit quality is used as a

moderator, the potentially detrimental effect of leverage on the financial performance of a company is accentuated. The authors suggest that organizations increase their leverage, focus on enhancing their liquidity and non-current asset management, and audit quality in order to increase their bottom lines¹⁶.

Another study analyzed the data from 12 different firms to determine the factors that contributed to the performance of deposit money banks companies in Nigeria over a period of nine years. This study looked at the association between company features and the success of the companies. There was a direct connection that was statistically significant between the amount of time a company has been in business and the success of its deposit money banks. However, there is a strong inverse correlation between company size and growth rate and the performance of deposit money banks firms. This indicates that deposit money banks firms have diseconomies of scale as a result of their rapid expansion. Because the majority of the firm-specific characteristics that were investigated for this study did not have a significant positive impact on the performance of deposit money banks firms over the course of the time period that was taken into consideration, the research suggests that exogenous factors connected to the performance of deposit money banks companies in Nigeria be taken into consideration⁴⁵.

The purpose of this study was to investigate the many facets of corporate governance and how they relate to the quality of audits performed in publicly traded deposit money institutions in Nigeria. Random selection was used to choose 25 publicly traded deposit money bank providers from the total of 28 organizations that met the selection requirements. The information was obtained from the annual reports of the companies, and a generalized least squares regression model was utilized to conduct the analysis. According to the data, there was a positive correlation that was statistically significant at the 0.01 level between

the size of the board of directors, board independence, and audit quality. On the other hand, a large and negative correlation exists between managerial ownership and audit quality. The findings indicate that board size and independence, as well as managerial stock ownership, are critical drivers of audit quality in publicly listed deposit money banks organizations in Nigeria. Additionally, managerial stock ownership was found to be a significant driver of audit quality. According to the findings of the study, shareholders ought to investigate executive compensation packages that enhance audit quality, and Nigerian listed deposit money banks ought to comply with principles of corporate governance in order to boost stakeholder confidence and encourage capital inflow to the industry¹³.

In one such study, researchers investigated how the performance of Ghanaian publicly traded companies was impacted by a variety of ownership structures as well as audit quality. The study utilized a quantitative research approach, collecting secondary data from the annual and financial reports of twenty representative companies that trade on the Ghana Stock Exchange. For the study, researchers looked at a total of 160 yearly firm observations collected between 2013 and 2018. Return on assets (ROA) and return on equity (ROE) were used as indicators of the company's profitability. It was discovered that institutional and managerial ownership have a tangentially beneficial relationship with the performance of businesses. The performance of the company was enhanced by employing one of the Big Four audit firms; it was also enhanced by maintaining a big audit committee; nevertheless, the performance of the company was diminished by maintaining an independent audit committee. The number of directors on the board had a beneficial effect on the performance of the company, while the independence of the directors had a positive influence on ROE but a negative impact on ROA. The report recommended that companies diversify their shareholdings to insulate company management from interference from major shareholders

and to attract owners with a greater range of abilities and expertise. The report also indicated that companies diversify their shareholdings to attract owners with a wider range of talents and knowledge⁸⁹.

The significance of an audit's contribution to the enhancement of the credibility of financial statements has resulted in a greater focus being placed on the quality of the audit. Researchers, particularly those working in countries that have developed their industrial sectors, have taken an interest in researching audit quality and the elements that influence it. The fundamental purpose of this research is to gain knowledge of the connection that exists between the ownership structure of listed corporations in Jordan and the quality of the audits performed on those corporations. 198 companies out of a total of 262 that are listed on the Amman Stock Exchange (ASE) were chosen to be part of the sample for this study. To determine whether or not there was a correlation between the two indicators of audit quality, a logistic regression analysis was carried out with the audit firm's size and ownership structure serving as independent variables in the study. The findings suggest that there is a statistically significant positive link between audit quality and both institutional ownership of businesses and foreign ownership of businesses. There was some evidence to suggest that a higher concentration of ownership was related with lower quality, but the correlation was not very strong. According to these statistics, it would suggest that foreign institutional investors (FIIs) and financial institutions (FIs) from other nations hire qualified auditors⁶³.

There have been empirical studies conducted to investigate the link between the features of corporations and the quality of financial reporting, with a particular emphasis placed on the manipulation of real earnings. It is essential to advocate for stricter managerial control and higher-quality financial reporting due to the frequency with which businesses are unable to

remain profitable. This study explores the impact of business characteristics such as firm structure, board, performance, and ownership variables on the quality of financial reporting in Nigerian industrial goods companies using a correlational design and multiple regression analysis. These business characteristics include firm structure, board, and performance variables. According to the findings, the presence of women directors, along with factors such as firm size, leverage, and age, all have a detrimental impact on the quality of financial reporting. Board meetings and profitability, on the other hand, have a good impact. The association between the quality of financial reporting and proxies for liquidity, growth, and ownership structure is only somewhat strong. According to the findings of the study, in order to improve the reliability of financial reporting and lessen the prevalence of deceptive accounting procedures, businesses that manufacture industrial products should concentrate their efforts on modernizing structures other than ownership structure²⁵.

Another empirical study investigates the question of whether or not the quality of audits has an effect on the connection between family ownership and the avoidance of corporate taxes in Tunisian companies that are publicly traded. GLS regression models are used to analyze data from a sample of 55 Tunisian listed firms from the years 2008 to 2013. The time period covered by the sample is from 2008 to 2013. The data indicate that family ownership is positively connected with firm tax avoidance practices. On the other hand, the incidence of such practices has decreased in Tunisia since the revolution in 2011, due to increased pressure against corruption and unethical behavior. According to the findings of the study, which reveal that audit quality moderates the link between family ownership and tax avoidance, high-quality audits successfully lower the incentives for family businesses to engage in aggressive tax positions. In other words, high-quality audits moderate the association between family ownership and tax avoidance. The findings of the study can be

used by policymakers and practitioners to strengthen governance in Tunisia. This can be done by gaining a better understanding of the effects of family ownership and audit quality on tax avoidance practices among Tunisian listed companies²².

In addition, empirical research has investigated the ways in which audit quality influences the quality of financial reporting, with a particular focus on the ways in which it influences actual earnings management and the ways in which it moderates the connection between financial reporting quality and corporate governance systems. It was discovered that corporate governance mechanisms, such as independence members, financial experts, and audit committee size, have a significant relationship with real earnings management in a sample of 90 non-financial companies that were listed on the AEX all-share index of the Amsterdam stock exchange between the years of 2010 and 2017. According to the findings of the study, another factor that factors into establishing the nature of the connection between the audit committee and the management of real earnings is the quality of the audit that was carried out. The study highlights the importance of corporate governance mechanisms, particularly independence members and financial experts, in preventing financial misstatements and promoting accurate financial reporting⁴⁷. It also highlights the efficacy of improving audit quality in enhancing financial reporting quality and mitigating real earnings management practices.

This empirical study's goal is to investigate the correlation between corporate social responsibility (CSR) and the financial success of firms, as well as the part that audit quality plays in reducing the significance of this correlation. Using a panel dataset consisting of two hundred French companies that were listed between 2007 and 2018, multiple regression analysis is utilized in order to investigate both the direct and moderating impacts. Return on assets (ROA), return on equity (ROE), and Tobin's Q (TQ) are three metrics that

can be utilized to determine whether or not an investment in social activities is profitable for a company. The findings of the study also indicate that companies audited by the Big 4 had a stronger positive effect of CSR on financial performance. This indicates that high-quality audits may further amplify the benefits of CSR engagement. According to the findings of the study, in order to improve firm performance, progress sustainable growth, and benefit society as a whole, managers should take social behavior into consideration when making policy. These findings have ramifications for both future research and practical application, and they add to the ongoing discussion regarding the significance of CSR in the decision-making process of businesses²⁹.

Governance of firms, transparency in economic matters, and ethical conduct in business settings are all important. The first study, which investigated the effects of family ownership and tax avoidance practices, focused on listed enterprises in Tunisia, while the second study investigated Nigerian manufacturers. Both studies looked at the consequences of these factors. In the third piece of research, the researchers investigated the influence that the quality of audits had on the association between participation in corporate social responsibility (CSR) and financial performance in French companies. The findings of this study highlight the importance of responsible business practices, transparent financial reporting, and effective corporate governance. In addition, they imply that the quality of audits can considerably contribute to the process of maximizing the benefits that such procedures can provide⁸². The empirical findings presented here shed light on the intricate interplay between a range of elements and their corresponding repercussions. These results have significant ramifications for the promotion of sustainable business behavior among legislators, regulators, and practitioners¹³³. However, additional research is necessary to uncover the underlying mechanisms and the chain of causality that underlies these

associations. The emphasis of future research could be expanded to include additional countries or industries, in addition to taking into account other variables or circumstances that have the potential to have an effect on the outcomes of interest.

Do Not Copy, Lead City University, Nigeria

2.4 Conceptual Model

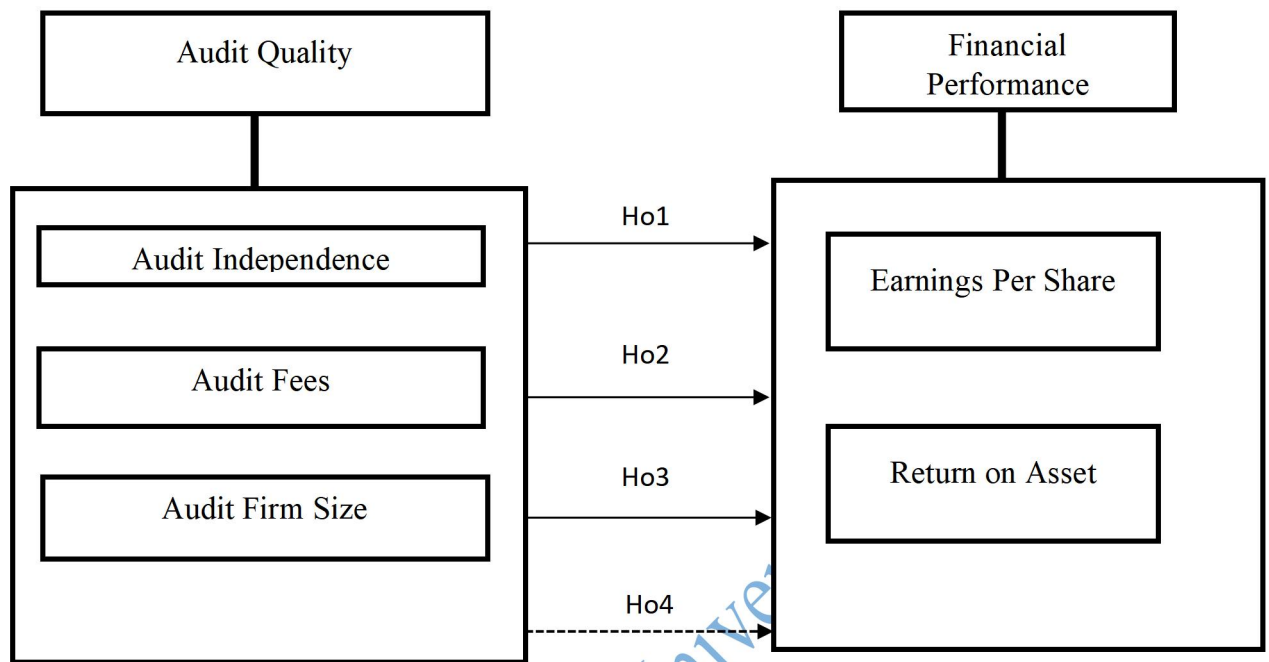


Figure 2.1 Conceptual Model

Source: Researcher's Conceptual Model, 2023

The conceptual model of this study will examine the link between audit quality and financial performance of listed deposit money banks in Nigeria. The study will focus on three determinants of audit quality, namely, audit fees, audit independence, and audit firm size. These factors will be used to examine their impact on two measures of financial performance, Return on Asset (ROA) and Earning per share. The study's conceptual model suggests that audit quality will affect the financial performance of listed deposit money banks in Nigeria. The quality of audit can be measured by several metrics, including audit fees, audit independence, and audit firm size. In this study, these metrics will be used to determine the impact of audit quality on the financial performance of listed deposit money banks, hence giving rise to four hypotheses that will be examined.

Summary of Gap in Literature Reviewed

The extent to which there is a correlation between the quality of audits and the financial performance of banks in Nigeria is an issue that is causing the financial sector a great deal of concern. It is essential, for the sake of sustaining investor trust and the stability of the banking sector, to make certain that audits carried out by independent auditors appropriately represent the current state of the financial health of banks. On the other hand, recent events and concerns have raised issues regarding the efficacy of audits in Nigeria and their impact on the financial performance of banks. Within the context of Nigeria, there is an urgent requirement to explore and comprehend the connection that exists between audit quality and the financial performance of banks.

Integrity and dependability of financial audits are extremely important factors that play a significant part in determining how investors view a company, how regulators make judgments, and how stable the banking industry as a whole is. Issues have been raised, however, about the possible impact that differing audit quality could have on the financial health of banks in Nigeria. These issues have consequences for the banks' risk management, profitability, and long-term viability. As a result, it is absolutely necessary to investigate the factors that influence audit quality in the Nigerian banking industry and the effects such factors have on the financial performance of banks. This statement of the problem highlights the critical importance of addressing the relationship between audit quality and bank financial performance in Nigeria. It also emphasizes the need for comprehensive research and analysis to better understand and potentially improve the audit practices and regulatory framework in the Nigerian banking sector.

There is a major gap in the existing literature about the specific link between audit quality and bank financial performance in the context of Nigeria. This is the case despite the fact

that the relevance of audit quality in ensuring the transparency and dependability of financial information is expanding. In spite of this, the gap in question exists. Although research carried out in other nations has investigated the connection between audit quality and company performance, there is a dearth of extensive study that explores the specific dynamics at play within the Nigerian banking sector. Given the centrality of banks to the economy of the nation, it is necessary for policymakers, regulators, investors, and other stakeholders to have a solid grasp of the ways in which the quality of their audits effects the banks' financial performance in order to make informed decisions. By conducting a comprehensive analysis of the functional relationship between audit quality and bank financial performance in Nigeria, this research aims to bridge this gap. As a result, it will contribute valuable insights to both the academic literature and the practical sphere of banking and finance in the context of Nigeria. Specifically, this research will focus on the Nigerian banking industry.

Endnotes

1. C.C., Ugwu, C.C., Aikpitanyi, L.N. & Idemudia, S. *The effect of audit quality on financial performance of deposit money banks (evidence from Nigeria)*. **Journal of Economics and Business**, 3(1), 2020.
2. P.U., Nwafor, & N.N., Amahalu. *Auditors independence and audit quality of quoted deposit money banks in Nigeria*. **American Research Journal of Humanities Social Science (ARJHSS)**, 4(09), 2021, pp.77-85.
3. C., Ike, I., Salama, & P., Ngbede. *Effect of audit quality on performance of money deposit banks in Nigeria*. **International Journal of Research in Management & Business Studies**, 7(1), 2020.
4. A.I., Isah, & L., Muhammad. *Impact of audit quality on financial performance of listed deposit money banks in Nigeria*. **SOKOTO Journal of Management Studies**, 18(1), 2019, pp.141-157.
5. O.C., Ogbodo, & N.J., Akabuogu. *Effect of audit quality on the financial performance of selected banks in Nigeria*. **International Journal of Trend in Scientific Research and Development (IJTSRD)**, 3(1), 2018, pp.45-61.
6. R.A., Ezejiofor, & F.E., Erhirhie. *Effect of audit quality evidence from*. **International Journal of Trend in Scientific Research and Development**, 2(6), 2018, pp.1235-1244.
7. N., Amahalu. *Effect of auditors' rotation on audit quality of quoted deposit money banks in Nigeria*. 2019. SSRN 3704505.
8. Y., Jin, X., Gao, & M., Wang. *The financing efficiency of listed energy conservation and environmental protection firms: evidence and implications for green finance in China*. *Energy Policy*, 153, 2021, p.112254.
9. N., Iqbal, M.S., Tufail, M., Mohsin, & M.A., Sandhu. *Assessing social and financial efficiency: The evidence from microfinance institutions in Pakistan*. **Pakistan Journal of Social Sciences**, 39(1), 2019, pp.149-161.
10. L.A.M., Chowdhury, T., Rana, M., Akter, & M., Hoque. *Impact of intellectual capital on financial performance: Evidence from the Bangladeshi textile sector*. **Journal of Accounting & Organizational Change**, 14(4), 2018, pp.429-454.
11. N., Nirino, A., Ferraris, N., Miglietta, & A.C., Invernizzi. *Intellectual capital: The missing link in the corporate social responsibility–financial performance relationship*. **Journal of Intellectual Capital**, 23(2), 2020, pp.420-438.
12. M., Mushafiq, M.I., Sindhu, & M.K., Sohail. *Financial performance under influence of credit risk in non-financial firms: Evidence from Pakistan*. **Journal of Economic and Administrative Sciences**, 39(1), 2023, pp.25-42.

13. C., Beck, G., Frost, & S., Jones. *CSR disclosure and financial performance revisited: A cross-country analysis*. **Australian Journal of Management**, 43(4), 2018, pp.517-537.
14. C., Lv, C., Shao, & C.C., Lee. *Green technology innovation and financial development: Do environmental regulation and innovation output matter?*. *Energy Economics*, 98, 2021, p.105237.
15. F., Gangi, A., Meles, E., D'Angelo, & L.M., Daniele. *Sustainable development and corporate governance in the financial system: Are environmentally friendly banks less risky?*. *Corporate Social Responsibility and Environmental Management*, 26(3), 2019, pp.529-547.
16. J., Cherian, M., Umar, P.A., Thu, T., Nguyen-Trang, M.S., Sial, & N.V., Khuong. *Does corporate social responsibility affect the financial performance of the manufacturing sector? Evidence from an emerging economy*. *Sustainability*, 11(4), 2019, p.1182.
17. S., Wang, H., Wang, J., Wang, & F., Yang. *Does environmental information disclosure contribute to improve firm financial performance? An examination of the underlying mechanism*. *Science of the Total Environment*, 714, 2020, p.136855.
18. M.N.A., Siddik, & S., Kabiraj. *Does financial inclusion induce financial stability? Evidence from cross-country analysis*. **Australasian Accounting, Business and Finance Journal**, 12(1), 2018, pp.34-46.
19. G.O., Adewinmisi, M., Ahmed, & O.A., Yahaya. *Audit committee independence and audit quality of Nigeria listed deposit money banks*. **TSU-International Journal of Accounting and Finance**, 1(3), 2022, pp.16-26.
20. M.O., Oladejo, S.O., Yinus, & T., Sanni. *An appraisal of the roles of regulatory authorities on external audit quality in the Nigerian deposit money banks*. **KIU Interdisciplinary Journal of Humanities and Social Sciences**, 1(2), 2020, pp.211-228.
21. O.D., Apalowowa, A.T., Olofintuyi, T.E., Apeko, & I.E., Falusi. *Audit quality control and financial performance of deposit money banks in Ekiti State, Nigeria*. **International Journal of Innovative Science and Research Technology**, 8(4), 2023, pp.1372-1378.
22. J.M., Onyabe, J., Okpanachi, T., Nyor, O.A., Yahaya, & M., Ahmed. *Effect of audit committee tenure on financial reporting quality of listed deposit money banks in Nigeria*. **European Scientific Journal**, 14(4), 2018, pp.257-271.
23. E.G., Erasmus, & L.C., Micah. *Audit quality indicators and market price per shares of listed deposit money banks in Nigeria*. **International Journal of Business and Law Research**, 9 (4): 1, 2021, 22.
24. O.I., Ogungbade, A.C., Adekoya, & D.I., Olugbodi. *Audit quality and financial reporting quality of deposit money banks listed on the Nigerian Stock Exchange*, 2021.

25. S.A., Owolabi, & T.A., Babarinde. *Effect of corporate governance on audit quality in Nigerian banks*. **International Journal of Multidisciplinary and Current Educational Research (IJMCER)**, 2(5), 2020, pp.290-296.
26. M., Isah, K.O., Fasua, T.T., Ugoh, & L.O., Ojo. *The effect of audit quality on market price per share of quoted deposit money banks (DMBS) in Nigeria*. **International Journal of Social Science and Economic Research**, 5, 2020, pp.3921-3944.
27. M.O., Oladejo, O., Jk, & S.O., Yinus. *External audit quality and users confidence in financial reports: Evidence from Nigeria deposit money banks*. **International Journal of Technology and Management**, 5(1), 2020, p.16.
28. U., Nzewi. *Effect of auditor's independence on audit quality: Evidence from selected deposit money banks in Nigeria*. **Himalayan Journal of Economics and Business Management**, 1(1), 2020.
29. A.B., Ado, N., Rashid, U.A., Mustapha, & L.S., Ademola. *The impact of audit quality on the financial performance of listed companies Nigeria*. **Journal of Critical Reviews**, 7(9), 2020, pp.37-42.
30. O.J., Majiyebo, J., Okpanachi, T., Nyor, O.A., Yahaya, & A., Mohammed. *Audit committee independence, size and financial reporting quality of listed deposit money banks in Nigeria*. **IOSR Journal of Business and Management**, 20(2), 2018, pp.40-47.
31. F.G., Erasmus, & F.N., Akani. *Audit quality and market value of quoted banks in Nigeria*. **International Journal of Innovative Finance and Economics Research**, 9(4), 2021, pp.18-41.
32. O., Jayeola, K.S., Olugboyege, A.M., Adekunle, & O.O., Olympus. *Determinants of audit quality: Evidence from Nigerian listed insurance companies*. Вестник Волгоградского государственного университета. Серия 3: Экономика. Экология, 22(2), 2020, pp.182-192.
33. J.U., Madugba, K.E., Howell, T.I., Nwanji, S., Faye, B.C., Egbide, & F.D., Eluyela. *Audit Committee Quality and Financial reporting in Deposit Money Banks in Nigeria*. **Asian Economic and Financial Review**, 2021.
34. O.A., Kolawole. *Audit attributes and reporting quality in selected Nigerian deposit money banks* (Doctoral dissertation, Kwara State University (Nigeria)), 2019.
35. A., Abdulrahman. *Board characteristics, audit committee dynamics and financial reporting quality of listed deposit money banks in Nigeria* (Doctoral dissertation, Kwara State University (Nigeria)), 2020.
36. U.A., Mustapha, N., Rashid, A.B., Ado, & L.S., Ademola. *The effect of audit quality on accruals earnings management in Nigerian listed firms*. **International Journal of Recent Technology and Engineering**, 8(4), 2019, pp.4894-4897.

37. A.S., Odudu, A.O., Yahaya, & A.B.A.H., Catherine. *Audit committee effectiveness and audit quality of listed insurance companies in Nigeria*. **International Journal of Research in Finance and Management**, 1(2), 2018, pp.37-46.
38. O.J., Akinyomi, & A.A., Joshua. *Determinants of audit quality in Nigeria: Evidence from listed consumer goods sector in Nigeria*. **Academy of Accounting and Financial Studies Journal**, 26, 2022, pp.1-14.
39. T.J., Ayoola. *Audit fees, audit seasonality and audit quality in Nigeria: A mediation analysis*. **Journal of Financial Reporting and Accounting**, 2022.
40. R.B., Ayinla, N.S., Aliyu, & A.A., Abdullah. *Audit committee attributes and the financial reporting quality of listed deposit money banks in Nigeria*. **Accounting and Taxation Review**, 6(2), 2022, pp.31-46.
41. K.A., Yahaya, & K.T., Ajibola. *Impact of board characteristics on auditor choice by deposit money banks in Nigeria*. **African Journal of Accounting, Auditing and Finance**, 7(2), 2020, pp.126-142.
42. N., Amahalu. *Effect of audit quality on financial performance of quoted conglomerates in Nigeria*. **International Journal of Management Studies and Social Science Research**, 2(4). 2020.
43. O.A., Yahaya, & J.M., Onyabe. *Do audit fee and auditor independence influence audit quality*. **Asian Journal of Finance and Accounting**, 14(1), 2022, pp.66-80.
44. A.G., Agbaje, R., Sadiq, O., Adesoji, & S.A., Oyindamola. *Effect of auditor's independence on financial reporting quality of Nigerian deposit money bank*. **Financial Internet Quarterly**, 17(2), 2021, pp.59-65.
45. J.A., Ivungu, K.G., Anande, & A.U., Ogirah. *Effect of audit quality on firm performance: a review of literature*. **Int. J. Adv. Acad. Res**, 5(6), 2019, pp.1-13.
46. N., Amahalu, M.N., Okeke, & O., Chinyere. *Audit quality determinants: Evidence from quoted health care firms in Nigeria*. **International Journal of Academic Research in Accounting, Finance and Management Sciences**, 7(4), 2018, pp.216-231.
47. A.L.I.U., Momodu, O., Joshua, & M., Nma. *Audit fees and audit quality: A study of listed companies in the downstream Sector of Nigerian petroleum industry*. **Humanities**, 6(2), 2018, pp.59-73.
48. A., Husna, & I., Satria. *Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value*. **International Journal of Economics and Financial Issues**, 9(5), 2019, pp.50-54.
49. F.N., Sari, & E., Endri. *Determinants of return on assets (ROA) on conventional banks listed on Indonesian stock exchange (IDX) period 2013–2017*. **IOSR Journal of Business and Management (IOSR-JBM)**, 21(4), 2019, pp.52-62.

50. R., Handayani. *Pengaruh return on assets (ROA), leverage dan ukuran perusahaan terhadap tax avoidance pada perusahaan perbankan yang listing di bei periode tahun 2012-2015*. **Jurnal Akuntansi**, 10(1), 2018.
51. I.M., Irom, O., Joshua, M.N., Ahmed & A.T., Emmanuel. *Effect of firm attributes on return on asset of listed manufacturing companies in Nigeria*, 2018.
52. B.C., Marito, & A.D., Sjarif. *The impact of current ratio, debt to equity ratio, return on assets, dividend yield, and market capitalization on stock return (Evidence from listed manufacturing companies in Indonesia Stock Exchange)*. *Economics*, 7(1), 2020, pp.10-16.
53. W., Shabrina, & N., Hadian. *The influence of current ratio, debt to equity ratio, and return on assets on dividend payout ratio*. **International Journal of Financial, Accounting, and Management**, 3(3), 2021, pp.193-204.
54. M., Cho, S.Y., Kwon, & G.V., Krishnan. *Audit fee lowballing: Determinants, recovery, and future audit quality*. **Journal of Accounting and Public Policy**, 40(4), 2021, p.106787.
55. S.P., Sari, A.A., Diyanti, & R., Wijayanti. *The effect of audit tenure, audit rotation, audit fee, accounting firm size, and auditor specialization to audit quality*. **Riset Akuntansi Dan Keuangan Indonesia**, 4(3), 2019, pp.186-196.
56. E.L., Beardsley, D.R., Lassila, & T.C., Omer. *How do audit offices respond to audit fee pressure? Evidence of increased focus on nonaudit services and their impact on audit quality*. **Contemporary Accounting Research**, 36(2), 2019, pp.999-1027.
57. A., Barua, C., Lennox, & A., Raghunandan. *Are audit fees discounted in initial year audit engagements?*. **Journal of Accounting and Economics**, 69(2-3), 2020, p.101282.
58. H., Chen, S., Hua, Z., Liu, & M., Zhang. *Audit fees, perceived audit risk, and the financial crisis of 2008*. **Asian Review of Accounting**, 27(1), 2019, pp.97-111.
59. R., Yang, Y., Yu, M., Liu, & K., Wu. *Corporate risk disclosure and audit fee: A text mining approach*. **European Accounting Review**, 27(3), 2018, pp.583-594.
60. Y.G., Shan, I., Troshani, & A., Tarca. *Managerial ownership, audit firm size, and audit fees: Australian evidence*. **Journal of International Accounting, Auditing and Taxation**, 35, 2019, pp.18-36.
61. L., Fujianti, & I., Satria. *Firm size, profitability, leverage as determinants of audit report lag: Evidence from Indonesia*. **International Journal of Financial Research**, 11(2), 2020, pp.61-67.
62. Y.T., Mutiara, A., Zakaria, & R., Anggraini. *The influence of company size, company profit, solvency and CPA firm size on audit report lag*. **Journal of Economics Finance and Accounting**, 5(1), 2018, pp.1-10.

63. V., Indrawan, S., Agoes, H., Pangaribuan, & O.M.J., Popoola. *The impact of audit committee, firm size, profitability, and leverage on income smoothing*. **Indian-Pacific Journal of Accounting and Finance**, 2(1), 2018, pp.61-74.
64. M.M., Rahman, M.R., Meah, & N.U., Chaudhory. *The impact of audit characteristics on firm performance: An empirical study from an emerging economy*. **The Journal of Asian Finance, Economics and Business**, 6(1), 2019, pp.59-69.
65. I.A., Widyaningsih, I., Harymawan, A.W., Mardijuwono, E.S., Ayuningtyas, & D.A., Larasati. *Audit firm rotation and audit quality: Comparison before vs after the elimination of audit firm rotation regulations in Indonesia*. **Cogent Business & Management**, 6(1), p.1695403.
66. T., Lai, M., Tran, V., Hoang, & T., Nguyen. *Determinants influencing audit delay: The case of Vietnam*. *Accounting*, 6(5), 2020, pp.851-858.
67. S.M., Bae, M.A.K., Masud, & J.D., Kim. *A cross-country investigation of corporate governance and corporate sustainability disclosure: A signaling theory perspective*. *Sustainability*, 10(8), 2018, p.2611.
68. B., Clerckx, R., Zhang, R., Schober, D.W.K., Ng, D.I., Kim, & H.V., Poor. *Fundamentals of wireless information and power transfer: From RF energy harvester models to signal and system designs*. **IEEE Journal on Selected Areas in Communications**, 37(1), 2018, pp.4-33.
69. D., Tarmidi, G.N., Fitria, & Z., Ahmad. *Financial performance and audit quality: Comparative study of investor reaction*. *Scholars Bulletin*, 5(12), 2019, pp.825-830.
70. R.O., Iliemena, & C.B., Okolocha. *Effect of audit quality on financial performance: Evidence from a developing capital market*. **International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)**, 6(3), 2019.
71. C.C., Ugwu, L.N., Aikpitanyi, & S., Idemudia. *The effect of audit quality on financial performance of deposit money banks (evidence from Nigeria)*. **Journal of Economics and Business**, 3(1), 2020.
72. N., Lestari, & S., Nedy. *The effect of audit quality on tax avoidance*. In *International Conference on Applied Science and Technology 2019-Social Sciences Track (ICASTSS 2019) 2019*, pp. 72-76.
73. M.J., Greenwood, & L., Tao. *Regulatory monitoring and university financial reporting quality: Agency and resource dependency perspectives*. **Financial Accountability & Management**, 37(2), 2021, pp.163-183.
74. A.S., Mustafa, A., Che-Ahmad, & S., Chandren. *Board diversity, audit committee characteristics and audit quality: The moderating role of control-ownership wedge*. **Business and Economic Horizons**, 14(3), 2018, pp.587-614.

75. S., Hasan, A.A.M., Kassim, & M.A.A., Hamid. *The impact of audit quality, audit committee and financial reporting quality: Evidence from Malaysia*. **International Journal of Economics and Financial Issues**, 10(5), 2020, p.272.
76. T.T.Y., Alabdullah, E.R., Ahmed, & K., Jebna. *Corporate governance system and firm financial performance*. **Acta Scientific Computer Sciences** Volume, 4(6), 2022.
77. T.K., Kaawaase, C., Nairuba, B., Akankunda, & J., Bananuka. *Corporate governance, internal audit quality and financial reporting quality of financial institutions*. **Asian Journal of Accounting Research**, 6(3), 2021, pp.348-366.
78. F., Vitolla, N., Raimo, & M., Rubino. *Board characteristics and integrated reporting quality: An agency theory perspective*. **Corporate Social Responsibility and Environmental Management**, 27(2), 2020, pp.1152-1163.
79. B.M., Mitnick. *Origin of the theory of agency: An account by one of the theory's originators*. 2019, SSRN 1020378.
80. N., Hussain, U., Rigoni, & R.P., Orij. *Corporate governance and sustainability performance: Analysis of triple bottom line performance*. **Journal of Business Ethics**, 149, 2018, pp.411-432.
81. T., Lahti, J., Wincent, & V., Parida. *A definition and theoretical review of the circular economy, value creation, and sustainable business models: Where are we now and where should research move in the future?*. *Sustainability*, 10(8), 2018, p.2799.
82. R., Ekinci, & G., Poyraz. *The effect of credit risk on financial performance of deposit banks in Turkey*. *Procedia Computer Science*, 158, 2019, pp.979-987.
83. R., Ichsan, S., Suparmin, M., Yusuf, R., Ismal, & S., Sitompul. *Determinant of sharia bank's financial performance during the Covid-19 pandemic*. **Budapest International Research and Critics Institute-Journal (BIRCI-Journal)**, 4(1), 2021, pp.298-309.
84. H.U., Ahmed, S.I., Ningi, & B.S., Dalhat. *Capital structure and performance of deposit money banks in Nigeria*. *NDIC quarterly*, 33(3), 2018, pp.49-76.
85. K.O.S., Ngumo, K.W., Collins, & S.H., David. *Determinants of financial performance of microfinance banks in Kenya*. arXiv preprint arXiv:2010, 2020, 12569.
86. D.F., Eluyela, O.O., Akintimehin, W., Okere, E., Ozordi, G.O., Osuma, S.O., Ilogho, & O.A., Oladipo. *Board meeting frequency and firm performance: examining the nexus in Nigerian deposit money banks*. *Heliyon*, 4(10), 2018.
87. S., Singh, & S., Das. *Impact of post-merger and acquisition activities on the financial performance of banks: A study of Indian private sector and public sector banks*. *Revista Espacios Magazine*, 39(26), 2018, p.25.
88. M.S., Shabbir, & O., Wisdom. *The relationship between corporate social responsibility, environmental investments and financial performance: evidence from*

- manufacturing companies*. Environmental Science and Pollution Research, 27, 2020, pp.39946-39957.
89. M.A., Ledhem, & M., Mekidiche. *Economic growth and financial performance of Islamic banks: a CAMELS approach*. Islamic Economic Studies, 28(1), 2020, pp.47-62.
 90. I., Serwadda. *Impact of credit risk management systems on the financial performance of commercial banks in Uganda*. Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis, 2018.
 91. D., Fatihudin. *How measuring financial performance*. **International Journal of Civil Engineering and Technology (IJCIET)**, 9(6), 2018, pp.553-557.
 92. C.F., Egbunike, & C.U., Okerekeoti. *Macroeconomic factors, firm characteristics and financial performance: A study of selected quoted manufacturing firms in Nigeria*. **Asian Journal of Accounting Research**, 3(2), 2018, pp.142-168.
 93. E., Nizam, A., Ng, G., Dewandaru, R., Nagayev, & M.A., Nkoba. *The impact of social and environmental sustainability on financial performance: A global analysis of the banking sector*. **Journal of Multinational Financial Management**, 49, 2019, pp.35-53.
 94. I., Robin, R., Salim, & H., Bloch. *Financial performance of commercial banks in the post-reform era: Further evidence from Bangladesh*. Economic Analysis and Policy, 58, 2018, pp.43-54.
 95. O.M., Bătae, V.D., Dragomir, & L., Feleagă. *The relationship between environmental, social, and financial performance in the banking sector: A European study*. **Journal of Cleaner Production**, 290, 2021, p.125791.
 96. A., Jan, M., Marimuthu, M.P., bin Mohd, & M., Isa. *The nexus of sustainability practices and financial performance: From the perspective of Islamic banking*. **Journal of Cleaner Production**, 228, 2019, pp.703-717.
 97. C., Chipeta, & M.M., Muthinja. *Financial innovations and bank performance in Kenya: Evidence from branchless banking models*. **South African Journal of Economic and Management Sciences**, 21(1), 2018, pp.1-11.
 98. C.I., Mbama, P., Ezepue, L., Alboul, & M., Beer. *Digital banking, customer experience and financial performance: UK bank managers' perceptions*. **Journal of Research in Interactive Marketing**, 12(4), 2018, pp.432-451.
 99. M., Finger, I., Gavius, & R., Manos. *Environmental risk management and financial performance in the banking industry: A cross-country comparison*. **Journal of International Financial Markets, Institutions and Money**, 52, 2018, pp.240-261.
 100. O.R., Oyewumi, O.A., Ogunmeru, & C.S., Oboh. *Investment in corporate social responsibility, disclosure practices, and financial performance of banks in Nigeria*. **Future Business Journal**, 4(2), pp.195-205.

101. N., Irawati, A., Maksum, I., Sadalia, & I., Muda. *Financial performance of Indonesian's banking industry: the role of good corporate governance, capital adequacy ratio, non performing loan and size*. **International Journal of Scientific and Technology Research**, 8(4), 2019, pp.22-26.
102. H., Karamoy, & J.E., Tulung. *The effect of financial performance and corporate governance to stock price in non-bank financial industry*. *Corporate Ownership & Control*, 17(2), 2020.
103. E., Platonova, M., Asutay, R., Dixon, & S., Mohammad. *The impact of corporate social responsibility disclosure on financial performance: Evidence from the GCC Islamic banking sector*. **Journal of Business Ethics**, 151, 2018, pp.451-471.
104. T.H., Le, A.T., Chuc, & F., Taghizadeh-Hesary. *Financial inclusion and its impact on financial efficiency and sustainability: Empirical evidence from Asia*. *Borsa Istanbul Review*, 19(4), 2019, pp.310-322.
105. J., Fijałkowska, B., Zyznarska-Dworczak, & P., Garsztka. *Corporate social-environmental performance versus financial performance of banks in Central and Eastern European countries*. *Sustainability*, 10(3), 2018, p.772.
106. C.I., Mbama, & P.O., Ezepue. *Digital banking, customer experience and bank financial performance: UK customers' perceptions*. **International Journal of Bank Marketing**, 36(2), 2018, pp.230-255.
107. F., Gangi, M., Mustilli, & N., Varrone. *The impact of corporate social responsibility (CSR) knowledge on corporate financial performance: evidence from the European banking industry*. **Journal of Knowledge Management**, 23(1), 2018, pp.110-134.
108. G., Zhou, Y., Sun, S., Luo, & J., Liao. *Corporate social responsibility and bank financial performance in China: The moderating role of green credit*. *Energy Economics*, 97, 2021, p.105190.
109. N., Nirino, G., Santoro, N., Miglietta, & R., Quaglia. *Corporate controversies and company's financial performance: Exploring the moderating role of ESG practices*. *Technological Forecasting and Social Change*, 162, 2021, p.120341.
110. J., Xu, & B., Wang. *Intellectual capital, financial performance and companies' sustainable growth: Evidence from the Korean manufacturing industry*. *Sustainability*, 10(12), 2018, p.4651.
111. M.C., Vu, T.T., Phan, & N.T., Le. *Relationship between board ownership structure and firm financial performance in transitional economy: The case of Vietnam*. *Research in International Business and Finance*, 45, 2018, pp.512-528.
112. S., Suhadak, K., Kurniaty, S.R., Handayani, & S.M., Rahayu. *Stock return and financial performance as moderation variable in influence of good corporate governance towards corporate value*. **Asian Journal of Accounting Research**, 4(1), 2018, pp.18-34.

113. N., Soewarno, & B., Tjahjadi. *Measures that matter: an empirical investigation of intellectual capital and financial performance of banking firms in Indonesia*. **Journal of Intellectual Capital**, 21(6), 2020, pp.1085-1106.
114. N., Sunardi, & F., Tatariyanto. *The impact of the Covid-19 pandemic and fintech adoption on financial performance moderating by capital adequacy*. **International Journal of Islamic Business and Management Review**, 3(1), 2023, pp.102-118.
115. Y., Liu, S., Saleem, R., Shabbir, M.S., Shabbir, A., Irshad, & S., Khan. *The relationship between corporate social responsibility and financial performance: A moderate role of fintech technology*. *Environmental Science and Pollution Research*, 28, 2021, pp.20174-20187.
116. A., Salman, & H., Nawaz. *Islamic financial system and conventional banking: A comparison*. **Arab Economic and Business Journal**, 13(2), 2018, pp.155-167.
117. A., Ajibola, O., Wisdom, & O.L., Qudus. *Capital structure and financial performance of listed manufacturing firms in Nigeria*. **Journal of Research in International Business and Management**, 5(1), 2018, pp.81-89.
118. A., Ullah, C., Pinglu, S., Ullah, M., Zaman, & S.H., Hashmi. *The nexus between capital structure, firm-specific factors, macroeconomic factors and financial performance in the textile sector of Pakistan*. *Heliyon*, 6(8), 2020.
119. A.H., Al-Dmour, M., Abbod, & N.S., Al-Balqa. *The impact of the quality of financial reporting on non-financial business performance and the role of organizations demographic' attributes (type, size and experience)*, 2018.
120. R., Ang, Z., Shao, C., Liu, C., Yang, & Q., Zheng. *The relationship between CSR and financial performance and the moderating effect of ownership structure: Evidence from Chinese heavily polluting listed enterprises*. *Sustainable Production and Consumption*, 30, 2022, pp.117-129.
121. T.N.L., Nguyen, & V.C., Nguyen. *The determinants of profitability in listed enterprises: A study from Vietnamese stock exchange*. **Journal of Asian Finance, Economics and Business**, 7(1), 2020, pp.47-58.
122. B.K., Agyei-Mensah. *Impact of corporate governance attributes and financial reporting lag on corporate financial performance*. **African Journal of Economic and Management Studies**, 9(3), 2018, pp.349-366.
123. A., Alshehhi, H., Nobanee, & N., Khare. *The impact of sustainability practices on corporate financial performance: Literature trends and future research potential*. *Sustainability*, 10(2), 2018, p.494.
124. R.I., Omondi, & A., Jagongo. *Microfinance services and financial performance of small and medium enterprises of youth SMEs in Kisumu County, Kenya*. **International Academic Journal of Economics and Finance**, 3(1), 2018, pp.24-43.

125. G., Mojambo, J.E., Tulung, & R.T., Saerang. *The influence of top management team (TMT) characteristics toward Indonesian Banks performance during the digital era (2014–2018)*, 2020.
126. T., Nawaz. *Intellectual capital profiles and financial performance of Islamic banks in the UK*. **International Journal of Learning and Intellectual Capital**, 16(1), 2019, pp.87-97.
127. I., Ozturk, & S., Ullah. *Does digital financial inclusion matter for economic growth and environmental sustainability in OBRI economies? An empirical analysis*. *Resources, Conservation and Recycling*, 185, 2022, p.106489.
128. O., Kodongo. *Financial regulations, financial literacy, and financial inclusion: Insights from Kenya*. *Emerging Markets Finance and Trade*, 54(12), 2018, pp.2851-2873.
129. H., Banna, M.K., Hassan, & M., Rashid. *Fintech-based financial inclusion and bank risk-taking: Evidence from OIC countries*. **Journal of International Financial Markets, Institutions and Money**, 75, 2021, p.101447.
130. K., Rosyadah, A.R., Mus, B., Semmaila, & L., Chalid. *The relevance of working capital, financial literacy and financial inclusion on financial performance and sustainability of micro, small and medium-sized enterprises (MSMEs)*. **American Journal of Humanities and Social Sciences Research (AJHSSR)**, 4, 2022, pp.203-216.
131. F.M., Ajide. *Financial inclusion in Africa: Does it promote entrepreneurship?*. **Journal of Financial Economic Policy**, 12(4), 2020, pp.687-706.
132. E.B., Anarfo, & J.Y., Abor. *Financial regulation and financial inclusion in Sub-Saharan Africa: Does financial stability play a moderating role?*. **Research in International Business and Finance**, 51, 2020, p.101070.
133. A., Shofawati. *The role of digital finance to strengthen financial inclusion and the growth of SME in Indonesia*. **KnE Social Sciences**, 2019, pp.389-407.

Chapter Three

Methodology

In this chapter, the study's methodology, data sources, and model specifications are expounded upon, with particular emphasis on data analysis techniques, econometrics, and statistical standards.

3.1 Research Design

The study adopted the ex-post facto design, which uses secondary data to predict current trends and examines how audit quality affects financial performance. This design is quasi-experimental, as it does not involve direct control over the independent variables, whose effects have already occurred and cannot be manipulated.

3.2 Population of the Study

This study's population will be comprised of deposit money banks that were listed on the Nigerian Stock Exchange as of the 31st of December, 2016. In Nigeria, there would be 11 banks that are listed as deposit money banks at the time of the study. The entire population will be included in the study, although participation is contingent on the companies having full data for the period between 2016 and 2021 available in their published annual reports. If this need is met, then the entire population will be considered for inclusion¹.

The annual financial statements of the eleven deposit money banks that are listed on the Nigerian stock exchange market will serve as the primary source of information for this research project. Return on assets and earnings per share are the metrics that will be used to evaluate the company's financial performance. From 2016 to 2021, the quality of audits will be evaluated based on audit fees, audit independence, and the size of audit firms. The data

that has been gathered will go through a thorough process of selection and verification to verify that it is accurate and pertinent to the study topic and design².

Model Specification

The functional model showing the relationship between Audit quality and Financial performance is given as follows:

$$Y=f(X)$$

The functional relationship is estimated as:

$$Y (y_1, \& y_3) = f[(X_1]$$

$$X_1 = [x_{11}, x_{12}, x_{13}];$$

Dependent Variable

Y= dependent variable – Financial Performance

y₁= Return on Asset (ROA)

y₂= Earnings per share (EPS)

Independent Variables

X= Audit Quality

x₁₁ = Audit Fees (AF)

x₁₂ = Audit Independence (AI)

x₁₃ = Audit Firm Size (Big4)

To build a regression model, we can use the following equations:

Based on the hypotheses provided, the regression model can be specified as follows:

H01 and H02:

$$ROA = \alpha_1 + \beta_1 AF + \beta_2 AI + \beta_3 Big4 + \varepsilon_1$$

$$EPS = \alpha_2 + \beta_1 AF + \beta_2 AI + \beta_3 Big4 + \varepsilon_2$$

H03 and H04:

$$ROA = \alpha_5 + \beta_1 AF + \beta_2 AI + \beta_3 Big4 + \beta_4 FSize + \beta_5 (AFFSize) + \beta_6 (AIFSize) + \beta_7 (Big4FSize) + \varepsilon_5$$

$$EPS = \alpha_6 + \beta_1 AF + \beta_2 AI + \beta_3 Big4 + \beta_4 FSize + \beta_5 (AFFSize) + \beta_6 (AIFSize) + \beta_7 (Big4FSize) + \varepsilon_6$$

Where:

ROA: Return on Asset

EPS: Earnings per share

AF: Audit Fees

AI: Audit Independence

Big4: Audit Firm Size (1 if Big 4, 0 otherwise)

ε_1 - ε_6 : Error terms for each equation

α_1 - α_6 : Intercept terms for each equation

β_1 - β_7 : Coefficients of the independent variables and their interactions with Firm Size

To test the hypotheses, statistical tests can be conducted on the coefficients of the independent variables and the interaction terms with Firm Size. If the p-values for the coefficients and interaction terms are less than the significance level (usually 0.05), the null hypotheses can be rejected, and it can be concluded that the independent variable has a significant effect on the dependent variable. If the p-value is greater than the significance level, the null hypothesis cannot be rejected, and it can be concluded that there is no significant effect.

Measurement of Variables

Dependent Variable – Financial Performance

ROA: Measured, as earnings before interest and tax divided by total assets

EPS: Measured, as earnings after interest and tax divided by the total number of outstanding common shares

Independent Variables

1. Audit Quality

Audit Fees (AF): This will be measured using Natural log of audit fees paid by the listed deposit money banks companies

Audit Independence (AI): This will be measured using Natural log of non-audit service fees paid by the deposit money banks companies.

Audit Firm Size (AFS): This will be measured by the likelihood that a sampled company employs the services of one of the big 4 audit firms in Nigeria. A dummy value of 1 is used if a firm uses any of the big 4 audit firms and 0 if otherwise.

3.3 Method of Data Analysis

Descriptive statistics and regression analysis will be employed as analysis techniques in this investigation. To explain the trend of the obtained data, descriptive statistics will be employed, defining its central tendency, variability, and dispersion.

The Ordinary Least Squares (OLS) regression approach will be utilized for inferential statistics, which is widely used in economics and finance for data analysis and regression model estimate. Because it allows for the estimation of the functional relationship between dependent and independent variables, OLS is ideal for this investigation. Estimate the coefficients of the independent variables to examine the impact of various metrics of audit quality, ownership structure and financial performance. OLS also allows for the calculation of residuals, which can be used to assess the regression model's quality of fit. The OLS approach will be implemented using the E-VIEW software program, which is widely used in economics and finance research³. These analytical tools will aid in providing a robust examination of the relationship between variables as well as testing the hypotheses proposed in this study.

Endnotes

1. G.E. Oyedokun. *Research methodology for social and management students*. **Aaron & Hur Publishing** 30, 2018.
2. NGX. *Listed Companies*. **Nigerian Exchange Limited**, 2023. <https://ngxgroup.com/exchange/trade/equities/listed-companies/>
3. C.T., Dare, A.O., Efuntade, B.O., Alli-Momoh, & O.O., Efuntade. *Audit committee characteristics and audit quality: Exploratory and empirical analysis in Nigerian oil sector*. **European Journal of Accounting, Auditing and Finance Research**, 9(1), 2021, pp.97-111.

Do Not Copy, Lead City University, Nigeria

Chapter Four

Results and Discussion of Findings

In this chapter, results are presented. Thus, in order to ensure that the panel and time series data used for this analysis are in good structure, the estimation begins with the descriptive analysis, correlation analysis, unit root/stationary test and the co-integration analyses of the time series data. These processes enable the researcher to carry out some predetermined operations, where applicable, on the variables, so as to minimize estimation errors and achieve the unbiased estimator of the models' analyses.

4.1. Preliminary Tests

Some preliminary tests are carried out to ensure reliability of results.

4.1.1. Descriptive Statistics

This is done to summarize the basic features of the data. The results of the descriptive statistics are presented in Table 4.1.

Table 4.1: Descriptive Statistics

| | FNP | AUF | AUI | AFS |
|--------------------|------------|------------|------------|------------|
| Mean | 0.453 | 0.134 | 1.479 | 7.683 |
| Median | 0.337 | 0.067 | 0.367 | 7.464 |
| Maximum | 1.294 | 0.995 | 119.150 | 9.109 |
| Minimum | 0.156 | 2.855 | 0.019 | 6.577 |
| Standard Deviation | 0.308 | 0.633 | 10.770 | 0.688 |
| Skewness | 1.559 | 1.761 | 10.823 | 0.695 |
| Kurtosis | 4.857 | 8.447 | 118.737 | 2.296 |
| Jarque Bera | 66.992 | 213.925 | 704.17 | 12.361 |
| Probability | 0.000 | 0.000 | 0.000 | 0.002 |
| Sum | 53.384 | 16.413 | 180.538 | 937.355 |

Source: Author's Computation (2023)

This is done to summarize the basic features of the data. The results are presented in Table 4.1. From the summary statistics presented above; it is evident that all the variables have positive mean values. Audit firm size has the highest mean value of 7.683, while audit fees have the lowest mean value of 0.134. The table also shows that variables are exemplified by a marked disparity, given their maximum and minimum values.

In terms of their disparity from the average points, the standard deviation value is relatively low except for audit independence. The table also presents the result of other statistics like the skewness, Kurtosis and Jarque–Bera tests. Skewness is a measure of asymmetry of the distribution of the series around its mean. The skewness of a normal distribution is zero,

while positive and negative skewness implies long right tails and long left tails respectively. The skewness test shows that all the variables are positively skewed. For the kurtosis test, it measures the presence of outliers in the dataset. The results indicate that most of the variables are not normally distributed as they failed to comply with the benchmark of 3.0 for the Kurtosis statistic.

4.2 Test of Hypotheses

Table 4.2 Correlation Matrix for the relationship between audit quality measures and financial performance for listed Deposit Money Banks in Nigeria

| Variables | FNP | AUF | AUI | AFS |
|-----------------------|----------|----------|----------|-----|
| Financial performance | 1 | | | |
| Audit fee | 0.621** | 1 | | |
| Audit independence | 0.718** | 0.683** | 1 | |
| Audit audit firm size | -0.683** | -0.576** | -0.657** | 1 |

**Correlation is significant at the 0.01 level (2-tailed)

Source: Author's Computation (2023)

The result of the correlation analysis in Table 4.2 as dual implications. First it shows the correlation between the individual measure of the independent variables on the dependent variable hence presenting the result of hypotheses one to three. Second

implication is that it helps to reveal the presence or absence of multicollinearity in the estimated model for the analysis of the hypothesis four which examined the effect of audit quality on financial performance of listed DMBs in Nigeria.

From the result in Table 4.2, the following findings are deduced

H₀₁: There is no significant relationship between audit fees and financial performance of listed DMBs in Nigeria.

As indicated in Table 4.2 there was a positive relationship between financial performance and audit fees based on coefficient of correlation (r) = 0.621. Therefore, higher audit fees will lead to higher financial performance. The association between financial performance and audit fees showed a moderately strong positive correlation.

H₀₂: Audit independence has no significant relationship with financial performance of listed DMBs in Nigeria.

The analysis from the Table 4.2 indicates a positive relationship between financial performance and audit independence based on coefficient of correlation (r) = 0.718. Therefore, higher Audit independence would lead to higher financial performance and vice versa. The association between financial performance and Audit independence showed a strong and positive correlation.

H₀₃: There is no significant association between audit firm size and financial performance of listed DMBs in Nigeria.

As indicated in Table 4.2 above, there was a negative relationship between financial performance and audit firm size based on coefficient of correlation (r) = -0.683. Therefore, increase in audit firm size will lead to lower financial performance. The

association between financial performance and audit firm size showed a fairly strong negative correlation.

The second implication of the result in Table 4.2 suggested that since there was no issue of high-correlation among the independent variables that is the model adopted does not have multi-collinearity problem. Thus, the selected variables are properly suited for conducting the regression estimations required to analyse hypothesis four.

Panel Analysis

Table 4.3. Regression results on the effect of audit quality on financial performance of listed DMBs in Nigeria

| Variables | Pooled OLS | Fixed Effect | Random Effect |
|--------------------|-------------------|-------------------|-------------------|
| Constant | 2.827 | 0.454 | 0.463 |
| Audit fees | 0.005 (0.000) | 0.305 (0.000) | 2.360 (0.000) |
| Audit independence | 0.006 (0.875) | 0.206 (0.011) | 2.481 (0.000) |
| Audit firm size | -0.279 (0.021) | -0.734 (0.001) | -3.879 (0.144) |
| R ² | 0.74 | 0.76 | 0.73 |
| F | 12.355 | 2.164 | 4.359 |
| Observations | 122 | 122 | 122 |
| Model | POLS | Fixed | Random |

Dependent variable: Financial performance

Independent variable: Audit quality

Source: Author's Computation (2023)

Table 4.4 : Hausman Test

| | |
|--------------------|-------------|
| Chi square: 10.791 | Prob: 0.041 |
|--------------------|-------------|

Source: Author's Computation (2023)

The Hausman test probability ($0.041 < 0.05$) value shows that the random effect estimator is less efficient than the fixed effect estimator and as such the null hypothesis is not accepted. The fixed effect results presented in Table 4.3 reveals that audit quality has positive and significant influence of financial performance of DMBs in Nigeria ($R^2 = 0.76$).

According to the result, taking all factors constant at zero, financial performance of listed DMBs in Nigeria is 2.827. The result also indicates that taking all other independent variables at zero, a unit change in audit fees will lead to a 0.305 increase in financial performance of listed DMBs in Nigeria given that all other factors are held constant. Similarly, the results also revealed that a unit change in audit independence will lead to 0.206 increase in financial performance of listed DMBs in Nigeria given that all other factors are held constant. Likewise, the results also revealed that a unit change in audit firm size personality will lead to 0.734 decrease in financial performance of listed DMBs in Nigeria given that all other factors are held constant. Based on the results, this study can conclude that audit quality significantly influences financial performance of listed DMBs in Nigeria. On the strength of this result ($R^2 = 0.76$, $p = 0.000$), this study rejects the null hypothesis four (H_04) which states that audit quality has no significant effects on financial performance of listed DMBs in Nigeria.

4.3 Discussion of Findings

According to the findings of the first hypothesis, which investigated the link between audit fees and the financial performance of chosen listed DMBs in Nigeria, audit fees have a positive and substantial relationship with financial performance for those selected listed DMBs in Nigeria. This conclusion was reached as a consequence of the examination of the first hypothesis. Despite this, the strength of the relationship is somewhere in the middle of moderate and strong. As a result, we came to the conclusion that there is a strong positive link between audit fees and financial performance after rejecting the null hypothesis, which is denoted by the symbol H_01 . Therefore, an increase in audit fees by listed DMBs in Nigeria will almost certainly have a comparable resultant change in financial performance. This is a very high probability. This conclusion is consistent with a study that revealed a favorable association between audit fees and financial success in a variety of research contexts, and it is supported by the fact that the study was conducted¹. Nevertheless, the findings of this study contradict those of other investigations, which found a negative correlation between the two factors².

Audit independence was shown to have a positive and substantial link with financial performance for the selected listed DMBs in Nigeria, according to the findings of the second hypothesis's test, which assessed the connection between audit independence and the financial performance of selected DMBs in the Nigerian stock market that are publicly traded. In addition to this, the power of the relationship is quite robust. As a result, we rejected the alternative hypothesis, H_02 , and came to the realization that there is a considerable and positive correlation between audit independence and financial performance. As a result, a growth in the experience of audit independence by the listed selected listed DMBs in Nigeria will have similar subsequent improvements in the

companies' financial performance. Studies have revealed a positive and significant association between audit independence and share prices, which is consistent with the findings of our study³. Nevertheless, the findings of this study contradict those of other studies, which found a negative correlation between audit independence and financial performance⁴.

The findings of the fourth hypothesis, which investigated the relationship between audit firm size and the financial performance of chosen listed DMBs in Nigeria, suggested that the size of audit firms had a significantly inverse association with financial performance for the selected listed DMBs in Nigeria. This finding was supported by the findings of the third hypothesis. On the other hand, the strength of the relationship is somewhere in the middle. As a result, we came to the realization that the null hypothesis, H05, could not be supported, and we came to the conclusion that there is a substantial association, but it is a negative one, between audit firm size and financial performance. As a result, a growth in the size of audit firms and the number of listed DMBs in Nigeria will both have a comparable subsequent decline in their financial performance. This conclusion is consistent with the findings of some research, which showed a strong and negative inverse correlation between the variables. This conclusion, however, differs from those found in previous research 2, 3, and 7⁴.

The fourth goal of this study is to determine the impact that the audit quality measure has had on the financial performance of a number of selected listed DMBs in Nigeria. In order to test the ensuing hypothesis five, the objective five was first formulated. The conclusion that can be drawn from these findings is that the quality of audits has a positive and discernible impact on the financial performance of publicly traded DMBs in Nigeria. Additional research on the audit quality measures that were investigated (which included

audit fees, audit independence, and audit firm size) suggests that while audit fees and audit independence had positive and significantly relative influences on financial performance, audit firm size had a negative and significantly adverse effect on the financial performance of all of the listed DMBs in Nigeria that were investigated. This indicates that an increase in the size of an audit firm will result in a reduction in financial resources, which runs counter to the conclusions of 2, 3, and others. The conclusions of 4,5,6, and 8 are supported by this evidence.

For a long time, academics have been interested in studying the relationship between audit quality and a variety of criteria, including audit fees, audit independence, and the size of the audit firm. This is particularly the case when considering the impact these characteristics have on the financial performance of deposit money institutions. This nexus is of great importance due to the fact that deposit money banks are essential institutions in the financial sector. It is of the utmost importance to maintain public trust and financial stability by assuring the integrity and correctness of the financial statements that deposit money banks publish. The quality of the audit is, first and foremost, inextricably linked to the fees that are charged. Audit fees are the payment made to audit companies in exchange for their services, and it is a generally accepted fact that higher audit fees are typically connected with higher audit quality. This is due to the fact that auditing firms might be incentivized by greater fees to devote more resources, experience, and time to the auditing process, which ultimately results in a more in-depth analysis of a bank's financial statements. As a consequence, the presence of a favorable correlation between audit quality and audit fees has the potential to improve the financial performance of deposit money institutions by lowering the risk of fraudulent financial reporting and other types of financial misstatement.

Independence of audits is another essential criterion that has a significant impact on audit quality and, indirectly, the financial performance of deposit money institutions. It is anticipated of audit firms that they would preserve their independence from their clients in order to guarantee impartial and objective evaluations. When a bank's auditors' independence is called into question, there is a greater chance that they may fail to spot errors or omissions in the institution's financial statements. It is absolutely necessary to conduct an audit that is rigorous and independent in order to guarantee the correctness of financial reports. This, in turn, can increase investor trust and positively affect the financial performance of deposit money institutions⁵.

The scale of the auditing company is an important consideration with regard to the quality of the audit. Larger auditing firms typically possess a greater quantity of resources, as well as greater levels of experience and a reputation to uphold, all of which can translate into superior audit quality. It's possible that these companies are in a better position to entice and keep the best employees, as well as invest in cutting-edge auditing techniques and technologies. Therefore, deposit money banks that have their financial statements audited by larger corporations have a greater tendency to gain from the increased credibility and reliability of their financial statements, which ultimately leads to superior financial performance. There is a clear connection between the overall influence that audit quality, audit fees, audit independence, and audit firm size have on the financial performance of deposit money institutions, as well as each of these factors individually and collectively. In most cases, increased audit costs are related with greater audit quality, which can reduce the possibility of financial misstatements and improve financial performance. It is essential to keep auditing independent in order to guarantee impartial judgments and maintain investor confidence. In addition, the size of the audit firm can have a major influence on the extent

to which the audit process is carried out, which further contributes to enhanced financial performance. Both academics and regulatory bodies continue their research into these connections and place a strong emphasis on them since they are aware of the vital role they play in preserving the reliability and consistency of the banking sector⁶.

The effect of audit quality on the financial performance of organizations has been researched extensively in recent years, with examples ranging from Deposit Money Banks (DMBs) in Nigeria to listed firms in Pakistan. In addition, this study fits with prior studies that explored the effect of audit quality on the financial performance of organizations. An academic investigates the relationship between audit quality and the financial outcomes of small and medium-sized businesses (DMBs) in Nigeria using a dependent variable (return on audited assets) and many independent factors (size of Audit Company, number of auditors, and audit fee). According to the findings, the Return on Audit (ROA) was improved by both larger audit firms and collaborative audits, whereas audit fees had the reverse effect. In order to improve the overall quality of audits, the authors strongly advocated for the obligatory implementation of joint audits and supported the development of smaller audit companies. What role do audit fees and the reputation of audit firms play in determining the quality of audits performed at publicly traded companies? A number of parameters were considered for this study, including the reputation of the audit company and the fees charged for the audit, with discretionary or irregular accruals acting as a proxy for revenue manipulation. According to the evidence that we have, audit fees have a negative effect on the quality of audits, and smaller auditing firms do better than the "Big 4" when it comes to the quality of audits in general.

According to the findings of the analysis done by the authors, higher audit costs lead to lower audit quality. Regulators and policymakers now have a better knowledge of how the

quality of the audit affects financial performance as a direct outcome of the research that was conducted. A study that looked at the banking industry in Nigeria gives light on auditing quality in other developing nations like Pakistan⁶. The study was conducted in Nigeria. More research on this subject is necessary if one wants to achieve a complete comprehension of the connection that exists between audit quality and financial performance.

In Nigeria, a number of empirical studies have been conducted to investigate how the quality of audits influences financial performance, the manipulation of income, and the length of time it takes to release audit results. The Influence of Audit Quality on Financial Performance of Listed Deposit Money Banks in Nigeria. Their research indicates that the audit fee does not influence the ROA of DMBs; rather, the size of the audit firm and the presence of a joint audit do. Alternately, The Effects of Audit Fees and the Reputation of Audit Firms on the Audit Quality of Listed Firms in Pakistan³. According to the findings of their investigation, non-Big 4 audit firms in Pakistan generate audits of a higher quality compared to audits produced by Big 4 audit firms, and auditors create audits of a poorer quality in exchange for more audit fees. Analysis of a Selected Group of Nigerian Consumer Goods Companies' Perceptions on the Impact of Audit Fees on Audit Quality. The study found that audit fees, client profitability, and financial leverage all have a positive but moderate effect on audit quality in the consumer products sector of listed corporations in Nigeria. On the other hand, audit tenure and client size both had a strong positive effect. Lastly, the impact of audit quality on the tardiness of audit reports for Nigerian manufacturers of industrial goods is going to be discussed. It was discovered that audit quality had a positive and statistically significant effect on audit report delay for industrial products companies in Nigeria, however auditor independence does not have any

such effect. The findings of these empirical studies give light on the ways in which audit quality affects a variety of aspects of financial reporting in Nigeria and Pakistan.

The quality of earnings in the manufacturing sector of publicly traded companies is impacted by a number of aspects linked to external auditing. These factors include audit quality, audit size, auditors' fees, customer retention period, auditor's opinion, and auditor's expertise in client's industry. It was discovered that the fees paid to auditors had the greatest impact on the quality of earnings as well as the quality of the audit, which was used as a proxy for the company's financial performance. Comparisons between the Big Four and other auditing firms operating in Indonesia, together with analyses of how these distinctions impact audit quality⁷. It was discovered that there is no association between the length of time an auditor has worked for a company and the quality of their audits. On the other hand, it was discovered that audit firm rotation had a positive impact on audit quality, particularly for firms other than the Big 4. In the study, there was found to be no association between the quality of audits and the ROA of companies. How the level of audit effort might affect the amount of anomalous audit fees (AAF) charged by Nigeria's publicly traded banking institutions⁸. According to the findings of the study, there is a favorable relationship between joint audits and AAF. This is in contrast to the findings that found negative associations between AAF and IFRS, CPX, and SIZ. It was found that there was a significant association between AAF and client size, however it was found that joint audit had the biggest effect. This correlation was found to be unfavorable. However, the effect of audit fees and other factors on the financial performance of corporations was not investigated in this study. Those results are not presented here. It has been demonstrated that several aspects of an external audit have a major influence on a company's financial performance. These aspects include the auditor's fees, the audit quality, the rotation of audit

firms, and collaborative audits. However, additional research is required to discover whether or not there is a correlation between audit fees and financial results.

The influence of audit independence, audit time, and audit firm size on the financial performance of Nigerian consumer goods companies. The foundation of this descriptive and cross-sectional analysis is secondary data taken from the annual reports of five randomly chosen publicly traded businesses operating in the consumer products market over the course of five years. According to the findings of the analysis, all of the other independent criteria had a significant and combined effect on the financial performance of the selected firms, with the exception of the size of the audit firms. This suggests that the quality of audits (in terms of audit independence, audit tenure, and the size of audit firm) has a considerable effect on the financial performance of Nigerian consumer goods companies, and that this effect is positive. However, the research did not find a statistically significant connection between the size of the audit organization and the results of the financial audit. The findings of the study are confirmed by the discovery that the quality of audits has a substantial impact on the financial performance of consumer products companies in Nigeria⁹.

An investigation on the correlation between the size of the auditing company, the number of audits performed jointly, and the auditing charge for each of Nigeria's publicly traded DMBs from 2011 to 2017. When examining the data, we make use of a variety of research methodologies, including ex post facto research, multiple regressions, and correlation analysis. According to the findings of the study, larger audit businesses were associated with higher financial performance. This shows that size mattered with regard to both aspects of the equation. On the other hand, a negative and statistically significant association was discovered between joint audit and financial performance¹⁰. This indicates

that the collaboration of two audit firms has a detrimental impact on the financial results. It was found that there is a negative association between audit fees and financial results, however this correlation is statistically negligible. This suggests that the audit fee is not a significant component in the overall financial success of the organization. According to the findings of the study, there is a statistically significant negative correlation between joint audit and financial performance. This finding lends credence to the hypothesis that joint audit may have a detrimental impact on financial outcomes. As a consequence of this finding, the study recommends obligating joint audit in order to improve financial performance. Given that the study found a positive and statistically significant association between audit firm size and business performance, it recommends that smaller audit firms be actively sought out for engagement in order to take advantage of the benefits that come with working with them. Because of this, it's feasible that audits carried out by smaller organizations will be more comprehensive, which might have a positive impact on the bottom line. As a result of this research, insightful recommendations for improving audit quality and financial performance in Nigerian businesses are presented. These recommendations can be seen below.

It is investigated how various banks in Nigeria fared as a consequence of the quality of the audits. The study examines the impact that audit committees have on the profit margins of Nigerian banks, as well as the impact that the size of audit firms has on ROA and the impact that audit committee independence has on ROE. The study applies regression analysis to the data collected from the financial accounts of sixteen deposit money banks that were listed on the Nigerian Stock Exchange between the years of 2008 and 2017. This study evaluated the impact of audit quality on the corporate performance of selected banks in Nigeria. It was found that some independent variables had significant effects on several

measures of financial performance¹¹. Additionally, this study investigated the relationship between audit quality and corporate performance. It was discovered that the size of the firm, the independence of the audit committee, and the number of members on the audit committee each had a significant impact on the return on assets, return on equity, and size of the audit committee, respectively. The findings of the study indicate that organizations should employ auditing firms that have established track records of conducting high-quality audits. This is due to the fact that higher-grade audits allow for the possibility of better financial results being attained. The findings suggest that smaller audit organizations may be more devoted to executing entire audit assignments; as a result, regulatory bodies ought to encourage the usage of these companies. According to the findings of the study, obligatory joint auditing should be implemented in order to improve audit quality and, therefore, financial performance⁹. The paper provides useful insights on the connection between audit quality and financial performance in Nigeria, as well as ideas for how firms and regulatory agencies may improve audit quality to better serve investors. Additionally, the report provides recommendations for how audit quality might be improved in other countries.

The dependent variable was earnings per share, the independent factors were auditor independence, audit firm size, audit committee size, and audit committee financial expertise, and the total was the financial performance of three Nigerian manufacturing enterprises over the course of 18 years. Earnings per share were used as the dependent variable. For two of the three firms that were researched, it was discovered that the financial understanding of the audit committee, the independence of the audit committee and the independence of the audit had a substantial influence on earnings per share. In order to improve the quality of audits, the paper recommends that businesses seek out auditors with

a solid reputation, and that government agencies encourage the hiring of smaller audit companies and mandate collaborative audits.

The effect of the quality of the internal audit on the profitability of insurance companies in Kosovo, determined by multiplying the ratio of net profit to total assets by 40. The study that examined data from six-month financial statements from 2015-2021 used internal audit standards, professional competence, independence of the auditor, and effectiveness of the internal audit as independent variables. The study was carried out in 2015. It was found that there is a correlation between professional competence and financial performance, which is in a positive direction, while there is a correlation between the efficiency of internal auditing and financial performance, which is in a negative direction¹⁰. The size of the insurance company showed a favorable correlation, but the age of the insurance company had a significant negative impact on the company's financial success. This study highlights the significance of regulatory bodies encouraging companies to engage high-quality auditors and making joint audit compulsory in order to improve audit quality. Additionally, it recommends that insurance companies pay particular attention to the efficiency and independence of internal auditors in order to boost financial performance. The need of conducting an audit of a high-quality to ensure efficient administration of financial resources, along with some suggestions for achieving this objective in practice.

This study's objective is to ascertain whether or not audit independence, audit tenure, and audit firm size have any influence whatsoever on the monetary performance of consumer goods companies in Nigeria. The theoretical underpinnings of the framework consist of the stakeholder theory, agency theory, contingency theory, and the credibility theory of lending. For the purpose of this descriptive, cross-sectional study, secondary data was collected over the course of five years from the annual reports of five different publicly traded consumer

goods companies that were chosen at random. The investigation's findings demonstrated that every one of the independent criteria, with the sole exception of audit firm size, had a significant influence on the analyzed companies' financial outcomes⁸. According to the findings, in order to conduct an audit of a high quality, it is necessary to have effective internal control procedures and practices that address fundamental auditing procedures. As a result, achieving high levels of audit quality calls for the implementation of internal control procedures and practices that address fundamental auditing procedures. According to this piece of guidance, firms should make the development and implementation of effective internal control systems and practices their top priority in order to improve the quality of audits, which can then lead to improved financial performance.

The influence of audit committee characteristics on the financial performance of food and beverage companies listed on the Nigeria Stock Exchange. Earnings per share, also known as EPS, were utilized as a proxy for financial performance, whereas audit committee independence, audit committee financial understanding, and audit committee meetings were utilized in order to quantify audit committee attributes. In this study, a retrospective research methodology was adopted, and secondary data were compiled from the annual reports of fourteen typical companies during the eight-year period of 2011-2018. On the Nigerian Stock Exchange, audit committee meeting had a positive and significant effect on the earnings per share of listed food and beverage companies, whereas audit committee independence and audit committee expertise had positive but small effects¹¹. To improve their overall performance, companies should ensure that their audit committees continue to meet on a regular basis and that their committee members are equipped with the necessary financial knowledge, particularly in the area of accounting. In order to ensure that the audit

committee is operating at its full potential, these standards ought to be enforced by regulatory bodies as well.

For the years 2015-2020, an OLS regression on panel data was used to investigate the effects of leverage, firm age, firm size, firm capital, tangible assets, liquidity, firm growth, and audit variables (including the size of the audit firm, the mandate/term of the audit, and the relationship between the audit firm and the insurance firm) on return on assets (ROA). According to the findings of the research conducted, the audit mandate was the only significant predictor that had a positive and strong association with the performance of audit firms in Kosovo¹². Company size, leverage, and growth were three other significant elements to consider. In a separate piece of research, the relationship between ROA and other factors of audit quality (statutory audit services, audit tenure, auditor independence, and audit-firm size) is investigated.

On the other hand, statutory audit service was found to have a favorable impact on firm performance (ROA), contrary to the findings on audit independence, was determined to have a negative impact on ROA. The cumulative effect of audit quality indicators has been shown to have a significant bearing on return on investment. However, the influence of audit quality on the performance of publicly traded financial and non-financial firms in Botswana and Uganda over the five years 2014-2018 was inconsistent. This was the case for both countries. Tobin's Q, return on assets, and audit fees were utilized as metrics to evaluate the performance of the company, with audit size functioning as a stand-in for audit quality. Although there was a negative link between financial performance and audit quality, the statistical significance of this correlation could not be determined. Therefore, audit quality qualities have a major impact on the performance of businesses; however, the precise nature of this influence might change depending on the setting, the method, and

other factors. The findings underscore the necessity for governing bodies to place a greater emphasis on audit quality in order to guarantee that financial reporting is in accordance with the legislation that are currently in place.

The purpose of this study is to conduct an empirical investigation of the connection that exists between the quality of audits and the financial performance of publicly traded companies in Nigeria. The purpose of this study is to evaluate how auditing financial statements can help level the playing field by closing knowledge gaps and encouraging healthy competition. The data for this study originated from the annual reports and accounts that were made accessible to the public by four representative companies. These reports and accounts were acquired for this study utilizing a correlational and ex-post facto design. Following the presentation of our hypotheses, we put them to the test by doing a multiple regression analysis with SPSS Version 15.0. According to the findings, the financial performance of publicly traded cement businesses in Nigeria is significantly impacted not only by the size of the auditing firm but also by the independence of the auditing firm, with the latter having a more substantial bearing on the outcome. Increases in auditor salaries and the employment of auditing firms with excellent reputations for honesty and transparency should be made by publicly traded cement businesses in order to improve their financial outcomes. It has been hypothesized that businesses that hire larger audit firms as well as auditors who work independently have higher overall financial performance. This demonstrates that using trustworthy and independent auditing firms is a good approach to assure high-quality audit services, which in turn can increase a company's bottom line. Another way to look at it is that this is a good way to ensure high-quality audit services.

The empirical research offers light on the association between audit quality and the financial success of organizations across different locations and different industries. A

number of proxy metrics, including audit firm size, tenure, independence, and fees, were utilized in the research projects. The studies make use of a number of different financial ratios, including return on assets (ROA), Tobin's Q, and others; yet, they all reach the same conclusion: audit quality has a significant impact on financial success. On the other hand, the studies come to different conclusions regarding which particular variables are the most relevant. The findings suggest that companies should pay attention to audit quality attributes such as auditor size, tenure, independence, and fees as they can impact financial performance. The study on Kosovo insurance companies discovered that firm size, leverage, and growth were the most important or statistically significant variables; the study on Nigerian quoted firms discovered that auditor independence had more of an influence than auditor size¹². The studies also reveal that excellent internal control methods and practices that deal with significant auditing practices are essential for achieving high-quality audit results. This is one of the most important takeaways from the studies. The results of these studies can also be utilized by regulators and policymakers to inform the formation of recommendations meant to check particularly for auditors' length of service, conformity to existing regulatory frameworks, and the hiring of audit firms with flawless reputations and ethics. These suggestions can be informed by the findings of these research¹³.

The purpose of another piece of research is to investigate the influence that the quality of auditing has on the connection that exists between the attributes of Nigerian manufacturing companies and their financial performance. The authors found, through the use of a random effect multiple regression analysis, that leverage greatly improves financial performance, whereas liquidity and tangibility significantly decrease it. This was found to be the case when comparing leverage to tangibility and liquidity. When audit quality is used as a moderator, the potentially detrimental effect of leverage on the financial performance of a

company is accentuated. The authors suggest that businesses increase their leverage, work on improving their management of their liquidity and non-current assets, and place more emphasis on the quality of their audits in order to improve their bottom lines¹⁴.

In a second piece of research, researchers analyzed data from 12 different Nigerian insurance businesses over the course of nine years to investigate the relationship between certain aspects of a company's operations and its level of profitability. There was a direct link that was statistically significant between the age of the company and its insurance performance, and this link existed between the two variables. However, there is a strong inverse correlation between company size and growth rate and insurance firm performance. This indicates that insurance companies experience diseconomies of scale as a direct result of their rapid expansion. Because the majority of the firm-specific characteristics that were investigated for this study did not have a significant positive impact on the performance of insurance firms over the course of the 60-year period that was taken into consideration, the research suggests that exogenous factors connected to the performance of insurance companies in Nigeria be taken into consideration¹⁵.

The purpose of this study was to investigate the many facets of corporate governance and how they relate to the quality of audits performed in publicly traded deposit money institutions in Nigeria. 25 publicly traded insurance companies were chosen at random as the sample out of a total of 28 organizations that met the selection criteria. The information was obtained from the annual reports of the companies, and a generalized least squares regression model was utilized to conduct the analysis. According to the data, there was a positive correlation that was statistically significant at the 0.01 level between the size of the board of directors, board independence, and audit quality. On the other hand, a large and negative correlation exists between managerial ownership and audit quality. The findings

indicate that board size and independence, as well as managerial stock ownership, are critical drivers of audit quality in publicly listed insurance businesses in Nigeria. Additionally, the findings reveal that managerial stock ownership is a significant driver of audit quality. According to the findings of the study, shareholders ought to investigate executive compensation packages that enhance audit quality, and Nigerian listed deposit money banks ought to comply with corporate governance standards in order to strengthen stakeholder confidence and encourage capital inflow into the market. Both of these recommendations are based on the findings of the study¹⁶.

In one such study, researchers investigated how the performance of Ghanaian publicly traded companies was impacted by a variety of ownership structures as well as audit quality. The study utilized a quantitative research approach, collecting secondary data from the annual and financial reports of twenty representative companies that trade on the Ghana Stock Exchange. For the study, researchers looked at a total of 160 yearly firm observations collected between 2013 and 2018. Return on assets (ROA) and return on equity (ROE) were used as indicators of the company's profitability. It was discovered that institutional and managerial ownership have a tangentially beneficial relationship with the performance of businesses. The performance of the company was enhanced by employing one of the Big Four audit firms; it was also enhanced by maintaining a big audit committee; nevertheless, the performance of the company was diminished by maintaining an independent audit committee. The number of directors on the board had a beneficial effect on the performance of the company, while the independence of the directors had a positive influence on ROE but a negative impact on ROA. According to the paper, businesses should consider diversifying their shareholdings in order to shield firm managers from interference from

major shareholders, as well as to attract owners who possess a wider range of skills and areas of expertise¹⁷.

The significance of an audit's contribution to the enhancement of the credibility of financial statements has resulted in a greater focus being placed on the quality of the audit. Researchers, particularly those working in countries that have developed their industrial sectors, have taken an interest in researching audit quality and the elements that influence it. The fundamental purpose of this research is to gain a knowledge of the connection that exists between the ownership structure of listed corporations in Jordan and the quality of the audits performed on those corporations. 198 companies out of a total of 262 that are listed on the Amman Stock Exchange (ASE) were chosen to be part of the sample for this study. To determine whether or not there was a correlation between the two indicators of audit quality, a logistic regression analysis was carried out with the audit firm's size and ownership structure serving as independent variables in the study. The findings suggest that there is a statistically significant positive link between audit quality and both institutional ownership of businesses and foreign ownership of businesses. There was some evidence to suggest that a higher concentration of ownership was related with lower quality, but the correlation was not very strong. According to these statistics, it would suggest that foreign institutional investors (FIIs) and financial institutions (FIs) from other nations hire qualified auditors¹⁸.

There have been empirical studies conducted to investigate the link between the features of corporations and the quality of financial reporting, with a particular emphasis placed on the manipulation of real earnings. It is essential to advocate for stricter managerial control and higher-quality financial reporting due to the frequency with which businesses are unable to remain profitable. This study explores the impact of business characteristics such as firm

structure, board, performance, and ownership variables on the quality of financial reporting in Nigerian industrial goods companies using a correlational design and multiple regression analysis. These business characteristics include firm structure, board, and performance variables. According to the findings, the presence of women directors, along with factors such as firm size, leverage, and age, all have a detrimental impact on the quality of financial reporting. Board meetings and profitability, on the other hand, have a good impact. The association between the quality of financial reporting and proxies for liquidity, growth, and ownership structure is only somewhat strong. According to the findings of the study, in order to improve the reliability of financial reporting and lessen the prevalence of deceptive accounting procedures, businesses that deal in industrial products should concentrate on modernizing structures other than ownership structure¹⁹.

Another empirical study investigates the question of whether or not the quality of audits has an effect on the connection between family ownership and the avoidance of corporate taxes in Tunisian companies that are publicly traded. GLS regression models are used to analyze data from a sample of 55 Tunisian listed firms from the years 2008 to 2013. The time period covered by the sample is from 2008 to 2013. The data indicate that family ownership is positively connected with firm tax avoidance practices. On the other hand, the incidence of such practices has decreased in Tunisia since the revolution in 2011, due to increased pressure against corruption and unethical behavior. According to the findings of the study, which reveal that audit quality moderates the link between family ownership and tax avoidance, high-quality audits successfully lower the incentives for family businesses to engage in aggressive tax positions. In other words, high-quality audits moderate the association between family ownership and tax avoidance. The findings of the study can be used by policymakers and practitioners too²⁰.

Endnotes

1. S.A., Owolabi, & T.A., Babarinde. *Effect of corporate governance on audit quality in Nigerian banks*. **International Journal of Multidisciplinary and Current Educational Research (IJMCER)**, 2(5), 2020, pp.290-296.
2. M., Isah, K.O., Fasua, T.T., Ugoh, & L.O., Ojo. *The effect of audit quality on market price per share of quoted deposit money banks (DMBS) in Nigeria*. **International Journal of Social Science and Economic Research**, 5, 2020, pp.3921-3944.
3. M.O., Oladejo, O., Jk, & S.O., Yinus. *External audit quality and users confidence in financial reports: evidence from Nigeria deposit money banks*. **International Journal of Technology and Management**, 5(1), 2020, p.16.
4. A.L.I.U., Momodu, O., Joshua, & M., Nma. *Audit fees and audit quality: A study of listed companies in the downstream Sector of Nigerian petroleum industry*. *Humanities*, 6(2), 2018, pp.59-73.
5. A., Husna, & I., Satria. *Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value*. **International Journal of Economics and Financial Issues**, 9(5), 2019, pp.50-54.
6. F.N., Sari, & E., Endri. *Determinants of return on assets (ROA) on conventional banks listed on Indonesian stock exchange (IDX) period 2013–2017*. **IOSR Journal of Business and Management (IOSR-JBM)**, 21(4), 2019, pp.52-62.
7. R., Handayani. *Pengaruh return on assets (ROA), leverage dan ukuran perusahaan terhadap tax avoidance pada perusahaan perbankan yang listing di bei periode tahun 2012-2015*. **Jurnal Akuntansi**, 10(1), 2018.
8. I.M., Irom, O., Joshua, M.N., Ahmed & A.T., Emmanuel. *Effect of firm attributes on return on asset of listed manufacturing companies in Nigeria*, 2018.
9. B.C., Marito, & A.D., Sjarif. *The impact of current ratio, debt to equity ratio, return on assets, dividend yield, and market capitalization on stock return (Evidence from listed manufacturing companies in Indonesia Stock Exchange)*. *Economics*, 7(1), 2020, pp.10-16.
10. W., Shabrina, & N., Hadian. *The influence of current ratio, debt to equity ratio, and return on assets on dividend payout ratio*. **International Journal of Financial, Accounting, and Management**, 3(3), 2021, pp.193-204.
11. U., Nzewi. *Effect of auditor's independence on audit quality: Evidence from selected deposit money banks in Nigeria*. **Himalayan Journal of Economics and Business Management**, 1(1), 2020.
12. A.B., Ado, N., Rashid, U.A., Mustapha, & L.S., Ademola. *The impact of audit quality on the financial performance of listed companies Nigeria*. **Journal of Critical Reviews**, 7(9), 2020, pp.37-42.

13. O.J., Majiyebo, J., Okpanachi, T., Nyor, O.A., Yahaya, & A., Mohammed. *Audit committee independence, size and financial reporting quality of listed deposit money banks in Nigeria*. **IOSR Journal of Business and Management**, 20(2), 2018, pp.40-47.
14. F.G., Erasmus, & F.N., Akani. *Audit quality and market value of quoted banks in Nigeria*. **International Journal of Innovative Finance and Economics Research**, 9(4), 2021, pp.18-41.
15. O., Jayeola, K.S., Olugboyege, A.M., Adekunle, & O.O., Olympus. *Determinants of audit quality: evidence from Nigerian listed insurance companies*. Вестник Волгоградского государственного университета. Серия 3: Экономика. Экология, 22(2), 2020, pp.182-192.
16. J.U., Madugba, K.E., Howell, T.I., Nwanji, S., Faye, B.C., Egbide, & F.D., Eluyela. *Audit Committee Quality and Financial reporting in Deposit Money Banks in Nigeria*. **Asian Economic and Financial Review**, 2021.
17. N., Amahalu. *Effect of audit quality on financial performance of quoted conglomerates in Nigeria*. **International Journal of Management Studies and Social Science Research**, 2(4). 2020.
18. T.J., Ayoola. *Audit fees, audit seasonality and audit quality in Nigeria: A mediation analysis*. **Journal of Financial Reporting and Accounting**, 2022.
19. O.A., Kolawole. *Audit attributes and reporting quality in selected Nigerian deposit money banks* (Doctoral dissertation, Kwara State University (Nigeria)), 2019.
20. A., Abdulrahman. *Board characteristics, audit committee dynamics and financial reporting quality of listed deposit money banks in Nigeria* (Doctoral dissertation, Kwara State University (Nigeria)), 2020.

Chapter Five

Conclusion

This chapter discusses the summary of the findings, conclusions and recommendations of the study. The findings of this study concisely summarize the contributions of the study to knowledge whilst also emphasizing respective implication of findings, limitations to study as well as suggestions to further studies.

5.1 Summary of Findings

This study evaluated the effect of audit quality on financial performance of listed DMBs in Nigeria. It precisely examined the relationship between each measure of audit quality (audit fees, audit independence, and audit firm size) and financial performance of listed DMBs in Nigeria. Secondary data were sourced from the annual reports of the selected listed DMBs from 2016 and 2021 to achieve the objectives of this study. Following from the interpretation of analyses of data collected and findings of the study, the following can be summed up as the major empirical findings of this study:

1. Audit quality exhibit positive and significant relationship with the financial performance of listed Deposit Money Banks in Nigeria.
2. Audit independence has a positive and significant relationship with the financial performance of listed Deposit Money Banks in Nigeria.
3. Audit firm size has negative and significant relationship with the financial performance of listed Deposit Money Banks in Nigeria.
4. Audit quality has positive and significant effect on financial performance of listed Deposit Money Banks in Nigeria.

5.2 Conclusion

Conclusions drawn from this study's empirical findings indicate that audit quality do have effect on financial performance of listed Deposit Money Banks in Nigeria. Therefore, it is imperative for management of DMBs to see that quality audit engagement is critical for the long-term sustainability of their establishment. The theoretical foundations for this study came from the signalling theory. Signaling theory is a valuable framework for understanding the relationship between audit quality and financial performance. This theory suggests that organizations engage in various actions and disclosures to convey information to external stakeholders, particularly investors and creditors. In the context of audit quality and financial performance, signaling theory can shed light on how companies use audit-related signals to convey the reliability and accuracy of their financial statements, ultimately affecting their financial performance in several ways.

Firstly, high audit quality serves as a positive signal to external stakeholders, indicating that a company's financial statements are trustworthy and less likely to be misstated or misleading. This signal can enhance investors' confidence in the company's financial information, making them more willing to invest or lend capital. As a result, companies with a reputation for high audit quality may find it easier and more cost-effective to raise capital in the financial markets, which can lead to improved financial performance through increased access to funds for investment and growth. Furthermore, signaling theory explains that the choice of audit firm can itself be a signal of a company's commitment to transparency and quality financial reporting. When a company hires a reputable audit firm known for its rigorous standards and independence, it sends a strong signal that it is committed to maintaining the integrity of its financial reporting. This can lead to a positive

perception among investors and creditors, potentially resulting in a lower cost of capital and better financial performance.

Moreover, the credibility and trust established through high-quality audits can positively impact a company's relationships with other stakeholders, including customers, suppliers, and business partners. These stakeholders may be more inclined to engage in long-term relationships with a company they perceive as reliable and transparent, which can lead to various strategic advantages and improved financial performance in the long run. In all the signaling theory provides a framework for understanding how audit quality and financial performance are interconnected. High-quality audits can act as positive signals, improving a company's reputation, enhancing access to capital, reducing the cost of debt, and building trust with stakeholders. This research adds to auditing literature by offering empirical evidence to support the ripple effect of audit quality on financial performance of DMBs in Nigeria. The study provides the Management of listed DMBs with the strategic information it needs to make evidence-based choices concerning the audit quality and the resultant financial performance.

5.2 Recommendations

Based on the findings of this study, the following recommendations are made;

1. The findings of hypotheses one, two, and three posit that audit fees, audit independence, and audit firm size have a significant relationship with the financial performance of listed DMBs in Nigeria. The extent of the relationship, especially concerning audit firm size, needs improvement for DMBs' financial sustainability.
2. The study calls for stringent measures in monitoring the process leading to audit engagement for listed DMBs. This should ensure that audit fees, audit independence, and audit firm size are in alignment with the bank's financial resources.

3. The findings of hypothesis four suggest that audit quality is a positive predictor of financial performance for listed DMBs. However, efforts should be directed at addressing the negative effect induced by the firm size of the audit firm on financial performance of listed DMBs can be reversed.
4. This study recommends that the management of DMBs must ensure audit fees, audit independence and the audit firm size does not cost the bank so much that it takes away the financial performance.

5.4 Contributions to Knowledge

This study made important contributions to knowledge conceptually, theoretically, and empirically in the following ways:

1. This study makes substantial contributions regarding conceptual understanding in number of ways. The research found and filled in gaps in the existing literature on audit quality and financial performance of DMBs in Nigeria given data from 2016-2022. Previous studies were carried out with older data set compared to this study. This thesis also made conceptual contribution in terms of conceptual model which explain the interactions between audit quality and financial performance an effort that future studies can take advantage of. Thus, contributing to models that explain the connection between audit quality vis-à-vis audit fees, audit independence, and audit firm size, and their interactions with financial performance vis-à-vis return on asset and earning per share.
2. This study's findings are consistent with the signaling theory which serve as the overall anchor for this study, providing a broader perspective on the relationships between the

audit quality and financial performance. different variables. Hence, the finding provides support for the tenet of the signaling theory.

3. This study's empirical findings provide a useful addition to the current auditing literature on how audit quality induce financial performance within in Nigeria's banking industry, and they can also be used as a reference for future studies in the field. In particular, this research's first aim was to investigate the effect of audit quality on financial performance of listed DMBs in Nigeria. The study found that audit quality has significant effect on financial performance of listed DMBs in Nigeria.

5.5 Suggestions for Further Studies

The limitations of this study offer opportunities and suggested for future study as discussed below:

1. Future studies may consider a longitudinal study. This will help in understanding the long-term effect of audit quality on financial performance.
2. Future study may consider changing the research context to other industries. This will help in generalizing the finding of this study.
3. This study examined the effect of audit quality and financial performance using secondary data, future study may consider collecting primary data in addition to the study to see whether the findings can be generalized.
4. Future studies may consider other variables like an intervening variable to see its effect on the interaction between audit quality and financial performance.

Bibliography

Conference Proceeding

- Ekinci, R. & Poyraz, G. *The effect of credit risk on financial performance of deposit banks in Turkey*. *Procedia Computer Science*, 158, 2019, pp.979-987.
- Lestari, N. & Nedy, S. *The effect of audit quality on tax avoidance*. In *International Conference On Applied Science and Technology 2019-Social Sciences Track (iCASTSS 2019) 2019*, pp. 72-76.

Journal

- A.I., Isah, & L., Muhammad. *Impact of audit quality on financial performance of listed deposit money banks in Nigeria*. **SOKOTO Journal of Management Studies**, 18(1), 2019, pp.141-157.
- Adewinmisi, G.O., Ahmed, M. & Yahaya, O.A. *Audit committee independence and audit quality of Nigeria listed deposit money banks*. **TSU-International Journal of Accounting and Finance**, 1(3), 2022, pp.16-26.
- Ado, A.B., Rashid, N., Mustapha, U.A. & Ademola, L.S. *The impact of audit quality on the financial performance of listed companies Nigeria*. **Journal of Critical Reviews**, 7(9), 2020, pp.37-42.
- Agbaje, A.G., Sadiq, R., Adesoji, O. & Oyindamola, S.A. *Effect of auditor's independence on financial reporting quality of Nigerian deposit money bank*. **Financial Internet Quarterly**, 17(2), 2021, pp.59-65.
- Agyei-Mensah, B.K. *Impact of corporate governance attributes and financial reporting lag on corporate financial performance*. **African Journal of Economic and Management Studies**, 9(3), 2018, pp.349-366.
- Ahmed, H.U., Ningi, S.I. & Dalhat, B.S. *Capital structure and performance of deposit money banks in Nigeria*. *NDIC quarterly*, 33(3), 2018, pp.49-76.
- Ajibola, A., Wisdom, O. & Qudus, O.L. *Capital structure and financial performance of listed manufacturing firms in Nigeria*. **Journal of Research in International Business and Management**, 5(1), 2018, pp.81-89.
- Ajide, F.M. *Financial inclusion in Africa: Does it promote entrepreneurship?*. **Journal of Financial Economic Policy**, 12(4), 2020, pp.687-706.
- Akinyomi, O.J. & Joshua, A.A. *Determinants of audit quality in Nigeria: Evidence from listed consumer goods sector in Nigeria*. **Academy of Accounting and Financial Studies Journal**, 26, 2022, pp.1-14.

- Alabdullah, T.T.Y., Ahmed, E.R. & Kanaan-Jebna. *Corporate governance system and firm financial performance*. **Acta Scientific Computer Sciences** Volume, 4(6), 2022.
- Al-Dmour, A.H., Abbod, M. & Al-Balqa, N.S. *The impact of the quality of financial reporting on non-financial business performance and the role of organizations demographic' attributes (type, size and experience)*, 2018.
- Alshehhi, A., Nobanee, H. & Khare, N. *The impact of sustainability practices on corporate financial performance: Literature trends and future research potential*. *Sustainability*, 10(2), 2018, p.494.
- Amahalu, N. *Effect of audit quality on financial performance of quoted conglomerates in Nigeria*. **International Journal of Management Studies and Social Science Research**, 2(4). 2020.
- Amahalu, N. *Effect of auditors' rotation on audit quality of quoted deposit money banks in Nigeria*. 2019. SSRN 3704505.
- Amahalu, N., Okeke, M.N. & Chinyere, O. *Audit quality determinants: Evidence from quoted health care firms in Nigeria*. **International Journal of Academic Research in Accounting, Finance and Management Sciences**, 7(4), 2018, pp.216-231.
- Anarfo, E.B. & Abor, J.Y.. *Financial regulation and financial inclusion in Sub-Saharan Africa: Does financial stability play a moderating role?*. **Research in International Business and Finance**, 51, 2020, p.101070.
- Ang, R., Shao, Z., Liu, C., Yang, C. & Zheng, Q. *The relationship between CSR and financial performance and the moderating effect of ownership structure: Evidence from Chinese heavily polluting listed enterprises*. **Sustainable Production and Consumption**, 30, 2022, pp.117-129.
- Apalowowa, O.D., Olofintuyi, A.T., Apeko, T.E. & Falusi, I.E. *Audit quality control and financial performance of deposit money banks in Ekiti State, Nigeria*. **International Journal of Innovative Science and Research Technology**, 8(4), 2023, pp.1372-1378.
- Ayinla, R.B., Aliyu, N.S. & Abdullah, A.A. *Audit committee attributes and the financial reporting quality of listed deposit money banks in Nigeria*. **Accounting and Taxation Review**, 6(2), 2022, pp.31-46.
- Ayoola, T.J. *Audit fees, audit seasonality and audit quality in Nigeria: a mediation analysis*. **Journal of Financial Reporting and Accounting**, 2022.
- Bae, S.M., Masud, M.A.K. & Kim, J.D. *A cross-country investigation of corporate governance and corporate sustainability disclosure: A signaling theory perspective*. *Sustainability*, 10(8), 2018, p.2611.
- Banna, H., Hassan, M.K. & Rashid, M. *Fintech-based financial inclusion and bank risk-taking: Evidence from OIC countries*. **Journal of International Financial Markets, Institutions and Money**, 75, 2021, p.101447.

- Barua, A., Lennox, C. & Raghunandan, A. *Are audit fees discounted in initial year audit engagements?* **Journal of Accounting and Economics**, 69(2-3), 2020, p.101282.
- Bătae, O.M., Dragomir, V.D. & Feleagă, L. *The relationship between environmental, social, and financial performance in the banking sector: A European study.* **Journal of Cleaner Production**, 290, 2021, p.125791.
- Beardsley, E.L., Lassila, D.R. & Omer, T.C. *How do audit offices respond to audit fee pressure? Evidence of increased focus on nonaudit services and their impact on audit quality.* **Contemporary Accounting Research**, 36(2), 2019, pp.999-1027.
- Beck, C., Frost, G. & Jones, S. *CSR disclosure and financial performance revisited: A cross-country analysis.* **Australian Journal of Management**, 43(4), 2018, pp.517-537.
- C., Ike, I., Salama, & P., Ngbede. *Effect of audit quality on performance of money deposit banks in Nigeria.* **International Journal of Research in Management & Business Studies**, 7(1), 2020.
- Chen, H., Hua, S., Liu, Z. & Zhang, M. *Audit fees, perceived audit risk, and the financial crisis of 2008.* **Asian Review of Accounting**, 27(1), 2019, pp.97-111.
- Cherian, J., Umar, M., Thu, P.A., Nguyen-Trang, T., Sial, M.S. & Khuong, N.V. *Does corporate social responsibility affect the financial performance of the manufacturing sector? Evidence from an Emerging Economy.* **Sustainability**, 11(4), 2019, p.1182.
- Chipeta, C. & Muthinja, M.M. *Financial innovations and bank performance in Kenya: Evidence from branchless banking models.* **South African Journal of Economic and Management Sciences**, 21(1), 2018, pp.1-11.
- Cho, M., Kwon, S.Y. & Krishnan, G.V. *Audit fee lowballing: Determinants, recovery, and future audit quality.* **Journal of Accounting and Public Policy**, 40(4), 2021, p.106787.
- Chowdhury, L.A.M., Rana, T., Akter, M. & Hoque, M. *Impact of intellectual capital on financial performance: Evidence from the Bangladeshi textile sector.* **Journal of Accounting & Organizational Change**, 14(4), 2018, pp.429-454.
- Clerckx, B., Zhang, R., Schober, R., Ng, D.W.K., Kim, D.I. & Poor, H.V. *Fundamentals of wireless information and power transfer: From RF energy harvester models to signal and system designs.* **IEEE Journal on Selected Areas in Communications**, 37(1), 2018, pp.4-33.
- Dare, C.T., Efuntade, A.O., Alli-Momoh, B.O. & Efuntade, O.O. *Audit committee characteristics and audit quality: Exploratory and empirical analysis in Nigerian oil sector.* **European Journal of Accounting, Auditing and Finance Research**, 9(1), 2021, pp.97-111.
- Egbunike, C.F. & Okerekeoti, C.U. *Macroeconomic factors, firm characteristics and financial performance: A study of selected quoted manufacturing firms in Nigeria.* **Asian Journal of Accounting Research**, 3(2), 2018, pp.142-168.

- Eluyela, D.F., Akintimehin, O.O., Okere, W., Ozordi, E., Osuma, G.O., Ilogho, S.O. & Oladipo, O.A. *Board meeting frequency and firm performance: Examining the nexus in Nigerian deposit money banks*. *Heliyon*, 4(10), 2018.
- Erasmus, E.G. & Akani, F.N. *Audit quality and market value of quoted banks in Nigeria*. **International Journal of Innovative Finance and Economics Research**, 9(4), 2021, pp.18-41.
- Erasmus, E.G. & Micah, L.C. *Audit quality indicators and market price per shares of listed deposit money banks in Nigeria*. **International Journal of Business and Law Research**, 9 (4): 1, 2021, 22.
- Ezejiolor, R.A. & Erhirhie, F.E. *Effect of audit quality evidence from*. **International Journal of Trend in Scientific Research and Development**, 2(6), 2018, pp.1235-1244.
- Fatihudin, D. *How measuring financial performance*. **International Journal of Civil Engineering and Technology (IJCIET)**, 9(6), 2018, pp.553-557.
- Fijałkowska, J., Zyznarska-Dworczak, B. & Garszka, P. *Corporate social-environmental performance versus financial performance of banks in Central and Eastern European countries*. *Sustainability*, 10(3), 2018, p.772.
- Finger, M., Gavious, I. & Manos, R. *Environmental risk management and financial performance in the banking industry: A cross-country comparison*. **Journal of International Financial Markets, Institutions and Money**, 52, 2018, pp.240-261.
- Fujianti, L. & Satria, I. *Firm size, profitability, leverage as determinants of audit report lag: Evidence from Indonesia*. **International Journal of Financial Research**, 11(2), 2020, pp.61-67.
- Gangi, F., Meles, A., D'Angelo, E. & Daniele, L.M. *Sustainable development and corporate governance in the financial system: Are environmentally friendly banks less risky?*. **Corporate Social Responsibility and Environmental Management**, 26(3), 2019, pp.529-547.
- Gangi, F., Mustilli, M. & Varrone, N. *The impact of corporate social responsibility (CSR) knowledge on corporate financial performance: evidence from the European banking industry*. **Journal of Knowledge Management**, 23(1), 2018, pp.110-134.
- Greenwood, M.J. & Tao, L. *Regulatory monitoring and university financial reporting quality: Agency and resource dependency perspectives*. **Financial Accountability & Management**, 37(2), 2021, pp.163-183.
- Handayani, R. *Pengaruh Return on Assets (ROA), Leverage dan Ukuran Perusahaan Terhadap Tax Avoidance Pada Perusahaan Perbankan yang Listing di BEI Periode Tahun 2012-2015*. **Jurnal Akuntansi**, 10(1), 2018.
- Hasan, S., Kassim, A.A.M. & Hamid, M.A.A. *The impact of audit quality, audit committee and financial reporting quality: evidence from Malaysia*. **International Journal of Economics and Financial Issues**, 10(5), 2020, p.272.

- Husna, A. & Satria, I. *Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value.* **International Journal of Economics and Financial Issues**, 9(5), 2019, pp.50-54.
- Hussain, N., Rigoni, U. & Orij, R.P. *Corporate governance and sustainability performance: Analysis of triple bottom line performance.* **Journal of Business Ethics**, 149, 2018, pp.411-432.
- Ichsan, R., Suparmin, S., Yusuf, M., Ismal, R. & Sitompul, S. *Determinant of sharia bank's financial performance during the Covid-19 pandemic.* **Budapest International Research and Critics Institute-Journal (BIRCI-Journal)**, 4(1), 2021, pp.298-309.
- Iliemena, R.O. & Okolocha, C.B. *Effect of audit quality on financial performance: Evidence from a developing capital market.* **International Journal of Recent Research in Commerce Economics and Management (IJRRCEM)**, 6(3), 2019.
- Indrawan, V., Agoes, S., Pangaribuan, H. & Popoola, O.M.J. *The impact of audit committee, firm size, profitability, and leverage on income smoothing.* **Indian-Pacific Journal of Accounting and Finance**, 2(1), 2018, pp.61-74.
- Iqbal, N., Tufail, M.S., Mohsin, M. & Sandhu, M.A. *Assessing social and financial efficiency: The evidence from microfinance institutions in Pakistan.* **Pakistan Journal of Social Sciences**, 39(1), 2019, pp.149-161.
- Irawati, N., Maksum, A., Sadalia, I. & Muda, I. *Financial performance of Indonesian's banking industry: The role of good corporate governance, capital adequacy ratio, non performing loan and size.* **International Journal of Scientific and Technology Research**, 8(4), 2019, pp.22-26.
- Irom, I.M., Joshua, O., Ahmed, M.N. & Emmanuel, A.T. *Effect of firm attributes on return on asset of listed manufacturing companies in Nigeria*, 2018.
- Isah, M., Fasua, K.O., Ugoh, T.T. & Ojo, L.O. *The effect of audit quality on market price per share of quoted deposit money banks (DMBS) in Nigeria.* **International Journal of Social Science and Economic Research**, 5, 2020, pp.3921-3944.
- Ivungu, J.A., Anande, K.G. & A.U., Ogirah. *Effect of audit quality on firm performance: a review of literature.* **Int. J. Adv. Acad. Res**, 5(6), 2019, pp.1-13.
- J.U., Madugba, K.E., Howell, T.I., Nwanji, S., Faye, B.C., Egbide, & F.D., Eluyela. *Audit Committee Quality and Financial reporting in Deposit Money Banks in Nigeria.* **Asian Economic and Financial Review**, 2021.
- Jan, A., Marimuthu, M., bin Mohd, M.P. & Isa, M. *The nexus of sustainability practices and financial performance: From the perspective of Islamic banking.* **Journal of Cleaner Production**, 228, 2019, pp.703-717.

- Jayeola, O., Olugboyega, K.S., Adekunle, A.M. & Olympus, O.O. *Determinants of audit quality: Evidence from Nigerian listed insurance companies*. Вестник Волгоградского государственного университета. Серия 3: Экономика. Экология, 22(2), 2020, pp.182-192.
- Jin, Y., Gao, X. & Wang, M. *The financing efficiency of listed energy conservation and environmental protection firms: Evidence and implications for green finance in China*. **Energy Policy**, 153, 2021, p.112254.
- Kaawaase, T.K., Nairuba, C., Akankunda, B. & Bananuka, J. *Corporate governance, internal audit quality and financial reporting quality of financial institutions*. **Asian Journal of Accounting Research**, 6(3), 2021, pp.348-366.
- Karamoy, H., & Tulung, J.E. *The effect of financial performance and corporate governance to stock price in non-bank financial industry*. **Corporate Ownership & Control**, 17(2), 2020.
- Kodongo, O. *Financial regulations, financial literacy, and financial inclusion: Insights from Kenya*. **Emerging Markets Finance and Trade**, 54(12), 2018, pp.2851-2873.
- Lahti, T., Wincent, J. & Parida, V. *A definition and theoretical review of the circular economy, value creation, and sustainable business models: Where are we now and where should research move in the future?*. *Sustainability*, 10(8), 2018, p.2799.
- Lai, T., Tran, M., Hoang, V. & Nguyen, T. *Determinants influencing audit delay: The case of Vietnam*. *Accounting*, 6(5), 2020, pp.851-858.
- Le, T.H., Chuc, A.T. & Taghizadeh-Hesary, F. *Financial inclusion and its impact on financial efficiency and sustainability: Empirical evidence from Asia*. *Borsa Istanbul Review*, 19(4), 2019, pp.310-322.
- Ledhem, M.A. & Mekidiche, M. *Economic growth and financial performance of Islamic banks: a CAMELS approach*. **Islamic Economic Studies**, 28(1), 2020, pp.47-62.
- Liu, Y., Saleem, S., Shabbir, R., Shabbir, M.S., Irshad, A. & Khan, S. *The relationship between corporate social responsibility and financial performance: A moderate role of fintech technology*. **Environmental Science and Pollution Research**, 28, 2021, pp.20174-20187.
- Lv, C., Shao, C. & Lee, C.C. *Green technology innovation and financial development: Do environmental regulation and innovation output matter?*. **Energy Economics**, 98, 2021, p.105237.
- Majiyabo, O.J., Okpanachi, J., Nyor, T., Yahaya, O.A. & Mohammed, A. *Audit committee independence, size and financial reporting quality of listed deposit money banks in Nigeria*. **IOSR Journal of Business and Management**, 20(2), 2018, pp.40-47.

- Marito, B.C. & Sjarif, A.D. *The impact of current ratio, debt to equity ratio, return on assets, dividend yield, and market capitalization on stock return (Evidence from listed manufacturing companies in Indonesia Stock Exchange)*. *Economics*, 7(1), 2020, pp.10-16.
- Mbama, C.I. & Ezepeue, P.O. *Digital banking, customer experience and bank financial performance: UK customers' perceptions*. **International Journal of Bank Marketing**, 36(2), 2018, pp.230-255.
- Mbama, C.I., Ezepeue, P., Alboul, L. & Beer, M. *Digital banking, customer experience and financial performance: UK bank managers' perceptions*. **Journal of Research in Interactive Marketing**, 12(4), 2018, pp.432-451.
- Mitnick, B.M. *Origin of the theory of agency: An account by one of the theory's originators*. 2019, SSRN 1020378.
- Mojambo, G., Tulung, J.E. & Saerang, R.T. *The influence of Top Management Team (TMT) characteristics toward Indonesian Banks performance during the digital era (2014–2018)*, 2020.
- Momodun, A.L.I.U., Joshua, O. & Nma, M. *Audit fees and audit quality: A study of listed companies in the downstream Sector of Nigerian petroleum industry*. *Humanities*, 6(2), 2018, pp.59-73.
- Mushafiq, M., Sindhu, M.I. & Sohail, M.K. *Financial performance under influence of credit risk in non-financial firms: evidence from Pakistan*. **Journal of Economic and Administrative Sciences**, 39(1), 2023, pp.25-42.
- Mustafa, A.S., Che-Ahmad, A. & Chandren, S. *Board diversity, audit committee characteristics and audit quality: The moderating role of control-ownership wedge*. **Business and Economic Horizons**, 14(3), 2018, pp.587-614.
- Mustapha, U.A., Rashid, N., Ado, A.B. & Ademola, L.S. *The effect of audit quality on accruals earnings management in Nigerian listed firms*. **International Journal of Recent Technology and Engineering**, 8(4), 2019, pp.4894-4897.
- Mutiara, Y.T., Zakaria, A. & Anggraini, R. *The influence of company size, company profit, solvency and CPA firm size on audit report lag*. **Journal of Economics Finance and Accounting**, 5(1), 2018, pp.1-10.
- Nawaz, T. *Intellectual capital profiles and financial performance of Islamic banks in the UK*. **International Journal of Learning and Intellectual Capital**, 16(1), 2019, pp.87-97.
- Ngumo, K.O.S., Collins, K.W. & David, S.H. *Determinants of financial performance of microfinance banks in Kenya*. arXiv preprint arXiv:2010, 2020, 12569.
- Nguyen, T.N.L. & Nguyen, V.C. *The determinants of profitability in listed enterprises: A study from Vietnamese stock exchange*. **Journal of Asian Finance, Economics and Business**, 7(1), 2020, pp.47-58.

- Nirino, N., Ferraris, A., Miglietta, N. & Invernizzi, A.C. *Intellectual capital: The missing link in the corporate social responsibility–financial performance relationship*. **Journal of Intellectual Capital**, 23(2), 2020, pp.420-438.
- Nirino, N., Santoro, G., Miglietta, N. & Quaglia, R. *Corporate controversies and company's financial performance: Exploring the moderating role of ESG practices*. **Technological Forecasting and Social Change**, 162, 2021, p.120341.
- Nizam, E., Ng, A., Dewandaru, G., Nagayev, R. & Nkoba, M.A. *The impact of social and environmental sustainability on financial performance: A global analysis of the banking sector*. **Journal of Multinational Financial Management**, 49, 2019, pp.35-53.
- Nwafor, P.U. & Amahalu, N.N. *Auditors independence and audit quality of quoted deposit money banks in Nigeria*. **American Research Journal of Humanities Social Science (ARJHSS)**, 4(09), 2021, pp.77-85.
- Nzewi, U. *Effect of auditor's independence on audit quality: Evidence from selected deposit money banks in Nigeria*. **Himalayan Journal of Economics and Business Management**, 1(1), 2020.
- Odudu, A.S., Yahaya, A.O. & Catherine, A.B.A.H. *Audit committee effectiveness and audit quality of listed insurance companies in Nigeria*. **International Journal of Research in Finance and Management**, 1(2), 2018, pp.37-46.
- Ogbodo, O.C. & Akabuogu, N.J. *Effect of audit quality on the financial performance of selected banks in Nigeria*. **International Journal of Trend in Scientific Research and Development (IJTSRD)**, 3(1), 2018, pp.45-61.
- Ogungbade, O.I., Adekoya, A.C. & Olugbodi, D.I. *Audit quality and financial reporting quality of deposit money banks listed on the Nigerian Stock Exchange*, 2021.
- Oladejo, M.O., Jk, O. & Yinus, S.O. *External audit quality and users confidence in financial reports: evidence from Nigeria deposit money banks*. **International Journal of Technology and Management**, 5(1), 2020, p.16.
- Oladejo, M.O., Yinus, S.O. & Sanni, T. *An appraisal of the roles of regulatory authorities on external audit quality in the Nigerian deposit money banks*. **KIU Interdisciplinary Journal of Humanities and Social Sciences**, 1(2), 2020, pp.211-228.
- Omondi, R.I. & Jagongo, A. *Microfinance services and financial performance of small and medium enterprises of youth SMEs in Kisumu County, Kenya*. **International Academic Journal of Economics and Finance**, 3(1), 2018, pp.24-43.
- Onyabe, J.M., Okpanachi, J., Nyor, T., Yahaya, O.A. & Ahmed, M. *Effect of audit committee tenure on financial reporting quality of listed deposit money banks in Nigeria*. **European Scientific Journal**, 14(4), 2018, pp.257-271.

- Owolabi, S.A. & Babarinde, T.A. *Effect of corporate governance on audit quality in Nigerian banks*. **International Journal of Multidisciplinary and Current Educational Research (IJMCER)**, 2(5), 2020, pp.290-296.
- Oyewumi, O.R., Ogunmeru, O.A. & Oboh, C.S. *Investment in corporate social responsibility, disclosure practices, and financial performance of banks in Nigeria*. **Future Business Journal**, 4(2), pp.195-205.
- Ozturk, I. & Ullah, S. *Does digital financial inclusion matter for economic growth and environmental sustainability in OBRI economies? An empirical analysis*. **Resources, Conservation and Recycling**, 185, 2022, p.106489.
- Platonova, E., Asutay, M., Dixon, R. & Mohammad, S. *The impact of corporate social responsibility disclosure on financial performance: Evidence from the GCC Islamic banking sector*. **Journal of Business Ethics**, 151, 2018, pp.451-471.
- Rahman, M.M., Meah, M.R. & Chaudhory, N.U. *The impact of audit characteristics on firm performance: an empirical study from an emerging economy*. **The Journal of Asian Finance, Economics and Business**, 6(1), 2019, pp.59-69.
- Robin, I., Salim, R. & Bloch, H. *Financial performance of commercial banks in the post-reform era: Further evidence from Bangladesh*. **Economic Analysis and Policy**, 58, 2018, pp.43-54.
- Rosyadah, K., Mus, A.R., Semmaila, B. & Chalid, L. *The relevance of working capital, financial literacy and financial inclusion on financial performance and sustainability of micro, small and medium-sized enterprises (MSMEs)*. **American Journal of Humanities and Social Sciences Research (AJHSSR)**, 4, 2022, pp.203-216.
- Salman, A. & Nawaz, H. *Islamic financial system and conventional banking: A comparison*. **Arab Economic and Business Journal**, 13(2), 2018, pp.155-167.
- Sari, F.N. & Endri, E. *Determinants of return on assets (ROA) on conventional banks listed on Indonesian stock exchange (IDX) period 2013–2017*. **IOSR Journal of Business and Management (IOSR-JBM)**, 21(4), 2019, pp.52-62.
- Sari, S.P., Diyanti, A.A. & Wijayanti, R. *The effect of audit tenure, audit rotation, audit fee, accounting firm size, and auditor specialization to audit quality*. **Riset Akuntansi Dan Keuangan Indonesia**, 4(3), 2019, pp.186-196.
- Serwadda, I. *Impact of credit risk management systems on the financial performance of commercial banks in Uganda*. **Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis**, 2018.
- Shabbir, M.S. & Wisdom, O. *The relationship between corporate social responsibility, environmental investments and financial performance: evidence from manufacturing companies*. **Environmental Science and Pollution Research**, 27, 2020, pp.39946-39957.

- Shabrina, W. & Hadian, N. *The influence of current ratio, debt to equity ratio, and return on assets on dividend payout ratio*. **International Journal of Financial, Accounting, and Management**, 3(3), 2021, pp.193-204.
- Shan, Y.G., Troshani, I. & Tarca, A. *Managerial ownership, audit firm size, and audit fees: Australian evidence*. **Journal of International Accounting, Auditing and Taxation**, 35, 2019, pp.18-36.
- Shofawati, A. *The role of digital finance to strengthen financial inclusion and the growth of SME in Indonesia*. **KnE Social Sciences**, 2019, pp.389-407.
- Siddik, M.N.A. & Kabiraj, S. *Does financial inclusion induce financial stability? Evidence from cross-country analysis*. **Australasian Accounting, Business and Finance Journal**, 12(1), 2018, pp.34-46.
- Soewarno, N. & Tjahjadi, B. *Measures that matter: an empirical investigation of intellectual capital and financial performance of banking firms in Indonesia*. **Journal of Intellectual Capital**, 21(6), 2020, pp.1085-1106.
- Suhadak, S., Kurniaty, K., Handayani, S.R. & Rahayu, S.M. *Stock return and financial performance as moderation variable in influence of good corporate governance towards corporate value*. **Asian Journal of Accounting Research**, 4(1), 2018, pp.18-34.
- Sunardi, N., & Tatariyanto, F. *The impact of the Covid-19 pandemic and fintech adoption on financial performance moderating by capital adequacy*. **International Journal of Islamic Business and Management Review**, 3(1), 2023, pp.102-118.
- Tarmidi, D., Fitria, G.N. & Ahmad, Z. *Financial performance and audit quality: comparative study of investor reaction*. **Scholars Bulletin**, 5(12), 2019, pp.825-830.
- Ugwu, C.C., Aikpitanyi, L.N. & Idemudia, S. *The effect of audit quality on financial performance of deposit money banks (evidence from Nigeria)*. **Journal of Economics and Business**, 3(1), 2020.
- Ullah, A., Pinglu, C., Ullah, S., Zaman, M. & Hashmi, S.H. *The nexus between capital structure, firm-specific factors, macroeconomic factors and financial performance in the textile sector of Pakistan*. **Heliyon**, 6(8), 2020.
- Vitolla, F., Raimo, N. & Rubino, M. *Board characteristics and integrated reporting quality: An agency theory perspective*. **Corporate Social Responsibility and Environmental Management**, 27(2), 2020, pp.1152-1163.
- Vu, M.C., Phan, T.T. & Le, N.T. *Relationship between board ownership structure and firm financial performance in transitional economy: The case of Vietnam*. **Research in International Business and Finance**, 45, 2018, pp.512-528.
- Wang, S., Wang, H., Wang, J. & Yang, F. *Does environmental information disclosure contribute to improve firm financial performance? An examination of the underlying mechanism*. **Science of the Total Environment**, 714, 2020, p.136855.

- Widyaningsih, I.A., Harymawan, I., Mardijuwono, A.W., Ayuningtyas, E.S. & Larasati, D.A. *Audit firm rotation and audit quality: Comparison before vs after the elimination of audit firm rotation regulations in Indonesia*. **Cogent Business & Management**, 6(1), 2018, p.1695403.
- Xu, J. & Wang, B. *Intellectual capital, financial performance and companies' sustainable growth: Evidence from the Korean manufacturing industry*. *Sustainability*, 10(12), 2018, p.4651.
- Yahaya, K.A. & Ajibola, K.T. *Impact of board characteristics on auditor choice by deposit money banks in Nigeria*. **African Journal of Accounting, Auditing and Finance**, 7(2), 2020, pp.126-142.
- Yahaya, O.A. & Onyabe, J.M. *Do audit fee and auditor independence influence audit quality*. **Asian Journal of Finance and Accounting**, 14(1), 2022, pp.66-80.
- Yang, R., Yu, Y., Liu, M. & Wu, K. *Corporate risk disclosure and audit fee: A text mining approach*. **European Accounting Review**, 27(3), 2018, pp.583-594.
- Zhou, G., Sun, Y., Luo, S. & Liao, J. *Corporate social responsibility and bank financial performance in China: The moderating role of green credit*. **Energy Economics**, 97, 2021, p.105190.

Magazine/Newspaper

- Singh, S., & Das, S. *Impact of post-merger and acquisition activities on the financial performance of banks: A study of Indian private sector and public sector banks*. *Revista Espacios Magazine*, 39(26), 2018, p.25.

Unpublished Thesis/Dissertation

- Abdulrahman, A. *Board characteristics, audit committee dynamics and financial reporting quality of listed deposit money banks in Nigeria (Doctoral dissertation, Kwara State University (Nigeria))*, 2020.
- Kolawole, O.A. *Audit attributes and reporting quality in selected Nigerian deposit money banks (Doctoral dissertation, Kwara State University (Nigeria))*, 2019.

Bio-data

A. Personal Data

1. Full Names: Isaiah Adeoluwa, TADE
2. Email: tade.isaiah@gmail.com
3. Phone no: 08060380235
4. Address: Bethel house, Bola-extension, Arulogun road, Ojoo, Ibadan.
5. Date and Place of Birth: 9th June 1986, Kisi, Oyo State.
6. Nationality: Nigerian
7. Name and Address of Next of Kin: Bolanle TADE

B. Educational Background with Dates

1. Educational Institutions Attended with Dates and Qualifications

- National Open University of Nigeria, Ibadan.
- St. Michael African Church Grammar School, Apata, Ibadan
- St. Anthony Nursery & Primary School, Kisi, Oyo State.

2. Academic Qualifications Obtained (with dates):

- Bachelor of Science (BSc) in Accounting 2013 - 2016
- West African Examination Certificate (WAEC) 1998 - 2004
- Primary School Leaving Certificate 1992 - 1997

H. Professional Qualifications with Dates:

2016: Associate of the Chartered Institute of Taxation (ACTI) - The Chartered Institute of Taxation of Nigeria- Associate member

2012: Associate Chartered Accountant (ACA) – The Institute of Chartered Accountants of Nigeria – Associate member

2009: Associate Chartered Accountant (AAT) – The Institute of Chartered Accountants of Nigeria – Associate member

C. Working Experience with Dates

| | |
|--|------------------|
| International Institute of Tropical Agriculture (IITA) | 2016 – Till Date |
| Layo Sipe & Co (Chartered Accountants) | 2013 – 2016 |
| Olufemi Adeniji & Co (Chartered Accountants) | 2012 - 2012 |

D. Award and Fellowship (if any)

FCA

ACTI

E. Member of Academic Professional Bodies - Nil

F. Publication (s) – Nil

G. Major Conferences Attended with Dates – Nil

H. References

- **Mr POPOOLA Francis A.**
Financial Controller, IITA
Idi-Oshe, Moniya, Ibadan
08080449494
- **Mr. AMOLE James O.**
Head of Finance
Premier FM (Radio Nigeria)
Oba Adebimpe Road, Dugbe, Ibadan
08062226768

Signature

Date

The University Compliance Certification

This is to certify that **Isaiah Adeoluwa TADE** with Matriculation **LCU/PG/001193** in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan carried out the thesis; Oyo State is in full compliance with the approved University Format and Style.

Signature

Date

Do Not Copy, Lead City University, Nigeria