



AUDIT QUALITY ATTRIBUTES AND MARKET VALUE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT	KEYWORDS
<p>This study examines how key audit-quality attributes—audit fees, audit tenure, and audit report lag—affect the market value of listed deposit money banks in Nigeria, using market price per share (MPS) as the indicator of firm value. The study adopts an ex-post facto research design and utilizes secondary data obtained from the annual reports and NGX fact books of eleven purposively selected banks covering the period 2009–2023. An Autoregressive Distributed Lag (ARDL) model was employed to capture both short-run and long-run dynamics after conducting all necessary diagnostic evaluations. The empirical results show that each audit attribute exerts a significant influence on market value only in the long run: audit fees and audit report lag exhibit a positive long-run effect on MPS, while audit tenure demonstrates a negative long-run effect. These findings suggest that sustained audit effort and more thorough reporting processes may strengthen investor confidence over time, whereas extended auditor–client relationships could raise independence concerns that weaken firm valuation. Overall, the study reinforces the relevance of audit-quality indicators in explaining long-term market value and recommends enhanced audit transparency, periodic auditor rotation, and more efficient reporting processes to improve investor perception and support market stability.</p>	<p>Audit Quality, Audit Fees, Audit Tenure, Audit Report Lag, Market Value.</p>

Introduction

Market value typically refers to the market capitalization of a publicly listed company. As defined by Miettinen (2011), it is calculated by multiplying the total number of a company’s outstanding shares by the current share price. Market value reflects investors’ expectations regarding a company’s future performance and can indicate whether its shares are overvalued or undervalued compared to their intrinsic or fair value.

A company's market value is often viewed as a dynamic indicator of its discounted future earnings potential (Lev, 1989). This explains why investors closely monitor corporate earnings reports and announcements. In response, company management may be incentivized to engage in aggressive earnings management to achieve targets and enhance perceived company value (Schipper, 1989; Healy & Wahlen, 1999).

Earnings manipulation may occur because managers are afforded a degree of flexibility in making accounting choices (e.g., revenue recognition methods, depreciation schedules) or operational choices (e.g., delaying R&D spending) or because they genuinely seek to convey private, positive information to financial statement users (Okolie & Izedonmi, 2014). Managers may strategically disclose private information to provide stakeholders with insights they would not otherwise have, thereby enabling them to adjust their expectations appropriately and prevent negative surprises. The careful and credible release of such information can significantly affect reported earnings and, consequently, share prices. If the information disclosed is highly relevant to financial analysts and other financial statement users, they may also adjust earnings estimates and share prices for other companies in the industry, creating a positive contagion effect. This can impact the share price of the company disclosing the information positively, as it may be perceived as having higher-quality earnings and greater transparency.

Financial statements are fundamentally prepared to provide useful and relevant information for making sound business and economic decisions (Dogan, Coskun, & Celik, 2007). This information is critically important for users, as they rely on these statements to assess the financial condition and performance of related companies, compare entities, and make investment choices (Ahmed & Hossain, 2010). Windsor (2017) supported this view, affirming that a firm's true value can be reflected in high cash flow, robust net income, significant asset worth, or overall company welfare. Such information, available in the firm's statement of financial position or comprehensive financial statements, serves as a crucial tool for stock market participants to assess the firm's intrinsic value.

The audit function emerged to enhance the credibility and reliability of financial information prepared by management for investors and other stakeholders. Its core purpose is to assure users that the financial statements are free from material misstatements. However, as noted by Okolie and Izedonmi (2014), the rising incidence of corporate financial scandals has increasingly challenged the credibility, relevance, and perceived value of the audit function.

In Nigeria, the last two decades have witnessed several bank failures and scandals — including those involving Savannah Bank, African International Bank, Wema Bank, FinBank, Spring Bank, Intercontinental Bank Plc, Oceanic Bank Plc, AfriBank Plc, and more recently, crises surrounding Heritage Bank — largely linked to misleading financial reporting (Odia, 2007; Adeyemi & Fagbemi, 2010). Consequently, concern continues to grow regarding the quality of accounting earnings and the effectiveness of audit processes in curbing fraud, earnings manipulation, and financial misstatements (Okolie & Izedonmi, 2014).

Okolie and Izedonmi (2014) argue that audit quality, as an outcome, cannot be separated from financial reporting quality, implying that high-quality audits minimise inconsistencies and enhance the usefulness of financial statements. This aligns with the view of DeFond and Zhang (2014), who conceptualise audit quality as the degree to which auditors provide reasonable assurance that financial statements faithfully represent a firm's underlying economic reality. Conceptually, the audit process therefore evaluates the likelihood of material misstatements in reported figures and works to reduce

the probability of undetected errors to an acceptable assurance level (Watts & Zimmerman, 1986; Knechel, 2009).

From the foregoing, it is evident that external auditors play an indispensable role in sustaining public confidence in audited financial information — confidence that is fundamental to the stability and credibility of capital markets. In the banking sector, this is even more crucial, given the systemically important role of banks as financial intermediaries within the economy (Nedelcu, 2015).

Given the ability of the audit function to curb management's tendency toward earnings manipulation — often undertaken to meet performance targets or inflate market value — this study seeks to assess the relationship between audit quality and the market value of listed banks in Nigeria. The analysis is therefore rooted in the premise that high-quality audits may enhance market perception, improve investor confidence, and strengthen the valuation of banking institutions in the capital market.

1.2 Statement of the Problem

Audit quality is expected to influence market value by reducing information asymmetry and enhancing investor confidence. However, empirical evidence in Nigeria presents a fragmented and inconclusive picture. Some studies suggest that audit quality proxies such as audit firm size, audit fees, and audit tenure significantly influence market valuation (Okolie & Izedonmi, 2014; Eneisik & Akani, 2021), while others report weak, mixed, or statistically insignificant effects (Musa, 2022; Ogbu, Ibiang & Egwuma, 2024). These inconsistencies are compounded by methodological limitations: several studies employ simple regression or panel least-squares techniques without distinguishing short-run and long-run dynamics (Okolie & Izedonmi, 2014; Eneisik & Akani, 2021), while few account for structural breaks, regulatory reforms, or the dynamic response of market value to audit quality over time.

Moreover, most prior research uses limited time frames often encompassing all industries rather than focusing specifically on deposit money banks (Okolie & Izedonmi, 2014; Musa, 2022; Ogbu, Ibiang & Egwuma, 2024). Audit report lag — a critical dimension capturing the timeliness and efficiency of audits — has received little attention in the context of market valuation, leaving uncertainty as to whether delays signal thorough audits or inefficiency that could influence investor perceptions. Consequently, there is no definitive evidence on the short-run and long-run impact of multidimensional audit quality on the market value of Nigerian deposit money banks.

Addressing these gaps, this study examines the effect of audit fees, audit tenure, and audit report lag on the market price per share of 11 listed deposit money banks in Nigeria over a 15-year period (2009–2023), employing an ARDL framework to capture both short-run adjustments and long-run equilibrium relationships. The study therefore responds to the need for robust, bank-specific, and temporally dynamic evidence on how audit quality shapes market valuation in Nigeria.

1.3 Aim and Objectives of the Study

The aim of this study is to examine the effect of audit quality on the market value of listed deposit money banks in Nigeria. The specific objectives are to:

- i. Evaluate the effect of audit fees on market price per share of listed deposit money banks in Nigeria.
- ii. Investigate the effect of audit tenure on market price per share of listed deposit money banks in Nigeria.

- iii. Determine the effect of audit report lag on market price per share of listed deposit money banks in Nigeria.

1.4 Research Questions

In order to generate relevant data for the study, the following relevant questions were posed:

- i. How do audit fees affect the market price per share of listed deposit money banks in Nigeria?
- ii. How does audit tenure affect the market price per share of listed deposit money banks in Nigeria?
- iii. In what way does audit report lag affect the market price per share of listed deposit money banks in Nigeria?

1.5 Research Hypotheses

The following hypotheses were formulated to enable the researchers to assess the effect of audit quality attributes on market valuation of listed banks in Nigeria.

- i. **H₀₁:** Audit fees have no significant effect on market price per share of listed deposit money banks in Nigeria.
- ii. **H₀₂:** Audit tenure has no significant effect on market price per share of listed deposit money banks in Nigeria.
- iii. **H₀₃:** Audit report lag has no significant effect on market price per share of listed deposit money banks in Nigeria

2.0 LITERATURE REVIEW

2.1 Conceptual Framework

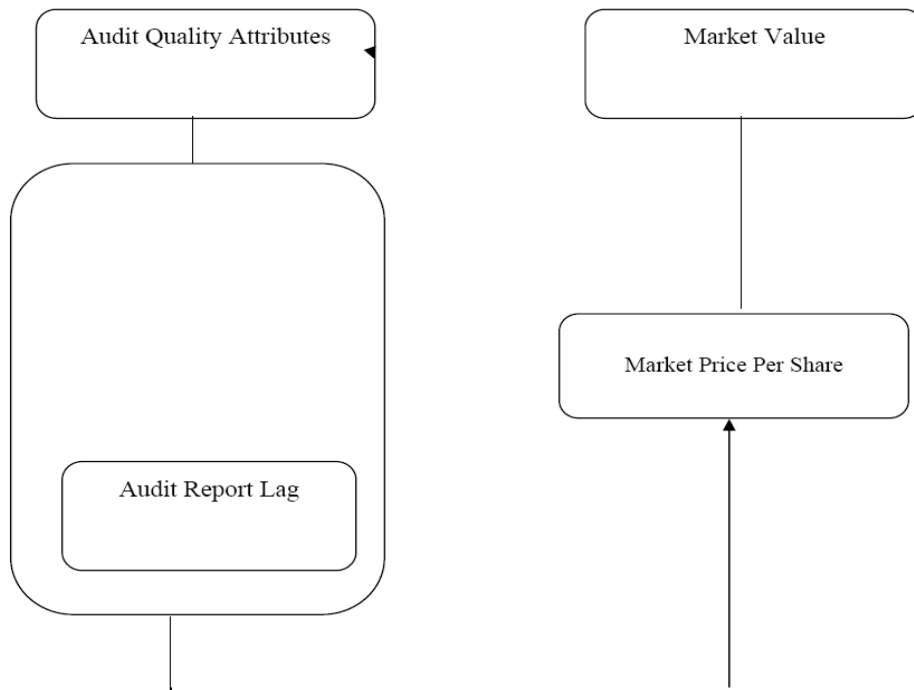


Figure 2.1: Conceptual Framework showing the relationship between Audit Quality Attributes and Market Value.

Source: Adapted from Eneisik and Akani (2021)

2.1.1 Audit Quality

Audit quality is a hotly debated issue in literature as various scholars and institutions have offered their views on the subject. The International Federation of Accountants (IFAC, 2012) offers a conceptual definition, asserting that audit quality signifies the degree to which auditors adhere to exacting ethical and professional standards, consistently exercise professional skepticism, rigorously maintain objectivity, and effectively communicate the results of their work, all of which collectively contribute to the credibility and trustworthiness of financial information. Practitioners within the audit profession frequently define audit quality in relation to auditors' ability to meet legal and professional requirements (Francis, 2004; Watkins et al., 2004; Broberg, 2007). This practitioner-centric view emphasizes compliance with established norms and regulations as a key indicator of quality. Interestingly, professional bodies overseeing the audit profession, predominantly define audit quality based on its intrinsic link to compliance with professional standards—standards that these very bodies themselves issue (Ehlen and Welker, 1996). This reinforces the profession's self-regulatory commitment to upholding quality standards. DeAngelo (1981) offered a market-centric view of audit quality defining it as the market-assessed joint probability that a given auditor will both (1) discover a breach in the client's accounting system, and (2) report the breach. Based on this definition, the auditor's ability to detect misstatements in the financial statements is a measure of his competence and professional scepticism while the courage to report the same is a measure of his independence.

Therefore, building on these diverse yet converging perspectives, audit quality refers to the degree to which an audit is meticulously conducted in accordance with established standards and best practices, thereby ensuring that the financial statements are free from material misstatement(s). It can be conceptualized as the degree to which an audit is performed in full compliance with established standards and provides reasonable assurance that financial statements are free from material misstatements, whether such misstatements are due to fraud or error. In this study, building on prior literature, audit quality is specifically measured by key attributes such as audit tenure, audit fees, and audit report lag.

2.1.1.1 Audit Fee

The audit fee denotes the financial compensation provided to external auditors for rendering their professional audit services in accordance with established standards and contractual agreements. It encompasses the overall cost of conducting the audit, which includes the extensive audit work performed, the inherent risks associated with the engagement, the necessary overheads of the audit firm, and a reasonable profit margin. The audit fee holds conceptual significance not only as a reflection of audit quality but also as a crucial determinant shaping the financial health and growth of individual accounting firms and the broader audit industry (Siheng, 2017).

Theoretically, the amount of fees for audit services that a client firm pays to its audit firm fundamentally reflects the level of audit work the latter has to perform in the auditing process. The definition of this level of work embodies the auditor's conceptual assessment of the process's complexity (e.g., complex financial instruments, numerous subsidiaries, international operations) and the desired level of audit risk the firm is willing to accept (the complement of assurance). In other words, all other things considered, if an auditor wishes to decrease the risk of issuing a clean opinion when there are materially relevant distortions in the client's financial statements, they generally act on the nature, extent, and timing of audit procedures, which, naturally, influence the final amount of

required fees (Moutinho, 2012). This implies a positive conceptual relationship between audit fees and the perceived intensity and diligence of the audit effort, thereby often serving as a proxy for higher audit quality. A higher fee might suggest more hours spent, more experienced personnel assigned, and more comprehensive procedures undertaken, all contributing to a more robust audit.

2.1.1.2 Audit Tenure

Audit tenure refers to the continuous period an audit firm serves a specific client, and its effect on audit quality is widely debated. One school of thought contends that prolonged auditor–client relationships may weaken independence, heighten familiarity threats, and diminish professional skepticism, ultimately reducing audit quality (DeAngelo, 1981). Evidence supporting this position suggests that extended tenure can lead to poorer reporting outcomes and increased likelihood of audit failure, especially when relationships become excessively long (Geiger & Raghunandan, 2002; Carey & Simnett, 2006; Davis, Soo & Trompeter, 2009).

In contrast, an alternative perspective maintains that longer tenure enhances audit quality through the accumulation of client-specific knowledge and learning effects, enabling auditors to conduct more informed audits and detect misstatements more effectively (Ghosh & Moon, 2003; Myers, Myers & Omer, 2003; Chen, Lin & Lin, 2008). Collectively, the literature indicates that the relationship between audit tenure and audit quality is not linear but instead reflects a balance between independence impairment over time and the benefits of increased knowledge gained through sustained engagement.

2.1.1.3 Audit Report Lag

Audit report lag refers to the number of days between a firm’s financial year-end and the signing of the auditor’s report, and it reflects the timeliness with which audited financial information is released to stakeholders. As a measure of reporting efficiency, the length of this lag is widely viewed as an important indicator of audit timeliness and, indirectly, audit quality, since timely reporting enhances accountability and supports informed decision-making.

The duration of audit lag is influenced by factors such as the complexity of audit work, the risk profile of the client, regulatory deadlines, and the efficiency of audit processes (Bamber, Dechow & Bamber, 1993). Conceptually, delays may signal underlying challenges including auditor–management disagreements, internal control weaknesses, or difficulties in gathering sufficient appropriate evidence (Knechel & Payne, 2001). Prolonged audit lag therefore reduces reporting relevance, increases information asymmetry, and exposes investors to greater uncertainty (Mohamad-Nor, Shafie & Wan-Hussin, 2010).

Undue delay in issuing audited statements diminishes financial reporting quality by depriving users of timely and reliable information needed for decision-making (Dibia & Onwuchekwa, 2013). For listed banks—where confidence, regulatory scrutiny, and market sensitivity are high—a shorter audit lag is regarded as a sign of audit efficiency, transparency, and stronger audit quality.

2.1.2 Market Value

A firm’s market value — measured as share price times shares outstanding — reflects the market’s aggregate expectation of the firm’s future cash flows, growth prospects, risk, and intangible factors such as management and operational efficiency (Ross, Westerfield & Jaffe 2003; Miettinen 2011). According to Ross, Westerfield, and Jordan (2019), a firm’s market capitalization, which depends

directly on market price per share (MPS), influences its classification into small-cap, mid-cap, or large-cap categories, which in turn guides investment strategies and portfolio allocation.

Market value captures what investors are willing to pay for a firm's equity (or total capital) at a given point in time. That valuation reflects not just the book value of net assets, but expectations about future profitability, growth prospects, risk profile, and intangibles such as management quality and operational efficiency.

Batranea and Fetita (2023), in a study of 41 financial institutions during 2013–2021, demonstrated that market indicators of banks respond significantly to performance measures such as return on assets (ROA), underscoring that profitability is an important determinant of market value in the banking sector.

Market performance conceptually reflects how the capital markets evaluate a bank's future prospects and current value, often independent of, but influenced by, its historical financial performance. High-quality audits, by enhancing the credibility and reliability of financial information, can improve a bank's market performance. This occurs because reduced information asymmetry and increased transparency lead to lower information risk for investors, potentially resulting in a higher share price and market valuation.

2.1.2.1 Market Price Per Share

Market price per share (MPS) refers to the most recent trading price of a single share of a publicly traded company. It represents the price at which a share can be bought or sold in the open market at a given moment (Nehe and Bajaj, 2017). As a dynamic figure, the MPS changes continuously throughout the trading day, driven primarily by the forces of supply and demand. When investor interest in buying a stock exceeds the willingness to sell, the market price tends to rise. Conversely, when more investors seek to sell a stock than buy it, the price typically declines (Hery, 2017).

This price mechanism is governed by the law of demand and supply, a foundational principle in financial markets. Hemadivya and Rama (2013) emphasized that MPS is not solely influenced by quantitative financial metrics or macroeconomic indicators; investor sentiment, market expectations, and external events such as changes in government policy, new regulations, or corporate leadership controversies can significantly impact market behavior. For instance, positive earnings reports, dividend announcements, or mergers can increase demand for a company's stock, pushing the price upward, while scandals or disappointing results often lead to declines.

The volatility of MPS reflects its sensitivity to both internal and external stimuli. Internally, company-specific factors such as earnings performance, asset valuation, or buyback programs can move prices. Additionally, MPS reflects a form of market consensus—it is the point at which the valuations and expectations of all market participants intersect. As market conditions evolve and new information becomes available, prices adjust to reflect these changes, ensuring that the stock price always embodies the most up-to-date market valuation. In this way, the stock market operates efficiently, absorbing and reacting to new data in real time (Fama, 1970).

2.2 Theoretical Framework

2.2.1 Agency Theory

Agency Theory, as developed by Jensen and Meckling (1976), explains the contractual relationship in which principals (owners or shareholders) delegate decision-making authority to agents (managers) to

act on their behalf. While the aim is for both parties to pursue shareholder wealth maximization, conflicts often arise because agents typically possess superior information about the firm's operations. This information asymmetry creates opportunities for managers to act in ways misaligned with shareholder interests.

The theory assumes that both principals and agents are rational and motivated by self-interest. Consequently, managers may prioritize personal benefits such as compensation, job security, or discretionary perks rather than shareholder value. This divergence in objectives results in the agency problem (Clarke, 2004). It manifests through hidden actions and opportunistic behavior that principals cannot directly observe or control.

Two common outcomes of agency conflict are adverse selection, which occurs when principals cannot fully assess managers' abilities or intentions before contracting, and moral hazard, which arises after delegation when agents may shirk or manipulate outcomes due to weak monitoring (Adams, 2011). To address these risks, Agency Theory proposes monitoring mechanisms and incentive-based contracts designed to align interests and reduce agency costs (Jensen & Meckling, 1976).

Independent auditing is one such mechanism. By verifying financial reports and reducing information asymmetry, auditing strengthens accountability, prevents managerial opportunism, and protects shareholder interests (Matoke & Omwenga, 2016). In the context of financial institutions such as listed banks, high-quality audits serve as governance tools that enhance transparency and ensure the reliability of financial indicators such as ROA, ROE, and Market Price per Share (Fama & Jensen, 1983; Heil, 2017). Thus, Agency Theory provides the conceptual foundation for the present study by justifying the need for external audit as a means of reducing agency costs and aligning the interests of managers and owners.

2.2.2 Theory of Inspired Confidence

The Theory of Inspired Confidence, attributed to the Limperg Institute (1985), conceptualizes auditing as a socially constructed mechanism established to reinforce confidence in financial reporting. It argues that users of financial statements rely on the auditor as an independent expert capable of evaluating the truthfulness and fairness of reported information, particularly where direct verification by stakeholders is impossible. Public confidence therefore legitimizes the audit function, and auditors are expected to justify that confidence by demonstrating competence, objectivity, and commitment to high-quality assurance.

The theory further asserts that the relevance and value of auditing depend on its ability to meet changing societal expectations. When audit failures occur, confidence is eroded, diminishing the perceived usefulness of the auditor's work and creating pressure for improved standards and regulatory responses (Boskou, Kirkos & Spathis, 2019; Elvira, 2018). In this study, the Theory of Inspired Confidence supports the argument that audit quality is fundamental to sustaining trust in corporate reporting, ensuring that audited information is credible, reliable, and capable of inspiring stakeholder confidence.

2.2.3 Signalling Theory

Signalling Theory, originally developed by Spence (1973), explains how parties with more information about their performance or quality can transmit credible signals to less-informed stakeholders. In a corporate context, managers possess superior internal knowledge of financial conditions, risk exposure and future prospects, whereas investors and external users operate with information asymmetry. To

reduce this gap, firms send signals—such as audited financial statements, dividend announcements or governance practices—intended to influence market perception and communicate underlying value. A credible signal must be costly, difficult to imitate and verifiable, otherwise users will discount it as unreliable or strategic misrepresentation.

Within this theoretical lens, audit quality functions as an important signal of transparency, reliability and managerial integrity. High-quality audits reduce uncertainty, strengthen investor confidence, and enhance firm reputation by demonstrating that reported figures have been subjected to competent and independent verification (Connelly et al., 2011; Hapsoro & Santoso, 2018). Conversely, weak or compromised audits signal potential opportunism or reporting risk, leading to diminished trust and negative market reactions. In this study, Signalling Theory therefore underscores how audit quality communicates the credibility of financial information to the capital market, shaping investor behaviour, market valuation and overall corporate performance.

2.3 Empirical Review

Onyejebu and Orjinta (2023) investigated the effect of audit quality on financial performance of deposit money banks in Nigeria. Audit was proxied by audit fee, audit firm size, audit tenure and auditor academic qualification while Tobin's q served as a measure of financial performance. *Ex-post facto* and longitudinal research designs were adopted in the study. The population comprised all listed deposit money banks in Nigeria out of which a sample size of 12 banks were drawn. Secondary data were obtained from audited annual reports and covered the period 2013-2022. Data were analyzed using panel regression technique. Findings revealed that auditor academic qualification has positive and significant effect on Tobin's q, while audit fee has negative but significant effect on Tobin's q. Audit tenure and audit firm size were found to have positive but insignificant effect on Tobin's q.

Onyeogubalu, Orjinta and Ofor (2022) investigated the relationship between audit quality and value of selected manufacturing firms in Nigeria from 2011-2021. *Ex-post facto* and cross-sectional research designs were employed in the study. Auditor independence, audit firm size, audit group qualification and audit experience were used as proxies for audit quality while Tobin's Q was adopted as a measure of firm value. Secondary data were obtained from the annual reports of 34 manufacturing firms. The model for the study was estimated using panel least squares. Findings show that auditor independence had a favorable impact on firm value. Contrarily, audit experience has a non-significant negative correlation with Tobin's Q, whereas audit firm size and qualifications of audit group have a negligible positive correlation with the value of Nigerian manufacturers.

Babatunde, Adedeji and Adebite (2021) examined the relationship between audit quality and performance of banks in Nigeria from 2012-2019. Audit quality was measured using audit fee and auditor size as while return on assets (ROA) and Tobin's Q were the proxies for firm performance. Data were obtained from a sample size of 9 banks and analyzed using descriptive statistics and correlation analysis. The study hypotheses were tested using multiple regression models. Results revealed that both audit fee and auditor size have a positive and significant relationship with return on assets (ROA). Audit fees and auditor size have a positive but insignificant effect on Tobin's Q.

Eneisik and Akani (2021) evaluated the relationship between audit quality indicators and market price

per share of listed deposit money banks in Nigeria. Audit fees, audit tenure and audit firm size were the measures adopted to assess audit quality while market price per shares was proxied by Tobin's Q. Judgemental sampling techniques were employed in the study and data for the period 2006 - 2019 were extracted from annual reports and accounts of the sampled banks. Data analysis was carried out using panel least square regression technique. Output from the regression analysis indicated that audit fees have a negative and insignificant impact on Tobin's Q. Conversely, audit tenure was found to have a negative and significant impact on Tobin's Q. Furthermore, audit firm size depicted a positive and significant impact on Tobin's Q

Isah, Fasua, Ugoh and Ojo (2020) evaluated the effect of audit quality on market price per share of quoted deposit money banks (DMBS) in Nigeria 2012 - 2018. The study adopted *ex post facto* research design. Audit quality was measured using audit firm size, audit fees, auditor tenure and audit industry specialization. Market price per share was sourced from cash-craft of CSCS. Secondary data were extracted from the annual reports of the 14 banks covered by the study. Data analysis was carried out using multiple regression techniques. Findings revealed that audit quality exerts significant influence on the market price per share (MPS) of the quoted DMBs in Nigeria. Specifically, the study found that audit firm size, audit tenure and auditors' industry specialization have significant effect on market price per share while audit fees have insignificant effect on market price per share of quoted DMBs in Nigeria.

Mustafa and Abdulwahab (2018) examined the relationship between audit quality and firm performance in listed oil and gas firms in Nigeria. The study employed secondary data, with annual reports and financial statements serving as the main sources of data collection. The findings indicate an insignificant relationship between audit quality proxies (audit fees, audit firm size, audit firm tenure, and audit timeliness) and firm value. However, while most audit quality proxies were found to be significantly and positively related to firm value, audit firm tenure was negatively associated with Tobin's Q.

Ugwunta, Ugwuanyi and Ngwa (2018) researched on the effect of quality of audit work on share prices in the Nigerian oil and gas sector. Audit committee, audit composition, audit type and audit inference were used as explanatory variables for audit quality which were regressed against share prices of companies. Output from the regression and covariance analysis revealed that auditor type, auditor independence, and composition of the audit committee have significant relationship with market price of shares, audit tenure has a negative relationship with the market price per share.

Tyokoso, U-ungwa and Ojonimi (2017) investigated the effect of audit quality, represented by audit firm size, auditor tenure, client importance and auditor specialization on the performance, represented by Tobin's Q, of listed Deposit Money Banks (DMBs) in Nigeria. Secondary data extracted from annual reports and accounts of 8 DMBs was analyzed using panel multiple regression techniques. The result of the Hausman specification test suggests that the Ordinary Least Square (OLS) regression result was most appropriate for the dataset. The regression result indicates that auditor tenure has a significant positive effect on Tobin's Q of DMBs in Nigeria. In contrast, client importance has a significant negative relationship with Tobin's Q while audit firm size and auditor specialization have insignificant positive and negative effect on Tobin's Q of DMBs in Nigeria respectively.

Hamed, Rohaida, Siti and Mohamed, (2016) examined the impact of audit quality on firm performance for Malaysian listed companies for the period of 2003 to 2012. In this study, they use audit fees and audit firm rotation as proxies for audit quality. Return on assets and Tobin’s q are used as measures for firm performance. They found that there is an insignificant relationship between audit quality proxies (audit fees and audit firm rotation) and ROA. They also found that an audit fee is significantly and positively related to Tobin’s Q. However, audit firm rotation is insignificantly related to Tobin’s Q

Okolie and Izedonmi (2014) examined the influence of audit firm size on market value per share of companies in Nigeria based on a data of 342 companies-year observations from the NSE and applying audit firm size as a measure. Comprehensive multivariate analyses were conducted on archival data covering 2006-2011. The result showed that audit firm size exerts a significant effect on market price per share of companies in the sample.

3.0 METHODOLOGY

According to Kazdin (2003), a research design refers to the structured plan employed to examine a research question. This study adopted an ex-post facto research design, as it involved analyzing pre-existing data over a specified period. The population comprised the twelve (12) Deposit Money Banks (DMBs) listed on the Nigerian Exchange Group (NGX) as of December 31, 2023. A purposive sampling technique was applied to select 11 banks, based on earnings performance and data availability. Purposive sampling, a non-probability method, entails deliberately selecting elements that are most relevant to the research objectives (Foley, 2018).

The study relied on secondary data extracted from the annual reports of the sampled banks and from the NGX fact books, covering a fifteen-year period (2009–2023). Given the panel structure of the dataset, panel regression techniques were employed to analyze the relationships among variables. Specifically, the Autoregressive Distributed Lag (ARDL) model was used to estimate both short-run and long-run effects of the independent variables—audit fees, audit tenure, and audit report lag—on market price per share, serving as a proxy for market value. The choice of the ARDL approach was informed by the mixed order of integration of the variables, as determined by unit root tests, and its suitability for relatively small samples containing both I(0) and I(1) variables (Pesaran & Shin, 1999; Pesaran et al., 2001). To ensure the robustness and reliability of the model estimates, a series of post-estimation diagnostic tests were conducted, including assessments for normality, heteroskedasticity, serial correlation, and multicollinearity.

3.1 Model Specification

The model used in this study was adapted from Eneisik and Akani (2021), with some modifications.

The functional form of the model is represented as follows:

$$MPS = f(AF, AT, ARL, FMGR, LEV)..... (1)$$

This functional form can be econometrically expressed as:

$$MPS_{it} = \beta_0 + \beta_1AF_{it} + \beta_2AT_{it} + \beta_3ARL_{it} + \beta_4FMGR_{it} + \beta_5LEV_{it} + \mu_{it} (2)$$

Where:

MPS = Market price per share

AF = Audit fee

AT = Audit tenure

ARL = Audit report lag

FMGR = Firm Growth

LEV = Leverage

μ_{it} = Error term

β_0 = Intercept

$\beta_1 - \beta_5$ = Coefficients of the regression equation

i = Cross section of firms used

t = Time period

Table 3.1: Measurement of Variables

S/N	Variables	Definitions	Type	Measurement	Construct validity Source
1	MPS	Market Price Per Share	Dependent	Obtained from ng.investing.com/stock-screener/financials	Isah, Fasua, Ugoh & Ojo (2020); Okolie & Izedonmi (2014).
2	AT	Audit Tenure	Independent	Length of auditor-client relationship: '1' if 3 yrs+ & '0' if otherwise.	Heninger (2001); Ebrahim (2001)
3	AF	Audit Fee	Independent	Natural Log of Naira-value remunerated to the auditor for the audit services.	Hanlon, Krishnan, & Mills, (2012), Iliemena & Okolocha (2019)
4	ARL	Audit Report Lag	Independent	Number of days after the closing date of the company's book up to the date of signing of the independent auditor's report by the auditor.	Egbunike and Abiahu (2017)
5	FMGR	Firm Growth	Control	Measured as change in sales in the current year apportioned by previous sales	Collins, Pungaliya, & Vijh, (2017); Huang, Lao, & McPhee, (2017)
6	LEV	Leverage	Control	Total Debts / Equity	Becker et al (1998), Watts & Zimmerman, (1986)

4.0 RESULTS AND DISCUSSION

This section presents the analysis of the secondary data collected for the study. Various statistical techniques were employed, including descriptive statistics, correlation analysis, unit root tests, multicollinearity tests, autocorrelation tests, heteroskedasticity tests, and the Autoregressive Distributed Lag (ARDL) model, to examine the relationships among the variables.

4.1 Descriptive Statistics

The descriptive statistics provide an overview of the distribution, central tendencies, and variability of the study variables. Measures such as the mean, median, and standard deviation were calculated for each variable. For example, the mean of audit fees represents the average expenditure on audit services across the sampled banks, while the standard deviation reflects the degree of variability in audit spending among them. These statistics offer a preliminary understanding of the data before proceeding to more advanced econometric analyses.

Table 4.1 Descriptive Statistics

	MPS	AF	AT	ARL	FMGR	LEV
Mean	11.26333	193715.1	0.606061	86.14545	0.220033	7.759325
Median	8.000000	144000.0	1.000000	82.00000	0.154500	5.844603
Maximum	69.65000	700000.0	1.000000	343.0000	1.983200	191.2097
Minimum	0.570000	12000.00	0.000000	31.00000	-0.778600	0.001223
Std. Dev.	11.07600	161270.1	0.490109	36.46687	0.404004	19.10622
Skewness	1.771005	1.196248	-0.434122	3.169581	1.376721	8.317265
Kurtosis	7.279167	3.782715	1.188462	20.15129	7.044411	74.90251
Jarque-Bera	212.1426	43.56471	27.74418	2298.668	164.5786	37445.91
Probability	0.000000	0.000000	0.000001	0.000000	0.000000	0.000000
Sum	1858.450	31962991	100.0000	14214.00	36.30550	1280.289
Sum Sq. Dev.	20119.16	4.27E+12	39.39394	218092.5	26.76797	59867.83
Observations	165	165	165	165	165	165

Table 4.1 reports the descriptive statistics for the study variables based on 165 firm-year observations. These variables comprise the market value proxy (MPS), audit-related measures (AF, AT, ARL), and firm-specific characteristics (FMGR, LEV).

The average market price per share (MPS) is ₦11, and its relatively high standard deviation of 11 compared to the mean indicates substantial variability in market value across the sampled banks. Audit Fees (AF) have a mean value of ₦193,715,000, with a maximum of ₦700 million, revealing considerable disparities in audit expenditures. The sizeable gap between the mean and maximum audit fees, alongside a very high standard deviation of ₦161,270, suggests that larger banks pay substantially higher audit fees, whereas smaller banks incur comparatively modest costs.

Audit Tenure (AT) has a mean of 0.606, implying that in more than 60% of the observations, banks retain their auditors for periods exceeding three years. Audit Report Lag (ARL) averages 86 days, which may signal concerns regarding the timeliness of financial reporting. This relatively lengthy reporting lag could stem from complex audit engagements or heavy auditor workloads. Firm Growth Rate (FMGR) averages 2.20%, indicating sluggish revenue expansion among listed deposit money banks during the period under review. The high standard deviation of 0.404 suggests wide disparities in growth patterns, with some banks recording strong expansion while others experience stagnation or decline.

The kurtosis statistics for MPS (7.28), ARL (20.15), and LEV (74.9) far exceed the benchmark value of 3, indicating that these variables exhibit leptokurtic distributions with pronounced peaks and heavy

tails. To address these distributional issues and improve model suitability, the affected variables were log-transformed.

4.2 Correlation Analysis

Table 4.2 presents the Pearson correlation coefficients among the key variables used in the study. The matrix is intended to provide preliminary insights into the nature and strength of linear associations among variables, as well as to detect potential multicollinearity concerns prior to regression modeling.

Table 4.2 Correlation Matrix

	MPS	AF	AT	ARL	FMGR	LEV
MPS	1.000000	0.275041	-0.024918	-0.230581	0.138082	-0.148501
AF	0.275041	1.000000	0.165424	-0.259628	0.070328	0.063175
AT	-0.024918	0.165424	1.000000	-0.141070	-0.100820	-0.148381
ARL	-0.230581	-0.259628	-0.141070	1.000000	-0.026116	0.255493
FMGR	0.138082	0.070328	-0.100820	-0.026116	1.000000	0.046639
LEV	-0.148501	0.063175	-0.148381	0.255493	0.046639	1.000000

Market Price per Share (MPS) exhibits modest correlations with the study’s explanatory variables. MPS has a positive association with Audit Fees (AF) ($r = 0.2750$), suggesting that firms with higher market valuations tend to incur greater audit expenditures. MPS also shows a weak positive correlation with Firm Growth (FMGR) ($r = 0.1380$), indicating that expanding firms generally experience slightly higher share prices. Although the relationship is mild, it remains consistent with theoretical expectations that firm growth signals improved future earnings prospects, which investors may incorporate into market valuations.

Conversely, MPS displays a very weak negative correlation with Audit Tenure (AT) ($r = -0.0249$), implying that the duration of the auditor–client relationship has virtually no direct linear influence on market valuation. MPS also records a moderate negative correlation with Audit Report Lag (ARL) ($r = -0.2305$), indicating that longer reporting delays are associated with lower market prices.

Audit Fees (AF) itself demonstrates several notable relationships. AF has a moderate positive correlation with MPS ($r = 0.2750$), reinforcing the tendency for higher-valued firms to pay more for audit services. AF also shows a moderate negative correlation with ARL ($r = -0.2596$), suggesting that higher audit fees are linked to shorter reporting delays. Additionally, AF exhibits a modest positive association with Audit Tenure (AT) ($r = 0.1654$), implying that longer auditor–client relationships are accompanied by slightly higher audit fees. Firm Growth (FMGR) and Leverage (LEV) show only weak positive correlations with AF ($r = 0.0703$ and $r = 0.0632$, respectively), indicating minimal association. By contrast, ARL has a moderate positive correlation with Leverage ($r = 0.2555$), meaning that more highly leveraged firms tend to experience longer audit delays.

4.3 Unit Root Test Results

The notion of a unit root is fundamentally linked to whether a time series is stationary. A stationary series maintains constant statistical properties over time, while a series that contains a unit root is non-stationary because its mean and variance may shift as time progresses. Such non-stationarity can

produce misleading or spurious regression results, where estimated relationships seem significant but lack real economic meaning. To assess the stationarity of the variables, this study applied four panel unit root tests: the Im, Pesaran and Shin (IPS) test, the ADF-Fisher test, the PP-Fisher test, and the Levin, Lin and Chu (LLC) test. The outcomes of these tests are presented in Tables 4.3a and 4.3b.

Table 4.3a: Im, Pesaran and Shin & ADF-Fisher Unit Root Test

Variables	Im, Pesaran and Shin	Prob.	Remarks	ADF-Fisher	Prob.	Remarks
	t-statistics			t-statistics		
AF	-1.77499	0.0379	I(1)	34.7199	0.0414	I(1)
AT	-1.95903	0.0251	I(0)	35.2906	0.0361	I(0)
ARL	-7.18382	0.0000	I(1)	86.7158	0.0000	I(1)
FMGR	-1.52337	0.0638	I(0)	36.0696	0.0298	I(0)
LEV	-5.00494	0.0000	I(1)	66.1201	0.0000	I(1)
MPS	-5.35885	0.0000	I(1)	70.0757	0.0000	I(1)

Table 4.3b: PP-Fisher and Levin, Lin & Chu Unit Root Test

Variables	PP-Fisher	Prob.	Remarks	Levin, Lin & Chu	Prob.	Remarks
	t-statistics			t-statistics		
AF	72.6053	0.0000	I(1)	-1.30937	0.0952*	I(1)
AT	43.0292	0.0047	I(0)	-4.08125	0.0000	I(0)
ARL	170.340	0.0000	I(1)	-10.2582	0.0000	I(1)
FMGR	111.459	0.0000	I(0)	-3.0669	0.0011	I(0)
LEV	116.822	0.0000	I(1)	-5.32302	0.0000	I(1)
MPS	97.9359	0.0000	I(1)	-6.64572	0.0000	I(1)

The unit root tests yielded consistent results across all four testing procedures. Specifically, the variables AF (Audit Fees), ARL (Audit Report Lag), LEV (Leverage), and MPS (Market Price per Share), were found to be non-stationary at level but stationary after first differencing, and are thus integrated of order one, I(1).

On the other hand, the variables AT (Audit Tenure), FMGR (Firm Growth) were found to be stationary at level, indicating that they are integrated of order zero, I(0). Notably, the LLC test for AF was only marginally significant at the 10% level, which supports the I(1) designation based on the stronger evidence from IPS, ADF-Fisher, and PP-Fisher.

The mixed order of integration (I(0) and I(1)) among the variables justifies the application of the Autoregressive Distributed Lag (ARDL) modeling approach, which is well-suited for handling such mixed integration orders without requiring all variables to be stationary at the same level. This outcome validates the econometric framework adopted in the subsequent estimation procedures.

4.4 Multicollinearity Test

Variance Inflation Factor (VIF) analysis was employed to assess multicollinearity among the independent variables. Centered VIF values are generally interpreted, where a threshold of 10 or above indicates serious multicollinearity concerns.

Table 4.4: Multicollinearity Test

Table 4.4: Multicollinearity Test

Variance Inflation Factors
Date: 05/09/25 Time: 00:04
Sample: 2009 2023
Included observations: 165

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	4.335346	894.3514	NA
AF	0.016637	480.0520	3.094575
AT	0.022111	2.764408	1.089009
ARL	0.048916	195.7371	1.235839
FMGR	0.030266	1.315180	1.012899
LEV	0.002419	3.137532	2.888592

Table 4.4 shows that all centered VIF values—3.09 for AF, 1.08 for AT, 1.24 for ARL, 1.01 for FMGR, and 2.89 for LEV—are well below the acceptable threshold, indicating that multicollinearity is not a concern and the variables are suitable for regression analysis

4.5 Heteroskedasticity Test

The Breusch-Pagan-Godfrey test was conducted to examine the presence of heteroskedasticity in the residuals of the ARDL model for MPS. The results, as displayed in Table 4.5, reveal the following p-values across different test statistics:

F-statistic (p = 0.7683), Obs*R-squared (p = 0.7600), and Scaled explained SS (p = 0.9651).

All p-values exceed the 5% level of significance, thereby indicating that the null hypothesis of homoskedasticity cannot be rejected. This implies that the residuals exhibit constant variance, and hence, heteroskedasticity is not a concern in the Model.

Table 4.5: Heteroskedasticity Test on the MPS
Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.510162	Prob. F(5,148)	0.7683
Obs*R-squared	2.609249	Prob. Chi-Square(5)	0.7600
Scaled explained SS	0.967663	Prob. Chi-Square(5)	0.9651

Table 4.6: ARDL Estimation Results for MPS

An ARDL model was employed to estimate the long-run and short-run effects of audit-related factors on the Market Price per Share (MPS) of listed banks in Nigeria between 2010 and 2023. The model output is presented below:

Dependent Variable: D(MPS)
 Method: ARDL
 Date: 05/11/25 Time: 06:48
 Sample: 2010 2023
 Included observations: 154
 Maximum dependent lags: 1 (Automatic selection)
 Model selection method: Akaike info criterion (AIC)
 Dynamic regressors (1 lag, automatic): AF AT ARL FMGR LEV
 Fixed regressors: C
 Number of models evaluated: 1
 Selected Model: ARDL(1, 1, 1, 1, 1)
 Note: final equation sample is larger than selection sample

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
Long Run Equation				
AF	0.344509	0.060053	5.736704	0.0000
AT	-0.287050	0.067841	-4.231240	0.0001
ARL	0.459256	0.215010	2.135971	0.0356
FMGR	1.458313	0.199507	7.309593	0.0000
LEV	-0.011313	0.002776	-4.074760	0.0001
Short Run Equation				
COINTEQ01	-0.587957	0.077403	-7.595999	0.0000
D(AF)	0.089337	0.230330	0.387867	0.6991
D(AT)	0.103630	0.060212	1.721093	0.0890
D(ARL)	-0.174245	0.174433	-0.998921	0.3207
D(FMGR)	-0.449815	0.110907	-4.055801	0.0001
D(LEV)	-0.077425	0.061631	-1.256263	0.2125
C	-2.586672	0.428638	-6.034632	0.0000
Mean dependent var	0.083084	S.D. dependent var		0.445987
S.E. of regression	0.276652	Akaike info criterion		0.463933
Sum squared resid	6.352531	Schwarz criterion		2.007494
Log likelihood	43.72551	Hannan-Quinn criter.		1.090518

*Note: p-values and any subsequent tests do not account for model

Cointegrating Term (COINTEQ01):

The error correction term is -0.587957 ($p = 0.0000$), confirming the existence of a stable long-run equilibrium relationship. Its negative and significant value indicates that approximately 59% of the deviation from long-run equilibrium is corrected each period (year), indicating moderate speed of adjustment.

4.6 Test of Hypotheses

H₀₁: Audit fees have no significant effect on market price per share of listed deposit money banks in Nigeria.

The ARDL results in Table 4.6 reveal that audit fees have a statistically significant positive effect on MPS in the long run (coefficient = 0.344509 , $p = 0.0000$). However, the short-run effect is statistically insignificant (coefficient = 0.089337 , $p = 0.6991$). Based on this evidence, the null hypothesis is partially rejected, indicating that audit fees exert a significant positive effect on MPS, particularly in the long run.

H₀₂: Audit tenure has no significant effect on market price per share of listed deposit money banks in Nigeria.

Table 4.6 reveals that the long-run coefficient for audit tenure is -0.287050 ($p = 0.0001$), indicating a statistically significant negative effect. In the short run, audit tenure has an insignificant positive effect on MPS (coefficient = 0.103630 , $p = 0.0890$). Hence, the null hypothesis is partially rejected, implying that audit tenure significantly affects MPS only in the long run.

H₀₃: Audit report lag has no significant effect on market price per share of listed deposit money banks in Nigeria.

The ARDL estimation results indicate that in the long run, audit report lag has a positive and statistically significant effect on MPS (coefficient = 0.459256 , $p = 0.0356$). However, its short-run effect is negative and statistically insignificant (coefficient = -0.174245 , $p = 0.3207$). Therefore, the null hypothesis is partially rejected, suggesting that audit report lag influences MPS only in the long run.

4.7 Discussion of Findings

Audit Fees and Market Value (H₀₁)

The analysis showed that audit fees significantly affected MPS in the long run, although the short-run effect was found to be statistically insignificant. This indicates that higher audit fees may contribute to improved investor confidence and enhanced market valuation over time. This finding supports Hamed et al. (2016), who reported a significant positive association between audit fees and Tobin's Q, implying that markets view higher fees as indicative of higher audit quality and superior firm value. In contrast, Eneisik and Akani (2021) found no significant relationship between audit fees and MPS. Similarly, Isah et al. (2020) concluded that audit fees had no significant impact on MPS among Nigerian banks. The contrasting outcomes may reflect differences in the methodology adopted by the researchers, particularly with respect to study duration and data analysis techniques adopted.

Audit Tenure and Market Value (H₀₂)

Audit tenure was found to have a significant long-run effect on MPS, although the short-run effect was not significant. Notably, the long-run effect was negative, implying that longer auditor relationships

may adversely impact how investors value the firm. This result is consistent with Eneisik and Akani (2021), Mustafa and Abdulwahab (2018), and Ugwunta et al. (2018), who observed that prolonged auditor-client relationships negatively affect market price. These studies emphasized the potential risk of compromised independence over extended periods. In contrast, Tyokoso et al. (2017) documented a significant positive relationship between audit tenure and Tobin's Q for deposit money banks, implying that extended auditor engagement enhances firm value.

Audit Report Lag and Market Value (H₀₃)

The results revealed that audit report lag had a significant long-run effect on MPS, while the short-run effect remained statistically insignificant. Interestingly, the long-run relationship was positive, implying that investors may view longer audit processes as a sign of thoroughness. This aligns with Onwubiko et al. (2024), who found that audit delay could enhance market valuation in Nigerian banks. However, Ahmad and Qasim (2017) reported a negative significant relationship between audit timeliness and financial performance. These inconsistencies may result from differing audit norms, investor education, or information disclosure practices across firms.

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The key empirical findings of this study are summarized as follows:

1. Audit fees have a significant positive effect on market price per share in the long run only.
2. Audit tenure has a significant negative effect on market price per share in the long run only.
3. Audit report lag has a significant positive effect on market price per share in the long run only.

5.2 Conclusion

This study examined the effect of audit fees, audit tenure, and audit report lag on the market value of listed deposit money banks in Nigeria from 2009 to 2023. The results show that all three audit attributes significantly influence market price per share only in the long run: audit fees and audit report lag have positive effects, while audit tenure has a negative effect. These findings suggest that stronger audit effort and more thorough verification enhance long-term investor confidence, whereas prolonged auditor-client relationships may weaken perceptions of independence. Overall, the study underscores the long-term importance of audit quality indicators in shaping market value and calls for audit practices that balance independence with credible assurance.

5.3 Recommendations

Based on the empirical findings of the study, the following recommendations are proposed:

1. Because higher audit fees positively influence market valuation, banks should avoid aggressive cost-cutting in audit expenditure. Regulators should also promote greater disclosure of audit-related expenditures to signal transparency to investors.
2. Given the adverse long-run effect of prolonged auditor tenure on market valuation, regulators should implement policies that mandate periodic auditor rotation. Investors should also factor auditor tenure into their assessment of firms' governance practices.

3. Since extended audit lag can influence market valuation, regulators and audit firms should collaborate to establish industry benchmarks for audit completion timelines. Banks should adopt early year-end processes to avoid prolonged delays that could affect investor sentiment.

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