

Audit Quality and Share Price of Deposit Money Banks in Nigeria

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Abstract

Share price is a very sensitive to the expression of confidence investors have on the stock of firms and it is influence by several factors including the quality of the audit of the financial statements. Against this background, this research investigates the effect of audit quality on share price of deposit money banks in Nigeria from 2013 to 2022. The specific objectives are to evaluate the effect of audit fee, audit firm tenure and audit firm size on share price. The sample size consists of seven deposit money banks which are quoted based on their banking operations only. The Lagrangian Multiplier test specified the adoption of the pooled Ordinary Least Squares regression techniques for estimating the model. The results show that audit fee has a significant positive effect on share price, audit firm tenure has a significant negative effect on share price, while audit firm size has an insignificant effect n share price of the banks examined. This research recommends that management of the Nigerian deposit money banks should try to pay fees charged, avoid long tenure for auditors and strive to engage the Big 4 audit firms for higher share prices.

Keywords: Audit Fee, Audit Firm Size, Audit Firm Tenure, Audit Quality, Share Price.

Introduction

Managers of public companies prepare and present annual financial reports for the shareholders, and other stakeholders including creditors, suppliers, tax authorities, regulatory agencies and the general public to enable them evaluate the performance and financial position of the reporting organizations. Conflict of interests may arise between the management and shareholders which raises agency problem and therefore necessitate a third party (the auditors) to take a critical look at the books of accounts and give an unqualified opinion on the true representation of the reports presented to the stakeholders. This third is party is the external auditor who quality of work is the extent to which it independently expressed opinion of the financial statement as a true and fair representation of the financial position of the entity concerned. This means that published financial reports that fail to meet the information needs of its users do not achieve their intended purpose (Tyokoso, 2017).

Audit quality has become very important due to the role of audit in enhancing the quality and reliability of financial statements. More than ever before, the financial crisis which has affected most of the world in recent years has pushed up the demand for high quality audits (Alzeaideen & Al-Rawash, 2018). Wali (2015) points out that audit quality exercise is an audit conducted in accordance with generally acceptable auditing standards that can detect and report material misstatements in the financial statements including disclosure relating to error, faults or frauds, and is able to provide assurance that the financial statement as presented can be relied upon.

The external auditors play a crucial role in promoting the quality of financial statements prepared by management.as they do an independent verification of financial statements which add more credibility the reports in the perception of the users of the information presented. External auditors'

unqualified opinion lends credence because as a party not involved in the management decision, their views as expressed in their reports are highly regarded as credible among accounting information users. More importantly, Rajpal and Jain (2018) note that, the threat that any misstatement in the financial statement will be reported by the auditor to the shareholder works as the governing measure for the management of the firm. Therefore, it is expected that an external audit will act as a deterrent for the management to manage the earnings. Audit quality is represented by audit fee, audit firm tenure and audit firm size.

Audit fee refers to the charge an audit firm receives from the client for the purpose of discharging the agreed responsibility of checking the financial documents in order to express an unqualified opinion that the reports represent the firm's true and fair financial position (Thuneibat and AlHalaseh, 2023). According to section 240 of the ethics of public accountant's compartment, the fee amount may vary depending on the risk assessment, the complexity of services provided, level of expertise required to perform such services, the related cost structure of the audit firm and other professional considerations. In this regard, Code of Ethics for Professional Accountants (IFAC, 2010) provides that "when entering into negotiations regarding professional services, a professional accountant in public practice may quote whatever fee is deemed appropriate. Audit fees is seen as one of the greater indicators of audit quality in the sense that it is perceived that auditors who charge higher fee tend to be more independent and so firms audited by them are attractive t investors and hence higher share price.

Auditor tenure refers to the duration of time expressed in the number of years a firm is continuously audited by a particular audit firm (Okolie and Izedonmi, 2014). The Prudential Guideline which was meant to audit and financial reporting quality in banks was meant to deal with accounts manipulation occasioned by earnings management states that the tenure of the external audit should not exceed ten years from the date of first appointment. This is because there are empirical and practical evidences that long audit tenure compromise audit quality (Gerayli *et al.*, 2011). Auditor's rotation has a relationship with share price as investors would regard audit firms retained for too long to be easily compromise and would prefers firms that rotate auditors as frequently as meaningful.

Audit firm size refers to the acknowledged size of the auditing firm which for the purpose of this study is categorized into two based on whether an auditing firm is among the globally recognized Big 4 or otherwise. The big 4 auditing firms include Delloite, Ernst and Young, Price water house Cooper (PwC) and KPMG ((Klynveld, Peat, Marwick & Goerdeler). The size of an auditing firm is capable of influencing the share price of a firm because the more confidence investors have in the auditing firm that a thorough job would be done, the more their desire to invest and consequently share price would be affected.

A share price is the price of a single number of saleable stocks of a company and simply refers to the highest amount someone is willing to pay for the share, or the lowest amount that it can be sold. Setiyawan and Pardiman (2014) note that one of the factors for consideration by an investor before investing their funds in a capital market instrument is the share price and what attracts an investor is a stock price that has ascending movement patterns at any time. Investments in shares require sufficient knowledge and understanding of the environments surrounding the stock market. It is important for both existing and potential investors to have the required understanding because of the associated degree of risk involved in investment decisions. Given the possibility that an investor

may lose his investments, it is essential to assess or evaluate investment opportunities to minimize the occurrence of this risk. This risk can be viewed in light of the movement in stock prices.

Banks has the traditional role of stimulating the economy through the intermediation role they play in the mobilization of resources from the surplus units (savings) and channeling them to the deficit units through loans and advances for productive investments. The need for audit in the banks seems to have increased as advanced technologies meant to enhance business transactions are developed (Enyi, 2012). The fraud rate in the Nigerian banking sector is alarming according to the Nigerian Deposit Insurance Corporation (NDIC) annual reports. In 2017, the Nigerian Deposit Insurance Corporation (NDIC) reported that frauds and forgeries involved in the banking sector amounted to ₦12.01 billion. This makes it important to regularly evaluate their audit quality through share price movement.

Some of the issues identified in reviewed literature include the methodological gap that exist with the failure of studies to conduct useful diagnostic test as appropriate. For instance, none of the studies reviewed conducted the LM test for random effect before choosing either random effect of ordinary least square regression techniques. Secondly, the few Nigerian studies reviewed which used banks as the domain lumped all deposit banking institutions together without separating the those listed as holding like first bank or as group like First City Monument Bank and Access Bank. Thirdly, a gap existed in the currency of the data analyzed by previous studies reviewed. For example, Baffa *et al.* (2023) stopped wit 2021 data, while Thuneibat and AlHhalasel (2023) and Ojedele (2023) stopped with 2020 data creating a yawning gap to be updated.

The main objective of this study is to determine the effect of audit quality on share price of the deposit money banks in Nigeria, while the specific objectives are to:

- i) establish the effect of audit fee on share price of deposit money banks in banks in Nigeria;
- ii) analyze the effect of audit rotation on share price of deposit money banks in Nigeria; and
- iii. evaluate the effect of audit firm type on share price of quoted deposit money banks in Nigeria.

The formulated hypotheses were i) Audit fee has no significant effect on share price of deposit money banks in Nigeria; ii) Audit rotation has no significant effect on share price of deposit money banks in Nigeria; and iii) Audit firm type has no significant effect on share price of deposit money banks in Nigeria. This study covers eight years from 2014 to 2022 with regards to audit quality measured by audit fee, audit rotation and audit firm type, while the dependent variable is the share price of seven deposit money banks listed only by their banking activities with their subsidiaries.

Conceptual Review

The conceptual review of this study is composed of the independent variable – audit quality represented by audit fee, audit rotation, audit firm type the dependent variable share price denoted as the market share price of the firm' shares.

Audit quality

The International Audit and Assurance Standard Board (IAASB) define an audit as an independent examination of, and expression of opinion on the financial statements of a business enterprise by an appointed auditor in accordance with his terms of appointment and in compliance with the relevant statutory and performance requirements. Dandago and Abdullahi (2014) pointed out that

one way of making the concept of audit quality real is to try to establish clear expectations of what auditors need to do to support the growth of public confidence of financial statements. Gul *et al.* (2009) assert that audit quality describes how well an audit detects and reports material misstatements of financial statements. High audit quality should be associated with high information quality of financial statements because financial statements audited by high quality auditors should be less likely to contain material misstatements and consequently reduce earnings management. Basiruddin (2011) opine the audit quality is the probability that an Auditor will not issue an unqualified report for statements containing materials errors. This study defines audit quality as the extent to which financial statements of firms are free from misstatement such that it discloses a fair and true financial position of the firm.

Audit Fee

Audit fee refers to charges paid by the client companies for statutory audit services and non-statutory audit services provided by an auditor. Audit fees are the compensation to auditor for the services he rendered to a client, such audit services include that for which the auditor was primarily engaged and non-statutory services also known as management consultancy services rendered outside the scope of engagement. Ashtana and Boone (2012) noted that audit quality is reduced when audit fees are higher, while, Chi *et al.* (2009) aver that high audit fees are associated with higher levels of earnings management. Eshleman and Guo (2013) argue that higher audit fee can cause the auditor to lose independence, resulting in more biased audit findings Nam (2014) establishes that auditors might have more incentives to compromise their independence in exchange for a more rewarding level of fees from their client-firms. This study defines audit fee as the monetary benefits that an audit firms derived from carrying out auditing services for a client.

Auditor Tenure/Rotation

Adeniyi and Mieseigha (2013) define auditor tenure as the length of the auditor-client relationship. Yasser and Soliman (2018) pointed out that a long audit relationship improves the conditions of the audit work performance, noting that the duration of the audit-client relationship can have a positive impact on the quality of the audit exercise and improve the company's reputation, arguing that there are more risks involved with short auditor tenure because auditors with insufficient client-specific knowledge has to rely more on estimates and representations made by the client and this is detrimental to quality auditing therefore encouraging earnings manipulations. Casterella and Johnston (2013) state that auditing the same firm for several years allows auditors to gain valuable knowledge about their clients and that, when the audit firm tenure increases, the auditor's ability to evaluate the risk of material misstatements in the client's financial statements increases as they gain more experience and better insights into the client's operations and business strategies. Brooks et al. (2011) maintain that when audit tenure increases, the auditor gains a better understanding of the client system, industry environment, business and internal controls thereby become more capable of detecting misstatements. On the other hand, Gold *et al.* (2012) assert that audit quality in the initial audit engagement years is higher than in subsequent periods, due to a high independence which could become weak over time. For this study, auditor tenure/rotation is the length in the unbroken numbers of year an audit firm is engaged by a firm.

Audit Firm Size

Audit firm size refers to the capacity of the audit firm to carry out an effective and independent widely accepted audit duties on a client financial statement without yielding to pressure whatsoever. The big4 audit firms (Deloitte, Ernst and Young, PricewaterhouseCoopers and KPMG) are regarded as the large audit firms. Yasser and Soliman (2018) note that large audit firms are capable of sustaining a high audit quality level due to the fact that they have a greater number of clients, thus revenues are derived from several clients such that their revenue streams will not be affected by a single client, which makes them more independent. Habbash and Alghamdi (2017) state that if the audit firm is small, there is a high probability that the income of the audit firm heavily depends on the audit fee charged from certain clients, a situation which encourages promotes lack of independence, while larger audit firms have greater opportunities to deploy significant resources in the process of carrying out their auditing duties. According to Lawrence *et al.* (2011), the larger audit firms are considered to have more resources in of both financial and operational terms and therefore they can provide better auditing services. This study conceptualizes audit firm type as dichotomous variable that shift between being among the big 4 audit firm and regarded as large or non-big 4 regarded as small audit firms.

Market Share Price

Asogwa and Onyekwelu (2020) define share price as the price of a single number of saleable stocks of a company, derivations or other financial assets, noting in layman term, that the share price is the highest amount someone is willing to pay for the share, or the lowest amount that it can be sold. Priya and Azhagaiah (2008) define share price of company's securities as the value of the company's common stock at+ the stock market, which in turn, is a function of the company's investment, financing and dividend decisions. Hussainey *et al.* (2011) define share price as the price of a certain a stock over a given period of time usually a year. Setiyawan and Pardiman (2014) note that one of the factors for consideration by an investor before investing their funds in capital market instruments is the share price and that the stock price expected by investor is a stock price that has an ascending movement pattern at any time. Jogianto (2008) states that the share price is the price that occurred in the stock market at a given time and it is determined by market forces. Abu and Adebayo (2018) note that a share price is the price of a single share in a number of sellable stocks of a company, derivatives or other financial assets, averring that the share price of a firm is directly observable from the Stock Exchange which is part of the securities segment of the capital market. This study defines share price as the average price at which a share was sold and bought in the stock market at the end a financial year.

Theoretical Foundation

Theory of Inspired Trust and Value Creation

This study is anchored on the Theory of Inspired Trust and Value Creation which was developed by the Limperg Institute in the Netherlands in the year 1985 and holds that the auditor, as a confidential agent, derives his broad function in society from the need for expert and independent examination and judgement supported by analyses. Thus, accountants and auditors are expected to know and realize that the public continues to expect a low rate of audit failures, which requires that the auditors plan and perform their audit in a manner that will minimize the risk of undetected material misstatements. The accountant is under a duty to conduct his work not to betray the

confidence he commands (Limperg *et al.*, 1985; Edna et al, 2021& Uchenna et al, 2022). The importance of the theory of inspired confidence is that the duties and responsibilities of the auditors are a derivation from the trust that is bestowed by the public on the success of the audit process and the assurance that the opinion of the accountant conveys. Since the trust determines the existence of the process, a betrayal of this trust logically means a termination of the process or function. When the confidence that society has in the effectiveness of the audit process and the audit report is misplaced, the value and relevance of that audit are destroyed. Therefore, auditors are expected to maintain reasonable quality assurance especially given that an audit failure is effectively a career-ending event. Auditing assures the owners and management of companies, investors and stakeholders, and financial reporting, corporate governance, and regulations support confidence in the capital markets.

Empirical Review

Baffa *et al.* (2023) analyzed the value relevance of the tenure of auditors and size of audit firm by using empirical data from actively traded firms on the floor of Nigerian Exchange Group. The specific objectives were to determine how audit firm size and rotation affect value relevance of firms measured by share price. The data for the study were obtained from the published annual reports and accounts of 124 quoted companies in Nigeria from 2012 to 2021. The average -monthly share price of the fourth month after accounting year end of all sampled firms was utilized as the dependent variable of the study to establish the value relevance of accounting information in the financial statements, the panel corrected standard errors (PCSE) regression were used adopted for analysis. The study revealed that auditor tenure and audit firm size have significant positive influence on market reaction in the first month after the release of annual reports and accounts of sampled firms. This means that, auditor tenure and audit firm size were found to be value relevant to users of accounting information in Nigeria. The study recommended that investors should consider the audit tenure and auditors size when making investment decisions and prioritize firms that have been audited by big auditors and by integrating small audit firms.

Thuneibat and AlHalaseh (2023) investigated auditing quality between share price and liquidity regarding investor's decision. The specific objectives were to ascertain the effect of audit firm size, tenure, fees, and firm experience on the stock prices and the liquidity of stock companies listed on the Amman Stock Exchange (ASE). The study adopted the deductive approach considering the least-squares dummy variable to study the relationship between time-varying predictors and outcomes of 185 shareholding companies listed on ASE from 2016 to 2020. The OLS regression showed that audit firm size (AFS) has a positive insignificant impact on share price, audit firm type (AFT) has a negative significant impact, while audit fee and firm experience have positive significant effect on share price and liquidity. The study recommended studying the adverse impact of stock's liquidity on the audit quality and exploring the audit risk from liquidity management.

Ojedele (2023) determined the effect of audit reports quality on the share prices of manufacturing companies in Ogun State which was intended to specifically establish the influence an auditor's report has on the share price of quoted manufacturing companies in Ogun state. The study used secondary data collected from annual reports of the manufacturing companies in the sample from the year 2016-2020. The population of the Study is 17 manufacturing companies (both industrial and consumer goods manufacturers) in Ogun State listed on the Nigerian Exchange Group. The data were analyzed using descriptive analysis Johansen test, Hausman test, and regression analysis.

The findings from the study revealed that audit report was a significant driver of share prices. The study recommended that manufacturing companies should pay attention to their audit report in driving their share prices and that there is a need to pay attention to audit content since the report is a recommendation between the entity and the external parties.

Erasmus and Akani (2021) investigated the relationship between audit quality and market value of quoted banks in Nigeria. The independent variable - Audit quality was proxied by audit fees, audit tenure and audit firm size while market value was measured by market price per share. The sample size of the study twelve banks. Secondary data were obtained from audited annual financial reports of the banks from 2006-2019. Hypotheses were tested using panel least squares regression through fixed effect. Findings showed that audit fees have negative and insignificant impact on market price per shares, audit tenure had negative and significant impact on market price per shares, audit firm size had negative and insignificant impact on market price per shares. The study recommended among others that banks management should adopt audit fees, audit tenure and audit firm size as audit quality strategies and optimally utilize the best option that improve market value.

Ugwunta *et al.* (2019) examined the effect of audit quality on share prices of Nigerian oil and gas firms. The independent variable – audit quality was measured by auditor type, auditor independence, auditor’s tenure and audit committee composition. The study adopted linear multiple regression and covariance analyses for estimating the model. Findings from the regression analysis showed that the composition of the audit committee and auditor type has significant effect on the market prices of the sampled quoted firms. The covariance analysis showed that while auditor type (BIG4/NONBIG4), auditor independence, and composition of the audit committee have a positive and significant relationship with market price of shares, tenure of external auditors has a negative relationship with the market price of shares. The study recommended that firms should strive to associate with the BIG4 external auditors in Nigeria as such an association could enhance the credibility of the audit process and by extension their share prices.

Al-Attar (2017) explored the impact of auditing on stock prices of Amman stock market. The study was based on primary data collected from finance managers of listed companies of Amman stock market to find out audit and its impact of stock prices. Impact of audit is indicated in terms of audit quality and its effect on financial performance of firm because stock prices are an indicator of financial performance of firms. To find out the relationship among key variables of study, audit quality and stock prices, hypotheses were formulated and tested. Descriptive analysis, factor analysis and structural equation modeling were carried out. The study found that audit has a significant impact on stock prices of firms in Amman stock market, while improved audit quality results in improved financial performance of the firm indicated by their stock prices. The study recommended that companies should focus on their audit practices and ensure audit quality because audit has significant influence on stock prices.

Alwala and Biraori (2015) established the relationship between audit independence and share performance of firms listed in the Nairobi Stock Exchange. The study adopted a descriptive research design targeting 60 companies quoted in the Nairobi Stock Exchange as of December 2013. The study found a significant positive correlation between internal audit independence and share performance with a Pearson correlation coefficient of 0.456 and significance at 0.011 level). The study recommended that listed companies should adopt effective corporate governance

practices that address key auditing independence for effectiveness of audit department as this will go a long way to improve performance and raise the share price.

Okolie and Izedonmi (2014) determined whether audit quality has any significant relationship with market value per share of companies in Nigeria. Archival data were extracted from annual reports of 57 companies quoted on the Nigerian Stock Exchange (NSE) between 2006 and 2011. Audit quality was represented by audit firm size, audit fees, auditor tenure and audit client importance, while the market price per share (MPS) was derived directly from CSCS Cash – Craft. The linear multiple regression analysis method was adopted for model estimation. The results showed that audit quality has a significant relationship with the MPS of quoted companies in Nigeria. The study recommended among others that, in order to improve the quality of audit and minimize earnings manipulations by firms in Nigeria, regulatory agencies - professional accountancy bodies, Financial Reporting Council of Nigeria, the National Assembly, and Securities and Exchange Commission should issue authoritative standard and framework for audit quality

Gaps in Literature

This research fills a methodological gap that developed for the absence of previous studies review that conduct the Lagrangian Multiplier test for random effect (RE) before choosing either random effect of OLS estimation method. This study also covered only deposit banks quoted purely based on their banking operations without capturing banking institutions no the Exchange as groups or holding. The gap that existed in the currency data by previous studies such as Baffa *et al.* (2023), Thuneibat and AlHalaseh (2023) and Ojedele (2023) as they failed to incorporate 2022 data was filled.

Methodology

The research design utilized by this research is the *ex-post facto* as it relies entirely on existing data derived from past economic activities with advantage of easy verifiability. The sample size of the study is the seven deposit money banks quoted on the Nigerian Exchange Group (NGX) based only on their banking operations, which were not as groups or holdings. The sources of the panel data were the financial statements of the banks. The model estimation was by pooled Ordinary Least Square (OLS) multiple linear regression, while diagnostic tests were descriptive statistics, data normality test conducted with Shapiro-Wilk techniques, Correlation for multicollinearity and Lagrangian Multiplier (LM) test for random effect (RE) and pooled OLS.

Variable Measurement and Justification

Variable	Measurement	Justification
Share Price (SP)	Average share price at the end of a financial year.	Baffa <i>et al.</i> (2023), Ugwunta <i>et al.</i> (2019), Okolie and Izedonmi (2014).
Audit Fee (AFEE)	Total fee charged by an audit firm in a year.	Thuneibat and AlHalaseh (2023), Erasmus and Akani (2021),
Audit Firm Tenure (AFTNR)	The length of an audit firm engagement with a client-company at a stress.	Baffa <i>et al.</i> (2023), Erasmus and Akani (2021), Okolie and Izedonmi (2014).
Audit Firm Size (AFSZ)	Audit firm type: if among the Big 4 assign 1, if not assign 0 (A dummy variable)	Baffa <i>et al.</i> (2023), Thuneibat and AlHalaseh (2023).

Source: Researchers' Compilation.

Model Specification

The model specification for this work consists of a dependent (response) variable – share price and three proxies of the independent (explanatory) variable – audit quality namely – audit fee (AFEE) in the natural logarithm form, audit tenure/rotation (ATNR) and audit firm size (AFSZ).

The specified linear relationship equation is shown as:

$$SP = f(AFEE + ATNR + AFSZ).$$

Restating the above equation in the econometric form, it becomes,

$$SP_{it} = \beta_0 + \beta_1 AFEE_{it} + \beta_2 ATNR_{it} + \beta_3 AFSZ_{it} + \mu_{it} \dots\dots\dots \text{Model}$$

Where:

- SP = represents Share Price;
- f = shows functional relationship;
- i = represents firms studied;
- t = denotes periods of the study;
- β_0 = Coefficient of the constant term;
- $\beta_1 - \beta_3$ = Coefficients of the proxies of the independent variable;
- AFEE = represents audit fee;
- ATNR = represents audit tenure/rotation;
- AFSZ = represents audit firm size;
- μ = represents the error term.

Results and Discussion

The data for this study were for a ten years spanning from 2013 to 2022 for seven banks covering one dependent variable and three proxies of the independent variable – audit quality were analyzed as follows:

Descriptive Statistics

The summary of the properties of the variables is presented in Table 2 below describes their means, standard deviation, minimum and maximum values.

Variable	Obs	Mean	Std. Dev.	Min	Max
SP	70	5.219	6.397	0.22	24.8
L_AFEE	70	5.258	0.302	4.86	5.95
AFTNR	70	4.614	2.855	1	10
AFSZ	70	0.871	0.337	0	1

Source: STATA software.

Table 2 above shows that share price (SP) has a mean value of 5.219 which implies that the average share price during the period for the examined banks was N5 which is lower than the standard deviation of N6. The minimum share price was 22 kobo and maximum was N24.80. Audit fees expressed and logged values have a mean of 5.258 that is higher than the standard deviation of 0.302 indicating the variable was poorly dispersed with a minimum of 4.86 and maximum of 5.95. Similarly, audit firm tenure (AFTNR) audit firm size (AFSZ) have standard deviations 2.855 and 0.337) which were lower than their means (4.614 and 0.871) indication poor dispersion around their respective means.

Data Normality Test

Table 3 below depict the result of the normality test conducted with the aid of the Shapiro-WILK method to determine the pattern of the distribution of the data. The decision rule is that any variable

with a p-value less than or equal to 0.05 has residual that was not normally distributed, while a variable with p-value greater than 0.05 has residual that was normally distributed.

Table 3 Normality Test

Variable	Obs	W	V	z	Prob>z
SP	70	0.738	16.098	6.043	0.000
L_AFEE	70	0.939	3.769	2.885	0.002
AFSZ	70	0.850	9.208	4.828	0.000
AFTNR	70	0.963	2.285	1.797	0.036

Source: STATA software.

Correlation Test

Table 4 below presents the correlation coefficients of the variables conducted to determine the strengths of the relationships among the independent variable proxies. The decision criteria id to accept multicollinearity in the model if any pair or pairs of the independent variable proxies correlate above 0.85 or no multicollinearity if all the independent variables proxies correlate below 0.85.

Table 4 Correlation Matrix

	SP	L_AFEE	AFTNR	AFSZ
SP	1.0000			
L_AFEE	0.7093*	1.0000		
AFTNR	0.1868	0.5083*	1.0000	
AFSZ	0.2676*	0.4333*	0.0682	1.0000
	0.0251	0.0002	0.5749	

Source: STATA software.

Table 4 above shows that all the three proxies of the independent variable namely – audit fee (AFEE), audit firm tenure (AFTNR) and audit firm size (AFSZ) have positive relationship with share price with AFEE and AFSZ having a significant relationship. AFEE and AFTNR correlate significantly positively at approximately 0.51 indicating that higher audit fee encourages longer auditor-client relationship. Audit fee (AFEE also has a significant positive relationship with audit firm size signifying that large audit firm charge higher fees. Audit firm size (AFSZ) displayed an insignificant positive correlation with audit firm tenure (AFTNR) which connotes that there is high tendency for large audit firm to be retained for longer periods. The results showed that no pair of the independent variable proxies correlate above 0.85, implying that multicollinearity does not constitute a problem in this model.

Lagrangian Multiplier (LM) Test for Random Effect

This test was conducted to determine between the random effect (RE) and the pooled Ordinary Least Square (OLS) regression techniques would be more suitable for estimating the model specified. The decision rule is to go for random effect if the LM test shows a p-value lower than or equal to 0,05 or select pooled OLS if the p-value was greater than 0.05.

Table 5 The LM Test

chibar2(01)	=	89.39
Prob > chibar2	=	0.1195

Source: STATA software.

A p-value of 0.1195 indicate that pooled Ordinary Least Square regression techniques are more appropriate for testing the hypotheses. The model estimation was therefore carried out with aid of pooled OLS estimation.

Regression Analysis

The model estimation of the model carried out with the aid of the pooled Ordinary Least Square regression as specified by the LM test is resented in Table 6 below.

Table 6 Regression Analysis

sp	Coef.	Std. Err.	t	P> t
L_AFEE	18.673	2.293	8.14	0.000***
AFTNR	-0.569	0.219	-2.60	0.011**
AFSZ	1.831	1.771	1.03	0.305
_cons	-0.090	0.093	-1.02	0.542
R-squared				0.551
Adjusted R-squared				0.531
Prob.F				0.000
F-statistics				27.00

Note: *** represents 1% significance and ** represents 5% significance.

Source: STATA software.

Table 6 above shows that the model has an adjusted R-squared of 0.531 which represents the goodness of fit depicting the combined effect of the explanatory variables on the response variable. The result implies that 53% variations in share price during the period covered by this study was jointly caused by AFEE, AFTNR and AFSZ. The positive F-statistics of 27.00 and a p-value of 0.000 (significant a 1% level point to the fitness of the model).

Test of Hypotheses

Table 6 revealed that audit fee (AFFEE) has a significant (0.000) positive (8.14) effect on share price of the examined deposit money banks in Nigeria from 2013 to 2022. This finding implies that hypothesis one which states that audit fee has no significant effect on share price is rejected.

Table 6 also revealed that audit firm tenure (AFTNR) has a significant (0.011) negative (-2.60) effect on share price meaning that hypothesis two which states that audit firm tenure has no significant effect of share price is rejected.

Finally, the study found that audit firm size (AFSZ) has an insignificant (0.305) positive (1.03) effect on share leading to the acceptance of hypothesis three which states that audit firm size has no significant effect on share price.

Discussion of Findings

This study found that audit fee (AFEE) has a significant positive effect of share price of Nigerian deposit money banks from 2013 to 2022 with a coefficient of 18.673. This implies that a unit increase in audit fee brings about 187 kobo increase in share price. This finding tallies with those of Thuneibat and AlHalaseh (2023), Okolie and Izedonmi (2014) who reported that audit fee had a significant effect on share price,

The study also revealed that audit firm tenure (AFTNR) has a significant negative effect on share price of the examined banks with a coefficient of -0.569 which indicates that holding other independent variable proxies fixed, a unit increase in the number of year of audit firm tenure reduces share price by approximately 57k decrease in share price. This finding corroborates those of Baffa et al. (2023), Erasmus and Akani (2021) who observed that audit firm tenure has a significant effect on share price.

Lastly, the study found that audit firm size (AFSZ) has an insignificant positive effect on the Nigeria deposit banks studied with a coefficient of 1.831 indicating that if the other independent variable proxies are kept unchanged, one additional engagement of the any of the Big 4 audit firms leads to about 1.83 kobo increase in share price. This finding agrees with those of Thuneibal and AlHalaseh (2023) who pointed out that audit firm size has an insignificant effect on share price.

Conclusion and Recommendations

Based on its findings, this research concludes that i) audit fee is a strong factor in the determination of share price of deposit banks in Nigeria. ii) Prolonged Audit firm tenure is factor of discouragement to investors and hence reduces share price, and iii) Large audit firms positively influence the confidence of potential and existing investor and hence improve share. The research recommends that i) Nigerian deposit money banks should always pay fees charged by the audit firm as higher fees encourages audit quality and hence share price, ii) Care must be exercise not to allow over stay on one audit firm with a client for too long, and iii) The services of the Big 4 audit firms should be contracted more for improved confidence on financial statement and consequently higher share price.

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