



EFFECT OF AUDIT QUALITY ON MARKET VALUE OF QUOTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The study objective is to examine the effect of audit quality on market value of quoted deposit money banks (DMBs) for the period of 2018 to 2023. Purposeful sampling technique was used to select twelve (12) DMBs out of the study population of fourteen (14) banks. Audit quality was measured by audit firm size, big-4, auditor remuneration, and audit committee independence. Ex-post facto research design was adopted for the study while the panel data were analysed with aid of Stata. The study used multiple Panel regression model. The result revealed that firm size which is represented by asset value of audit firms (FS-AV) and Big-Four (FS-B4) were significantly positive and negative on market value of quoted deposit money banks in Nigeria respectively. Audit remuneration was found to be significantly negative on market value of quoted deposit money banks in Nigeria. However, audit independence was found to be insignificantly positive on market value of quoted deposit money banks in Nigeria. The study concluded that the size of audit firm is a significant factor that influence audit quality and market value as the Big4 have more of nominal relevant influence of audit quality. Also, low presence of independence in firms audit committee would not influence audit quality. Therefore, the study recommended that the Central Bank of Nigeria and Financial Reporting Council of Nigeria should make policies for audit firms to declare their previous five years total assets value, incentives policies for audit firms' merger/partnership as well increase members of independence directors in audit committee to minimum of two.

Keywords: audit quality, market value, deposit money bank, Nigeria

1. Introduction

In the business world, firm value is a cornerstone for financial firm valuation and measurement of companies' financial performance. The reported firm value of a company not only reflect its efficiency, profitability and market financial worth but also serve as a good indicator of its overall financial healthiness. An increase in reported firm value generally signifies a rise in the company's financial worth, reflecting improved performance and greater investor confidence. Conversely, a decrease in firm value can signal declining in shareholders' investment, monetary value and potential financial distress



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The firm value reported in the process of accounting could be a measure how much of bargaining power the companies have in the eyes of investors as it also serves as the test of going concern of the firm. It reflects how well and the extent to which the primary objective of wealth maximization of organization is achieved. The increase in firm value not only show the market competitiveness of the firm but also more shareholders wealth maximization which is the normative and idea goal on which all business decisions is based.

Firm value measures both quantitative/profit and qualitative/management policy of the firm operations. Thus, the higher or bigger the value of a firm the more prosperous the owners would be as scholars have posited that that firm performance/value and sustainable growth rate are believed to be vital yardsticks for assessing any organization's success (Augustina & Baroroh, 2016; Mukherjee & Sen, 2018; Bagh, et al., 2022). Furthermore, the use of Tobin's Q ratio in measuring the market value of a firm demonstrate the relationship between a firm's market price and cost of its assets. Usually, a high Q ratio suggest that a firm's stock price is well above the value of its assets and the company may represent overvaluation. A low Q ratio suggests that the firm may be undervalued.

The increase and sustainability in firm value of a firm is threatened by audit failures and other business risk which is ever inherent in a business environment. Audit quality would surely reduce waste, operational inefficiency, material misstatements, and frauds to promote confidence and earnings to enhance market value of firms through its check and balance. It has been noted that there is direct and indirect relationship between audit quality and risk reduction in one hand and firm value on the other hand. A strong audit system and quality of audit would help to restore the confidence of shareholders, create business environment of attaining accountability and credibility to create audit quality that could help to reintroduce vibrant corporate governance, risk management and internal control of the firms thereby contributing to financial performance and firm value (Illiemenana & Okolocha, 2019; Illiemenana & Okoye, 2019). This is to affirm audit quality of audit service has possible positive effect on firm value.

Audit quality has become more concern to stakeholders in the present business environment, considering the events of business collapsed of the past, where severe failures of business had come to public notice. For instance, Enron scandal of 2001 and Parmalat in 2003. In Nigeria, some of these corporate failures include Cadbury Nigeria in 2006 and Afribank Nigerian Plc in 2009 after these banks had all been audited (Ajani, 2012; Ibitamuno, et al. 2018; Amahalu & Obi, 2020). Therefore, audit quality is now a big issue of discussion in terms of firm value, reliability and efficacy of financial reports; as stakeholders are now more interested in the quality of (Audit) audited financial information impact on their investment than the presentation.

Quality of audit has been said to lower risk of misstatements, increase confidence in capital market (firm value) which in turn lowers the cost of capital for the firms which is direct factors that increase firm value. Thus, the reliability of financial statement attracts more capital and investment to a firm that would culminates to increase financial performance. It could be professed from the above position that reliability of financial statements first of all rest on the quality of audit which implied an indirect and direct relationship exists between audit quality and firm value or performance.



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A high audit quality would reduce various forms of negative risk effect on firm value resulting from improving reporting entities' implementation of appropriate accounting standards consequently, increasing the assurance that the financial statements would be reliable, transparent and useful to the market. Audit quality underscores confidence in the credibility and integrity of financial statements that is made available to investors, owners, creditors and other users that would as well enhance firm value consequently (Abba & Sadah, 2020; Illiemenia & Okolocha; 2019; Okolie & Izedonmi, 2014; Heil, 2012).

Contrarily, the above assertion has not always been the cases as audit failures plummeting share price and firm value has become a common event, problem and wide spread over the world. Certain factors have been asserted to cause audit failures and firm low value. Longer tenure, lack of required training and independence couple with high audit fees can result over familiarity which would possibly lead to poor audit as over familiarity in audit is mother of compromise and poor audit services and failure. Also, smaller audit firms without required staff and skill, lack of competence and specialization especially in risk prone industries like banking would cause audit failures as audit quality has been hinged on the character and features of competence, independence, specialization and size of audit firm. Francis (2004), Palmrose and Saul (2001) asserted that specialization and big audit firm would promote audit quality to enhance to firm value due to availability of technology and skilled staff while Watts and Zimmerman (1983) opined that the longer the audit tenure could cause compromise on quality of audit work.

Previous studies in audit risk quality have been examined on different domains. For instance, the study of Ogbu, et al. (2024) centered on financial services firms while the study of Ali et al. (2023) centered on oil and gas firms. In addition, the study of Illiemenia and Okolocha (2019) centered on audit quality and financial performance. Empirical studies such as Musa (2022) and Diab et al. (2024) measured audit quality with size of audit firm using only binary of Big4 audit firm.

The study of Ibitamuno, et al. (2018) explained that global and current bank failures are due to poor audit quality and risk management including poor measurement of market value of companies. As the measuring audit quality by firm size of Big only has become a concern to stakeholders and modifying Tobin-Q formula to reflect environmental market events problem has been the called practice (Tahir & Razali, 2011; Hung & Pruitt, 1994).

Nevertheless, the concern as well the question remains: which of these audit quality variables or determinants (audit tenure, audit fees, audit opinion, audit firm size, audit experience and audit industry specialization; the big four audit firms of size) would impact on the market value of listed non-financial firms in Nigeria? Therefore, it is empirical concern or justifiable to examine the effect of audit quality on the market value of quoted Nigerian deposit money banks (DMBs). In view of this, the main objective of the study examined the effect of audit quality on market value of deposit money banks in Nigeria.

The motivation for the study is drawn from the high capitalization and firm value of the bank operations in the capital market and regulatory robustness introduction of corporate governance on auditor procedure as regards to tenure, audit committee and board composition among other procedures on audit but there is still continuous financial crisis rocking the banking industry, this necessitated the study to examine the effectiveness of audit quality factors and Nigeria code of governance of 2018 period implementation on bank market value and market sustainability.



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2. Literature Review

Conceptual Review

Market Value

Market value has become cornerstone measuring firm performance especially in the risky banking industry to ascertain the going concern of banks and it has been said to be influenced by audit quality and other organizational factors. Ogbu, et al. (2024) defined market value as the price firm assets would fetch in the market place. In this regard firm value/market value is seen as profitability of the firm assets over its liability determining the value the stakeholders place on the firm. Motto and Sustrisno (2020) asserted that market value is measure of the strength of the bargaining power the company is having in the eyes of potential and existing investors. Therefore, it is reflection of shareholders funds optimization which is frequently valued as ratio of price to book (PBV) of assets; that higher the value of the company, the more welfare would be of receivers/shareholders.

Market value which could be generally or in generic term referred to as firm value has different meaning to different authority, to Economics it is based on alternative offerings and references base on a product (Ingenbleek, 2007). In the discipline of economics, firm value is based on forgone alternative but in accounting discipline, it is interpreted as the worth of organisation based on assets or present and future expectation (performance). Thus, it is perceived as the present value of future expectation from a firm which is measured in terms of future returns or expected cashflow (Ali, et al. 2023). Thus, increase firm value which implies any company such as bank is increase in market value of the banks (organizations) resulting from increase in the prices of shares thereby increasing shareholders value as the residual owners of firm/bank assets. Therefore, firm value is defined as the market price of company assets. This is in line with Tobin-Q formula 1969 meaning and implications. Firm asset should earn minimum return of one unit on its asset that is the value of firm asset should be greater than its liability in future present value to be in good going concern.

Audit Quality

Audit quality has been subject of attraction and concern to investors and other stakeholders as it connotes a due process and corporate mechanism put in place to reduce fraud, waste, material misstatement and divergent interest of stakeholders' that would enhance bank performance and increase in market value of banks. But the audit scandal and firms collapse link to audit failure has demanded more of what is audit quality. The definition of audit quality has been hard nut to crack and contentious ones. De Angelo (1981) sees audit quality as market assessed joint probability that an auditor would discover a breach in the client's accounting system and be able to report the breach. This definition pecked audit quality on orthogonal determinants or traits of competence and independence, it has also opened the doors for other scholars. This definition hinged audit quality on the salient character of the professional skill and integrity of the auditor which they have stood test of time in audit services. Thus, due diligence of professionalism and independence in audit service would reduce waste and fraud to increase market value.

Davidson, et al. (1984) posited that audit quality connotes the integrity and accuracy of auditor's information reporting while Wallace (1987) asserted that quality of audit is a measure of the auditors' capability to minimize bias and diligently improve accounting data. These definitions collaborate with earlier definition; audit



quality is a product of auditor capacity, skill and integrity put to bear in the discharge audit services with unbiased mind. Thus, audit work free from errors and material misstatement create confidence and improve firm value. Palmose (1988) posited that audit quality connotes “the level of assurance the probability that financial statements contain no material omissions or misstatement” and argued that a higher level of assurance corresponds to a higher quality of audit services.

Thus, audit quality is defined as an audit work that is free from intended and unintended material misstatements and fraud. Audited financial statements of firms devoid of material and intentional misstatements would surpass the vagaries of the market and sudden collapse of firm with high market value.

The study covers the entire quoted deposit bank in Nigerian Exchange Group in Nigeria and audit firm size measures, auditor remunerations and board independence as proxies for audit quality. The study findings would be significance to practitioners for audit work, market value measurements, to regulatory authorities for policy making as regards to board governance and theoretical development by academicians.

Hypothesis testing

H₀: Audit quality has no significant effect on market value of quoted deposit banks in Nigeria.

Review of Empirical Literatures

Audit firm Size and Market Value

Many scholars have posited that big audit firm are likely to have required skill, staff and technology to carry out quality audit work that would increase market value. On this assertion, Ali, et al. (2023) analysed effect of audit quality on firm value of oil and gas industries in Nigeria between the year 2009 and 2020 using all the twelve listed firms in NSE as at December, 2020. The panel data of audit quality measures include Big4, audit tenure (AT), and they were found to be positive significant to influencing firm value when they were analyzed with the GLS random effect model. The study posited that the positive influence of audit quality on firm value is due to investors' confidence on the financial statements and audit services.

In a similar finding, Oroud (2023) investigated among other things the moderating effect of audit quality on firm performance indicators and firm returns/value using 95 firms listed in Amman stock exchange of Jordan out of population of 855 through proportional sampling techniques to select from different sectors between 2013 and 2021 study period. Audit quality was measured in three moderating variables for three equation model of audit firm size, auditor's opinion and audit fees. Expo facto research design and panel correlation regression model result showed that audit firm size had positive significant effect on financial firm performance and stocks returns as a moderating variable. This means bigger firms would have more capital to do better audit work to improve firm value (EPS) compare to smaller ones.

Contrarily, Musa (2022) on quality of audit and firm value the study of specific interest evaluated the effect of audit tenure (AT) and audit firm size using binary measure of the Big four using 8 selected deposit money banks out of the 14 listed in Nigeria Stock Exchange between 2013 and 2020. The empirical model was estimated using panel cross-section random effect and panels least squares techniques. The result finding shows that audit firm size having positive insignificant influence market value of banks measures in share price. This suggests that use of the Big4 is not sufficient factor for audit quality and firm performance when possibly devoid of audit independence.



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Yohandita and Cahyonowati (2022) analysed the influence of quality of audit work base on the signaling Theory on firm value in Indonesian financial services sector from 2016 to 2020. The proxies for audit quality were Big4 versus non Big4 on firm value measure in Tobin-Q using 60 sampled listed firms. From the panel regression analysis the study found out that audit quality of Big4 was negatively significant to firm value. Therefore, higher audit quality is not automatic by the use of the Big4. It suggests that stakeholders and investors view all audit firm services to be same in this sector.

Diab et al (2024) examined effect of audit quality on firm performance that is firm value between 2015 and 2021. The study used 65 non-financial firms out of 100 firms listed in the Egyptian stock exchange through purposeful sampling technique. The pooled ordinary least, fixed model effect and the system GMM estimators are used to examine firm performance measured by Tobin-q formula of market value while audit quality was measured by size, the dummy variable of the big four audit firm among other independent variables. The statistical outcomes of study showed that audit quality (AQBIG-4) had a positive and significant impact on corporate performance of firm value (Tobin-q).

Abba and Sadah (2020) investigated the impact of audit quality measured in audit firm size (AFS) of Big4 and audit specialization on firm value to Tobin-Q where it used thirteen (13) samples of listed deposit money banks out of population of fifteen (15) in Nigeria between 2013 and 2018. Employing pool multiple regression on the data the study found out audit firm size insignificant to firm value while specialization was significant. This could suggest that some industries such as banking industry auditor are specialist friendly not size of the audit firm.

Ado, et al. (2020) carried out a work to find the influence of quality of audit on market performance where the study used 84 non financial organizations for period of 9 years of 2010 and 2018, making up data observation of 756. The multiple panel regression was used to explore the model. The result of research depicted relationship significant and positive effect of auditor size of firm and independence on market value as measure of performance. The average explanatory variables strength was 17% of performance variations. It could be asserted that large audit outfit and independence enhance performance through better audit work.

Objective 1 and 2: Audit firm size (asset value of audit firm and Big-4) have significant effect on market value of quoted banks.

Auditor Remuneration and Firm value

Ogbu, et al. (2024) ascertained effect of audit quality on firm value of financial services companies listed in the Nigeria stock exchange using samples of 35 out of 49 companies between the study period of 2011 and 2021. The audit quality variables include audit tenure (AT), firm size and audit fees (AF) and the result of the panel regression and the descriptive statistics found audit fee (AF) to positively significant influencing firm value. It could be inferred from the result that Big4 firms collect big audit fee so Big4 and AF could have same direction of influence.

Abdullahi et al (2020) examined the moderating effect of audit quality on firm value measured in financial performance of manufacturing firm in Nigeria for the period of 2004 to 2018 using six companies from the population of six companies for the study. Among other variables audit quality as moderating variable measure in natural logarithms of audit fees paid by the firm while dependent variable was measured by returns on asset (ROA). The study fixed effect model and correlation



research design and ordinary least squares multiple regression results of the study showed moderating significant negative effect (AF) on firm value proxy in performance of the firms. The negative effect result of finding could be attributed to payment of higher fees as it used as tool of measurement in the study could reduce available fund and resources that could have positive impact on revenue and firm performance or firm value.

Contrarily, Ishaku, (2020) examined the relationship that exist between audit quality and firm value of traded insurances companies between the period of 2015 and 2019 using samples of 14 out of the population of 30 listed insurance firms in Nigeria. The audit quality study variables include tenure of audit (AT), audit fee (AF) and audit firm size (AFS). The panel data multiple panel regression results revealed AFS and AT was negatively insignificant while AF was positively significant. The study suggests longevity of auditors and Big4 could reduce performance due to compromise, over familiarity while good audit fee would spur auditors' efficiency.

Similarly, Soyemi, et al. (20019) investigated the influence of audit quality on financial performance of sample of 40 listed non-financial firms in Nigeria for a ten-year period (2009 to 2018) and 58 firms were selected using stratified sampling technique. Audit quality measures adopted include study audit fees, audit committee experience, audit committee financial expertise, audit committee tenure and audit firm size to operating cash flow. The ordinary least square estimate result revealed insignificant and positive relationship exists between audit fees, audit committee experience and cash flow (performance/firm value).

Illemena and Okolocha, (2019) analysed the effect of audit quality on the performance of industrial goods in Nigeria between the study period of 2012 to 2018. The population and sample size of the study is the 24 industrial firms listed in the Nigeria stock exchange as at 2019 and the variables were audit fee and audit firm rotation effect on performance (ROA). The expo facto research design and ordinary least square linear regression was used to analyse the data and the study found audit fees to have significant and positive effect on return on asset as measure for firm value. This implied that audit quality of audit remuneration improves firm value due its motivational force as it facilitates innovation in the organization and create conscience of due diligent of firm operation.

Objectiv3: Auditor remuneration is having significant influence on market value of quoted banks.

Audit Independence and Firm Value

Nkiru, et al. (2022) investigated effect of audit quality on firm value of 34 selected manufacturing companies listed in Nigeria stock exchange in 10 years study period of 2011 to 2021. The audit quality proxies include auditor independence and experience while dependent variable was Tobin-Q. The panel regression model of random effect revealed favourable positive significant auditor independence influencing market value of firms while audit experience was with opposite finding. The result reasserts the position that competence/experience without independence is conflicted expertise.

Li (2019) X-rayed the effect of audit quality with the proxies of auditors' independence (ADI), audit firm size (AFS) and auditor tenure (AT) on shareholders earning (EPS) and stock predictability that is market share price. Out of 21 manufacturing companies listed in Nigeria stock exchange 11 were selected between study period of 2009 and 2018. The result of the correlation analysis of OLS and univariate and multiple regression techniques showed that ADI and AFS were positively significant to firm value of EPS and Share price. Therefore, auditor



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independence holds a cardinal place in the audit quality of auditor as this in line with position of orthogonal trait of audit quality of independence and competence.

Amahalu and Obi (2020) that ascertained the effect of audit quality on financial performance of quoted conglomerate companies in Nigeria between 2010 and 2019, using all six quoted conglomerate firms selected y using census sampling technique with specific of audit quality variables which include audit committee size, audit committee independence/ratio of non executive directors to executive directors) on return on asset (ROA) as a measure of performance. Expo facto research design was adopted and the data were analysed using inferences statistics of pearson correlation coefficient and panel least square regression analysis. The result showed that audit committee size and audit committee independence both had a significant effect on return on asset that performance and firm value of conglomerate firms. The result showed that, increase in audit quality would lead to statistical increase in profit of the firms by 27% in a form of return on asset.

Objective 4: Audit committee board independence would have significant effect market value of banks

Theoretical Framework

The Market for Lemons Theory:

The Market for Lemons theory occasioned by the quality uncertainty and the market mechanism was propounded by George A. Akerlof (1970) to explain the asymmetry of information between the seller of a product and the buyer about the quality of the product. This uncertainty of market mechanism about the quality of the product would make the buyer to pay same price for bad product referred to as 'lemon' or poor audit quality as he would have paid for the good product since the buyer had no knowledge of their quality like the seller. This is referred to as adverse selection. This adverse selection consequence is that the bad product or lemon or poor audit service would gain patronage over the good product continuously with time the bad products would drive away the good products out of the market due to lack of patronage occasioned by information asymmetry and adverse selection. Amaliah, et al. (2022) among other researchers that used the theory to underpin their work centered on corporate governance, audit quality and firm value.

This theory gave birth to asymmetry theory and signaling theory by Spence (1973) that emphasized the quality and reliability of financial information (that is the services of auditors) sent by the firms to their users (public/buyers) of financial information for decision making by the investors. Spence (1973) then postulated that a good performing firm (auditing firm) differentiate itself from non performing ones by sending good signal about its performance or product to the capital markets and potential investors through its financial statement would inform the investors about their future financial performance (Abdullahi, et al. 2020). Therefore, signaling is action showing good services to customer over the bad ones. In the vein Palmrose (1988); Palmrose and Saul (2001) posited that audit firm should signal their good products by merging, specialized and partners such as KPMG, Deloitte, Ernst & Young.

Agency Theory

The theory was formalized by Jensen and Meckling (1976) into Agency theory emphasized conflict of interest that exist between the principal and agent due to information asymmetry and opportunistic tendency. That is, the situation of separation



of owners from the management of the company (Amahalu, et al. 2020; Foong, et al. 2019). The agency theory assumed that both the principal and the agents are utility maximizes with different interest, and that because of information asymmetry the agent would not always act in the best of the principals but their interests would come first posing scenarios of moral hazards, risks adverse, divergent time horizon and effort level (ICAN, 2019; Waltherero, et al. 2019; Dorcas & Usman, 2022). This laid the foundation for corporate governance and auditor services to reduce this fear of the distrust and the opportunistic tendency of the agent.

3. Methodology

The research study adopted ex-post facto research design because it relied on past data with already existed events. The population of study is the Fourteen (14) operational Quoted Deposit Money Banks in the Nigeria Exchange Group and operational as at December, 2023. Purposeful sampling technique was applied to select Twelve (12) listed banks that were operational for the period of 2018 to 2023 and have required or designated data for the study period. The data were extracted from Annual Accounts of the Banks gotten, CBN Bulletin, and Statistical documents of National Bureau Statistics.

Variables Measurement and Explanations

Thus, the study adapted the formula as used in the works of Tyokoso et al. (2017) and Alsmady et al. (2023). $Q\text{-ratio} = \frac{MVE + TDEBTS}{TOTASST}$

$$TOTASST$$

The formula was modified to reflect the tenet of the Proponent idea and stated as follows:

$$MFV = \text{Tobin's } Q = \frac{MVE + TDEBSN}{TFASSETS (1+R)}$$

Where: MVE is the product of a firm's share price and the number of common stock shares outstanding; TDEBTSN is the Total value of long term and short-term debts net of current assets; TFASSETS is the Total book value of fixed assets gross up with annual national inflation rate; and (1+R) is one plus rate of inflation. This is to gross up book value of fixed assets to make up replacement of fixed mostly inflationary country to meet the tenet of the formula by the proponent (Tobin James, 1969).



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Table 1

Variables Measurement

Variable Name	Variable Acronym	Measurement	Sources
Firm Value	FVQ	Adjusted/modified Tobin's Q formula of market value of shares over gross up value of fixed assets	Tahir & Razali (2011) Chung & Pruitt (1994); Sulong & Nor (2008)
Audit Firm Size	FS-AV	Log value of asset of audit firms	Musa, (2022)
Audit Remuneration	AR	Log value of auditor remuneration incurred	Ogbu, et al, (2024)
Audit Firm Size	FS-B4	I for Binary of Big Four, 0 for non-Big Four	Ali, et al, (2023)
Audit Independence	AC-IND	Number of Independent directors to total of audit committee board members, in ratio	Nkiru, (2022)

Source: Researcher's Compilation, 2025

Model Specification

The Panel regression model with aid of Ordinary Least Multiple Regression (OLS) of Alsmady (2023) adapted to capture effect of audit quality variables on market value of listed deposit money banks and model is given as follows:

$$MFV/FVQ_{it} = B_0 + B_1FS-AV_{it} + B_2AR_{it} + B_3FS-B4_{it} + B_4AC-IND_{it} + e_{it}$$

Where: MFV is modified Tobin's Q market value of firm; B_0 = the constant or intercept; B_1 = is the coefficient or slope of the independent variable; B_1 - B_5 = Regression coefficient; it is i- unit of bank and t- unit of time; e_{it} = the error term. The apriori expectation is that audit quality would have significant effect on market value of listed banks in Nigeria.

4. Panel Analysis Regression Result and Discussions

From the result of the Hausman test, this study accepts alternative hypotheses which state that Fixed effect is appropriate (see table 2 and table 6 for Descriptive Statistics and the result of Hausman test respectively). This showed that the firms' specific level effects were more important influencing firm value of quoted deposit money banks in Nigeria as measured in Modified Tobin's Q formula of 1969.

Table 2

Descriptive Statistics

Variable	Observations	Mean	Std. Deviation	Min	Max,
TOBIN-FV	72	.9377778	.4000853	.04	2.412.41
FS-AV	72	5.621872	.62582256	2.79934	6.505972
AR	72	2.624217	.4083823	1.8129	3.41
FS-B4	72	.9861111	.1178511	0	1
AC-IND	72	2.430556	.9761434	1	5

Source: STATA Output, 2025



The table 2 above showed mean value of .9377778, 5.621872, 2.624217, 2.624217 and 2.430556 respectively for TOBIN-FV, FS-AV, AR, FS-B4 and AC-IND and with their corresponding standard deviation value revealed to be .4000853, .62582256, .4083823, .1178511 and .9761434 respectively. The figures of the standards deviations are not higher than mean of each variable or not widely dispersed from the position of the mean (as they are even less than one). A Q ratio of 93.78% revealed a high firm's stock price that is well above the value of its assets and may suggest that the firms are overvalued with a maximum ratio of over 200%.

Table 3

Breusch–Pagan/Cook-Weisberg test for heteroskedasticity Test

	Coefficient
Chi-square test value	0.02
P-value	00.8816

Source: STATA Output, 2025

The Breush-Pagan-Cook-Weisberg test for Heteroskedasticity as shown above in table above was performed on the residuals and the results showed observed Chi2 0.02 and prob. 0.8816 which are in excess of 5% or 0.05 which leads one to reject the presence of heteroskedasticity in the residual.

Table 4

Variance Inflation Factor (VIF) Test Result

Variable	VIF	1/VIF
FS-AV	1.49	0.671854
AR	1.42	0.705018
FS-B4	1.16	0.862122
AC-IND	1.08	0.927747
Mean VIF	1.29	

Source: STATA Output, 2025

The table 4 also displayed Variance Inflation Factors (VIF) of Coefficient value for respective independent variables which give insight whether there is correlation among variables (FS-AV, FS-B4, AR & AC-IND.); depicted VIF values ranged from 1.49 to 1.08, with mean VIF of 1.49 which is less than 10 the general benchmark for multicollinearity. This indicated multicollinearity is absence or not significant in this model. Also, the 1/VIF which represents the tolerance level showed similar values pattern ranged from 0.671854 to 0.927747 which are close to 1; mean variables are less correlated but far higher than 0 meaning no severe multicollinearity among variables.

Table 5

Matrix correlations

Variable	TOBIN-FV	FS-AV	AR	FS-B4	AC-IND
TOBIN-FV	1.0000				
FS-AV	-0.0880	1.0000			
AR	-0.2627	0.2918	1.0000		
FS-B4	-0.4398	0.5390	0.2110	1.0000	
AC-IND	0.0256	0.1386	0.2572	0.0527	1.0000

Source: STATA Output, 2025



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The table presents the correlations matrix of the independent variables. It could be observed that correlations among variables is between 0.5390 and 0.0256 which is not up to 1, that is no presence of correlation coefficient more than .50 as a result there is no problem of multicollinearity.

Hausman Test: Correlation Fixed Effects- Hausman Test

H₀: Random effect is appropriate

H₁: Fixed effect is appropriate

Table 6

Hausman Specification test

	Coefficient
Chi-square test value	37.95
P-value	0.0000

Source: STATA Output, 2025

From the Hausman test in the table with probability value far less than 5% implies that alternative is hypothesis of fixed effect model is more appropriate and accepted for regression analysis.

Table 7

Fixed Effects Panel Regression Results

TOBIN-FV	Coefficient	St. Err.	t-value	p-value	95% conf.	Interval	Sign
FS-AV	.1658411	.080964	2.05	0.044	.0042361	.3274461	**
AR	-2420894	.109529	-2.21	0.031	-	-.4607116	**
FS-B4	-1.805137	.41971	-4.30	0.000	-	-.9673921	***
AC-IND	.0332733	.044172	0.75	0.454	-	-.1214425	*
CONS.	2.339928	.141914	5.29	0.00	1.457863	3.221993	***

Source: STATA Output, 2025

Notes: ***,**and * represent statistically significance at 1%, 5% and 10% level respectively

Table 8

Effects Specification: Cross-section Fixed (dummy variables) and Variance Inflation Factor

Mean	Dependent var	SD	dependent var.
R-square	0.47	Number of Obs	72
Adj. R-square	0.43	Number of groups	12
(F-Statistic)	6.45	Root MSE	.34996
Prob(F-Statistic)	0.0002		

Source: STATA Output, 2025

Table above also presents the results of Fixed Effects model. The result showed that the P-value of F- statistics is 0.000002 which is far less than 5%, this



showed that the model is fit and that the model is statistically significant as it implied that all the independent variables are statistically significant. The R-square value of 0.47 means that the independent variables contributed 47% to the outcome of the dependent variable. It also indicated that 47 percent of the variation in firm value of listed banks measured in adjusted Tobin's Q formula (FVQ) was caused by the Audit quality measured in two variables of Size: audit firm asset size, binary value of the Big-Four firms (FS-AV & FS-B4), Auditor remuneration (AR) and audit committee independent (AC-IND). The adjusted R square of 0.43 /43% indicated that any variations that could have occurred as a result of the introduction of additional independent variable are taken care of and can only influence the R square to the down point of .43%.

H₁₋₃: *The alternative hypotheses are accepted that audit firm size and audit remuneration have significant effect on market value of banks.*

H₀₄: *The null hypothesis is accepted that board independence has significant influence on market value of banks.*

The regression line which read: market value ratio (FVQ)= 2.339928+ .1658411FS-AV-.2420894AR-.1.805137FS-B4+0.0332733AC-IND, showed that both audit quality variable by audit firm asset size by asset value (FS-AV) and By Big-four of audit firm (FS_B4) are positively and negatively significant with p-value of 4% and 1% respectively which is smaller than 5% the tolerance level, meaning that the alternative hypotheses is accepted that audit quality by the size of the assets and of Big4 of the audit firm do influence firm value of the banks. This also indicated that every unit improvement in audit quality due to audit firm size would increase firm value by 0.16 unit in one hand and reduce risk as well reduce firm value by 2% or unit respectively.

The regression line above revealed that the alternative hypothesis is accepted that audit quality by size of auditor remuneration (AR) is negatively and statistically significant to firm value at p-value of 3% which is less than 5% tolerance level. It therefore implied that for every unit increase in audit quality arising from naira increase in auditor remunerator (AR) would firm value of banks by 2% or unit. Also, the panel regression result showed positive insignificant value of audit quality by the audit committee board independence (AC-IND) at p-value of 45% which is far higher than 5% t-value. This implies that audit committee board independence does not influence firm value of listed banks in Nigeria.

Discussion of Findings

From the panel regression results, the two measurements for audit quality (AQ) by audit firm size which are audit firm size of assets (FS-AV) and the Big-four audit firm in binary measurement (FS-B4) have positive significant and negative significant effect respectively on market value of DMBs in Nigeria. The study aligns itself with the works of Ali, et al, (2023) and Oround (2023). The result implies that size of audit firm is relevant variable of audit quality influencing firm performance. Therefore, the study aligns itself with the Theory of Lemon Market-Market uncertainty and Signalling theory by Akerlof (1970) and Spence, (1973). Palmrose (1988) the size firm matter in audit quality. The different significant and effect level between the variables of audit firm size measurement could be posited that, different components of audit firm

size attributes have different significant and effect level influencing firm value and performance of banks. The positive significant effect of FS-AV on bank value could be professed to means the direct relationship between asset value and size



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of firm as better and traditional measurement of firm size as it differentiates between every firm in size not only in the group of four. As firms grow in size, they intend to have more resources to improve in audit quality. The strongest significant and negative effect of Big4 audit quality variable (FS-B4) which implied that it reduces firm value with significant effect could be inferred that the Big4 audit firm names have strong nominal influence on the firm performance when they are announced to be hired by firms. This could also mean that increase audit quality could reduce insiders trading, sharp malpractices and window dressing of accounts that could have unnecessarily increase in firm value (Abdullahi, et al, 2020). The negative significant of (FS-B4) could also posit to be due to possible compromise by audit firms, lack of independence resulting conflicted expertise and adverse selection problem (Richard, 2006; Akerlof, 1970).

Auditor remunerations incurred has significant negative influence on market value as it could be professed to have dual effect role effects of motivation and capacity as a higher-fee paid would spur the auditors to do better services to justified their paid fee and make equitable provisions for logic to promote audit quality or services. On capacity, it would take a higher audit remuneration to secure a big audit firm with required technology and skilled staff to perform quality audit. The negative significant of the (AR) audit quality variable could be posit to be the high remuneration burden on firm resources which may surpass the auditor impactful services on firm performance.

The study found that board independence measured in number of independence directors in audit committee board members (AC-IND) is positively insignificant in influencing market value of deposit money banks in Nigeria. The 2018 Code of corporate governance stipulated that minimum of one independence non executive director in audit committee and the result of this study implies that due to the inadequacy of independence members in a board it (AC-IND) could not influence bank market value. The study posited that the independent non executive directors in audit committee does not have required numbers or proportion of members to influence independence of auditors, audit quality and performance of listed DMBs in Nigeria.

5. Conclusion and Recommendations

Audit firm size is significant variables measurement for audit quality with divergence effects but it is most significant variable of audit quality that increase firm value of banks; as firm size by value of firm assets has true audit quality influence measure on firm value while the firm size by the B4 has strong nominal relevant influence on firm bank value of listed bank. Excessive auditor remuneration without corresponding audit quality services reduces firm value of banks and low number or proportion of independent directors would not enforce auditor independences to influence audit quality and increase firm value of banks. In line with the conclusions, the study recommended that the Federal Government through the Central Bank of Nigeria (CBN) and Financial Reporting Council of Nigeria (FRCN) should make policies to promote declaration of previous five years of audit firms' asset value and revenue generated in the company they would audit to ascertain all audit firms' size from each other including the Big4. The government makes regulatory incentives to promote audit firm size by mergers and partnership and the minimum number of independent non executive directors in audit committee should be increased from one to two by FRCN in the Nigeria code of corporate governance.



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