The Effect of Audit Quality on The Financial Performance of Listed Deposit Money Banks in Nigeria

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ABSTRACT

This study explored the influence of audit quality on the financial performance of listed deposit money banks in Nigeria. It successfully identified a significant and positive relationship between audit quality, represented by audit fees and audit firm specialization, and the performance of the sampled banks measured using ROA (Return on Assets) and EPS (Earnings per Share). The research collected annual data from 2009 to 2021, sourced from the annual reports and accounts of non-financial quoted companies in Nigeria. To address potential endogeneity issues, the study employed feasible generalized least square regression, aligning with the results of diagnostic tests. The analysis outcomes indicated that audit fees had a positive and statistically significant impact on the return on assets and earnings per share of the sampled banks. Similarly, audit specialization exhibited a positive and significant influence on both return on assets and earnings per share. Consequently, the study confirmed a noteworthy positive relationship between audit quality and the performance of Nigerian listed Deposit Money Banks. In light of these findings, the study recommends that regulatory authorities in the sector encourage banks to engage specialized audit firms.

Keywords: Return on Asset, Audit Quality, Firm Age, Firm size, Earnings per share.

INTRODUCTION

Conversely, audited financial statements serve a fundamental purpose, which is to provide dependable and high-quality financial information about businesses. This information is crucial for individuals and entities making economic decisions. The production of a high-quality audited report is essential because it instills confidence in users of accounting information, including investors, financiers, and various stakeholders, facilitating their investment, credit, and resource allocation decisions. Ultimately, this contributes to enhancing the overall efficiency of the stock market (IASB, 2010).

In accordance with International Auditing Standards [IAS], the concept of reliability in audited financial statements encompasses not only the quality of financial information but also its trustworthiness for effective decision-making (IASB, 2010). This study aims to examine the role of high-quality audited financial statements in attracting foreign investors to Nigerian deposit money banks, especially in the context of Nigeria's status as a developing countryTop of Form. It's crucial to emphasize that in developing economies, audited financial statements play a pivotal role in instilling confidence among potential investors, motivating them to invest in private companies through equity or various forms of financial support, such as grants, loans, or consultancy services (Chari et al., 2022; Zahid et al., 2023). These studies highlight the significance of audit quality in maintaining an efficient market environment, with independent, high-quality audits serving as a cornerstone for fostering trust in the reliability and integrity of financial statements. Such trust is vital for well-functioning markets and improved financial performance.

Unfortunately, instances of significant lapses in the quality of audited financial reporting have resulted in prominent scandals that not only inflicted losses on investors but also eroded trust in the financial system (Lennox & Wu, 2022). Examples include the Enron and Worldcom accounting scandals in the United States and the failures of Nigerian banks like Oceanic Bank, Spring Bank, Intercontinental Bank, Afribank, and

Bank PHB, among others. Moreover, the detention of several bank CEOs by the Economic and Financial Crimes Commission (EFCC) and the Cadbury crisis all point to issues related to financial reporting deception and deficiencies in accounting knowledge.

These problems were further exacerbated by unreliable, incomplete, and delayed reports submitted by banks to regulatory bodies like the Central Bank of Nigeria (CBN) and investors. This lack of accurate and timely information hindered the CBN's ability to effectively monitor the industry and deprived investors of the necessary data to make well-informed investment decisions Yıldız, (2022).

Limited research has been conducted regarding the crucial indicators of audit quality and the financial performance of deposit-taking banks in Nigeria. To address this gap, the present study is of utmost importance as it seeks to investigate the influence of audit quality on the financial performance of these banks in Nigeria. This research is not only timely but also essential in light of recent developments. Therefore, the primary objective of this study is to assess how audit quality impacts the financial performance of publicly listed deposit money banks in Nigeria, with the aim of preventing similar occurrences in the future.

LITERATURE REVIEW

The various changes in accounting, financial reporting, and auditing have been instituted to safeguard the interests of investors. This is achieved by holding company managers accountable for their actions (Cronin, 2022). Specifically, the role of auditing is to reduce information asymmetry in financial statements and minimize potential losses resulting from managerial opportunism in financial reporting. For auditing to serve as an effective monitoring tool, both its actual and perceived qualities are essential. The perception of audit quality by users of financial statements is as crucial as its actual effectiveness (Jin, Tian, Wu, & Xin, 2022).

Salehi et al. (2022) defined audit quality as the dual capability of external auditors to detect and report any misrepresentation or anomaly identified during the audit engagement, should it remain uncorrected by the client. While auditors' ability to identify material misstatements is termed auditor expertise or competence, auditor independence refers to auditors' courage to report such misstatements, either through a qualified disclaimer or an adverse opinion, if not rectified. These two attributes together constitute the composite concept of auditor quality. Auditors are widely recognized as the primary determinants of audit quality, which necessitates rigorous processes and procedures before they are certified as practicing auditors (Akinyomi & Joshua, 2022).

It is posited that audit quality is a market-assessed joint probability that an auditor will both uncover a breach in the client's accounting system and report it. This implies that auditors possess the technical competence to detect material errors during the audit process and the independence to ensure that such errors and omissions are either corrected or disclosed in the auditor's report (Akinadewo, Omoleye, Fasanmi, & Omomeji, 2023). Similarly, Ruiz-Barbadillo et al. (2022) considered audit quality from the perspectives of both actual and perceived quality.

Conceptually, within agency theory, auditing is acknowledged as a primary monitoring mechanism for regulating conflicts of interest and reducing agency costs (Naz et al., 2022). Audit quality, as defined by Noch et al. (2022), refers to the competence and independence of auditors in detecting and reporting material misstatements. High-quality auditors, as asserted by Maksymov et al. (2023), are more likely to identify questionable accounting practices by clients and report material irregularities and misstatements compared to low-quality auditors. Consequently, higher audit quality can effectively restrain earnings management, thereby enhancing the overall quality of financial reports (Sripan & Wisaeng, 2022).

A high-quality audit, as explained, is one that enhances the reliability of financial statement information and enables investors to make more precise assessments of a firm's value. Furthermore, it increases the likelihood that financial statements accurately reflect the financial position and operating results of the audited entity (Abbas, 2023). In accordance with generally accepted auditing standards (GAAS), a high-quality audit aims to provide reasonable assurance that audited financial statements and related disclosures are presented in compliance with generally accepted accounting principles (GAAP) and are free from material misstatements, whether due to errors or fraud (Government Accountability Office, 2003). Similarly, OGIRIKI and Ghandi (2023) define audit quality as the level of assurance or probability that a financial statement contains no material omissions or misstatements.

A conclusion that high-quality audit is capable of uncovering material errors and misstatements in the financial statements of listed banks in Nigeria, empirical findings indicate that high-quality audit is one of the prominent factors that can mitigate earnings management practices on non-financial firms quoted on Borsa Istanbul, and at the same time confirm that in Portugal the level of earnings management is significantly lower among companies contracting a big 4 audit firm as compared to companies using a non-big 4 audit firm (Pais, & Dias, 2022).

The concept of financial performance is widely discussed in academic literature, yet there is no universally agreed-upon or standardized definition for it. In essence, financial performance pertains to the outcomes achieved by individuals or groups within an organization concerning their responsibilities and objectives, while adhering to legal and ethical standards (Pap et al., 2022). It holds immense significance for management as it serves as a critical yardstick for assessing an organization's overall health and well-being.

Given its importance, researchers in both finance and management literature have explored various facets of firm performance, each offering unique perspectives and viewpoints (Schrøder-Hansen & Hansen, 2023). The evaluation of organizational performance can take on different dimensions, including internal issues within the organization, stakeholder considerations, or external environmental challenges.

Companies that consistently generate high profits tend to have lower levels of debt, primarily due to their ability to fund their activities using retained earnings. Increased reliance on debt can heighten the risk of insolvency for businesses (Emeka, 2023). Total assets are generally viewed as a positive influence on a company's financial performance since they represent the company's scale and scope. Performance management encompasses the use of both quantitative and qualitative methods by managers while taking into account human activities (Kaliannan et al., 2023). A well-structured performance management system empowers managers to engage in activities such as planning, monitoring performance, and setting targets (Fu et al., 2022).

Performance evaluation in a company primarily focuses on assessing the efficiency and effectiveness of its operations. Market position plays a significant role in influencing a company's financial performance. Metrics such as net turnover and net profit margin have a direct impact on a company's profitability over time. Higher turnover indicates efficient asset utilization, while a healthy profit margin reflects a substantial market presence. Additionally, the size of a company positively affects its financial performance, as larger firms can leverage their scale to gain financial advantages in business relationships (Ghardallou, W., 2022).

The concept of financial performance fundamentally revolves around the idea that an organization strategically combines its valuable resources, encompassing human, physical, and capital assets, with the overarching objective of achieving a shared goal (Hai, Minh-Tu, & Dung, 2023). Providers of these resources will only commit them to the organization when they perceive fair value in return, relative to alternative uses of those resources. Consequently, the essence of performance lies in value creation. As long as the value generated through the utilization of contributed resources equals or surpasses the value expected

by the contributors, the resources will continue to be made available to the organization, ensuring the organization's continuity (Qadir, 2023).

Performance is a scientific concept intrinsically linked to the phenomenon under scrutiny (Marvel et al., 2022). In the context of financial performance, it signifies the measurement of changes in a company's financial status or the financial outcomes stemming from managerial decisions and their execution by individuals within the organization. Since the interpretation of these outcomes is empirical, the performance indicators employed are selected based on the specific circumstances of the organization(s) under observation. The chosen metrics reflect either favorable or unfavorable outcomes (Nguyen, Yadav, Pande, Bhanot, & Hasan, 2022). Firm performance holds paramount importance for management, as it represents the results achieved by individuals or groups within the organization, aligned with their authority and responsibility, all while adhering to legal, ethical, and moral standards. Performance is the culmination of an organization's ability to procure and utilize resources in various ways to gain a competitive advantage. Hence, the primary objective of assessing financial performance is to ascertain the operational and financial attributes, as well as the efficiency and effectiveness of economic entity management, as mirrored in financial records and reports.

Numerous empirical studies have substantiated the impact of audit quality on the financial performance of deposit money banks in Nigeria, including a study by APALOWOWA, OLOFINTUYI, APEKO, & FALUSI (2023), which examined this relationship. Employing an ex post facto research design, the study sourced its data from the annual reports and accounts of quoted Nigerian deposit money banks. Regression analysis and correlation coefficients were employed to evaluate the formulated hypotheses. The findings demonstrated a significant correlation between audit quality and the financial performance of Nigerian deposit money banks. Consequently, the study recommends, among other measures, that Nigerian deposit money banks should augment the number of foreign directors possessing skills and experience, who are committed to safeguarding their integrity, reputation, and professional competence.

A research investigation was conducted to explore the relationship between audit quality and the financial performance of companies listed on the Nairobi Securities Exchange (Akims, Akims, & Pyoko, 2023). The study employed a descriptive research design, and the data's reliability was assessed using the Cronbach Alpha model. Both quantitative and qualitative data were collected through questionnaires, thoroughly reviewed for errors and omissions, and then meticulously checked for completeness and clarity. After this scrutiny, the data was systematically coded and subjected to analysis using descriptive statistics with the assistance of SPSS. The data underwent further examination through multiple linear regression analysis. The study's findings revealed a positive and statistically significant impact of audit quality on financial performance. Moreover, it was observed that firms tended to achieve substantial net profit margins when their auditors displayed a higher degree of independence. Auditor size also exhibited a positive and significant influence on financial performance, although its effect was comparatively less pronounced than auditor independence.

Furthermore, an investigation was conducted to assess the influence of audit quality on the performance of Malaysian listed companies over the period from 2013 to 2022 (Al-ahdal & Hashim, 2022). This study utilized audit fees and audit firm rotation as proxies for audit quality, while return on assets (ROA) and Tobin's q were adopted as performance indicators. The results indicated that there was an insignificant relationship between the audit quality proxies (audit fees and audit firm rotation) and ROA. Additionally, the study found that audit fees were significantly and positively correlated with Tobin's q, signifying a favorable relationship between audit fees and firm performance. However, audit firm rotation showed no significant association with Tobin's q.

METHODOLOGY

Data and data source

This study investigated the impact of audit quality on the financial performance of 14 listed Deposit Money Banks operating in Nigeria from 2009 to 2021, considering the time series nature of the data. The research utilized an ex-post facto research design, which is a quasi-experimental approach that examines how a pre-existing independent variable affects a dependent variable. This design was chosen because the study aimed to assess the influence of audit quality on financial performance while using historical data to predict or forecast future outcomes. Data on various variables, including Return on Assets (ROA), Earnings per Share (EPS), Specialized audit firm (AUDS), Audit fee (Audfee), Leverage (LEV), Firm size (FIS), and Firm age (FAG), were collected from the annual reports and accounts of the banks and the facts book published by the Nigerian Stock Exchange.

Model Specification

The aim of this study is to assess how audit quality influences the performance of Nigerian Deposit Money Banks. This study articulates the model used to achieve this objective in explicit terms as follows:

$$PERF = f (AQ, LEV, FIS, FAG) \qquad (3.11)$$

Given that firm performance was represented by three indicators, namely, return on assets, earnings per share, and Tobin Q, then:

$$PERF = (ROA, EPS) \qquad (3.11)$$

In the existing literature, audit quality has predominantly been assessed through factors such as the presence of Big 4 audit firms, the length of audit tenure, and audit fees.

$$AQ = (AUDS, Audfee) \qquad (3.12)$$

The model for the objective was thus represented in linear panel econometric forms as:

$$\begin{aligned} ROA_{it} &= \delta_0 + \delta_1 AUDS_{it} + \delta_3 Audfee_{it} + \delta_4 LEV_{it} + \delta_5 FIS_{it} + \delta_6 FAG_{it} + \rho_i \\ &\quad + \varepsilon_{it} \end{aligned} \qquad (3.13)$$

$$\begin{aligned} EPS_{it} &= \delta_0 + \delta_1 AUDS_{it} + \delta_3 Audfee_{it} + \delta_4 LEV_{it} + \delta_5 FIS_{it} + \delta_6 FAG_{it} + \rho_i \\ &\quad + \varepsilon_{it} \end{aligned} \qquad (3.14)$$

Where:

ROA_{it} = Return on asset of bank i at time t

EPS_{it} = Earnings per share of bank i at time t

$AUDS_{it}$ = Whether bank i at time t engage specialized audit firm or otherwise

$Audfee_{it}$ = audit fee of firm i at time t

LEV_{it} = Leverage of bank i at time t

FIS_{it} = Firm size of bank i at time t

FAG_{it} = Firm age of bank i at time t

ρ_i = unobservable time invariant firm specific effect

ε_{it} = white noise error term of bank i at time t

RESULTS AND DISCUSSION

In this section, we present and interpret the findings related to the objectives of the study, which aims to assess the impact of audit quality on the performance of Nigerian listed Deposit Money Banks (DMBs). Table 1 displays the results obtained from the descriptive analysis of the variables utilized in the study, including mean values and correlation analysis for preliminary assessment. The summary statistics, as shown in Table 4.1, reveal that the average Earnings Per Share (EPS) for Nigerian listed DMBs during the study period is 1.199, with a considerable standard deviation of 14.173, indicating significant variability in EPS among these banks. This suggests that Nigerian DMBs do not exhibit consistent EPS figures. Additionally, the calculated average Return on Assets (ROA) for the sampled DMBs is 2.394, with a range spanning from -24.224 to 100. The corresponding standard deviation of 11.704 signifies a high degree of variability in ROA among Nigerian listed DMBs. Similarly, like EPS, these results underscore the variance in financial performance among banks in Nigeria.

The findings also reveal that, on average, 62.8 percent of the observations were audited by specialized audit firms, indicating the extent to which Nigerian banks engage such firms. Furthermore, the average audit fees paid by the sampled DMBs are 19.218, with a standard deviation of 0.77, suggesting relatively consistent audit fees among the listed DMBs in Nigeria.

Table 1: Variable Descriptive Statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
ROA	156	2.394	11.704	-24.224	100
EPS	156	1.199	14.173	-127.62	39
AUDQ	156	.628	.485	0	1
Audfee	156	19.218	.77	17.968	20.889
Age	156	24.667	14.586	3	50
FS	156	27.788	1.119	21.588	29.792
LEV	156	7.827	16.691	-9.642	191.21

Source: Author's Computation, 2022

Table 2: Estimated Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) EPS	1.000								
(2) ROE	0.141	1.000							
(3) AUDQ	0.068	0.157	1.000						
(4) Audfee	0.142	0.022	0.495	1.000					
(5) Age	− 0.098	0.046	0.033	0.079	0.022	0.265	1.000		
(6) FS	0.166	− 0.377	0.399	0.783	− 0.147	− 0.513	0.087	1.000	
(7) LEV	0.018	− 0.086	− 0.178	− 0.032	0.007	− 0.009	0.004	− 0.070	1.000

Source: Author's Computation, 2022

The correlation coefficients among the variables are summarized in Table 2. The correlation matrix in Table 2 shows that there is a positive estimated correlation coefficient of 0.141 between EPS and ROA. This

suggests that there is a positive relationship between Earnings Per Share (EPS) and the Return on Assets (ROA) of the sampled listed Deposit Money Banks in Nigeria, indicating that higher ROA is associated with higher EPS. Furthermore, there is a positive correlation coefficient of 0.068 between EPS and audit specialization, indicating that engaging specialized audit firms by Nigerian DMBs is linked to higher EPS. Similarly, the descriptive results indicate that audit specialization is also associated with a higher Return on Assets (ROA) for Nigerian DMBs, with an estimated correlation coefficient of 0.157. Additionally, a positive correlation is observed between audit fees and EPS, with a correlation coefficient of 0.142. This pattern is consistent for ROA as well, as the estimated correlation coefficient of 0.022 suggests a positive association between audit fees and the Return on Assets of Nigerian listed Deposit Money Banks.

Regarding the relationships among the explanatory variables, the results in Table 2 demonstrate that the explanatory variables are not strongly correlated, as the highest estimated correlation coefficient among the variables is 0.495, which is below the threshold of 0.7 suggested by Kennedy (2008) for the presence of multicollinearity issues. Therefore, the relatively lower correlation among the explanatory variables in the study implies that multicollinearity is unlikely to be a problem.

Table 3: Summary of Model Diagnostic Test Results

Wald Test			
Breusch-Pagan Test			
Null Hypothesis	Statistics	P Value	Remarks
Homoscedasticity in Panel	371.12	0.0000	Presence of Heteroscedasticity
Wooldridge Test			
Null Hypothesis	Statistics	P Value	Remarks
No first order serial correlation	1.439	0.2555	Presence of first order serial correlation
Pesaran test			
Null Hypothesis	Statistics	P Value	Remarks
No cross-sectional dependence	4.720	0.0000	Presence of Cross-sectional dependence

Source: Author's Computation, 2022

Several diagnostic tests were conducted to validate the study's results and guide the selection of the most appropriate estimation technique for achieving the research objective. These tests assessed various assumptions and potential issues in the analysis.

First, the Breusch-Pagan test for heteroscedasticity was performed to check if the classical linear regression assumption of homoscedasticity was violated. The results, as presented in Table 3, showed a Chi-square value of 371.12 with a p-value of 0.000, indicating that the null hypothesis of no heteroscedasticity is rejected at the 1% level. This suggests that the data used in the study exhibit heteroscedasticity.

Next, the Wooldridge test was conducted to examine the presence of first-order serial correlation. The results, also shown in Table 3, revealed an F-value of 1.439 and a p-value of 0.2555. This indicates that the null hypothesis of no serial correlation is rejected at the 1% level of significance, indicating the presence of serial correlation in model 1 of the study. *Additionally, Pesaran's cross-sectional dependence test was performed to assess the assumption of cross-sectional independence. The results, summarized in Table 3, showed a statistic value of 4.72 and a p-value of 0.0000, suggesting that the null hypothesis of cross-sectional independence cannot be rejected at any conventional significance level. Therefore, the model exhibits cross-sectional independence.

Furthermore, specification tests for model 3 of the study were conducted and presented in the lower part of Table 4.10. The F-value was 13.58 with an associated p-value of 0.000, indicating that the null hypothesis of no firm effect is rejected. This suggests that the use of ordinary least squares (OLS) will not yield consistent results. Additionally, the Hausman test yielded an estimated chi-square value of 51.25 and a p-value of 0.000, rejecting the null hypothesis of non-systematic differences in coefficients. This implies that fixed-effect panel regression performs better than the random effect panel regression model.

In summary, the diagnostic tests and specification tests revealed violations of the classical linear regression assumptions, including heteroscedasticity and cross-sectional independence. However, the presence of cross-sectional dependence suggested the need for a method capable of handling endogeneity issues. Consequently, the study employed the feasible generalized least square panel regression technique, which can address the problems of endogeneity, serial correlation, and heteroscedasticity.

Table 4: Estimated Panel Regression Results for Model Three (DEP= ROA)

	(1)	(2)	(3)	(4)
VARIABLES	**POLS**	**FE**	**RE**	**PFGLS**
Audfee	11.16***	2.063	10.04***	11.16***
	(0)	(0.233)	(1.54e-10)	(0)
AUDS	4.553***	0.733	2.134	4.553***
	(0.00873)	(0.680)	(0.252)	(0.00673)
Age	0.0584	1.681***	0.138	0.0584
	(0.233)	(1.38e-10)	(0.114)	(0.222)
FS	-10.88***	-15.07***	-12.41***	-10.88***
	(0)	(0)	(0)	(0)
LEV	-0.0712	0.000945	-0.0360	-0.0712*
	(0.102)	(0.977)	(0.359)	(0.0938)
Constant	86.57***	339.5***	149.8***	86.57***
	(5.42e-05)	(0)	(0)	(2.25e-05)
Observations	156	156	156	156
R-squared	0.450	0.686		
Number of fid	12	12	12	12
F for u_i=0		13.58		
P value of F		0.000		
Hausman Chi		51.25		
Prob of Haus		0.000		

pval in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation2022

Several diagnostic tests were conducted to verify the study's findings and guide the selection of the most

suitable estimation method to achieve the research objective. These tests aimed to assess various assumptions and potential issues in the analysis.

Initially, the Breusch-Pagan test for heteroscedasticity was executed to examine whether the classical linear regression assumption of homoscedasticity was violated. The outcomes, presented in Table 3, revealed a Chi-square value of 371.12 with a p-value of 0.000, indicating the rejection of the null hypothesis of no heteroscedasticity at the 1% significance level. This implies that the dataset used in the study exhibits heteroscedasticity.

Subsequently, the Wooldridge test was employed to investigate the presence of first-order serial correlation. The results, also displayed in Table 3, showed an F-value of 1.439 with a p-value of 0.2555. This suggests that the null hypothesis of no serial correlation was rejected at the 1% significance level, indicating the existence of serial correlation in model 1 of the study.

Additionally, Pesaran's cross-sectional dependence test was conducted to evaluate the assumption of cross-sectional independence. Summarized in Table 3, the test yielded a statistic value of 4.72 with a p-value of 0.0000, indicating that the null hypothesis of cross-sectional independence could not be rejected at any conventional significance level. Therefore, the model was determined to exhibit cross-sectional independence.

Furthermore, specification tests for model 3 of the study were carried out and presented in the lower section of Table 4.10. An F-value of 13.58 was observed with an associated p-value of 0.000, leading to the rejection of the null hypothesis of no firm effect. This suggested that the use of ordinary least squares (OLS) would not yield consistent results. Additionally, the Hausman test produced an estimated chi-square value of 51.25 with a p-value of 0.000, leading to the rejection of the null hypothesis of non-systematic differences in coefficients. This implied that fixed-effect panel regression outperformed the random effect panel regression model.

In summary, the diagnostic and specification tests revealed deviations from classical linear regression assumptions, including heteroscedasticity and cross-sectional independence. However, the presence of cross-sectional dependence indicated the need for a method capable of addressing endogeneity issues. Consequently, the study employed the feasible generalized least square panel regression technique, which can handle endogeneity problems, serial correlation, and heteroscedasticity.

Table5: Estimated Panel Regression Results for Objective Three (Dep=EPS)

	(1)	(2)	(3)	(4)
VARIABLES	**POLS**	**FE**	**RE**	**PFGLS**
Audfee	0.587**	0.162*	0.587***	0.587***
	(0.0111)	(0.0827)	(0.00988)	(0.00899)
AUDQ2	0.0158**	2.501	0.0158**	0.0158**
	(0.0134)	(0.161)	(0.0496)	(0.0110)
Age	-0.111	-0.314	-0.111	-0.111
	(0.158)	(0.567)	(0.156)	(0.148)
FS	1.932	3.605*	1.932	1.932
	(0.239)	(0.0801)	(0.237)	(0.228)
LEV	0.0261	-0.00645	0.0261	0.0261
	(0.707)	(0.931)	(0.707)	(0.701)

Constant	-61.24*	-95.86	-61.24*	-61.24*
	(0.0678)	(0.157)	(0.0658)	(0.0607)
Observations	156	156	156	156
R-squared	0.420	0.320		
Number of fid	12	12	12	12
F for u_i=0		0.493		
Hausman Chi		3.12		
Hausm P val		0.6817		

pval in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation2022

Based on the outcomes of the feasible generalized least square panel regression, as shown in the final column of Table 5, it is observed that the estimated coefficient for audit fees is 0.587, and its associated p-value is 0.00899. This suggests that audit fees have a positive and statistically significant impact at the 1% level on the earnings per share of Nigerian listed Deposit Money Banks. Additionally, the results indicate that audit specialization, with an estimated coefficient of 0.0158 and a p-value of 0.0110, also exerts a positive and significant influence on the earnings per share of the sampled banks. Consequently, the study identifies a robust, positive, and statistically significant effect of audit quality indicators on the performance of Nigerian listed Deposit Money Banks.

CONCLUSION AND RECOMMENDATION

The primary aim of this study was to investigate the influence of audit quality on the performance of listed Deposit Money Banks in Nigeria. To address potential endogeneity concerns, the study utilized feasible generalized least square regression. The findings of the analysis indicate that audit fees have a positive and statistically significant impact on both the return on assets and earnings per share of the sampled banks. Similarly, the results reveal that audit specialization also exerts a positive and significant influence on both the return on assets and earnings per share. Consequently, the study establishes a noteworthy positive relationship between audit quality, represented by audit fees and audit firm specialization, and the performance of Nigerian listed Deposit Money Banks.

This research highlights that DMBs in Nigeria can enhance their financial performance, as measured by return on assets and earnings per share, by leveraging indirect indicators of audit quality, such as audit fees and the engagement of specialist audit firms. Given the positive impact of audit firm specialization on DMB performance, it is recommended that regulatory authorities in the sector encourage banks to collaborate with specialized audit firms. Additionally, the study underscores the importance of higher audit fees in incentivizing audit firms to produce quality audit reports that contribute to enhanced performance in Nigerian DMBs.

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