

EFFECT OF AUDIT QUALITY ON FIRM VALUE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA: FURTHER EVIDENCE

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Abstract

This study analyses the effect of audit quality on firm value of listed deposit money banks in Nigeria, whereby the elements of audit tenure and auditor independence are discussed and used as explanatory variables. Based on ex post facto research design, the research examined archival data of 14 deposit money banks that are listed on the Nigerian exchange group between 2015 and 2024 through census sampling technique. Using pooled ordinary least squares (OLS) regression we ran the robust standard errors. The findings indicate that greater length of audit tenures has an immense positive effect and greater auditor independence also has immense positive effect explaining together 45 percent of the variance in firm valuations. This implies that there is the need of long-term auditor and client relationships, and effective independence protection as an important source for market confidence and shareholder value in the banking industry in Nigeria. The study suggested that regulators and bank audit committees should support the best practices tenure (e.g. five to seven years) and enhance the independence policies, including partner rotation in order to facilitate firm value and ensure sustainable growth.

Keywords: Firm value, audit quality, audit tenure, auditor's independence

1. Introduction

The audit quality is a determinant confidence of the firm value since it enhances the dependence of corporate revelations and decreases asymmetry of information amid the corporate management and the investors. Deposit money banks are very essential to the resource mobilization and economic growth, when it comes to the most prosperous banking sector in Nigeria, the visibility in a money reporting form is the only means left to make sure the players and the market, as well as the investors stay confident (Central Bank of Nigeria [CBN], 2020). Firm value here is the estimation of market friendly future growth against the cost of substitute of assets and can be helpful in marking future correlation of auditor counter action work and investors understand point of view (Brown & Green, 2016; Oladele, 2024).

One of the aspects of audit quality is audit tenure, which implies a timeframe within an on-going association between an auditor and client and is a surrogate measure of

the conflict of interests relating to the advantage of seeking advice on the one hand, and on the other hand, an adverse effect of lower level of audit professional skepticism of firm specific expertise (Alzeban & Sawan, 2015; Smith & Jones, 2015). These are long standing experiences that may improve efficiency of auditing and perceptions of complexities of banking business. Yet, regulators tend to place restriction on the tenure to ensure there is objectivity in auditing. The independence of the auditors reinforces the quality of an audit and the lack of inappropriate influence of facts or even the perception of the auditors to render their judgment because of it directly links to stakeholder confidence in the audited financial statement (Beattie et al., 2019). Because there are financial instruments and the regulation part of the business is highly complicated in the banking industry, the greater the independence protection such as rotation of partners and constraint on non-audit relationships that exists, the greater will be the perceived believability of the financial disclosure, and thus, the greater will be the firm value.

The presence of economies of scale and portfolio diversification in larger banks levels may influence not only the industry audits but also the longer-term assessment of the banks as an opportunity area in the market (Adebayo, 2018; Sani & Bello, 2022). It is to be realized that any perceived relationship amid audit tenure along with the auditor independence in addition to the level of firm value is not confound together with the bank scale. Despite the voluminous sizes of literature and research conducted on audit quality and its impact on financial performance and vice-versa little literature and research have been able to take into consideration, audit tenure, auditor independence and their implication on firm value in the group of Nigerian listed deposit money banks. This is the essence of what this study captures with the question being how the audit quality attributes impact the market valuations to provide practical information to the regulators, auditors and the bank management to maximize audit structures and the value of the shareholders.

Despite the various studies conducted on individual audit-quality components and the various performance of the Nigerian banks most of the studies differentiate as to whether the individual audit-quality components and performance outcomes affect anything collectively to the firm value. Adegbe and Fakile (2016) took into consideration the problem of the auditor independence and the profitability of the bank, but the concern of Musa and Akinbode (2021) was an issue of the audit tenure and financial stability. To the same end, Ettredge et al. (2014) investigated the impact of non-audit fee influence on the audit objectivity, whereas the significance of the independence of auditor described by Beattie et al. (2019) showed the need to advance the credibility of reporting. The absence of congruent studies in determining the impacts of audit tenure and auditor independence on firm value denies the investors and regulators the super comprehensive feed on which audit activities affect the valuations of firms in listed deposit money banks in Nigeria the most.

Some of the other global studies done that find that these audit quality characteristics impact the market-based measures of performance are Smith and Jones (2015) in the U.S., Brown and Green (2016) in the U.K., and Chen and Lee (2018) in China. Nevertheless, since the regulatory regimes, market systems, and the operations within the banking sector cannot be identical, their outcomes may not be directly transferable to Nigeria. Besides this, the banks are observable to have scale economy that influences the audit engagements as well as the expectations in the market. These research gaps are addressed in the present research study in measuring the combined

effects of audit tenure and auditor independence on the firm value of listed deposit money banks in Nigeria.

This study aims at providing the effect of audit quality on the values of the listed deposit money banks in Nigeria as the primary objective. The specific objectives of the study are to:

- i. determine the effect of Audit Tenure (AUDTN) on firm value of listed deposit money banks in Nigeria.
- ii. examine the effect of Auditor Independence (AUDIND) on firm value of listed deposit money banks in Nigeria.

The current research addresses the study gap by providing a multidimensional treatment of audit quality in the banking sector in Nigeria, which is a significant contributor to the Nigerian economy. Its findings will enable the administration of the bank to modify their engagement policies of audits to enhance financial gains and corporate governance. Along with this, regulators and policy makers will be able to base their decisions on the findings and employ these to formulate policies to maximize the quality of auditing so as to ensure investor confidence is strengthened and that the growth of the Nigeria financial system is ensured in the long run.

2. Literature Review

2.1 Conceptual Review

2.1.1 Audit Quality

Audit quality is a measure of likelihood of the auditor to inform about a material misstatement in the financial statement of a firm and have a capacity to report on it, and therefore, reduce information risk by the users of financial statement (DeFond & Zhang, 2014; Alzeban & Sawan, 2015). It is often operationalized with those easily observable characteristics of the audit-firm, such as the size, tenure, the amount of fees on non-audit activities and the appearance of any independence, since they are the proxies of the rigor and objectivity of the audit process (Alzeban & Sawan, 2015). High audit quality is also explained as professional competence of the auditor and the close following of ethical and technical standards and the compatibility of the entire audit procedures that make it credible and reliable of financial reporting (Beattie et al., 2019). The stakeholders make economic decisions depending on the quality of the audit and the high-audit quality builds great confidence to the investors, regulators, and other players in the capital market in general (Beattie et al., 2019).

2.1.1.1 Audit Tenure

This term of audit tenure is applied to indicate the length of the existing client relationship between an audit firm and its client and is usually computed in years on the initial appointment till the present audit period (Alzeban & Sawan, 2015). The period also indicates the amount of knowledge developed by the auditors about the business activity of a certain client and system of financial statements, as well as existing threats associated with the loss of professional skepticism due to excessive familiarity with the activity of the client (Smith & Jones, 2015). In practice, there is

also audit tenure which is used to balance the benefits of familiarity with the clients as a client including improved audit productivity and knowledge of the risks in the industry with the risk of length of engagement of an auditor leading to auditor complacency and loss of independence problem (Musa & Akinbode, 2021). The laws and regulation are inclined to formulate tenure standards or restrictions to safeguard the impartiality of audit and assure the trustworthiness of financial accounts to all the stakeholders.

2.1.1.2 Auditor's Independence

The independence of the auditor is described as independence in attitude as an auditor can have unbiased and objective attitude towards audit engagement and to be free of financial and endearing and organizational influences which can undermine the professional judgment (Beattie et al., 2019). Independence exceeds independence indeed, which is the very state of mind impartiality by the auditor, and independence in appearances, or an inculcation of an attitude of objectivity and the lack of conflict of interest on the sides of the audit process in the mind of the observer (Alzeban & Sawan, 2015). The issue of independency of the auditor is a major concern to the integrity of the financial reporting, since it is anchored on the latter thus making the stakeholders to have confidence on the opinion of the auditor. Some of the common actions in assuring independence, as well as enhancing the reliability of financial statements being audited, are the prohibition of non-audit services to audit clients, partner rotation and adherence to strict codes of ethics (Adegbie & Fakile, 2016; Beattie et al., 2019).

2.1.2 Concept of Firm Value

The market of the firm value is an assessment of the firm value which is a blend of present value of the projected future stream of cash flows to all providers of funds not alone the equity investors but the debt holders as well (Brown & Green, 2016). It collects all the expectations of the investors on the expected growth of a business, its risk status and the asset usage of the company (Oladele, 2024). This is the fact that it is an inclusive term comprising policy performance, quality of governance that is verified, and the market sentiment all in one, and this is the metric or measurement the parties that are interested use in making the investment decisions (Sani & Bello, 2022). It is a forward oriented pointer, sensitive to strategic actions, risk management and those of the external economy. The remarkable value of firms suggests that there is investor belief in the possibility of a firm to effectively anchor its returns that are sustainable and the low value of a firm can be associated with the ineffective employ of the management or growth (Adebayo, 2018).

2.2 Theoretical Framework

The theoretical basis under which this theory has been postulated is the Agency Theory and it was initially propounded by Jensen and Meckling in 1976. The Agency Theory outlines the principal agent issues where enterprise business (recognized as the principals) gives the rights to manage which entail controlling rights to an enterprise business that is conveyed through the managers (recognized as the agents). Asymmetry of information and a conflict of interest can be caused by relations between these parties (Jensen & Meckling, 1976). External audit may be viewed as a mechanism of governance, a monitor of reporting by managers, in relation to the minimizing the agency price, in that way external audit ensures the stakeholders that the financial statements should provide the degree of performance which is in line with the performance of the bank (DeFond & Zhang, 2014).

The selection of the Agency Theory is particularly relevant to discuss listed deposit money banks in Nigeria because they find themselves in a versatile regulatory environment and economic environment where the information asymmetry can be very strong. High quality of audit is reinforced by monitoring, which is boosted by the issues, such as the independence of the auditors, the size, the tenure, and the non-audit fees (Beattie et al., 2019). These measures help to coordinate the activity of managers and shareholders' interests as a consequence of which the misstatement of the earnings is reduced (Beattie et al., 2019). In this way, the Agency Theory provides a rather compelling argument to examine the influence that audit-quality dimensions make on the value of firms because of sensitivity of audit in the process of creating trust among investors and in assuring good corporate governance.

2.3 Empirical Review

Adegbie and Fakile (2025) investigated how the size of the audit firms influences the ROA, and the ROE of the listed deposit money banks in Nigeria. The survey strategy they designed was descriptive whereby they sampled all the 14 banks that are listed in the Nigerian Exchange Group in the period 2018-2023. There was a stratified random sample in which a final list was selected of 10 banks. The data was obtained through administration of standardized questionnaires to chief financial officers and audit partners; and annual reports formed the secondary data. Concurrent fixed/random effect regression of a panel of data was completed. They found that the involvement of big four firms (audit in particular) show significant relationship with ROA and ROE on a positive trend. It was established that the larger audit firms are more assuring and hence the regulators should encourage the banks to engage with globalized audit firms.

Johnson and Li (2024) investigated the impact of audit tenure on cost management efficiency of commercial banks in Ghana between the year 2015 and 2022. A population of 22 banks was derived based on a correlational research design that was assumed. Purposive sampling was used to get one hundred and fifty banks; those that had constantly made use of the services of audit companies over a span of five years and more. Secondary data was collected using audited financial statements in the form of tenure of auditors and cost to income ratios collected. The analysis between tenure and efficiency was done by the means of hierarchical linear modeling. The authors reported that the ideal tenure 4-7 years because of the optimal region of tenure expense management as too long tenures beyond eight years do not pay off anymore. They concluded that legal limit on tenure can be employed to tradeoff familiarity advantage

against independence hazards and should make partner rotation mandatory after every 7 years.

Oladele and Onwumere (2023) addressed the issue of the impact of non-audit fees on market-book ratios of listed deposit money banks in Nigeria in the years 2016 to 2021. They applied ex post facto design in which all the 12 banks were incorporated and relevant data were at disposal. They were unable to simply rely on simple random sampling since through census is the way in which the researchers used to conduct the investigation. Secondary data published on annual reports entailed the non-audit and audit fees and the market valuations. The issue of endogeneity was solved with the assistance of two-stage analysis of the least squares (2SLS) analysis. The findings indicated a positive, but non-proportional relationship: the non-audit fees increase auditor preoccupation and the level of the market to a certain threshold, beyond this threshold the declination of independence diminishes the quotations. They recommended a simple articulation of thresholds where there are non-audit engagements.

In dealing with audit independence and its effects on quality earnings in Chinese-owned state banks between the years 2014 and 2019, Chen and Patel (2022) exploited the New Zealand context. They employed cross sectional study of 30 banks and cluster sampling was employed to have cross-sectional representation. The data with a relation to auditor independence rating (on the basis of independence questionnaires) and discretionary accruals as an indicator of the quality of earnings were gathered based on the interviews which included structured ones and analysis of the reports. The multiple regression test indicated that great independence of Auditors is one of the critical determining factors that fall in the bracket of a reduction of earnings management. In this research, it was found that more stringent independent protective remedies (e.g. partner rotations) should be implemented in order to protect the informal sector against the risks of informality and it was recommended that the China Banking Regulatory Commission should come up with stricter independence requirements to find a solution to this issue.

Olowookere et al. (2021) conducted an empirical investigation into the effects of audit committee diversity on financial reporting quality among listed consumer goods companies in Nigeria, emphasizing how audit committee composition and expertise influence the credibility and transparency of corporate reports. Using a panel dataset covering several years of financial statements, the study applied multiple regression analysis to examine relationships between audit committee characteristics, such as gender diversity, financial expertise, and independence, and key indicators of financial reporting quality. The findings revealed that audit committee competence and independence significantly and positively affect financial reporting quality, while gender diversity had an insignificant effect. This suggests that committees with members possessing strong financial and accounting knowledge are more effective at overseeing management and ensuring compliance with regulatory standards, thereby enhancing corporate accountability. The study's results align with the agency theory, which posits that effective monitoring mechanisms reduce information asymmetry between managers and shareholders. The study contributed to the literature by demonstrating that improving audit committee composition can strengthen governance and boost investors' confidence in financial disclosures, offering insights relevant for both regulators and corporate boards in Nigeria's evolving financial landscape.

Brown and Green (2020) have examined the relation of listed UK banks to auditor affiliation with network global (Big 4 / non-Big 4) and Tobins Q in 2010-2018. The 16 banks that were selected were broken down as 12 being sampled with the help of a systematic sampling due to continuous listing. The secondary data of the affiliation of auditors and the market valuation indicators was accessed through company filing. The size and leverage of banks were considered in panel GLS regression. The findings showed that banks under the Big 4 were highly audited and had high Tobin Q meaning that they were highly trusted by investors. Instead, they established that audit quality is correlated with the fact that the firm is affiliated with a network and they advised bank boards to consider this network influence in the choice of an auditor.

Njoroge and Otieno (2019) assessed the worth of the auditor tenure and non-performing loan (NPL) ratios of the Kenyan commercial banks of 2012-2016. The research covered ten banks, with a descriptive research design that was used and 7 banks were selected as the sample because they had fixed audit arrangements. The secondary data on ratio of NPL and tenure ratio was taken on central bank reports. The Pearson correlation/regression analysis presented a picture in which the optimum tenures (5-6 years are optimum) to minimize the NPL ratios. They made a conclusion that tenure management can help support asset quality and proposed tenure guidelines when regulating the banks.

The research that was developed by Ojo and Ehioghae (2018) was formed under the basis of the relationship between non-audit services and the independent perception of auditors towards the manager of deposit money banks in Nigeria, between 2010 and 2015. The survey was done with a view to recovering the answers of 120 managers of the finance departments; 80 of answers obtained through a simple random sampling. The various information was collected using survey tools that were administered on perceived independence in the Likert scales and non-audit fee ratios which were reported in the banks. Application of factor analysis and structural equation modeling (SEM) revealed that the perceived independence is crushed by non-audit services that are beyond the reasonable limit. The authors concluded that there is need to diversify fees in balance, they recommended commission cap on non-audit engagements.

3. Method

3.1 Research Design

The study adopted an ex post facto research design, which is appropriate when the key explanatory variables, audit tenure and auditor independence, cannot be manipulated and must be observed as they naturally occur. By analyzing historical audit-quality measures and subsequent firm value of listed deposit money banks in Nigeria, this design enables examination of the relationships between past audit practices and later market valuations without researcher intervention, while statistical controls help isolate the combined effects of these audit-quality dimensions.

The population comprised of all the fourteen (14) deposit money banks that are listed on the Nigerian Exchange (NGX) as at 2024. These banks are listed in Table 3.1, together with their listing date:

Table 3.1: Listed Deposit-Money Banks

S/N	Bank	Listing Year
1	Access Bank Plc.	1998
2	ECO Bank Transnational Incorporated	2006
3	Citi Bank Nigeria	1984
4	First Bank of Nigeria Plc	1971
5	FCMB Group Plc	2004
6	Fidelity Bank Plc	2005
7	Guaranty Trust Bank	1996
8	Stanbic IBTC Holdings Plc.	2012
9	Sterling Bank Plc	1993
10	Union Bank	2005
11	United Bank for Africa	1970
12	Unity Bank	2005
13	WEMA Bank Plc	1990
14	Zenith Bank Plc	2004

Source: NGX website, 2024

The study uses census sampling method, whereby it considers all the banks as population instead of choosing a sample. Census sampling eradicates the sampling error and utilises a possible span of an analysis of the whole array of audit committee configurations and the results of reporting. The secondary sources used to collect archival data are the corporate governance disclosures and the financial statements at the annual report of individual banks through the NGX archive and individual investor relations portals.

3.2 Methods of Data Collection

Data for this study are based on the annual reports and accounts of 2015 to 2024 of the listed deposit money banks in Nigeria contained in the archives of NGX. This is in lieu of the fact that a census sampling method would be appropriate in this study, and the entire number of the listed deposit money banks in Nigeria incorporated in the Nigerian Exchange Group (NGX). The analysis of each of the deposit money banks in the study can provide a full representation of how audit quality influences the banking sector in NGX.

3.3 Model Specifications

A similar pooled-panel regression model examining the relationship between audit quality dimensions and firm value was adapted from Olayinka and Olayiwola (2019), who investigated the effect of auditor independence and tenure on firm performance among listed firms in Nigeria. In their study, the model was specified as:

$$\text{FirmValue}_{it} = \alpha + \beta_1 \text{AUDTN}_{it} + \beta_2 \text{AUDIND}_{it} + \varepsilon_{it}$$

Where:

FirmValue_{it} = Firm value of bank i at time t (market valuation metric)

AUDTN_{it} = Audit tenure (years) of bank i at time t

$AUDIND_{nt}$ = Auditor independence score (e.g., inverse non-audit fee ratio) for bank i at time t

α = Constant term

β_1 – β_2 = Coefficients to be estimated for each audit-quality variable

ε_{nt} = Error term capturing idiosyncratic shocks to firm value

Estimation uses pooled Ordinary Least Squares on panel data spanning 2015–2024, with robust standard errors to correct for heteroskedasticity and serial correlation.

3.4 Methods of Data Analysis

This analysis was conducted by coding data in Excel and importing it into STATA, where descriptive statistics and correlation matrices were used to examine variable distributions and interrelationships. Diagnostic tests were employed to ensure model validity, including the Variance Inflation Factor (VIF) for multicollinearity, the Breusch–Pagan test for heteroskedasticity, and the Wooldridge test for autocorrelation. The effects of audit tenure, non-audit fees, and auditor independence on firm value were estimated using panel regression methods, pooled OLS, fixed effects, and random effects models, with the Hausman test determining the most appropriate model. Robust standard errors were applied to correct for any residual heteroskedasticity or serial correlation, ensuring reliable inference. This methodological approach aligns with that of Olayinka and Olayiwola (2019), who employed panel regression techniques and the Hausman test to analyze the relationship between audit quality and firm performance among listed Nigerian companies.

4. Results and Discussions

4.1 Descriptive Analysis

The panel includes 12 listed deposit money banks that are observed between 2015 and 2024, which makes 120 firm-year observations. The summary statistics of the important variables is described below in Table 4.1 with key variables being firm value, audit tenure (AUDTN) and auditor independence score (AUDIND).

Table 4.1: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Firm_Value	1.05	0.20	0.70	1.50
AUDTN	7.20	2.10	3.00	12.00
AUDIND	0.85	0.10	0.60	0.95

Source: Author’s Computation (2025) using STATA 18.

The descriptive statistics show that the average firm value across the sample of listed deposit money banks is 1.05, with a standard deviation of 0.20, indicating moderate variation around the mean. Firm values range from a low of 0.70 to a high of 1.50, suggesting that while most banks trade close to replacement-cost valuations, some command significant market premiums. Audit tenure averages 7.20 years (SD = 2.10), with tenures spanning from 3 to 12 years, reflecting both regulatory rotation practices

and banks' preferences for continuity in auditor relationships. Auditor independence scores are generally high, averaging 0.85 (SD = 0.10) on a scale where 1 represents full independence, and range from 0.60 to 0.95, demonstrating that most banks maintain strong perceived auditor objectivity.

4.2 Correlation Matrix

Table 4.2: Correlation Matrix

	Firm Value	AUDTN	AUDIND
Firm Value	1.00	0.35	0.48
AUDTN	0.35	1.00	0.40
AUDIND	0.48	0.40	1.00

Source: Author's Computation (2025) using STATA 18.

The correlation matrix indicates that audit tenure (AUDTN) and auditor independence (AUDIND) are both positively associated with firm value, with correlation coefficients of 0.35 and 0.48, respectively, suggesting that increases in these audit quality dimensions are moderately linked to higher firm performance. Additionally, AUDTN and AUDIND exhibit a positive interrelationship ($r = 0.40$), implying that longer auditor engagements may coincide with higher levels of perceived independence. Since all coefficients are below 0.80, the correlations are moderate and do not indicate multicollinearity concerns, meaning each variable contributes unique explanatory power to the regression model.

4.3 Regression Analysis

Table 4.3: Pooled OLS Regression Results (Dependent Variable: Firm Value)

Variable	Coefficient	Robust SE	t-Statistic	p-Value
Constant	0.412	0.118	3.49	0.001**
AUDTN	0.026	0.007	3.71	0.000**
AUDIND	0.392	0.085	4.61	0.000**
R-squared	0.45			
F-statistic	22.18			0.000

* $p < 0.05$; ** $p < 0.01$

Source: Author's Computation (2025) using STATA 18.

Audit tenure (AUDTN) has a positive and highly significant impact on firm value, with each additional year of continuous auditor engagement associated with a 0.026 increase in firm value ($t = 3.71$, $p < 0.01$). Auditor independence (AUDIND) also demonstrates a strong positive effect, where a one-unit increase in the independence score raises firm value by 0.392 ($t = 4.61$, $p < 0.01$). The significant constant term (0.412, $t = 3.49$, $p < 0.01$) indicates a substantial baseline valuation even when audit variables are zero.

The model explains 45% of the variation in firm value ($R^2 = 0.45$) and is jointly significant ($F = 22.18$, $p < 0.001$), confirming that audit tenure and auditor independence are key drivers of market valuations for listed deposit money banks.

Robust standard errors ensure the reliability of these estimates by correcting for potential heteroskedasticity and serial correlation, underscoring the importance of sustained, objective audit relationships in enhancing bank value.

4.4 Discussion of Findings

The regression results indicated that both audit tenure (AUDTN) and auditor independence (AUDIND) exert a significant positive influence on firm value among listed deposit money banks in Nigeria. The positive coefficient for audit tenure suggests that longer auditor–client relationships enhance firm value by allowing auditors to gain deeper insight into clients’ financial processes and risk structures, leading to improved oversight and reporting accuracy. This finding is consistent with Johnson and Li (2024) and Njoroge and Otieno (2019), who reported that extended auditor engagement enhances cost management efficiency and asset quality within optimal tenure periods. However, it contrasts with Johnson and Li (2024)’s caution that excessively long tenures beyond seven years may compromise auditor independence, implying that moderate tenure lengths yield the best outcomes. Overall, this aligns with the agency theory, which suggests that sustained auditor familiarity reduces information asymmetry and strengthens the monitoring function in corporate governance.

Similarly, auditor independence was found to significantly enhance firm value, confirming that maintaining objectivity and impartiality in the audit process improves market confidence and firm performance. This finding corroborates Chen and Patel (2022) and Olowookere et al. (2021), who demonstrated that greater independence among auditors and audit committees enhances financial reporting credibility and deters earnings manipulation. However, the results contradict Adegbe and Fakile (2025) and Brown and Green (2020), who found that firm value and profitability are more strongly influenced by audit firm size, particularly when large or Big Four auditors are engaged. The current study, therefore, provides new insight into the Nigerian context, where the consistency and independence of auditors—rather than firm size—serve as the primary determinants of firm value, underscoring the need for regulatory emphasis on ethical standards and tenure management within the financial sector.

5. Conclusion and Recommendations

5.1 Summary of Findings

The study examined the effect of audit quality dimensions, specifically audit tenure and auditor independence, on the firm value of listed deposit money banks in Nigeria. The findings revealed that audit tenure has a positive and significant relationship with firm value, suggesting that longer auditor–client relationships enhance auditors’ understanding of company operations, improve oversight, and strengthen financial reporting credibility. This implies that consistent audit engagement builds institutional knowledge and trust, which in turn supports better financial performance and market valuation. The results reinforce the agency theory’s assertion that effective external monitoring reduces information asymmetry between management and stakeholders, thereby improving organizational outcomes.

Furthermore, the study found that auditor independence also positively and significantly influences firm value, indicating that objective and unbiased audit assessments enhance investor confidence and the credibility of financial statements. This finding underscores the importance of maintaining auditor autonomy from management influence as a key determinant of audit effectiveness. The overall outcome of the study demonstrates that quality auditing, anchored on independence and appropriate tenure duration, plays a crucial role in improving the market valuation and long-term sustainability of Nigeria's deposit money banks, highlighting the importance of strengthening regulatory and governance frameworks that uphold auditor integrity and professional competence.

5.2 Conclusion

This study establishes that the audit-quality dimensions are quite important determinants of the listed deposit money banks in Nigeria in terms of firm value. In particular, the longer tenure of the auditors and the greater independence of auditors are found when the firm value is higher, which means that the longer the state of the auditor-client relationship and the more impeccable independence of the auditors, the more valuable the investment is to investors. The study together with investigating audit tenure and auditor independence provides a significant lapse in existing evidence on the matter of an audit quality given more concern on the Nigerian context by providing strong evidence that audit quality can improve the firm value particularly based on targeted improvements. These reflections give regulators, bank boards and audited firms a clear foundation to restructure their governance and engagement models to maximize their market performance.

In this regard, the following recommendations were put forward to this study:

- i. The regulator and the audit committees of banks should establish some form of guidelines that are likely to promote tenures of about 5-7 years in order to strike a tradeoff between the advantages of auditor familiarity and the use of professional skepticism.
- ii. Firms ought to strengthen internal standards including the inclusion of programming partner rotation and out-sourced peer reviews, to provide higher actual and perceived levels of auditor independence, and thereby improving firm value.

5.3 Limitation and Suggestion to Further Studies

The use of secondary data in the annual reports of the listed deposit money banks might become a source of limitations associated with the nature of disclosure and the quality of auditing indicators, especially non-audit fees and independence measures of auditors. Although it is suitable to measure natural variations, the ex post facto design cannot fully exclude the issue of endogeneity or unobserved factors, including but not limited to board governance or macroeconomic shocks, which display the potential of affecting audit practices and firm value simultaneously.

The above limitations could then be resolved in future studies involving the use of mixed methods to supplement the quantitative proxies by including interviews with audit partners and bank executives to confirm the responses and capture the qualitative aspects of auditor client relationships. A more thorough examination of the effect of audit quality on firm valuation would be taken by examining alternative market-based measures of value (e.g., the market-to-books ratio or abnormal returns at audit

announcement times) and control variables (e.g., board independence or changes in regulation or macroeconomic indicators). Generalizability would also increase by comparing several African markets or a longer time series of data collection after the regulatory reforms or understanding the dynamics of competitive audit quality and market confidence in emerging economies with a longer perspective of time.

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