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Moderating Role of Audit Quality on the Relationship Between Ownership Structure and Firm Value of Listed Nigeria Commercial Banks

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Abstract

This research investigates the impact of audit quality on the relationship between ownership structure and firm performance among listed deposit money banks in Nigeria. Corporate governance remains a critical driver of organizational success, especially in the banking sector, which plays a pivotal role in national economic development. Ownership structure—defined in terms of insider ownership, institutional ownership, and government ownership—has long been recognized as a key factor influencing firm behavior and performance. However, the moderating role of audit quality in this relationship has received limited empirical attention in the Nigerian context. The study adopts a quantitative research design and utilizes secondary data obtained from the financial reports of selected deposit money banks over a period of five years (2021–2025). Descriptive statistics, regression analysis, and ANOVA tests were used to examine the relationships among the variables. Return on Capital Employed (ROCE) was used as the primary indicator of firm performance. Ownership structure variables were treated as the independent (predictor) variables, while audit quality served as a moderating (intervening) variable. The empirical results indicate that ownership structure, particularly insider and institutional ownership, has a significant and positive effect on firm performance. Government ownership, however, exhibited a weaker and less consistent relationship with performance metrics. Audit quality, measured by auditor independence, firm rotation, and compliance with standards, showed a strong and positive moderating effect. High audit quality strengthened the positive impact of insider and institutional ownership on firm performance, suggesting that robust auditing mechanisms can reduce agency problems, increase transparency, and enhance investor confidence. Based on these findings, the study recommends enhancing audit quality standards, promoting continuous auditor training, ensuring auditor independence, encouraging institutional and insider ownership, and

strengthening regulatory oversight. These recommendations, if implemented, could lead to improved financial health and governance within Nigeria's banking sector. This research contributes to the growing literature on corporate governance and audit quality and provides practical insights for bank regulators, investors, policymakers, and academic scholars.

Keywords: Ownership Structure, Audit Quality, Firm Performance, ROCE, Corporate Governance, Deposit Money Banks, Nigeria.

Introduction

One of the primary purposes of accounting standards is to reduce agency conflicts in managerial investment decisions, constrain managers' opportunistic behavior, and ensure the timely recognition of financial risks (Ball & Shivakumar, 2021). Accounting conservatism plays a critical role in mitigating management's bias by enforcing a higher verification threshold for recognizing profits than losses (Ruch & Taylor, 2015). This approach enhances the credibility of financial statements and supports informed decision-making by investors and other stakeholders.

Ownership structure significantly influences firm performance as it determines managerial incentives and investor confidence.

A well-structured ownership system attracts investment, strengthens corporate governance, and optimizes financial resource allocation (Chen, Lin, & Yi, 2022). Effective corporate governance ensures accountability and transparency, increasing financial performance and reducing investment risks (Bhagat & Bolton, 2019). Strong governance frameworks also facilitate regulatory compliance and stakeholder trust (Herdjiono, Sari, & Tjen, 2020).

Ownership structure is significantly impacted on Performance of a firm as it attracts investment and helps in maximizing the company's funds, reinforcing the company's pillars and this result in the expected increase in firm performance (Ehikioya, 2021). The application of principles, rules, and practices that are specific to a good corporate governance has some determinant benefits such as an increased credibility of financial and non-financial reporting to the investors, the ease of access to capital and lower financing costs, the identification and valorization of all the competitive opportunities, the implementation of an adequate management control that ensures an efficient use of resources, and the adequate control of risks that could affect the sustainable development of the entities (Herdjiono, *et al*, 2019). For this reason, the impact of corporate governance over financial performance has been questioned in different contexts. The basis of good corporate governance is influenced by the management behavior, which plays a part in the accomplishment or non-accomplishment of the objectives of the entity (Oncioiu, et al 2018). In the given context, ensuring the quality of corporate governance imposes responsibility, correctness, transparency, and qualitative relationships among shareholders, board of directors, management, and employees (Dănescu, 2020) In turn, these aspects define the authority and the responsibility of the ones that are part of the governance, by supplying sustainable value to all interested parties, as well as the basis for improving financial performance Mishra, (2020).

The banking sector's stability and performance are essential for the overall economic growth and stability of a country. Therefore, assessing the relationship between ownership structure and firm value is vital in understanding the performance of deposit money banks. Previous studies have investigated the impact of ownership

structure on firm value and identified factors such as the concentration of ownership, the degree of insider ownership, and institutional ownership. However, the role of audit quality in the relationship between ownership structure and firm value is not well understood.

Statement of the problem

The weakness of legal systems in some countries continues to negatively impact minority shareholders' interests, particularly due to the dominance of large shareholders (Nguyen, Pham, & Tran, 2021). Large shareholders, by gaining voting rights in excess of their cash flow rights, may engage in expropriation behaviors that undermine minority shareholders (Alzoubi & Selamat, 2023). Their ability to influence wealth redistribution within firms may not always align with the interests of other stakeholders (Chen, Lin, & Zou, 2022).

Nigeria's market environment has been criticized as unfavorable for both domestic and foreign investors. A key reason for this claim is that financial reports often fail to meet the expectations of stakeholders (Ado, Ojo, & Adamu, 2022). Bribery, excessive profit control, and financial irregularities have weakened public trust in financial reporting, reducing the credibility of financial statements and their intended purpose (Oboh & Ajibolade, 2023).

External auditors are often viewed as a mechanism to mitigate agency problems, with audits serving as a tool to enhance corporate transparency and ensure managerial accountability (Adegbite, Amaeshi, & Amao, 2020). According to Musa, Ahmed, and Yusuf (2021), institutional ownership is a crucial factor influencing audit quality, as institutional investors possess the expertise to enforce stringent monitoring practices. However, in recent years, reduced emphasis on institutional ownership's role in audit quality has contributed to various financial scandals. Many institutional investors are primarily concerned with maximizing stock value, making them less likely to prioritize the engagement of high-quality auditors, including those from Big 4 firms (Zhou, Lin, & Yang, 2023).

Managerial ownership is frequently cited as a source of agency concerns that may increase audit risks. However, an alternative argument suggests that managerial ownership could decrease demand for high-quality audits, leading to lower audit fees (Rahman, Saidin, & Aziz, 2021). This is because manager-owners may incorporate high-quality audits to reduce related agency costs. The power derived from ownership concentration may ultimately influence audit quality and firm transparency (Hsu, Lobo, & Yan, 2022).

Block-holder ownership, which refers to shareholders owning 5% or more of a company's shares, can also impact audit quality (Shehu & Ahmed, 2020). Block-holders can be categorized into institutional and individual investors, both of whom have the potential to influence corporate governance (Cronqvist & Fahlenbrach, 2021). However, Nigeria has witnessed its share of poor audit quality and financial reporting failures, with cases such as Cadbury Nigeria Plc in 2006, Afribank Nigeria Plc in 2009, and Intercontinental Bank Plc in 2009 (Owolabi & Ajibolade, 2023). The insurance sector has also faced governance failures, as seen in NAICOM's 2012 intervention in Investment, Alliance & General Life Assurance Plc and Allied Assurance Plc due to insolvency and financial misappropriation (BusinessDay, 2023).

Several studies have explored the relationship between ownership structure and audit quality, yet findings remain inconclusive. For instance, Rahman et al. (2022) found that institutional ownership negatively impacts audit quality, while Al-Fatlawi et al. (2023) argue that strong corporate governance mechanisms can mitigate this effect.

Despite the growing interest in the relationship between ownership structure and firm value in deposit money banks, limited attention has been given to the moderating role of audit quality. Given the essential role of audit quality in ensuring financial transparency and enhancing investor confidence, this study aims to examine how audit quality influences the relationship between ownership structure and firm value in Nigeria's banking sector

Objective of the study

The main objective of the studies is to examine the moderating role of audit quality on the relationship between ownership structure and firm value. While the specific objective are:-

i. to examine the role of audit quality on the relationship between ownership structure and firm performance (ROA) relationship of listed deposit money bank in Nigeria
ii. To examine impact of institutional ownership on firm performance of listed deposit money bank in Nigeria
iii. Relationship between the managerial ownership and firm performance (ROA) of listed deposit money bank in Nigeria

Definition of Terms

Audit quality: this is the outcome, which depends on the presence or absence of certain attributes of auditors

Institutional ownership: This ordinarily represents the proportion of shares owned by institutions (public, private, NGO) to total number of shares issued by a firm

Managerial ownership: this refers to the represented as the proportion of shares owned in the firm by insiders and board members or insider ownership

Ownership Structure: this refers to those who have control over a company's operations. Those rights can be acquired by purchasing a stake in the business

Firm value: the sector of a business outcome as well as results, showing the overall financial health condition of the business sector over a particular time period

LITERATURE REVIEW

This section provides the conceptual and empirical reviews of relevant literature on ownership structure and audit quality. The section will also discuss the theories upon which the study is anchored.

Conceptual Review

The conceptual review provides the foundational definitions and theoretical explanations relevant to ownership structure and its influence on corporate governance and firm performance. A clear understanding of ownership concepts is vital in evaluating their implications on decision-making, firm value, audit quality, and the alignment of managerial incentives with shareholder interests. Among the various forms of ownership structures, managerial ownership is particularly significant due to its potential to mitigate agency conflicts and influence strategic corporate decisions.

Concept of ownership structure

Ownership structure refers to the arrangement of a company's equity, delineating the distribution of ownership rights and responsibilities among its shareholders. This structure significantly influences corporate governance practices and, consequently, firm performance. A comprehensive review by

Paniagua et al. (2018) highlights that ownership structure is a pivotal factor in shaping corporate governance systems, affecting managerial incentives and the overall efficiency of firms.

Ownership structures can vary widely, encompassing sole proprietorships, partnerships, limited liability companies (LLCs), and corporations, each with distinct legal and financial implications. In the context of corporations, ownership is often categorized based on the identity and concentration of shareholders, leading to classifications such as institutional ownership, block-holding, foreign ownership, and managerial ownership. Institutional ownership pertains to substantial equity holdings by entities like mutual funds, pension funds, and insurance companies. These institutional investors typically possess significant voting power and expertise, enabling them to effectively monitor and influence managerial decisions (EBSCO, 2023).

The concentration of ownership is another critical dimension, referring to the extent to which shares are held by large shareholders. High ownership concentration can lead to more effective oversight of management, as major shareholders have a vested interest in the firm's success and possess the leverage to enforce managerial accountability. However, this concentration can also pose risks, such as the potential for majority shareholders to prioritize their interests over those of minority shareholders, leading to governance challenges. For instance, the dual-class share structure employed by some companies grants disproportionate voting rights to certain shareholders, potentially undermining equitable treatment of all investors (Reuters, 2024).

Concept of managerial ownership

Managerial ownership refers to the proportion of a firm's shares owned by its executives and directors, and it plays a crucial role in corporate governance and firm performance. As an incentive mechanism, managerial ownership aims to address agency problems arising from the separation of ownership and control (Fama & Jensen, 2020). These agency conflicts stem from the misalignment of interests between managers (agents) and shareholders (principals), which can negatively affect firm value (Shleifer & Vishny, 2019).

The agency theory perspective suggests that managerial ownership can be a double-edged sword in corporate governance. On one hand, it helps align managerial interests with those of shareholders, ensuring that executives act in ways that maximize firm value rather than pursuing personal benefits (Conyon & He, 2022). This alignment, often referred to as the incentive-alignment effect, reduces opportunistic behavior, such as excessive risk-taking, empire-building or suboptimal investment decisions (Chen, Liu, & Wang, 2021). Higher managerial ownership discourages excessive consumption of perks and strengthens accountability, leading to higher firm performance (Ahmed & Ismail, 2023).

On the other hand, the entrenchment effect occurs when managers gain significant ownership stakes, allowing them to exert excessive control over the company. At high levels of ownership, managers may prioritize personal benefits over shareholders' interests, leading to reduced board independence, entrenchment, and resistance to corporate governance reforms (Al-Hadi, Eulaiwi, & Taylor, 2021). This phenomenon can result in inefficient decision-making, poor oversight, and weakened financial performance (Balsam et al., 2023).

Empirical research on the relationship between managerial ownership and firm performance remains inconclusive, often revealing a non-linear relationship. Several studies have documented a U-shaped or inverted U-shaped association between managerial ownership and firm performance, suggesting that

moderate levels of managerial ownership improve firm value, but excessive ownership can lead to entrenchment and governance issues (Lee, Kim, & Park, 2022).

A series of studies also emphasize the signaling effect of managerial ownership in capital markets. Managers with substantial ownership stakes send positive signals to investors regarding their commitment to long-term firm value, thereby attracting investment and reducing the risk of opportunistic behavior (Sun, Lan, & Rahman, 2022). However, managers often seek to diversify their personal wealth, reducing their willingness to hold large ownership stakes due to concerns about idiosyncratic risk (Nasr & Hassan, 2023).

Concept of Institutional Ownership

Institutional investors play a critical role in enhancing corporate governance structures**,** as they possess the incentives, resources, and voting power to influence managerial decision-making (Alhassan, Kyereboah Coleman, & Andoh, 2020). Their ability to effectively monitor executives stems from their fiduciary duties**,** large equity holdings**,** and superior business acumen **(**Nguyen, Rahman, & Zhao, 2021). As a result, institutional investors are more likely to demand higher audit quality as part of their monitoring mechanisms**,** ensuring greater financial transparency and accountability (Cai, Liu, & Zhang, 2022).

Institutional investors include mutual funds, pension funds, hedge funds, endowments, insurance companies, and commercial banks**.** In developed markets**,** these investors play a significant role in corporate governance and shareholder activism**,** whereas in emerging markets**,** their influence varies depending on regulatory environments and ownership structures (Kumar & Zattoni, 2022). In some developing economies**,** banks represent the dominant form of institutional ownership due to differences in financial systems and capital market structures **(**Yusoff & Ramli, 2023).

Banks are a unique type of institutional investor because they serve dual roles as owners and lenders**.** This dual role creates close relationships between banks and the firms in which they invest, enabling lower-cost monitoring and improved oversight (Rahman, Lan, & Omar, 2021). Studies suggest that bank ownership leads to more effective corporate governance**,** as banks have access to specialized financial knowledge, credit risk assessments, and regulatory expertise **(**Wu, Zhang, & Li, 2023).

Moreover, when managerial agency costs are high**,** banks are less likely to extend or renew loans to underperforming firms, incentivizing managers to increase audit quality and improve financial reporting practices (Adegbite & Olayemi, 2023). Given that banks are highly regulated institutions, they are also more committed to strong corporate governance practices compared to other types of institutional investors (Olalekan, Hassan, & Yusuff, 2023).

However, bank ownership also presents risks**.** The close ties between banks and investee firms may create conflicts of interest**,** leading to biased lending decisions and inefficient investments (Chen, Fang, & Wang, 2022). For instance, banks may extend loans to firms in which they hold significant shares at unfavorable terms**,** benefiting the bank's owners at the expense of minority shareholders (Liu, Tang, & Sun, 2023). Additionally, banks may prioritize their own financial stability over firm performance, influencing managerial decisions in ways that do not always align with shareholder value maximization **(**Gulzar, Badar, & Hussain, 2023).

Aside from banks, non-financial institutional investors such as manufacturing and service sector firms also hold substantial equity stakes in companies. Their motivations often include business expansion, vertical and horizontal integration, and risk diversification strategies (Uddin, Ahmed, & Alam, 2021).

Unlike banks, these firms are not primarily engaged in financial intermediation but seek to maximize profits through strategic investments in other businesses (Mousavi & Nasirzadeh, 2022).

Concept of Foreign Ownership

Foreign ownership plays a significant role in shaping corporate governance practices, particularly in emerging markets. Foreign investors, especially institutional ones, often demand greater transparency and high-quality financial reporting to safeguard their investments from the risk of expropriation by insiders or dominant shareholders (Al-Hadi, Hasan, & Habib, 2020). Their presence introduces external discipline, which can positively influence audit quality and overall corporate accountability.

Empirical studies have shown that foreign shareholders, especially those holding substantial stakes, tend to exert greater pressure on corporate management to engage reputable auditors and enhance the credibility of financial disclosures. This demand is typically aimed at reducing information asymmetry and aligning managerial practices with international expectations (Gómez-Guillamón, Sánchez-Ballesta, & García-Meca, 2023). As foreign investors are often less familiar with local market conditions, high-quality audits serve as a mechanism for trust building and risk mitigation. Moreover, companies seeking to attract foreign capital may voluntarily opt for strong audit standards and internationally recognized audit firms to signal integrity and good governance. This behavior is often interpreted as a strategic move to improve their market valuation and investor perception (Ali, Ahmed, & Henry, 2021).

Supporting this perspective, Niemi's (2022) study of European companies found that audit fees used as a proxy for audit quality are generally higher in firms with substantial foreign ownership compared to those with solely domestic investors.

Concept of Audit Quality

The term audit quality is usually defined as the outcome, which depends on the presence or absence of certain attributes of auditors. The widely cited definition of audit quality is by DeAngelo (1981) who claims that audit quality is the "market assessed joint probability that a given auditor will both discover a breach in a client's accounting system, and report the breach." Going by this definition, the constituent and inseparable elements of audit quality are

the likelihood that an auditor discovers existing misstatements and appropriately acts on the discovery. The first component of audit quality is premised on the auditor's professional competence and effort while the latter is anchored on an auditor's objectivity, professional skepticism and independence. Menezes Brás (2018) defines audit quality as "adherence to professional auditing standards, professional codes and ethics, audit guidelines, as well as rules and procedures issued by professional bodies to regulate the auditing profession, and to maintain the independence and integrity of the auditor." Therefore, audit quality focuses on policies and procedures that auditors implement, whether in relation to private audit practice or audit firms in general, to ensure that the audit services are rendered in line with the auditing standards. Audit quality is key in ensuring the integrity and confidence of financial reports, particularly in the wake of massive corporate scandals. For instance, corporate accounting scandals occurred in Enron Corporation and Word Com in USA around 2001 and 2002; Kimia Farma, Indo Farma, Agis and Bank of Century in Indonesia between 2001 and 2008 (Suyono, 2012). Some of the key determinants of audit quality cited in empirical literature include audit firm size and auditor specialization (Salehi, Mahmoudi & Gah, 2019); audit independence, audit tenure and audit

firm size (Amahalu, Okeke & Chinyere, 2018); auditor's professional competence, independence and motivation (Akbar, Aswar & Lastiningsih, 2020)

Concept of Firm Value

Omaliko., *et al* (2021) see performance is usually been represented by different financial ratios such as total asset growth, loan growth rate and earnings growth rate. The performance of management is habitually a narrative expression through subjective evaluation of management systems, organizational discipline, control system, quality of staff and many more. Performance is the most imperative measure for profitable of a company (Matar & Eneizan, 2018). Financial performance predominantly shows the sector of a business outcome as well as results, showing the overall financial health condition of the business sector over a particular time period (Naz, Ijaz & Naqvi, 2016). According to Erikie and Osagie (2017), financial Performance is the measuring of results of a firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value added. The term corporate performance refers to the benefits emanating from shares and those from the functioning and operational activities of a firm.

Theoretical Framework

A theoretical framework provides the foundation upon which research is constructed, helping to explain the relationships between variables and guiding the study's direction. In examining the relationship between ownership structure, audit quality, and firm value, several theories can be applied. the most widely accepted theories relevant to this research is the Agency Theory**,** Stakeholder Theory and stewardship theory, These theory offers valuable insights into the dynamics between firm owners and managers, particularly in the context of corporate governance and financial decision-making.

Agency Theory

Agency theory posits that shareholders act as principals while management serves as their agents. The presence of information asymmetry allows agents to pursue interests that may not align with those of the principals, leading to potential conflicts. This divergence arises because, unlike stakeholder theory, agency theory emphasizes the optimization of shareholders' objectives rather than balancing multiple stakeholder interests (Jensen & Meckling, 2020). Aligning these interests often creates conflicts, necessitating governance mechanisms to mitigate agency problems and enhance firm performance.

Agency theory remains a critical framework in corporate governance, particularly in sectors like banking, where shareholders (principals) rely on management (agents) to operate the firm effectively. Given that shareholders are typically absentee owners, corporate governance mechanisms are essential for ensuring that managerial decisions align with their interests (Fama & Jensen, 2019). This study adopts agency theory as a theoretical foundation, drawing insights from recent contributions to the field (Adebayo et al., 2021; Adegbite, 2022; Obiyo & Torbira, 2023).

Agency conflicts have been extensively discussed within this theoretical framework. Researchers highlight that these conflicts stem from situations where management's interests deviate from those of shareholders, often leading to inefficiencies and suboptimal firm performance (Shapiro, 2021). Dörenbächer (2020) suggests that while agency problems are common, they are rarely labeled as outright conflicts unless they manifest in severe governance failures. The negative consequences of agency conflicts include reduced efficiency, increased operational costs, and a decline in organizational effectiveness (Thomas, 2021; Dey, 2022).

Fama and Jensen (2019) describe agency theory as an agreement between principals and agents, wherein shareholders act as owners while managers control operations. However, one major criticism of agency theory is that managers may prioritize their personal interests over those of shareholders. For instance, managers may avoid taking necessary risks to preserve their own job security rather than maximizing shareholder value (Bai et al., 2021; Azam et al., 2022). This misalignment is particularly evident in executive compensation structures, where managers may engage in short-term strategies that enhance their financial benefits while disregarding long-term shareholder wealth (Almatari et al., 2023). Such behavior directly impacts firm performance and financial returns (Leuz et al., 2020).

To address agency conflicts, corporate governance mechanisms play a crucial role in aligning managerial decisions with shareholder interests. Effective governance structures, including board oversight, shareholder activism, and regulatory policies, help mitigate agency costs and ensure managerial accountability (Davis et al., 2020). Agency theory serves as a foundation for both internal and external governance systems, reinforcing the need for accountability frameworks within organizations (Albrecht et al., 2021; Roberts et al., 2023). According to Fama (2020), corporate governance structures are designed to regulate managerial actions to protect shareholder interests. For instance, in the UK, the corporate governance framework is structured to monitor managers through provisions outlined in the UK Corporate Governance Code
(Weir et al., 2021).

Moreover, Solomon (2022) argues that agency theory is influenced by the information asymmetry between agents and principals. Managers often possess more extensive knowledge about the firm's operations, which they may exploit to advance their personal interests. As a result, corporate governance mechanisms provide oversight structures that enhance transparency, reduce conflicts, and safeguard shareholder interests (Mallin, 2022).

Stakeholder Theory

The concept of stakeholder theory was first introduced by Mary Parker Follett nearly 60 years ago, but it was further developed in the 1980s (Schilling, 2021). Several subsequent schools of thought have explored stakeholder theory. For instance, Clark (2019) asserts that businesses engage in multiparty agreements with various stakeholders. The organizational relationship between internal stakeholders, such as owners and managers, is governed by both formal and informal regulations (Lehurde et al., 2020). However, external stakeholders, including customers and suppliers, also play a significant role, with formal and informal laws governing their interactions with the organization (Mallin, 2022).

Despite its broad acceptance, stakeholder theory has faced criticism. Blair (2020) argues that while stakeholder theory has a strong theoretical foundation, its practical impact on corporate decision-making and innovation remains limited. Furthermore, Buchholtz et al. (2021) contend that the stakeholder model incorporates various participants with social or economic interests in an organization, enabling the firm to address diverse stakeholder concerns. Additionally, stakeholder theory suggests that multiple individuals are linked to an organization and are affected by its decision-making processes (Gomes, 2022). Freeman et al. (2023) emphasize the connection between value creation, trade, and shareholder value, focusing on two critical aspects: the purpose of organizations and the responsibilities of managers toward stakeholders. Stakeholder theory is, therefore, regarded as a comprehensive framework for understanding managerial and corporate interests.

Stewardship theory

This theory is in contrast with agency theory. Stewardship theorist upholds that directors frequently have interests that are consistent with those of shareholders. According to them, there will not be any major agency cost since managers are naturally trustworthy (Donaldson, 2003). Donaldson and Davis (1991) suggest an alternative model where organizational role holders are reconceived as being motivated by a need to achieve and gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby to gain recognition from peers and bosses. According to them, where managers have served a corporation for several years, there is a merging of individual ego in the corporation.

Stewardship theory postulates that a steward protects and maximizes shareholder wealth through firm performance because by doing so, the steward's utility functions are maximized. The steward derives greater utility from satisfying organizational goals than through self-serving behavior. The theory recognizes the essentials of structures that empower the steward, offering maximizing autonomy built upon trust. The Minimizes the cost of mechanisms aimed at monitoring and controlling behaviors.

Empirical Review of Studies

This section evaluates relevant empirical studies on ownership structure and audit quality with the goal of critically examining the contributions of previous academics as well as identifying gaps in the subject area.

Ownership structure and firm value

According to Azam et al. (2011), ownership concentration is a factor that safeguards and provides legal protection to minority shareholders in firms in different parts of the globe. It is described as the proportion of the firm shares held by a certain number of majority shareholders (Sanda et al., 2005) and it can be measured by obtaining the fraction possessed by five majority shareholders or by obtaining the significant number of shareholders (Karaca & Eksi, 2012; Obiyo & Lenee, 2011).

The pioneering work that revealed a positive relationship between ownership concentration and the performance of the firm in their conceptual study was conducted by Berle and Means (1932). Meanwhile, Shleifer and Vishny (1997) and others stressed on ownership concentration and legal protection as two main corporate governance determinants. Additionally, majority shareholders can help minority shareholders to prevent shares expropriation and asset stripping activities of management. In relation to this, concentrated ownership in the firm may minimize the intention of management to carry out strategic decision making and expose the firms to risks in order to gain advantage (Brickley et al., 1997; Bushee, 1998; Pound, 1988). Also, Clarke (1998) revealed that a significant total share of equity may stem from enhanced majority shareholders' oversight role.

Juxtoposing the explanation to the resource dependent theory, it can be stated that company ownership invest a certain amount of resources that may prevent the partnership of the firm with external investors, and ultimately limits the external resources from the government and other financial entities. The investment percentage between foreign investors and ownership should be similar in order to achieve the objectives of the firm and to set up wealth forms that mitigate risks that the firm is exposed to. This may also be invaluable in furnishing experiences linked to external environment in the form of internal and external partnerships to improve firm performance (Pfeffer, 1972).

Theoretically, ownership concentration influence on the performance of firms is still inconclusive in the context of developed as well as developing countries. A preview of the inclusive findings is

discussed in the next sections based on the agency theory and resource dependence theory. Although several empirical studies have been dedicated to examining the ownership concentration-performance relationship, the results are still mixed with some authors evidencing a positive relationship in the context of developed countries like Siala et al. (2009) and Wang and Oliver (2009) and developing countries like Azam et al. (2011), Kraca and Eksi (2012), and Obiyo and Lenee (2011), whereas others evidenced a negative relationship in the case of developed countries like Hu et al. (2010) and Millet-Reyes & Zhao (2010) and developing ones (e.g., Roszaini & Mohammad, 2006).

Managerial Ownership and firm value

Recent research continues to explore the intricate relationship between ownership structures and audit quality, which in turn influences firm value.

Ownership Concentration and Audit Fees**:** A study by Jelil et al. (2021) examined the impact of concentrated ownership on audit quality in Nigeria. The findings indicated that ownership concentration has no statistically significant impact on auditors' tenure, suggesting that large shareholders may not effectively monitor audit quality

Ownership Structure and Audit Quality in Jordan: Qawqzeh et al. (2021) investigated the effect of various ownership structures on audit quality in Jordanian companies. The study revealed that directors' ownership, family, and institutional ownership significantly influence audit quality, highlighting the importance of these ownership types in ensuring high-quality audits.

Institutional Ownership and Audit Quality**:** Guizani and Abdalkrim (2021) explored the mediating effect of board independence on the relationship between ownership structure and audit quality. Their research found that higher institutional ownership is associated with increased audit quality, mediated by enhanced board independence.

Ownership Structure During the COVID-19 Crisis**:** Alharasis (2023) analyzed how different forms of ownership structure responded to the COVID-19 crisis in Jordan. The study found that block-holders, foreign, and institutional ownerships strengthened their association with audit quality during the pandemic, reflecting a heightened demand for high-quality audit services in times of crisis. Managerial Ownership and Audit Quality in Nigeria**:** Ibrahim et al. (2025) examined the moderating role of firm size on the relationship between managerial ownership and audit quality in Nigerian manufacturing firms. The study concluded that while managerial ownership positively influences audit quality, this effect diminishes as firm size increasesThese recent studies underscore the complex dynamics between ownership structures and audit quality, emphasizing their collective impact on firm value. Understanding these relationships is crucial for stakeholders aiming to enhance corporate governance and financial reporting quality

Intuitional Ownership and firm value

Institutional ownership refers to the percentage of a company's shares held by institutions such as mutual funds, pension funds, insurance companies, and other large entities. This form of ownership plays a pivotal role in influencing corporate governance and ultimately, firm value. Institutional investors are typically viewed as effective monitors of managerial performance due to their access to sophisticated analytical tools and professional expertise. This monitoring capacity helps align managerial actions with shareholder interests, thereby enhancing firm value.

According to Adim et al. (2023), institutional ownership in Indonesian firms has a statistically significant positive impact on the value relevance of financial information, particularly in family-

controlled firms. This suggests that institutional investors help to mitigate agency conflicts between controlling families and minority shareholders. Similarly, Nguyen et al. (2022) highlighted the positive effect of independent institutional ownership on firm performance in Vietnam, while noting that grey institutional ownership—those with ties to management—had no significant impact.

However, the effect of institutional ownership is not universally positive. In Bangladesh's banking sector, Rashid and Amin (2022) found a negative relationship between institutional ownership and firm performance. This was attributed to speculative behavior among institutional investors who hold smaller stakes, thereby lacking long-term commitment. These contrasting outcomes suggest that the impact of institutional ownership on firm value is context-dependent and influenced by factors such as the investor's intent, stake size, and governance environment.

Moreover, institutional ownership can also affect firm decisions on capital allocation, dividend policy, and disclosure practices. High levels of institutional ownership have been linked with better-quality financial disclosures and more transparent reporting. Liu (2023) discovered that a 1% increase in institutional ownership led to a 0.544% rise in firm valuation, reinforcing the idea that institutional investors can enhance firm credibility in the eyes of the market.

Family Ownership and firm value

Family ownership is another critical component of ownership structure that can significantly affect firm value. In family-owned firms, members of a family hold a significant percentage of shares and often participate actively in the management or board of the company. This dual role of ownership and control can create unique advantages and disadvantages for firm value.

On the positive side, family owners often have a long-term orientation and a strong emotional attachment to the business. Jaskiewicz et al. (2024) noted that firms with high family ownership and active board involvement tend to outperform others because of the alignment of interests between management and shareholders. This alignment reduces agency conflicts and encourages prudent investment and financing decisions.

Additionally, family firms tend to maintain conservative financial policies and lower levels of debt, which can contribute to greater financial stability and sustainability. Rossi et al. (2022) found that founding family firms in Italy delivered significant excess returns compared to their non-family counterparts, suggesting a strong positive link between family ownership and firm value.

However, family ownership can also pose certain challenges. Belda-Ruiz et al. (2023) observed that family firms are generally more resistant to strategic change, especially in times of poor performance. This rigidity can hinder innovation and adaptability in dynamic market environments. Moreover, nepotism and lack of managerial professionalism may also emerge in family-controlled firms, potentially compromising efficiency and long-term performance.

Another critical factor is generational transition. The success or failure of transferring leadership across generations can either sustain or erode firm value. Poor succession planning and internal family conflicts often lead to decreased performance and uncertainty among stakeholders.

The Moderating effect of Audit Quality on the relationship between Ownership structure and firm value

Afza and Nazir (2014) emphasized that a steady and sustainable increase in earnings is a primary expectation of investors. Such an increase in earnings is anticipated to translate into higher cash flows distributed to owners, ultimately resulting in positive returns on their investments. This, in turn, is

expected to enhance both investor welfare and firm value. Financial statements serve as a critical tool for investors in evaluating the development and performance of a company. Firm value reflects the perceptions and expectations of investors regarding a company's performance and future prospects.

Kronenberger and Pietzsch (2017) noted that while managers prepare financial statements as a means of accountability to shareholders, the role of the external audit is to verify these financial reports. Alsmairat et al. (2018) observed that external audits are mechanisms established to reduce agency costs, curb managerial opportunism, and minimize risks faced by shareholders. Similarly, Reyad (2012) linked audit quality to the reliability of financial statements, asserting that higher audit quality is associated with greater financial reporting accuracy.

Doyle et al. (2007) identified two main causes of low-quality financial information: intentional manipulation (earnings management) and unintentional errors arising from recording complexities, forecasting difficulties, or weak internal controls. The moderating role of audit quality particularly that conducted by Big 4 audit firms—has been widely acknowledged. Francis and Yu (2009) found that financial statements audited by high-quality auditors are less likely to contain material misstatements. The experience and competence of Big 4 auditors enable them to detect and require the correction of material misstatements before issuing audit reports, thereby improving financial reporting quality and reducing agency costs.

Li and Lin (2005) explained that managerial motivations for earnings management are significant, while Beyer et al. (2019) argued that the way financial statements are prepared affects stock prices. Misreporting of earnings leads to biases in subsequent financial reporting, resulting in increased costs, information asymmetry, and weakened financial statements. Verdi (2006) emphasized that audit quality helps reduce earnings management and enhance financial reporting credibility.

Balsam et al. (2003) further argued that auditor size positively correlates with audit quality. Their research showed that firms audited by Big 6 auditors experienced lower discretionary accruals, stronger relationships between earnings and future profitability, and more reliable earnings-to-stock-return associations. Aobdia et al. (2015) reinforced this, stating that audit quality enhances the informational value of financial statements and influences capital market decisions positively. High-quality audits send a credible signal to investors about the integrity of financial data, thus reducing information asymmetry in the capital market.

Alsmairat et al. (2018) also highlighted that high audit quality can prevent material misstatements, fraud, and audit risks, and can curtail earnings management. It serves as a form of risk management against potential litigation related to misleading financial reports. Investors react positively to companies that engage auditors of proven quality.

Elliott et al. (2020) posited that the perceived firm value influences investors' decisions to invest. While investors may interpret financial information differently, audit quality significantly strengthens the perceived credibility and usefulness of financial statements. Effective auditor–management communication, often evident in independent audit reports, serves as an indicator of financial statement quality, increasing investors' willingness to invest at premium prices.

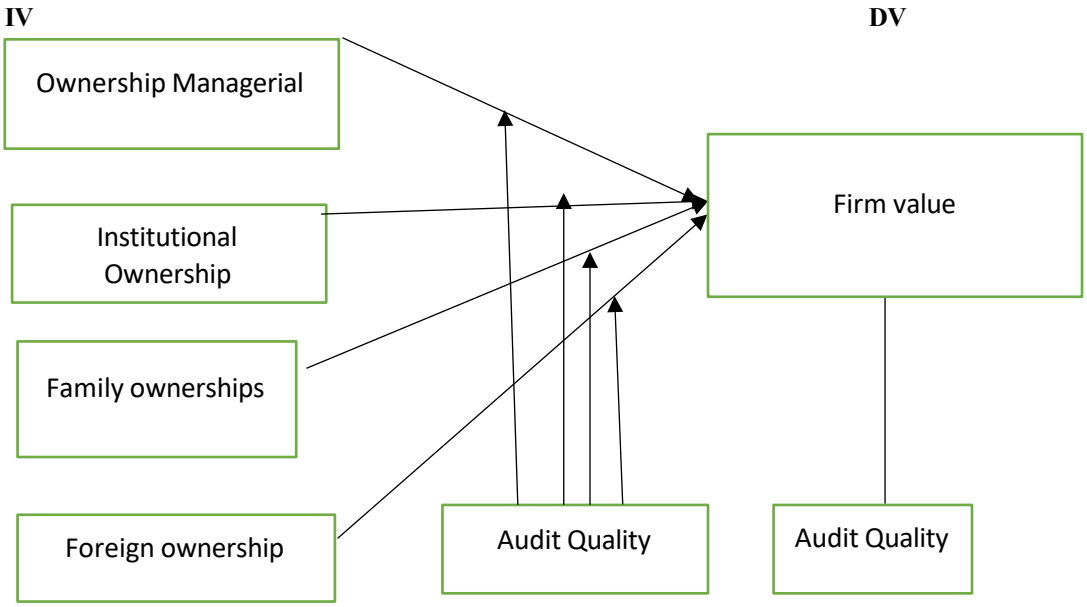
Eshleman and Guo (2014) found that fewer restatements of earnings reports among companies audited by Big 4 firms indicate higher audit quality. Furthermore, Hussainey (2009) discovered a direct link between audit quality and earnings predictability, noting that this relationship holds true particularly for profitable firms audited by Big 4 auditors.

Based on the findings of Mian and Sankaraguruswamy (2012) and Purwohandoko (2017), profitability significantly influences firm value. When coupled with high audit quality, the reliability and usefulness

of financial statements are greatly enhanced. Quality audits yield several benefits: they reduce earnings manipulation (Balsam et al., 2003), increase earnings response coefficients and persistence (Balsam et al., 2003), minimize restatements (Eshleman & Guo, 2014), and improve predictive accuracy and statement quality (Aobdia et al., 2015).

Audit quality also reduces agency costs and information asymmetry (Francis & Yu, 2009). Consequently, the capital market responds more reliably to profitability data when companies are audited by high-quality auditors. It boosts investor confidence in the integrity of earnings data, making audit quality a critical moderating factor in the relationship between ownership structure (such as institutional and managerial ownership) and firm value. Thus, audit quality strengthens the positive effect of profitability on firm value in markets such as the Nigerian Stock Exchange.

Conceptual Frame Work



Source: adopted (Ball & Shivakumar, 2021)

Research Design

A research design refers to the comprehensive plan or framework used to guide a research study in collecting, measuring, and analyzing data systematically. It ensures that the research problem is effectively addressed through a logical structure that integrates all components of the study (Creswell & Creswell, 2018). The selection of an appropriate research design in this study is guided by the research objectives, the nature of the data, and the type of analysis required.

This study employed a combination of descriptive, explanatory, and longitudinal research designs. A descriptive research design aims to provide a detailed account of a phenomenon as it naturally occurs, offering insights into the characteristics of the population or event under study. It enables researchers to observe and describe behavior or conditions without manipulating variables (Bryman, 2016). An explanatory research design was also used to identify and understand causal relationships between variables, particularly the influence of ownership structure on firm value and the moderating effect of audit quality. This design is especially valuable in confirming or rejecting hypotheses and is often

supported by secondary data sources such as audited financial reports and prior literature (Saunders, Lewis, & Thornhill, 2019).

This design allows the researcher to track changes and developments over a specified period, offering deeper insights into trends, patterns, and long-term relationships within the dataset (Lavrakas, 2020). Data were gathered from the same firms over multiple years, making the approach suitable for the study's focus on corporate dynamics and financial performance over time.

Method of Data collection result

This study will employ a quantitative research approach. The population consists of banks listed on the Nigerian Stock Exchange. Secondary data will be utilized for this research. A purposive sampling technique will be adopted to select five (5) deposit money banks for analysis. The study will examine audit quality and ownership structure, with all necessary data obtained from secondary sources.

Secondary data

Secondary data consists of information obtained from already published and documented sources. This study will rely on government publications, reports from commercial banks, journal articles, books, and online databases. Relevant data from the selected banks, and corporate financial reports will be analyzed to assess the impact of tax policy changes. By combining historical financial data with policy changes, this research will evaluate trends and patterns in corporate behavior and economic growth over time.

Instrument of data collection

Data collection is the method of gathering relevant information for use in addressing the research questions and hypotheses testing (Bhattacherjee, 2020). The data to be used for this study will generated from secondary sources consisting of the annual audited financial statements of the sampled insurance firms listed on the Nigerian Stock Exchange (NSE) between five (5) years period of 2018 and 2022.

variables and measurement

This research “moderately role of audit quality on the relationship between ownership structure and firm value of deposit money banks in Nigeria” employs three variables

Dependent Variables (DV) financial performance (%) (ROV) Earnings before tax divided by total assets of the company while the

Independent Variable IVs are ownership concentration, audit quality and Managerial Ownership Independent Measured by percentage of shares owned by the management from total outstanding shares

Variable Definition and Measurements

S/N	Name	Definition/Measurement	Source
1	**Ownership Concentration**	The fraction owned by the five largest shareholders	Demsetz & Lehn (1985); Shleifer & Vishny (1997)
2	**Managerial Ownership (MANAGOW)**	The proportion of shares owned in the firm by insiders and board members.	Jensen & Meckling (1976); Fama & Jensen (1983)
3	**Moderators Variables (MV) - Audit Quality (AUDQUALI)**	Dummy variable if auditing by the banks.	DeAngelo (1981); Francis & Wang (2008)

S/N	Name	Definition/Measurement	Source
4	**Control Variables (CV) - Leverage (%) (LEVERAG)**	The ratio of total liabilities to total assets	Rajan & Zingales (1995); Myers (2001)

Method of Data Analysis

This study employs a combination of time-series and cross-sectional data analysis. A simple linear regression analytical technique will be utilized to examine all variables over the study period. The dependent variable, firm value, is measured using Return on Assets (ROA), while the independent variables include Ownership Concentration (OWCONCE), defined as the fraction owned by the five largest shareholders, and Managerial Ownership (MANAGOW), representing the proportion of shares owned by insiders and board members.

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents, analyses and interprets the data collected for the study. The chapter begins with descriptive statistics of the study variables, followed by correlation analysis. It then presents the regression analysis and the testing of the three hypotheses formulated for the study. The chapter concludes with a discussion of the major findings of the study.

Table 1: Descriptive Statistics

Variable	Mean	Std. Deviation	Minimum	Maximum
Ownership	0.5829	0.27751	0	1
Audit Quality	2.4906	0.50046	1	3
ROCE	0.1042	0.11433	-1.7819	1.9872

Dependent Variable: Return on Capital Employed (ROCE)
Independent Variables: Ownership and Audit Quality

The descriptive statistics show that Ownership has a mean of 0.5829 and a standard deviation of 0.27751, indicating moderate variation among the observations. Audit Quality has a mean of 2.4906 and a standard deviation of 0.50046, suggesting that the observations generally recorded relatively high audit quality. ROCE has a mean of 0.1042 and a standard deviation of 0.11433. The minimum and maximum values of -1.7819 and 1.9872 respectively indicate considerable variation in the performance of the firms.

Table 2: Correlation Matrix

Variables	Ownership	Audit Quality	ROCE
Ownership	1	0.018**	0.371**
Audit Quality	0.018**	1	0.592**
ROCE	0.371**	0.592**	1

Dependent Variable: ROCE
Independent Variables: Ownership and Audit Quality

The correlation results indicate that Ownership has a positive relationship with ROCE, with a correlation coefficient of 0.371. This suggests that higher ownership is associated with improved firm performance. Audit Quality has a stronger positive relationship with ROCE, with a correlation

coefficient of 0.592, indicating that higher audit quality is associated with better firm performance. The correlation between Ownership and Audit Quality is very weak and positive at 0.018. Since none of the correlation coefficients is excessively high, there is no indication of serious multicollinearity among the explanatory variables.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	—	—	0.355	—

Dependent Variable: ROCE
Predictors: Ownership and Audit Quality

The model summary indicates an Adjusted R Square of 0.355, suggesting that 35.5% of the variation in ROCE is explained by the variables included in the model. The remaining 64.5% may be explained by other factors not included in the model.

Table 4: ANOVA

Source	F	Sig.
Regression	48.399	0.000

Dependent Variable: ROCE

The ANOVA result shows an F-statistic of 48.399 with a significance value of 0.000. Since the significance value is less than 0.05, the regression model is statistically significant. This indicates that the explanatory variables jointly provide significant information for explaining variations in ROCE.

Table 5: Regression Coefficients

Variable	Coefficient (B)	Sig.
Constant	0.092	—
Ownership	0.094***	0.000
Audit Quality	0.488***	0.000
Ownership × Audit Quality	-0.188**	0.000

Dependent Variable: ROCE

The coefficient results indicate that Ownership has a positive coefficient of 0.094 and a significance value of 0.000, while Audit Quality has a positive coefficient of 0.488 and a significance value of 0.000. The interaction between Ownership and Audit Quality has a negative coefficient of -0.188 and is statistically significant. This indicates that the interaction effect is negative and significant. However, because the interaction term represents a moderating effect, it should only be retained if moderation is part of the study's stated objectives and hypotheses.

Test of Hypotheses

Hypothesis One

H_{01}: There is no significant relationship between ownership concentration and firm performance (ROCE) of listed deposit money banks in Nigeria.

Table 6: Model Summary for Hypothesis One

Model	R Square	Adjusted R Square	Std. Error of Estimate
1	—	0.355	—

The Adjusted R Square of 0.355 indicates that 35.5% of the variation in ROCE is explained by Ownership. This suggests that Ownership provides a meaningful contribution to explaining variations in firm performance.

Table 7: ANOVA for Hypothesis One

Source	F	Sig.
Regression	48.399	0.000

The ANOVA result shows an F-statistic of 48.399 and a significance value of 0.000. Since the p-value is less than 0.05, the model is statistically significant. Therefore, Ownership significantly predicts ROCE.

Table 8: Coefficients for Hypothesis One

Predictor	Coefficient (B)	Sig.
Ownership	0.094	0.000

The coefficient of Ownership is 0.094 with a significance value of 0.000. Since 0.000 is less than 0.05, the null hypothesis is rejected. Therefore, **ownership concentration has a significant positive effect on ROCE** among listed deposit money banks in Nigeria.

Hypothesis Two

H_{02}: Audit Quality has no significant effect on Return on Capital Employed (ROCE).

Table 9: Model Summary for Hypothesis Two

Model	R Square	Adjusted R Square	Std. Error of Estimate
1	—	0.289	—

The Adjusted R Square of 0.289 indicates that Audit Quality explains 28.9% of the variation in ROCE. This shows that Audit Quality contributes meaningfully to explaining differences in firm performance.

Table 10: ANOVA for Hypothesis Two

Source	F	Sig.
Regression	38.512	0.000

The ANOVA result shows an F-statistic of 38.512 and a significance value of 0.000. Since the significance value is below 0.05, the regression model is statistically significant. This indicates that Audit Quality significantly predicts ROCE.

Table 11: Coefficients for Hypothesis Two

Predictor	Coefficient (B)	Sig.
Audit Quality	0.087	0.000

The coefficient of Audit Quality is 0.087 with a significance value of 0.000. Since the p-value is less than 0.05, the null hypothesis is rejected. Therefore, **Audit Quality has a significant positive effect on ROCE**.

Hypothesis Three

H_{03}: Ownership and Audit Quality have no significant joint effect on Return on Capital Employed (ROCE).

Table 12: Model Summary for Hypothesis Three

Model	R Square	Adjusted R Square	Std. Error of Estimate
1	0.411	0.355	—

The R Square value of 0.411 indicates that Ownership and Audit Quality jointly explain 41.1% of the variation in ROCE. The Adjusted R Square of 0.355 indicates that after adjustment for the predictors, 35.5% of the variation in ROCE is explained by the model.

Table 13: ANOVA for Hypothesis Three

Source	F	Sig.
Regression	48.399	0.000

The ANOVA result shows an F-statistic of 48.399 and a significance value of 0.000. Since the p-value is less than 0.05, the model is statistically significant. Therefore, Ownership and Audit Quality jointly have a significant effect on ROCE.

Table 14: Coefficients for Hypothesis Three

Predictor	Coefficient (B)	Sig.
Ownership	0.094	0.000
Audit Quality	0.087	0.000

The coefficient results show that Ownership has a coefficient of 0.094 and Audit Quality has a coefficient of 0.087, with both variables having significance values of 0.000. Since both p-values are below 0.05, the null hypothesis is rejected. Therefore, Ownership and Audit Quality jointly have a significant effect on ROCE.

Discussion of Results

The findings of the study show that Ownership has a positive and significant effect on the performance of listed deposit money banks in Nigeria. The result indicates that effective ownership structures can strengthen monitoring, improve managerial accountability and reduce agency problems. Audit Quality

also has a positive and significant effect on ROCE, suggesting that high-quality auditing can improve transparency, accountability and the reliability of financial information. The correlation result supports these findings, as Ownership has a positive correlation of 0.371 with ROCE, while Audit Quality has a stronger positive correlation of 0.592 with ROCE. Furthermore, the joint regression result shows that Ownership and Audit Quality explain 41.1% of the variation in ROCE. The significant F-statistic of 48.399 with a p-value of 0.000 confirms that the joint model is statistically significant. These findings are consistent with the principles of Agency Theory, which emphasises effective monitoring and accountability in reducing conflicts between managers and owners. The results suggest that stronger ownership structures and high-quality audit practices can contribute to improved financial performance. Therefore, listed deposit money banks should strengthen their corporate governance mechanisms and maintain effective audit practices to enhance their performance.

SUMMARY CONCLUSION AND RECOMMENDATION

This chapter provides a comprehensive summary of the findings, conclusions drawn from the study, and recommendations based on the results. It also outlines the limitations encountered during the research and suggests areas for future studies. The study focused on analyzing

Summary

From the analysis carried out using regression models, the following findings were obtained

Ownership Structure and Profitability: The analysis revealed a significant relationship between ownership structure and profitability metrics. Specifically, insider ownership and institutional ownership showed a positive correlation with both Return on Assets (ROA) and Return on Equity (ROE). This suggests that banks with higher levels of insider and institutional ownership tend to exhibit higher levels of profitability.

Government ownership, on the other hand, showed a weaker correlation with profitability. It appears that government ownership may not have as strong of an influence on bank profitability compared to insider and institutional ownership.

Ownership Structure and Market Valuation: The analysis also indicated a significant relationship between ownership structure and market valuation, as measured by the Price-to-Earnings Ratio (P/E). Banks with higher levels of insider and institutional ownership tended to have higher P/E ratios, indicating that investors may perceive these banks as having higher growth potential and future earnings prospects.

Government ownership, while still showing some influence, had a relatively weaker correlation with market valuation. This suggests that market perception of government-owned banks may be influenced by factors other than ownership structure alone.

I**mplications for Nigerian Deposit Money Banks**: The findings suggest that ownership structure plays a crucial role in shaping the financial performance and market valuation of Nigerian deposit money banks. Banks with higher levels of insider and institutional ownership may benefit from increased profitability and more favorable market valuations.

These results could have practical implications for stakeholders, including bank executives, investors, and regulatory authorities. It may be beneficial for banks to consider strategies that promote greater insider and institutional ownership to enhance their financial performance and market standing.

Conclusion

This study aimed to analyze the impact of audit quality on the relationship between ownership structure and firm performance. Specifically, the study focused on the effect of audit quality on the relationship between ownership concentration and Return on Capital Employed (ROCE). The study found that audit quality has a significant positive impact on ROCE, while ownership concentration has a weak positive relationship. The study also indicated that the impact of ownership concentration on ROCE is contingent on the level of audit quality. The study concludes that audit quality enhances the relationship between ownership concentration and firm performance.

Recommendation

Based on this research work, the researcher made the following recommendations: Following the results of the analyses.

The study recommends that

i. **Enhance Audit Quality Standard:** Regulatory bodies and industry stakeholders should work together to establish and enforce stringent audit quality standards for deposit money banks. This will ensure that audits are conducted with precision, thoroughness, and in adherence to best practices.
ii. **Training and Development for Auditors:** Continuous professional development programs should be instituted for auditors, focusing on the latest financial and regulatory frameworks. This will equip them with the necessary skills and knowledge to perform high-quality audits.
iv. **Encourage Independence and Objectivity:** Emphasis should be placed on ensuring the independence and objectivity of auditors. This can be achieved through measures such as rotation of audit firms and implementing strict conflict-of-interest policies.
v. **Promote Institutional and Insider Ownership:** Deposit money banks should encourage greater levels of institutional and insider ownership, as these ownership structures have shown to positively impact profitability and market valuation, thereby enhancing firm performance.
vi. **Strengthen Regulatory Oversight:** Regulatory agencies such as the Central Bank of Nigeria (CBN) and the Financial Reporting Council of Nigeria (FRCN) should enhance their supervisory roles by conducting regular audit quality reviews and enforcing penalties for non-compliance with financial reporting standards.

Limitations of the study

The study has several limitations that should be addressed in future research. First, the study used a cross-sectional research design, which limits the ability to draw causal inferences. Second, the study focused only on a single metric of performance. Future research should examine other performance measures. Third, the study was conducted in a specific context, and thus the results may not be generalizable to other settings. Finally, it would be interesting to investigate the impact of audit quality on the relationship between ownership structure and firm performance in emerging markets where the ownership structure is more concentrated.

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