



AUDIT MARKET STRUCTURE AND FINANCIAL REPORTING QUALITY OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The study investigated effect of audit market structure on the financial reporting quality of listed deposit money banks in Nigeria. Longitudinal research design was employed and the population of the study consisted 14 listed deposit money banks. Purposive sampling technique was used to select 11 banks for the period 2012-2022. Secondary data were

obtained from annual reports of sampled banks. Descriptive statistics and

Keywords: Audit Market, Audit Market Structure, Big Four Audit Firms, Financial Reporting Quality, Listed Banks

panel data estimation techniques were employed for the data analysis. The results showed that market share instability (t-stat

INTRODUCTION

The financial reporting quality (FRQ) of listed banks in Nigeria has gained significant attention due to the crucial role it plays in maintaining market integrity and investors' confidence. Despite regulatory frameworks in place, concerns abound about the transparency and reliability of financial statements presented by these institutions (Ayinla et al., 2022). The interplay between these governance mechanisms is critical, as they can either enhance or undermine the quality of financial reporting, thus affecting stakeholders' decision-making processes. Therefore, the quality of financial report has been questioned since the beginning of the past decade due to the collapse of firms soon after publication of juicy profits (Peekate & Thankgod, 2025). According to Czajkowska et al. (2024), transparent reporting provides more quality and relevant information to the capital market. The financial reports are considered to be a useful

=2.042; $p < 0.05$) had a positive and significant effect on the financial reporting quality. This implied that auditors are significantly more likely to issue a quality financial report when they have high market share instability. On the side of control

variable, audit tenure had a positive and significant effect of financial reporting quality given (t-stat. =3.652, $p < 0.01$). The study concluded that audit market instability leads to higher financial reporting quality. This study recommended that

management of banks should partner with auditing firm that has market share instability as this will help audit firms to achieve scale economies in audit technology and resources.

method of communicating financial information to potential users. The essential components of financial reports are statements of financial position, income and cashflows. The quality of financial reports has been bench-marked by several factors, including compliance with accounting standards, consistency, transparency, accuracy, completeness, timeliness, fair presentation, disclosure quality, auditor's independence and competence, among others. Financial Reporting as a process of disclosing an organization's financial information to external stakeholders, has a standardized and comprehensive manner in which it provides insights into the financial health, performance and position of a company by helping investors, creditors, regulators and other interested parties to make informed decisions (Soyemi et al., 2025)

The objective of financial reporting is to provide high-quality financial information that may be useful enough for evaluating management effectiveness in utilising resources under its control to satisfy its users' needs. Financial reports are used by investors and creditors in deciding where to invest their limited resources in a particular organisation or not (Ajibade et al., 2022). However, the quality of financial reporting has been criticized as being at the lower level in the banking industry. Some audit firms have been implicated for encouraging poor financial reporting quality for economic record. Regulations in both developing and developed economics have made efforts at improving financial reporting quality. Furthermore, extensive research has been conducted on the determinants of financial reporting quality'. However, few studies have related audit market structure with financial reporting quality.

Audit market structure describes the intensity of competitive rivalry in a given market. The structure of the audit market is an essential factor of competitiveness for audit firms. It can be viewed as a strategic competitive advantage of an organisation, provided that client is offered a higher additional benefit. The choice for any of the audit firms is based on their reputation and the quality of audit services rendered over the years.

The audit market structure has attracted the interest of regulators, market participants, and academics for many years (Abidin et al., 2010). Audit market structure determines the behaviour of large audit firms and therefore a major factor in market competition. Some literatures have examined the use of market share as a proxy for market concentration which is a function of the number of firms in a market and their respective

market shares (Ibrahim et al. (2025). Audit structure is the combined market share of leading firms and it indicates the degree of oligopoly (Schaen & Maijoor, 1997). The audit firm mergers in the 1980s and 1990s pushed concentration among the big auditors upwards (Olowookere, 2016).

Evidence from the literature shows that trend of structure or concentration that exists in the audit market has continued to increase globally. For instance, Oxera (2006) posited that the degree of market concentration in the audit industry increased after the Pricewaterhouse, Coopers & Lybrand merger in 1998 and after the demise of Arthur Andersen in 2002. The Big Four audit firms - Deloitte & Touche, Ernest & Young, KPMG and Pricewaterhouse Coopers (PwC) - audit all but one of the Financial Times-Stock Exchange (FTSE) 100 companies, and representing 99% of audit fees in the FTSE 350 (Bryan et al., 2023). On the average, the Big Four audit firms have a market share of approximately 94% in terms of total turnover from clients audited within the European Union. Moreover, previous literature on audit market concentration has also documented trends in auditor concentration over time (Caimey & Young, 2006). This present study has few records of serious academic work documenting such observed pattern of concentration that exists in the audit market in Nigeria. However, the audit market is dominated by only a small number of large audit firms, called the Big Four (World Bank, 2011). These accounting firms audit 90 percent of listed companies in Nigeria, especially, Public Interest Entities (PIEs). They dominate the practice in Nigeria while the 15 national firms with international affiliation audit the remaining 10 percent. The market share gap between Big Four and smaller firms have become wider, potentially reducing the possibility for the smaller firms to become significant service providers in this market segment (Olowookere, 2016)

The yet to be substantiated claim in all of the above reports is that the concentration of supply in audit markets is harmful because the lack of competition reduces the incentives of Big Four auditors to conduct high quality audits (Francis et al., 2013). However, the empirical evidence on the effect of audit market concentration on financial reporting quality is scanty and provides mixed evidence. Ibrahim et al. (2025) found that clients located in more concentrated audits markets have fewer accounting restatements, suggesting a positive relation between concentration and audit quality.

In view of the above, the relation between audit market concentration and financial reporting quality is therefore an important issue that remains unresolved. Financial reporting practices of Nigerian companies have been found to be weak and deficient over time in the sense that the corporate reporting environment lack vital information that will enable stakeholders make informed decisions (Bryan et al. 2023). The financial crisis led many to go as far as to question the role of auditing in improving financial information. Critics of the accounting profession also argued that high fees especially over extended periods, result in impaired auditor independence, and hence lower quality financial reporting. To properly address these challenges, the following research questions were posed and needed to be addressed. What is the influence of audit market structure on the financial reporting quality of listed deposit money banks in Nigeria? The study's specific goal is to examine the effect of audit market structure on the financial reporting quality

of listed deposit money banks in Nigeria. This study will benefit the users and different stakeholders of financial reports such as shareholders/investors, bank management, policy makers and regulatory authorities in Nigeria immensely in the area of investment and pervasiveness of earnings management and associated audit market structure

Financial Reporting Quality

Financial reporting quality refers to the degree to which an organization's financial reports accurately, transparently, and consistently reflect its financial performance, position, and cash flows (Thompson et al.2025). High-quality of financial report provides reliable, relevant, and timely information to stakeholders, for guidance in making sound decisions (Thompson et al.,2025). The fundamental objective of a company's financial reporting is to disseminate useful information regarding the company's finances to various stakeholders. At the same time, financial reports serve as the primary and most accessible resource for stakeholders' information needs (Gdadebo,2021). According to Nyor (2013), the FRQ is determined by how well an entity's reported financials represent its operational performance and how well they may be utilised to forecast future cash flows. Financial reporting quality is the capacity to provide a solid and accurate accrual figure.

Therefore, financial reporting is the process of communicating economic measurement, obligation and accounting information about the resources and performance of reporting entity to those having reasonable rights to such information so as to facilitate informed judgments and decision making.

Studies by Takacs et al. (2020) and Saleh et al. (2020) emphasised the significance of FRQ in assessing a business's financial status and data reliability. A corporation can achieve excellent FRQ when its reported results accurately represent both its current financial situation and its long-term sustainability. The degree to which businesses follow or depart from accepted accounting principles has a significant impact on the quality of financial reporting.

Financial reporting quality is a major concern for all current and potential investors. Alwardat (2019) stated that financial reporting quality is an important attribute of financial reports. Investors' confidence in the credibility of these reports and whether they present the truth about the performance of publicly held companies will influence their perceptions and direct their investment decisions. Transparency is essential for helping clients comprehend how decisions, estimates, and judgments affect transactions and predictions. This understanding enables stakeholders to evaluate the accuracy of the financial data provided and make well-informed decisions (Ibrahim et al.,2025). In financial reporting literature, quality is emphasized . Currently, the 'quality of accounting information' is not specified. FRQ matters to corporations and others

Despite the high volume of research which has been conducted on corporate disclosures, the Sarbanes Oxley regulations have placed strong emphasis on this issue and have made it one of the hottest research topics worldwide for the past two decades. Reporting quality refers to the extent to which financial reports of a company communicate its underlying economic state and its performance during the period of measurement (Elbannan, 2011).

Rudzioniene and Guptor (2019) opined that, financial statements are the main tool to support users' investment and other business decisions. Financial statements that are not clear, brief and effective can have an adverse impact on the users' interpretation of the current financial status of a company. Therefore, financial reporting should be qualitative, which means that it should be useful to the existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.

Moses et al. (2016) viewed that, financial reporting in banks is essentially the responsibility of directors and this is carried out by accountants and verified by auditors. It is targeted at producing reliable in addition accurate information to assist users in taking a good stand. Eyenubo et al. (2017) stated that financial reporting is considered as being of high quality if it possesses three attributes which include transparency, full disclosure and comparability. Transparency is referred to as the revealing of information about events, transactions, judgment and estimates which allows users to see the result and implication of decisions, judgment and estimates of preparers.

Audit Market Structure

The term Audit Market Structure (AMS) is used to characterise the level of rivalry in a specific market and refers to the extent to which only a few auditing firms dominate the audit market, particularly the Big Four audit firms (Emma, 2017). The market study focuses on Nigerian listed banks for the audit of their financial statements. Participants in a market compete based on price, service, technology, and quality. Their pricing and output decisions are often influenced by their expectations of how other market participants will behave in the future. The primary participants in the audit market for listed companies are the Big Four audit firms such as Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers (PwC) which primarily serve the most prominent clients (Ibrahim et al., 2025). In contrast, smaller audit firms typically cater for less prominent clients. This market concentration has raised concerns among regulators, as it is alleged that the dominance of the Big Four could lead to monopolistic power, enabling the firms to earn abnormal returns or limit the market opportunities available to other providers. Other studies found that more concentrated audit markets could increase audit quality through increased auditor independence, effort, or expertise (Bryan et al., 2023).

Theoretical Framework

The theoretical framework for this study is centered on the Agency Theory. Agency Theory is often put forward as a theoretical basis that underpins the need for auditing because the external audit serves as a monitoring mechanism within the pants relationship by helping to alleviate the information asymmetry map which exists and it protects the interests of shareholders by providing reasonable assurance that the financial statements prepared by management are free from material misstatements whether due to fraud or error (Watts & Zimmerman, 1986). Agency Theory literature posits that the dating will be demanded in order to provide greater assurance to stakeholders regarding the credibility of a company's financial statements (Lennox, 2005). The Agency theory is the most popular and has received the most attention from academics and practitioners. Agency

Theory can also be used to explain the demand and supply sides of the audit market since theory reminds us that much of organization life, whether we like it or is based on self-interest. Agency Theory also makes two specific contributions to organizational thinking. The first is the treatment of information. In Agency Theory, information is regarded as a commodity that has a cost and it can be purchased. A second contribution of Agency Theory is the risk implications organizations are assumed to have uncertain futures.

Empirical Review

Ibrahim et al. (2025) examined the moderating effect of audit report lag (arl) on the association between audit market structure (AMS) and financial reporting quality (FRQ) of 11 DMBs in Nigeria from 2006 to 2021. Multiple regression was utilised to analyse the data, revealing that ARL has an inverse and substantial moderating effect on the association between AMS and FRQ. The policy implication of a negative and significant moderating effect of audit report lag on the relationship between audit market structure and FRQ in Nigerian banks suggests that delays in the issuance of audit reports may deteriorate the overall quality of financial reporting.

Bryan et al. (2023) provide important insights into the effects of audit market concentration on analysts' estimates. Their study shows that while auditor independence may diminish in concentrated markets, this is counterbalanced by enhanced auditor effort and a greater likelihood of involving a Big Four auditor - Deloitte, Ernst & Young, KPMG, or PricewaterhouseCoopers (PwC). As a result, audit market concentration tends to improve audit quality and positively impacts analysts' projections, particularly in contexts where audited financial statements are frequently used. These findings highlight how audit market concentration can enhance audit quality, while also addressing regulators' concerns about the concentration within the US audit market.

Aggreh (2019) studied the effect of audit market concentration and auditor's attributes on audit quality of 52 firms quoted manufacturing firms on Nigerian Stock Exchange for a period of 15 years (2001- 2015). The data that were obtained from annual reports and accounts were subjected to the regression analysis using the pooled OLS and Panel EGLS. The result shows a non-significant positive relationship between Hirschman-Herfindahl Index and the quality of audit while concentration ratio for Big 4 reveals a negative non-significant relationship; auditors' tenure appears positive and statistically significant; audit firm size appears negative and non-significant; audit fee appears positive and statistically significant and year-end was negative and statistically significant with the quality of audit.

Raak et al. (2019) examined whether audit market structure affects audit quality and audit pricing of the Belgian audit market. The authors analysed two conceptually distinct dimensions of market structure: audit market concentration and client mobility. The authors discover that market concentration impairs price and quality competition in the SME-client segment. Market concentration is unrelated to audit quality in the large-client segment, where authors argue that concentration is endogenous to audit complexity. Furthermore, the authors discover that client mobility stimulates price competition in both segments but improves audit quality only in the large-client segment.

Odesa and Agubata (2019) investigated Nigeria's audit market concentration and audit selection process using cross-sectional data from 91 NSE-listed non-financial firms. The study examined audit rotation, switching, and tendering as independent variables influencing audit market concentration. Regression, correlation, and descriptive statistical techniques were employed for the analysis. The research indicated that audit rotation, tendering, and switching have an impact on the Nigerian audit market concentration.

In a related study, Choi et al. (2017) examined the association between audit market concentration and audit fees. Using a large sample from 17 countries and their study yields three principal findings. Finding shows that the associations are more pronounced among clients of non-Big 4 auditors than those of Big 4 auditors. Choi et al. (2017) revealed that these findings provide regulators and other stakeholders with important insights into the effects of audit market structure on audit pricing.

Eguasa and Urhoghide (2017) examined the audit market structure and audit quality in Nigeria. Data obtained from 540 firm-year observations, comprising of sixty (60) Nigeria listed companies from the period of 2007- 2015. Regression analysis was carried out to analyse the data. The author study found that audit market concentration increases audit quality of the sampled firms in Nigeria, this implies that the Big 4 audit firm tends to have more far-reaching client base and cannot help but render quality audit to ensure clients retention and public confidence.

METHODOLOGY

This study employed longitudinal research design. The population of this study consisted of Fourteen (14) publicly listed Deposit Money Banks trading on the floor of Nigerian Exchange Group (NGX). Purposive sampling technique was used in select eleven (11) listed Nigerian Deposit Money Banks between 2012 and 2022. The data for this study was obtained through the secondary source. Descriptive and inferential statistics that included panel estimation technique such Ordinary Least Square OLS technique - Husman test were carried out to determine the appropriation of the fixed and random effect.

Table 1. Measurement of Variables.

Variables	Type of Variable	Measurement	Source	Expected sign
Financial Reporting Quality (FRQ)	Dependent	The Discretionary accruals was used as proxy to measure FRQ	Chen and Zhang (2012)	
Audit market Structure (AMS) proxied by (MSI) market share instability	Independent	Audit fee income from the clients engaged + <i>clients departed</i> / total clients an auditor has in year	Emma, 2017	+
Audit tenure (AUT)	Control	. A firm is assigned 1 if it changes audit firm at not more than three years while 0 is assigned if otherwise	Salma & Maha (2023)	±

Variables	Type of Variable	Measurement	Source	Expected sign
Audit Firm size (AFSI)	Control	1 for companies that use Big 4 auditors as external auditors otherwise "0"	Ugwu et al (2020)	±
Specialized audit firm (SAF)	Control	1 is assigned if the financial report of the firm is audited by a specialized audit firm and 0 is assigned otherwise	Salma & Maha, 2023	±

Source: Author's Compilation (2024)

Model Specification

Following prior studies by Aggreh (2019), the model employed to achieve the objectives are as follow:

$$FRQ_{it} = \delta_0 + \delta_1 AMS_{it} + \delta_2 AFS_{it} + \delta_3 AUT_{it} + \delta_4 SAF_{it} + \varepsilon_{it} \text{ ----- equ 1}$$

Where:

FRQ_{it} = Financial reporting quality for firm i in year t

AMS_{it} = Audit Market structure for firm i in year t

AFS_{it} = Audit firm size for firm i in year t

AUT_{it} = Audit tenure for firm i in year t

SAF_{it} = Specialised audit firm for firm i in year t

ε_{it} = Error terms firm i in year t

δ_0 = constant terms

δ_1 ---- δ_4 = Regression Coefficients

Dependent Variable

The dependent variable for this study is FRQ. The Discretionary accruals were used as proxy to measure and capture this quality of accounting information in a more unique way. The current body of research is compatible with the accrual technique of accounting for profits (Dechow et al., 1996). The modified Jones model, according to Chen and Zhang (2012) and other studies, are the most precise approach for calculating profits management.

Net income (profits before taxes and unanticipated expenses) less cash flow from operating operations is the total accumulated amount (OCF)

$$TACC_{it} = NI_{it} - OCF_{it} \quad (1)$$

$$\frac{TACC_{it}}{A_{it-1}} = \alpha_0 \left(\frac{1}{A_{it-1}} + \alpha_{1i} \frac{\Delta REV - \Delta REC}{A_{it-1}} + \alpha_{2i} \left[\frac{PPE_{it}}{A_{it-1}} \right] + \mu_{it} \right) \quad (2)$$

$$DA = \frac{TACC_{it}}{A_{it-1}} - \left[\alpha_{it} \left(\frac{1}{A_{it-1}} \right) \right] + \alpha_{1i} \left[\frac{(\Delta REV - \Delta REC)}{A_{it-1}} \right] + \alpha_{2i} \left[\frac{PPE_{it}}{A_{it-1}} \right] \quad (3)$$

Where; DA is Discretionary accrued; $TACC_{it}$ is the total accrued ($NI - OCF$),

ΔREV is change in revenue; ΔREC is change in receivables;

PPE_{it} is property, plant and equipment,

and μ_{it} is the residual; A_{it-1} - total assets in prior years,

$\alpha_t, \alpha_{1i}, \alpha_{2i}$ – are estimated coefficients

The discretionary accrual is represented by the term μ_{it} in the equations above and the absolute value of this discretionary accrual is the measure of accrual-based earnings management.

Market Structure Measurement

The dimensions of measures of audit market structure include: (1) market share concentration and (2) client mobility. These distinguish audit markets by geographical area and client size. In particular, the audit market of client i is defined as the collection of auditor-client combinations within a 50-kilometer radius of client i (as observed in sample B), where it is required that all clients in a local market are in the same quartile of total assets (centered around client i), the audit market concentration is the average of two measures. The first measure is the Herfindahl market concentration index, which computed as follows

$$\text{Herfindahl index}_{kt} = \sum_{i=1}^L \text{market share}_{ikt}$$

Where Market Share $_{ikt}$ denotes the market share of audit firm i and L is the total number of audit firms competing in market k and year t .

The combination of the Herfindahl index with a second measure capturing the size of individual audit partners' client portfolios.

The second one is Client Mobility which is calculated as the sum of the absolute values of the annual percentage-point changes of market share for each audit firm in a local audit market:

$$\text{Clients Mobility}_{kt} = \sum_{i=1}^L \text{market share}_{ik,t} - \text{market share}_{ik,t-1}$$

Descriptive Statistics

Table 2. Summary of Descriptive Statistics

	DAC	AMS	AFS	AUT	SAF
Mean	0.096	0.441	0.868	0.281	0.678
Median	0.060	0.449	1.000	0.000	1.000
Maximum	0.413	0.468	1.000	1.000	1.000
Minimum	0.0001	0.336	0.000	0.000	0.000
Std. Dev.	0.097	0.024	0.340	0.451	0.469
Skewness	1.703	-2.618	-2.171	0.975	-0.760
Kurtosis	5.390	11.263	5.715	1.950	1.578
Jarque-Bera	87.282	482.505	132.243	24.713	21.852
Probability	0.000	0.000	0.000	0.000	0.000
Sum	11.598	53.357	105.000	34.000	82.000
Sum Sq. Dev.	1.138	0.067	13.884	24.446	26.430
Observations	121	121	121	121	121

Source: Researcher's Compilation (2024)

The results of the descriptive statistics were presented in Table 2. The results shows that the average value of quality of financial reporting stands at 0.096 with minimum and maximum value of 0.001 and 0.413 respectively and standard deviation of 0.097. This shows that the level of financial reporting quality of the sampled deposit money banks was minimal and encouraging. Audit market structure of sampled banks showed an average of 0.441, implies that, the market share instability at the market level has not risen up to 50% which began to question the reliability of their auditors and decided to engage new auditors, with minimum and maximum value of 0.336 and 0.468 respectively with a standard deviation of 0.097. The average audit firm size was found to be 86 % with minimum of 0 and maximum of 1 respectively as well as standard deviation of 0.3402. This implies that average of 86 % of sampled banks were audited by Big four audit. In addition, the results show that the average audit firm specialization of the firm was 0.678 indicated that 67.8 % of the observed banks were audited by specialized audit firms. The probabilities of Jarque-Bera of all the variables are not normally distributed as confirmed by P-value of all variable less than 0.05 significant level.

Table 3. Correlation Matrix

	DAC	AMS	AFSI	AUT	SAF
DAC	1.000				
AMS	-0.090 (0.326)	1.000			
AFS	-0.161* (0.077)	0.533*** (0.000)	1.000		
AUT	0.292*** (0.001)	-0.323*** (0.000)	-0.190** (0.037)	1.000	
SAF	-0.042 (0.650)	0.156* (0.088)	0.305*** (0.001)	-0.238*** (0.009)	1.000

Robust Sig val. in parentheses

***p<0.01, **p<0.05, *p<0.

Source: Author's Compilation (2024)

The results in the Table 3 revealed that financial reporting quality which represents the discretionary accrual is negatively related with audit market structure measured by market share instability as it records an estimated correlation coefficient of -0.090. In addition, the results also revealed a negative and significant connection between audit firm size and financial reporting quality given the estimated correlation coefficient of -0.161, indicated that banks audited by Big four audit tend to have high quality of financial report. The result showed that audit tenure had positive and significant association with FRQ given estimated correlation coefficient of 0.292, this implied that firms with long tenure audit firms have high quality of financial reporting. In addition, the estimated

correlation coefficient of -0.042 indicated that audit firm specialization was negatively associated with FRQ of sampled listed deposit money banks. The results further revealed weak relationship among the explanatory variables as the correlation coefficient among the explanatory variables were relatively low with none of them even up to 0.5. The implication was that the problem of multicollinearity may not arise in the study.

Table 4. Variance Inflation Factors

	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	0.0346	477.5576	NA
AMS	0.1961	527.5329	1.5068
AFS	0.0009	11.3712	1.5036
AUT	0.0004	1.6168	1.1625
SAF	0.0003	3.5658	1.1493

Source: Author's Compilation (2024)

The results of the (VIF) for multicollinearity are summarized in Table 4. where the highest VIF is 1.5068 in the model presented it recorded a lowest VIF of 1.1493. Since neither the average VIF nor highest VIF of any of the models are close to the threshold of 10, the full model of the study was free from the problem of multicollinearity. This mean that the multicollinearity issue did not exist among the dependent variables used in the present study.

Table 5. Summarised Heteroscedasticity and Serial Correlation LM Tests

Model	Test Type	F-Stat.	P Val	Remarks
Model	Breusch-pagan heteroscedasticity Test	3.340	0.073	Absence of Heteroscedasticity
	Breusch-Godfrey Serial Correlation LM Test	0.066	0.936	Absence of first order serial correlation

Source: Author's Compilation , 2024

The results of the Breusch-Pagan test for heteroscedasticity are presented in Table 5, In model, the results revealed an estimated F-stat of 3.340 with p value of 0.073. The results of the Breusch-Godfrey Serial Correlation showed F value of 0.066 and p value of 0.936 in model. The results implied that the null hypotheses of no heteroscedasticity are accepted at 5 per cent level and no existence of serial correlation in model of the study.

Regression Results

Table 6. Estimated Panel Regression Results

Variables	POL (1)	Random Effect (2)	Fixed Effect (3)
C δ_0	-0.049	-0.101	-0.313
$t-v$	(-0.265)	(-0.546)	(-1.505)
$p-v$	(0.791)	(0.586)e	(0.135)

Variables	POL (1)	Random Effect (2)	Fixed Effect (3)
AMS δ_1	0.362	0.492	1.018 **
$t-v$	(0.817)	(1.117)	(2.042)
$p-v$	(0.415)	(0.266)	(0.044)
AFS δ_2	-0.049	-0.0511*	-0.057*
$t-v$	(-1.591)	(-1.688)	(-1.752)
$p-v$	(0.114)	(0.094)	(0.083)
AUT δ_3	0.066***	0.067***	0.072***
$t-v$	(3.215)	(0.408)	(3.653)
$p-v$	(0.001)	(0.001)	(0.000)
SAF δ_4	0.014	0.008	-0.016
$t-v$	(0.736)	(0.408)	(-0.763)
$p-v$	(0.463)	(0.684)	(0.448)
R²	0.106	0.113	0.254
F-stat	3.429 (0.011)	3.677(0.007)	2.583 (0.003)
Dw	1.932	1.773	1.887
Diagnostic Tests for Specification Order			
Breusch Pagan			21.992 (0.015)
Hausman Test			9.730 (0.045)

t- and p values in parentheses

P-val<0.01***, P-val<0.05**, P-val<0.10*,

Source: Author's Compilation (2024)

The results of the study presented in Table 6. showed the P-value of the Hausman Test of (0.003) which implied that Fixed effect was most preferred. The probability value of 0.000 <0.05 and F-stat. 2.583 showed that the model is fit and significant at 5% level and the variables were properly selected and combined. This implies that the audit market structure had a positive and significant effect on the financial reporting quality of sampled Nigerian banks. In aggregate, it means that null hypothesis is rejected. The R² of approximately 25.4 % of the total variation of FRQ is explained by the explanatory variables and the remainder of 74.6% was not explained which was accounted for by the random error term. Durbin Watson of 1.88 reveals that there was no issue of auto-correlation; this indicates all predictors variables were considered as a part of factors that determined the FRQ. The results of the study presented in Table 6 revealed that market structure instability has a positive and significant effect on the financial reporting quality of listed deposit money banks with (t- val =2.042; p<0.05). This result indicated that auditors are significantly more likely to issue a quality financial report when they have high market share instability. On the control variables, audit firm size proxied by Big 4 Audit firms (t-val= -1.752, p <0.10). had a negative and significant effect on financial reporting quality. This implies that deposit money banks audited by the Big 4 auditing firms are associated with high quality financial reporting. Audit tenure (t- val =3.653, p <0.01) had a positive and significant effect of financial reporting quality. This suggests that increase audit tenure of auditors will definitely lead to an increase in quality of

financial reporting of listed deposit money banks while specialized audit firm (t -val = -0.763, $p > 0.05$) had negative and insignificant effect on financial reporting quality of listed deposit money banks.

Discussion of Findings

The results of market structure instability showed a positive and significant effect on the financial reporting quality of listed deposit money banks. This result indicates that auditors are significantly more likely to issue a quality financial report when they have high market share instability. The finding of this study is corroborated with the outcome of (Emma, 2017) who found a significant influence of market share instability on proxies for audit quality and the directions of these effects indicate that market share instability has a positive effect on audit quality. The similar result found by (Raak et al., 2019) revealed that the large-client market segment, characterized by higher audit complexity and higher market concentration, can also be price and quality competitive if clients are sufficiently market share instability, and change auditors relatively frequently.

Audit tenure had a positive and significant effect of financial reporting quality. This suggests that increase audit tenure of auditors will definitely lead to an increase in quality of financial reporting of listed deposit money banks. This finding is supported by Aggreh (2019) who established that the audit tenure, had a statistically significant relationship with audit quality. Audit firm size (Big 4 Audit firms) has a negative and significant effect on financial reporting quality. This implies that deposit money banks audited by the Big 4 auditing firms are associated high quality of financial reporting.

CONCLUSION AND RECOMMENDATIONS

The study concluded market structure instability had a positive and significant effect on the financial reporting quality. This result indicates that auditors are significantly more likely to issue a quality financial report when they have high market share instability. In the view of above findings and conclusion, the following recommendation was made:

- Management of banks should partner with auditing firm that has market share instability as this will help audit firms to achieve scale economies in audit technology and resources.

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