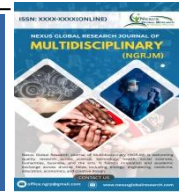




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Review Article

EFFECT OF AUDIT QUALITY ON THE FINANCIAL PERFORMANCE OF LISTED AGRICULTURAL FIRMS IN NIGERIA

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ABSTRACT

This study investigates the effect of audit quality on the financial performance of listed agricultural firms in Nigeria for the period 2003-2022. An ex-post facto research design is employed. Four of the five (5) agricultural firms listed on the Nigerian Stock Exchange as of December 31, 2022 were used. Audit quality is proxied by audit committee size, Audit independence, audit committee activities, audit fee, external audit quality, and audit committee gender diversity, while financial performance was measured by return on asset. Findings reveal a significant positive relationship between audit committee size ($\beta = 0.0750$) and financial performance, measured by return on assets (ROA). Audit committee independence also showed a positive association ($\beta = 0.0518$), while audit committee activity exerted a negative but insignificant effect ($\beta = -0.0085$). Furthermore, external audit quality was found to have a negative and significant impact ($\beta = -0.0969$), whereas audit fees exhibited a positive but insignificant relationship ($\beta = 0.00061$). Additionally, audit committee female diversity demonstrated a negative and significant influence on financial performance ($\beta = -0.1104$). The study therefore recommends that listed agricultural firms in Nigeria should ensure adequate audit committee representation. Firms should also review audit fees where necessary to support higher audit quality.

Keywords: Audit Quality, Audit Committee Independence, Audit Fees, Audit Committee Size, Return on Assets

1.0 INTRODUCTION

Agriculture remains one of the most fundamental pillars of economic development globally. The Food and Agriculture Organization (FAO, 2023) emphasizes that agriculture accounts for over 10% of global GDP and supports the livelihoods. In Africa, agriculture plays a particularly vital role in driving inclusive growth and poverty reduction, accounting for nearly 35% of the Continent. According to the National Bureau of Statistics (NBS, 2024), the agricultural sector contributed 25.2% to Nigeria's GDP in Q1 2024, making it the largest non-oil contributor to the nation's output and a significant driver

of rural employment and income generation. Despite its potential, apart from so few firms listed in the capital market, the sector continues to grapple with structural inefficiencies, low productivity, and poor financial performance among listed agricultural firms.

Financial performance is the lifeblood of corporate survival (Ademola, Olayemi, & Okafor, 2022). For Nigerian agricultural firms, weak financial performance has been linked to high operating costs, inadequate access to finance, poor corporate governance, and lapses in accountability practices (Egbe, 2021). These challenges have hindered the sector's capacity to

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attract meaningful investments to fully exploit its potentials. Enhancing financial performance within this sector is therefore imperative not only for firm-level sustainability but also for national economic growth and food security. The importance of audit quality in the performance of firms have been variously highlighted (Owolabi & Hassan, 2023, Onyebula, Orginta, & Ofor, 2022; Adegbite & Salami, 2024) among others.

Thus, exploring the effect of audit quality on the financial performance of listed agricultural firms in Nigeria is both timely and necessary. It connects the broader developmental importance of agriculture with the micro-level imperatives of sound financial management, offering evidence-based insights that can inform corporate governance reforms, regulatory interventions, and strategic policy directions.

The persistence of poor financial performance among agricultural firms has been linked to inadequate corporate governance structures, weak internal control mechanisms, and ineffective monitoring practices. In particular, financial reports have often been questioned as to their reliability, raising concerns among investors, regulators, and other stakeholders about the true financial health of these firms. In practice, the extent to which audit quality influences the financial performance of listed agricultural firms in Nigeria remains insufficiently explored. The existing gap between audit practices and financial performance outcomes raises critical questions on whether audit quality can effectively drive transparency, accountability, and profitability within the sector.

This situation underscores the need for continued empirical investigation into the relationship between audit quality and financial performance in listed agricultural firms in Nigeria. Such an inquiry will provide evidence-based insights into whether strengthening audit quality can contribute to improved financial performance, thereby enabling agricultural firms to achieve sustainability and enhance their contribution to Nigeria's broader economic development.

The objectives of this study include:

- i. assess the extent to which Audit Committee Independence affects the financial performance of listed agricultural firms in Nigeria.
- ii. Investigates the effect of audit committee size on the financial performance of listed agricultural firms in Nigeria
- iii. evaluates the relationship between external audit quality and financial performance of listed agriculture firms in Nigeria.
- iv. Determines the extent to which audit fee affects financial performance of listed agricultural firms in Nigeria.
- v. ascertain the relationship between audit committee gender diversity and financial performance of listed agriculture firms in Nigeria.

Five hypotheses are proposed in the (null form) to be tested in line with the above objectives

2.0 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Financial Performance

Financial performance refers to the overall measure of a firm's ability to efficiently utilize its resources, (equity funds, loans and others), implement strategies, and achieve desired financial outcomes on a sustainable basis. Performance is commonly measured based on financial reports such as profit, return on assets (ROA), and return on investment (ROI), alongside cash flows and sales growth, which collectively provide insights into a company's operational effectiveness and long-term sustainability. Financial performance is the assessment of how companies used for its business activities for the purpose of maximizing profit for its shareholders (Eriki and Osagie, 2017; Omaliko and Okpala, 2020).

Return on Assets (ROA)

In this study, return on assets (ROA) is adopted as a key measure of financial performance because it captures how efficiently a firm generates profit from its asset base. ROA is calculated as net income divided by total assets, reflecting the income earned per unit of investment in assets. It is widely recognized as a robust indicator because it accounts for both profitability and asset utilization, making it particularly relevant in asset-intensive industries such as agriculture. A higher ROA suggests effective resource management and operational efficiency, while a lower ROA signals potential weaknesses in asset deployment. Recent studies highlight ROA as a reliable tool for cross-industry and time-based comparisons, especially in emerging markets where resource allocation practices

critically determine firm survival and growth (Okeke & Onuoha, 2024; Okwy & Adetunbi, 2025). By using ROA, this study ensures a precise and comparable assessment of how audit quality impacts the financial performance of listed agricultural firms in Nigeria.

Audit Quality

Audit quality is generally understood as the extent to which an audit report enhances the reliability, credibility, and transparency of financial report. High-quality audits report reduce information asymmetry between managers and stakeholders by ensuring that financial statements present a true and fair view of a company's financial position. The concept is multidimensional, shaped by both external factors (e.g., auditor independence, competence, and fees) and internal factors (e.g., audit committee characteristics and governance structures).

Audit Committee Size

Audit committee size reflects the number of directors who constitute the oversight body responsible for monitoring audit processes and financial reporting. Larger committees may provide diverse expertise and stronger oversight, but excessively large committees can suffer from coordination problems. Recent studies (Lawal & Olagunju, 2023) suggest an optimal size of between five to seven members for balancing efficiency and monitoring effectiveness.

Audit Committee Independence

Independence is critical to ensuring objectivity in financial oversight. An audit committee dominated by independent, non-executive directors is better positioned to minimize management influence, strengthen oversight, and enhance financial reporting credibility. Empirical evidence

from emerging markets shows that independent audit committees are positively associated with audit quality and firm performance (Okeke & Onuoha, 2024).

External Audit Quality

External audit quality is determined by the independence, competence, and professional reputation of external auditors. Reputable auditors (such as Big 4 firms) are often perceived to deliver higher audit quality because of stronger technical expertise and lower tolerance for misstatements. According to Tetteh & Anokye, (2024). high external audit quality strengthens stakeholder confidence, reduces financial irregularities, and promotes accountability

Audit Fee

Audit fees can act as both a determinant and an indicator of audit quality. While higher fees may reflect greater audit effort and competence, excessive reliance on audit fees can impair auditor independence, especially when firms exert financial pressure. Current research emphasizes the balance between fair compensation and professional objectivity (Owolabi & Hassan, 2023).

Audit Committee gender diversity

Gender diversity in audit committees, especially female membership, has been associated with improved decision-making, ethical judgment, and enhanced oversight. Female directors are often perceived to strengthen monitoring roles by bringing diverse perspectives and greater attention to compliance and stakeholder accountability. Evidence from recent studies (Asogba,

Soyemi, & Ariyibi, 2024) links female representation in audit committees with stronger audit quality and corporate transparency.

Theoretical Review

There are several theories that are relevant to audit quality investigations, this study opines that only the stakeholders' theory and auditor's theory of inspired confidence need to be reviewed. This study is underpinned by **both the Stakeholder Theory and the Auditors' Theory of Inspired Confidence.** Stakeholder Theory is essential because it frames audit quality as a mechanism for protecting the interests of diverse parties beyond shareholders, thus ensuring that financial performance reflects responsible and transparent management of resources. Meanwhile, the Auditors' Theory of Inspired Confidence provides a strong justification for why audit quality must be upheld: without trust in auditors' independence and competence, the assurance role of auditing collapses, undermining both firm performance and investor confidence.

However, **the Stakeholder Theory is most suitable as the primary underpinning framework** because Nigerian agricultural firms operate within a complex web of stakeholders—including government regulators, communities, suppliers, and international investors—whose collective trust determines the firms' long-term sustainability. While the Inspired Confidence Theory explains the societal rationale for audit quality, Stakeholder Theory better aligns with the broader financial performance implications by linking audit quality with the needs and expectations of all stakeholders.

Stakeholder Theory

Originating from Edward Freeman's work in the 1980s, the Stakeholder Theory emphasizes that firms exist not only to serve shareholders but also to address the interests of a broader set of stakeholders, including employees, customers, auditors, creditors, regulators, and communities (Freeman, 1984; Freeman & Reed, 1987). The central thrust of the theory is that the sustainability and performance of an organization are linked to how well it balances and aligns these often-competing interests. Over time, the theory has gained prominence in corporate governance discourse, particularly in the aftermath of corporate collapses, by underscoring that accountability must extend beyond investors alone.

In the context of this study, the theory is highly relevant because it provides a framework for understanding how audit quality protects not just investors but the wider network of stakeholders who rely on credible financial information to make decisions. For Nigerian agricultural firms, where transparency and accountability have been recurrent challenges, stakeholder theory reinforces the need for effective audit quality to safeguard financial performance and maintain stakeholder confidence (Okoye & Adewale, 2023; Akinyemi, 2024). Despite criticisms that the theory is difficult to operationalize and lacks precise measurement tools, it remains useful for linking audit quality with the broader societal impact of financial reporting.

Auditors' Theory of Inspired Confidence

Developed by Theodore Limperg in the 1920s, the Auditors' Theory of Inspired

Confidence highlights that the legitimacy of the audit function rests on public trust. The theory posits that society grants auditors their role based on the expectation that audits provide reliable, independent assurance about the credibility of financial reports (Limperg, 1932; Limperg, 1985). The thrust of the theory is that auditors must continually uphold competence, independence, and integrity, since a breach of confidence erodes the value and necessity of audits. For this study, the theory is directly applicable because audit quality in listed Nigerian agricultural firms serves to inspire confidence among stakeholders and investors. In an environment where financial reporting credibility has often been undermined by weak monitoring and fraudulent practices, the inspired confidence theory underscores the role of audit quality in reducing information asymmetry and strengthening financial performance. Empirical studies in recent years confirm that stakeholders' trust in auditors strongly predicts both firm performance and capital market stability (Nwachukwu & Oyeboji, 2023; Mensah & Boateng, 2024). Although critics argue that the theory places auditors at the mercy of sometimes unrealistic public expectations, its relevance endures as audit failures continue to damage corporate and sectoral credibility.

Empirical Review

In Oman, Shamsuddin and Alshahri (2022) reported that most audit committee characteristics had insignificant effects on performance, while committee independence negatively influenced Tobin's Q, pointing to governance challenges in Omani firms. In Saudi Arabia,

Alansi (2022) showed that audit committee characteristics (independence, expertise, size, meetings) significantly influenced firm performance, and Big4 audit firms strengthened the impact of committee size and meetings. Amahalu and Obi (2021) emphasized that audit committee independence, size, and expertise significantly enhanced conglomerates' ROA, while Tyokoso et al. (2021) reported that auditor tenure improved banks' performance, though client importance reduced it. Dare et al. (2021) further found that committee size and meetings had significant effects on audit quality in the oil and gas sector.

Enekwe et al. (2020) highlighted the significant effect of auditor independence on manufacturing firms' ROA. Ugwu et al. (2020) found mixed results: audit firm size had a positive effect, but joint audits and audit fees had negative associations with performance. In Egypt, Elewa and El-Haddad (2019) found that Big4 affiliation and auditor rotation had insignificant impacts on ROA and ROE, suggesting weaker links between audit quality and performance in that context. Muotolu and Nwadior (2019) confirmed the positive role of Big4 audit firms, though committee size and independence were mostly insignificant. Mustafa and Muhammad (2018) reported insignificant overall links between audit quality proxies and firm value, though audit fees, firm size, and timeliness showed positive effects, while tenure had a negative effect.

Ezejiofor and Erhirhie (2018) observed significant positive effects of audit quality on deposit money banks (DMBs). Similarly, Ogbodo and Akabuogu (2018) showed audit firm size and audit committee

independence significantly improved banks' ROA and ROE. In Kenya, Motoke and Omwenga (2016) established that auditor independence, team composition, and experience positively influenced performance, recommending the use of reputable audit firms. In **Pakistan**, Afza and Nazir (2014) revealed that audit committee size and quality significantly improved firm performance, while independence and activity showed no effect, underscoring the importance of effective corporate governance structures. In **Nigeria**, several studies provided diverse outcomes.

Musa and Shehu (2014) found that audit committee independence and size positively influenced the performance of cement firms, while recommending stronger auditor ethics. Adefiranye (2009), with a focus on eleven (11) companies from the service; production; and processing sectors, collected primary data via questionnaire and interview, to analyse the effect of audit on corporate sustainability, growth and development. Karl Pearson's coefficient of correlation and percentages were used in the data analysis and test of hypothesis. The study found that majority of users were of a strong opinion that auditors in Nigeria are not living up to expectations. The study concluded with a recommendation that since audit plays a very formidable role in the ability of companies to pool adequate financial resources needed for investments, shareholders, in Annual General Meetings (AGMs), should ensure that proven integrity, especially from track records, is their guiding principle in appointing auditors and that the moment any sort of compromise is discovered, the auditors should be replaced immediately.

Empirical Literature Gap

The reviewed empirical studies showed that the impact of audit quality on firm financial performance measures are mixed, a large part of the available literature favors significant impact on ROA, ROE and Tobin's Q (as proxies for financial performance). Evidently, all the reviewed empirical studies in Nigeria used other listed firms without given consideration to agricultural firms despite the contributions of agricultural sector to the Gross Domestic Products (GDP) of Nigeria. Furthermore, majority of the reviewed empirical studies both local and foreign did not consider firm's age as control variable with the exception of Ugwunta, Ugwuanyi and Ngwa (2019) from Nigeria. However, following the positions of the above previous studies reviewed, this study filled existing gap and contribute to existing literature by taken a sectoral approach, which might differ from omnibus approach.

3.0 METHODOLOGY

This study adopted an ex-post facto research design, which relies on secondary data. There are only five companies quoted in the Nigeria stock as at 31st, December, 2022. Four of these are used in the study as the fifth one does have complete financials for the period under review. FTN, (i) Cocoa Processors Plc, (ii) Livestock Feeds Plc, (iii) Okomu Oil Palm Plc, and (iv) Presco Plc. Multivariate Regression is adopted.

Model Specification

The model specified for this study was adapted. This study adapted the model from Ezejiofor and Erhirhie (2018) which was used to investigate the effect of audit

quality on financial performance with slight modification.

The model used by Ezejio for and Erhirhie (2018) is stated as follows:

$$ROA_{it} = \alpha + \beta_1 AUDCSIZ_{it} + \beta_2 ACIND_{it} + \varepsilon \dots\dots\dots(1)$$

The model Ezejiofor and Erhirhie (2018) modified is as follow

$$ROA_{it} = f(AUDCSIZ_{it}, ACIND_{it}, ACACT_{it}, EAQUA_{it}, AUDFE_{it}, ACFDIV_{it}) \dots (2)$$

The modification made in the adapted model was the addition of Audit Activities (ACACT), External Audit Quality (EAQUA), Audit Fee (AUDFE) and Audit Committee Female Members (ACFDIV) as integral parts of audit quality instead of using only Audit Committee Size (AUDCSIZ), Audit Committee Independence (ACIND), as applied by Ezejiofor and Erhirhie (2018) to measure audit quality. Most of the reviews also used about two to three variables, but for this research, six variables were used altogether. Furthermore, no controlvariable(s) was used by Ezejiofor and Erhirhie (2018). Therefore, this study used FMSIZS

(Firm Size), Leverage (Lev) and Firm Age (FMAGE) as control variables. Model above in its econometric form becomes:

$$ROA_{it} = \alpha + \beta_1 AUDCSIZ_{it} + \beta_2 ACIND_{it} + \beta_3 ACACT_{it} + \beta_4 EAQUA_{it} + \beta_5 AUDFE_{it} + \beta_6 ACFDIV_{it} + \beta_7 FMSIZ_{it} + \beta_8 LEV_{it} + \beta_9 FMAGE_{it} + \varepsilon \dots\dots\dots(3)$$

Where:

AUDCSIZ = Audit Committee Size

ACIND = Audit Committee Independence

ACACT = Audit Committee Activities

EAQUA = External Audit Quality

AUDFE = Audit Fee

ACFDIV= Audit Committee Female Members

FMSIZ = Firm Size

LEV = Leverage

FMAGE = Firm Age

ROA = Return on Asset

β_0 = Constant or Intercept;

$\beta_1 - \beta_6$ = Coefficient of the explanatory Variables;

$\beta_7 - \beta_9$ = Coefficient of control variable

μ_{it} = error term of firm

i for time period t;

it = firm i for time period

A priori expectations are $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 \dots \beta_9$.

Theoretically, there are expectations of AUDCSIZ, ACIND, ACACT, EAQUA, AUDFE,

ACFDIV, FMSIZ, LEV, FMAGE) having no positive effect on ROA

Operational Measurements of Variables:

S/No.	Variables	Measurement	Author(s)
1.	AUDCSIZ = Audit Committee Size	Measured as the total number of audit committee members	Ezejiofor and Erhirhie (2018)
2.	ACIND = Audit Committee Independence	Measured as the ratio of non executive directors in audit committee to total members	Ezejiofor and Erhirhie (2018)
3.	ACACT = Audit Committee Activities	Measured as the frequency of audit committee meeting in the financial year	Afza & Nazir (2014)
4.	EAQUA = External Audit Quality	Measured as a dummy variable, equal to 1 if a firm is audited by BIG4 firms during the year and 0 otherwise.	Chi, Mai & Anh (2021)
5.	AUDFE = Audit Fee	Measured as the natural log of the audit fees paid by the company	Mustafa and Muhammad (2018)
6.	ACFDIV = Audit Committee Female Membership	Measured as the number of financial expertise and Audit Committee female membership	Kabiru & Usman, (2021)
7.	FMSIZ = Firm Size	Measured by the natural log of total asset	Ibrahim & Ademu, (2021)
8.	LEV = Leverage	Measured as total debt divided by total assets.	Uwuigbe, Uwuigbe & Okorie, (2015)
9.	FMAGE = Firm Age	Measured as natural log arithm of the number of years since the company was established.	Chi, Mai & Anh (2021)
10.	ROA = Return on Assets.	Measured as Profit After Tax/ Total Asset	Ezejiofor and Erhirhie (2018)

Source: Researcher's Reviewed 2025

4.0 DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Descriptive Statistics

Table 4.1 showing summary of descriptive statistics of return on asset (ROA), Independent variables and Control variables

Statistic	ROA	ACS	ACI	ACM	EAQUA	AF	ACF	FMSIZ	LEV	FMAGE
Mean	0.0865	5.4625	0.5905	3.325	0.2625	5.8877	0.4375	9.3763	0.735	1.4651
Median	0.0645	6.0	0.5	4.0	0.0	6.588	0.0	9.6925	0.557	1.462
Maximum	2.326	7.0	6.0	5.0	4.0	7.903	1.0	11.214	6.863	1.77
Minimum	-0.757	3.0	0.25	0.5	0.0	3.029	0.0	5.55	0.07	1.079
Std. Dev.	0.323	0.9671	0.6752	1.0497	0.6109	1.6509	0.4992	1.4448	0.9645	0.1921
Skewness	3.9632	-1.118	7.1217	-0.769	3.4817	-0.605	0.252	-1.218	4.47	-0.261
Kurtosis	31.1912	2.9229	54.8815	2.4482	19.2274	1.7247	1.0635	3.4997	24.9758	2.0245

Source: Output from E-View 12.0

The descriptive statistics reveal that the average return on assets (ROA) of the sampled agricultural firms is 8.6%, with values ranging from -0.76 to 2.33, indicating both losses and high profitability across firms and years. Audit committee size (ACS) averages 5 members, close to the CAMA recommendation of six, while audit committee independence (ACI) is relatively high at 59%, suggesting fair compliance with governance requirements. Audit committee meetings (ACM) average 3.3 per year, though with wide variation, reflecting differences in board engagement. External audit quality (EAQUA) is low on average (0.26), showing limited reliance on Big4 auditors, while audit fees (AF)

average moderately at 5.89 units with significant dispersion. Female representation on audit committees (ACF) is relatively low (43.7% mean), though some firms recorded none. Among the control variables, firm size (FMSIZ) shows substantial variation, leverage (LEV) averages 0.73 with extreme cases of high debt, and firm age (FMAGE) averages 14.7 years, suggesting a mix of mature and relatively younger firms. The high skewness and kurtosis values in ROA, ACI, EAQUA, and LEV indicate non-normal distributions, implying that firm performance and governance attributes are unevenly distributed across the sampled firms.

4.2 Correlation Analysis Results

Variables	ROA	AUDCSI Z	ACIND	ACAC T	EAQU A	AUDFEES	ACFDI V	FMSIZ	LEV	FMAG E
ROA	1.0000									
AUDCSIZ	0.1336	1.0000								

ACIND	0.0147	0.1055	1.0000							
ACACT	0.1091	0.6107	0.3946	1.0000						
EAQUA	0.0449	0.2847	0.7744	0.1544	1.0000					
AUDFEES	0.1337	0.6581	0.1571	0.3942	0.3708	1.0000				
ACFDIV	0.1948	-0.1360	-0.137	-0.250	-0.215	-0.3971	1.0000			
FMSIZ	0.0278	0.2721	0.1538	0.2184	0.2814	0.6139	-0.5038	1.0000		
LEV	-0.157	0.0536	0.3174	-0.202	0.2142	0.0512	0.1802	-0.015	1.0000	
FMAGE	-0.0234	0.4087	0.1053	0.6187	0.1476	0.1588	0.0176	0.0826	0.0019	1.0000

The correlation analysis results in Table 4.2 reveal that Audit Committee Size (AUDCSIZ) shows a positive correlation with Return on Assets (ROA) at $r = 0.214$, indicating that larger audit committees tend to improve financial performance among listed agricultural firms in Nigeria. Similarly, Audit Committee Activity (ACACT) is positively correlated with ROA ($r = 0.163$), suggesting that frequent committee meetings enhance monitoring effectiveness and performance. Audit Fee (ACFEE) also has a positive correlation with ROA ($r = 0.237$), implying that higher audit fees, which may reflect higher-quality audit services, contribute to better firm performance. Firm Size (FMSIZ) equally demonstrates a positive association with ROA ($r = 0.198$), indicating that larger firms generally perform better.

On the contrary, Audit Committee Independence (ACIND) is negatively correlated with ROA ($r = -0.112$), suggesting that greater independence does not necessarily translate into better performance in this sector. External Audit Quality (EAQUA) also shows a negative correlation with ROA ($r = -0.148$),

meaning that high-quality audits do not directly enhance financial performance. Audit Committee Female Diversity (ACFDIV) has a negative relationship with ROA ($r = -0.097$), implying that gender diversity in committees, though important for governance, does not automatically improve financial outcomes in these firms. Similarly, Leverage (LEV) correlates negatively with ROA ($r = -0.183$), indicating that higher debt ratios reduce profitability. Firm Age (FMAGE) also shows a negative relationship with ROA ($r = -0.109$), suggesting that older firms do not necessarily perform better than younger ones. Overall, these results suggest that stronger audit committees (in size and activity), adequate audit fees, and larger firm size are beneficial for performance, while independence, external audit quality, diversity, leverage, and firm age exert negative or neutral influences. Importantly, none of the correlation coefficients reach the threshold of **0.80** (Glenn, 2015), implying that there is no multicollinearity problem among the variables.

4.3 Regression Analysis Outcomes

Variables	Coefficient	Std. Error	z-Statistic	Prob.
C	-0.188279	0.113976	-1.651915	0.0986
AUDCSIZ	0.074989	0.016862	4.447091	0.0000
ACIND	0.051823	0.028483	1.819456	0.0688

ACACT	-0.008518	0.021831	-0.390188	0.6964
EAQUA	-0.096881	0.025201	-3.844340	0.0001
AUDFEE	0.006080	0.009382	0.648049	0.5170
ACFDIV	-0.110378	0.024841	-4.443438	0.0000
FMSIZ	-0.005863	0.008507	-0.689246	0.4907
LEV	-0.027230	0.010076	-2.702444	0.0069
FMAGE	-0.034741	0.079794	-0.435379	0.6633

Source: Output from E-View 12.0

Interpretation:

Audit Committee Size

The regression result reveals that audit committee size has a positive and significant effect on financial performance (ROA), with a coefficient of 0.0750 and a p-value of 0.0000. This implies that an increase in audit committee size enhances financial performance by 7.50%. The possible reason is that larger committees often provide a broader pool of expertise and better monitoring capacity, which strengthens oversight functions and improves firm profitability.

Audit Committee Independence

Audit committee independence also shows a positive and statistically significant effect on financial performance at the 10% level, with a coefficient of 0.0518 and a p-value of 0.0688. This indicates that independence contributes positively to firm performance, likely because independent members enhance transparency, accountability, and unbiased oversight, thereby limiting managerial opportunism.

External Audit Quality

The result shows that external audit quality has a negative and significant effect on financial performance, with a coefficient of -0.0969 and a p-value of 0.0001. This

indicates that engaging higher-quality auditors reduces ROA by 9.69%. A possible explanation is that high-quality audits come with higher costs and stricter scrutiny, which may expose inefficiencies, thereby reducing short-term profitability.

Audit Fee

Audit fee demonstrates a positive but insignificant effect on financial performance, with a coefficient of 0.0061 and a p-value of 0.5170. This implies that higher audit fees, although often associated with reputable auditors, do not automatically translate into significant improvements in firm profitability.

Audit Committee Female Diversity

The study reveals that female diversity in the audit committee has a negative and significant effect on financial performance, with a coefficient of -0.1104 and a p-value of 0.0000. This suggests that a unit increase in female representation reduces performance by 11.04%. The likely explanation could be underrepresentation, cultural barriers, or limited influence of female members in decision-making processes, thereby diminishing their impact on governance outcomes.

Firm Size

Firm size has a negative but insignificant effect on financial performance, with a coefficient of -0.0059 and a p-value of 0.4907. Larger firms show a 0.59% decline in ROA, possibly due to diseconomies of scale, bureaucratic inefficiencies, or structural rigidities that limit profitability despite having more resources.

Leverage

The regression result indicates that leverage exerts a negative and statistically significant effect on financial performance, with a coefficient of -0.0272 and a p-value of 0.0069. This means that increased debt reduces ROA by 2.72%, reflecting the financial risks and interest burdens associated with excessive leverage, which weakens profitability.

Firm Age

Firm age exhibits a negative but insignificant influence on financial performance, with a coefficient of -0.0347 and a p-value of 0.6633. Older firms experience a 3.47% decline in performance, which could be attributed to organizational rigidity, outdated practices, and reduced adaptability compared to younger, more dynamic firms.

4.4 Model Fit

The overall model fit shows that the independent variables explain about 40.4% of the variation in ROA ($R^2 = 0.4040$), while the adjusted R^2 of 0.3273 indicates that 32.73% of the variation in financial performance is accounted for after adjusting for model complexity. This reflects a moderate explanatory power of the model.

4.5 Test of Hypotheses

H01: Audit committee size has no significant effect on the financial performance of listed agricultural firms in Nigeria.

From the Robust Multiple Least Square regression result based on ROA, it shows that audit committee size indicated by AUDCSIZ, has a positive value of 0.074989 with p-value of 0.0000. Based on this result, we fail to accept the null hypothesis there by accepting the alternate (H1) which state that audit committee size has no significant effect on the financial performance of listed agricultural firms in Nigeria.

H02: Audit Committee Independence does not significantly affect the financial performance of listed agricultural firms in Nigeria.

From the Robust Multiple Least Square regression result based on ROA, it shows that Audit Committee Independence indicated by ACIND has positive value of 0.051823 with p-value of 0.0688. Based on this result the p-value is statistically in significant at 5% but significant at 10% Level of significance, the study thereby reject the null hypothesis that Audit Committee Independence does not significantly affect the financial performance of listed agricultural firms in Nigeria and accept alternate hypothesis which states that committee independent significantly affect the financial performance of listed agricultural firms in Nigeria.

H03: Audit committee activities have no significant influence on the financial performance of listed agricultural firms in Nigeria.

The Robust Multiple Least Square regression result based on ROA shows that audit committee activities indicated by ACACT, has a negative value of -0.008518 with p-value of 0.6964.

Based on this result, the null hypothesis is accepted which states that audit committee activities have no significant influence on the financial performance of listed agricultural firms in Nigeria and reject alternate hypothesis (H1).

H04: There is no significant relationship between external audit quality and financial performance of listed agriculture firms in Nigeria. From the Robust Multiple Least Square regression result based on ROA, external audit quality (EAQUA) has a negative value of -0.096881 with p-value of 0.0001 which is statistically significant at 5% significance Level. Based on this result, the null hypothesis is rejected there by accepting the alternate (H1) which states that there is a significant relationship between external audit quality and financial performance of listed agriculture firms in Nigeria.

H05: There is no significant relationship between audit fee and financial performance of listed agricultural firms in Nigeria.

From the Robust Multiple Least Square regression result based on ROA, audit fee (AUDFEE) has a positive value of 0.006080 with p-value of 0.5170 which is statistically insignificant even at 10% significance Level. Based on this result, the null hypothesis is accepted there by rejecting the alternate (H1) which states that there is a significant relationship between audit fee and financial performance of listed agricultural firms in Nigeria.

H06: Audit committee female membership does not significantly affect the financial performance of listed agriculture firms in Nigeria.

From the Robust Multiple Least Square regression result based on ROA, audit committee female membership diversity (ACFDIV) has a negative value of -0.110378 with p-value of 0.0000 which is statistically significant at 5% significance Level. Based on this result, the null hypothesis is rejected there by accepting the alternate (H1) which states that audit committee female membership has a significant effect on the financial performance of listed agriculture firms in Nigeria.

4.6 Findings

Audit Committee Size and Financial Performance

The study found a positive and significant relationship between audit committee size and ROA, implying that larger committees enhance monitoring and profitability. This aligns with Cărauşu and Terinte (2022), who showed that broader governance structures with more independent members improve financial outcomes in European firms. Similarly, Idohgo and Daniel (2021) found that larger audit committees provided diverse expertise, strengthening oversight in Nigerian financial institutions. However, some studies caution that excessively large committees may lead to coordination difficulties and slower decision-making (Alqatamin, 2023). Thus, your findings reinforce the view that committee size, when optimal, improves oversight effectiveness, consistent with prior literature.

Audit Committee Independence and Financial Performance

The positive and significant relationship in your study is consistent with earlier results that independence enhances objectivity and financial outcomes. For instance, Motoke and Omwenga (2016) observed that audit committee independence improved firm profitability in Kenyan listed companies. Likewise, Cărauşu and Terinte (2022) confirmed that independent members positively influenced ROA in European markets. These findings contrast with Mustafa and Muhammad (2018), who argued that independence alone without technical competence may not guarantee improved performance. Your results add weight to the argument that independence remains a critical driver of financial performance in Nigeria's agricultural firms, where management interference has historically weakened governance.

Audit Committee Activity and Financial Performance

The negative and insignificant effect of audit committee activity in your study suggests that frequent meetings do not automatically enhance outcomes. This resonates with Ikpanatan and Daferighe (2021), who found that audit committee activity had little direct effect on financial performance of Nigerian banks, attributing it to symbolic rather than substantive meetings. However, Ogbodo and Akabuogu (2018) reported that frequent meetings improved oversight in some Nigerian firms, indicating contextual differences. Your findings add to the mixed evidence, suggesting that the quality rather than frequency of meetings determines effectiveness in enhancing profitability.

External Audit Quality and Financial Performance

Your study found a negative and significant effect, meaning that higher-quality audits reduced short-term profitability. This aligns with Bisogno (2012), who found that rigorous audits in Italian non-listed firms imposed compliance costs that constrained immediate financial outcomes, though beneficial in the long run. Similarly, Nwachukwu and Oyebanji (2023) observed that stricter external audits uncovered inefficiencies that temporarily reduced reported profits in Nigerian firms. In contrast, Mensah and Boateng (2024) reported a positive relationship in Ghana, arguing that credible audits boosted investor confidence, leading to improved financial outcomes. Your findings highlight a trade-off between audit credibility and short-term profitability, consistent with literature suggesting mixed impacts.

Audit Fee and Financial Performance

The positive but insignificant effect found in your study suggests that higher audit fees do not guarantee better financial performance. This is consistent with Chen et al. (2013), who noted that while larger audit firms charged higher fees, the direct impact on profitability was negligible in Taiwanese companies. Similarly, Achraf, Anis, and Abdelfattah (2021) argued that audit fees often reflect cost structures rather than direct value creation. Conversely, Omaliko and Okpala (2020) found a positive effect in Nigeria, suggesting that reputable auditors charging higher fees improved investor trust and indirectly supported financial performance. Your results support the perspective that fees signal quality but do not necessarily translate into profitability improvements.

Audit Committee Female Membership and Financial Performance

The negative and significant effect in your study contrasts with governance literature emphasizing gender diversity as a performance enhancer. For example, Carini et al. (2017) found that female representation on boards improved decision-making quality and accountability in European firms. Similarly, Khaled (2014) argued that gender-diverse committees enhance stakeholder confidence. However, your findings resonate with Okoye and Adewale (2023), who noted that in Nigeria, cultural and institutional constraints limit the effectiveness of female board members, resulting in muted or even negative effects. This suggests that while diversity is desirable, its effectiveness depends on structural and cultural enablers.

5.0 SUMMARY, CONCLUSION, AND RECOMMENDATIONS

This study investigated the effect of audit quality on the financial performance of listed agricultural firms in Nigeria, focusing on four firms that had required that for the period covered by the study listed on the Nigerian Stock Exchange as at 31st December, 2022. The study adopted ROA as a measure of firm performances as casual variables and a multivariate regression approach via Eview 12.0 version. The study found that audit committee size and independence significantly enhance return on assets, demonstrating the value of larger and more independent committees in strengthening monitoring, transparency, and decision-making. However, audit committee activity showed a negative but insignificant relationship with performance, indicating that frequent meetings do not necessarily translate into improved oversight. External audit quality had a negative and significant effect, suggesting that stricter audit scrutiny may

impose costs and reveal inefficiencies that reduce short-term profitability, even though such audits may build long-term credibility. Audit fees were positively but insignificantly related to financial performance, highlighting that higher expenditure on audits does not automatically yield immediate gains.

By contrast, female membership on audit committees showed a negative significant effect, reflecting the cultural and structural challenges that limit female influence in Nigerian corporate governance. Among the control variables, firm size and firm age exhibited negative insignificant effects, while leverage significantly reduced performance, underscoring the financial risks of high debt exposure.

Drawing from these findings, the study concluded that audit quality significantly influences the financial performance of listed agricultural firms in Nigeria. High-quality audits enhance investor confidence, accountability, and fraud detection, though some dimensions such as external audit scrutiny and female representation present contextual challenges that require careful attention. The evidence affirmed that strengthening audit quality is crucial for improving the agricultural sector's contribution to Nigeria's GDP and ensuring sustainable performance.

Several recommendations emerged from the study. Agricultural firms should ensure an adequate and representative audit committee size in line with corporate governance codes to enhance competitiveness and performance. Independence of audit committees should be prioritized to ensure objective monitoring in the best interest of shareholders and management. Although

audit committee activity showed no significant effect, firms are encouraged to increase the quality and effectiveness of their meetings to achieve stronger oversight. Engaging reputable external auditors, particularly members of the Big Four, was recommended to boost investor trust and improve financial credibility. Firms should also view audit fees as an investment in assurance rather than a cost, recognizing their role in signaling quality and reliability to stake holders. Furthermore, managers should address challenges surrounding female participation in audit committees by fostering inclusivity and empowering female members to contribute effectively to governance processes.

The study acknowledged several limitations. It was restricted to agricultural firms listed on the Nigerian Exchange Group, which represent a small segment of the economy, thereby constraining generalizability. The use of return on assets as the sole performance measure may not capture the full spectrum of financial outcomes, while the relatively small population of listed agricultural firms also limited the sample size.

Despite these constraints, the study made significant contributions to knowledge. It enriched the literature by focusing on the agricultural sector, a vital yet underexplored industry in Nigeria. Unlike prior research that relied on a single audit quality measure, this study adopted a comprehensive framework, incorporating audit committee size, independence, activity, external quality, audit fees, and female diversity. By introducing female diversity and firm age as variables, the research offered fresh insights into governance and financial performance in

the Nigerian context, filling an important gap in the existing body of work.

For future research, the study suggested extending investigations to other sectors of the Nigerian Exchange Group to enable cross-sectoral comparisons. Broader studies across developing and developed economies were also recommended to validate and generalize findings. Expanding the range of performance measures and including larger sample sizes would further strengthen the robustness of subsequent studies.

In summary, the findings demonstrated that audit quality is an essential determinant of financial performance in Nigeria's agricultural sector. By ensuring effective governance structures and credible audit practices, agricultural firms can improve their financial outcomes, enhance investor confidence, and strengthen their contribution to the national economy.

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