

Effect of Auditors' Reports on Shareholders' Wealth Among Listed Firms in Nigeria

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ABSTRACT

Original research paper

This study investigates the effect of auditors' reports on shareholders' wealth among listed firms in Nigeria between 2022 and 2024. In light of the increasing scrutiny of financial reporting practices, the study aims to determine whether audit opinions influence key shareholder wealth indicators such as share price, dividend payout, and earnings per share (ESP). By using quantitative research design, the study analyzes secondary data from 35 purposively selected companies across four sectors such as; industrial goods, consumer goods, financial services, and agriculture. Data were extracted from audited financial statements and analyzed. Panel regression was employed to evaluate the relationship between audit opinion and proxies of shareholders' wealth. The regression analysis revealed that audit opinion has no statistically significant effect on share price ($\beta = 0.0005$, $p = 0.337$), dividend declared ($\beta = -0.0136$, $p = 0.234$), or earnings per share (ESP) ($\beta = 0.0016$, $p = 0.419$). These findings suggest that investors and stakeholders do not significantly rely on audit opinions when evaluating firm performance. Based on the results, it is concluded that audit reports currently hold limited value in shaping shareholder wealth outcomes in Nigeria. Therefore, recommends that regulatory authorities strengthen audit oversight and ensure timely, high-quality audits to uphold investor trust and enhance capital market integrity.

Keywords: auditors' report, shareholders' wealth, audit opinion, Nigeria, capital market.

Introduction

In many manufacturing firms especially, when dealing with financial statement report, Audit reports play a vital role in ensuring financial transparency and strengthening corporate governance by providing independent assessments of an organization's financial statements. They help stakeholders make informed decisions, promote accountability, detect irregularities, and enhance investor confidence in the accuracy and reliability of reported financial information. Another definition referred independent auditor's report as a

cornerstone of corporate governance and financial market integrity, serving as a critical communication channel between auditors and stakeholders, particularly shareholders (Rodgers et al., 2019; Velte & Issa, 2019). That is, these reports provide an independent assessment of a firm's financial statements, offering assurance to stakeholders about the accuracy and fairness of reported financial information. The type of opinion expressed in an audit report, whether unqualified (true and fair), qualified, or adverse, significantly influences how investors perceive

the credibility and financial integrity of a firm. Investors rely on this information to make informed decisions, and any indication of financial irregularity or uncertainty can directly impact their confidence, investment choices, and overall wealth (Salehi et al., 2022). In this regard, auditors play a significant role in shaping shareholder outcomes by influencing stock prices, dividend payments, and market valuation through their opinions. Studies have shown that the quality and content of audit reports are closely linked to shareholders' wealth. For example, Salehi et al. (2022) emphasized that unqualified audit reports tend to boost investor confidence and lead to positive movements in share prices, whereas qualified or adverse opinions may generate negative reactions from the market. Akinadewo et al. (2023) found that listed deposit money banks in Nigeria with high audit quality experienced enhanced financial performance and investor trust and suggest that investors are more likely to invest in companies that receive favorable audit opinions because such opinions serve as a signal of financial health and strong internal control systems.

In the Nigerian, audit reports play a particularly vital role in financial markets that are still developing in terms of regulatory enforcement and investor education. Obafemi et al., (2024) examined nonfinancial listed companies in Nigeria and reported that larger audit firms and stronger audit controls significantly influenced earnings per share, thereby impacting the returns available to shareholders. Similarly, Ndubuisi et al., (2023) found that high quality audits improved the value relevance of accounting information and had a positive effect on share prices of manufacturing companies listed on the Nigerian Exchange Group. However, despite the growing body of literature, limited studies have directly examined the specific effect of the nature of audit opinions on shareholders' wealth in Nigeria. Most existing research has focused broadly on audit quality rather than distinguishing between different types of audit opinions. This presents a gap in knowledge, especially in understanding how shareholders react to clean versus qualified or adverse opinions within a developing market setting.

Therefore, this study aims to investigate the effect of auditors' report opinions on shareholders' wealth in Nigerian listed firms. Shareholders' wealth will be measured using key indicators such as share prices, earnings per share, and dividend per share. The study will provide empirical evidence on how different audit opinions influence shareholder value, contributing

to policy discussions on audit reforms and corporate transparency.

Research Questions

In line with the objectives of the study, the following research questions are formulated:

1. What is the effect of audit opinion on share price movement of listed Nigerian companies?
2. How does audit opinion influence dividend payments to shareholders?
3. What is the impact of audit opinion on earnings per share growth of listed firms?

Research Hypotheses

The following null hypotheses are proposed for testing in this study:

H₀₁: Audit opinion has no significant effect on share price movement of listed Nigerian companies.

H₀₂: Audit opinion has no significant effect on dividend payment to shareholders.

H₀₃: Audit opinion has no significant effect on earnings per share growth of listed firms.

Literature Review

Auditor Report

An auditor denotes an independent professional who evaluates an organization's financial statements and controls in order to provide assurance about their fairness and compliance with accounting standards. Auditors are usually responsible for collecting audit evidence and applying professional skepticism in order to form an opinion on whether financial statements give a true and fair view of the firm's financial position. Their role extends beyond mere compliance to encompass ethical responsibility, transparency, and competence. While auditor's report is a formal opinion or disclaimer issued by either an internal auditor or an independent external auditor. It is a key component of the financial reporting process that communicates the auditor's findings regarding a company's financial statements. The quality and nature of an auditor's report can significantly impact how shareholders perceive a firm's financial health. Shareholders rely heavily on the credibility and content of audit reports to make investment decisions. According to Kilonzo and Kamau (2022), audit reports function as tools of assurance, providing shareholders with the confidence that the financial statements are free from material misstatements and represent the true financial position of the firm. Obafemi et al., (2024) examined audit quality and its relationship with shareholders' earnings

among nonfinancial listed companies in Nigeria. Their study showed that the size of the audit firm had a significant positive relationship with earnings per share, while audit fees showed an insignificant negative effect. This suggests that firms audited by reputable audit firms are more likely to present financial reports that enhance investor confidence and shareholder value. Similarly, Ndubuisi et al., (2023) explored the effect of audit quality on the value relevance of accounting earnings in listed Nigerian manufacturing firms. Their findings indicated that higher audit quality improves the association between accounting earnings and market prices, thereby enhancing the predictive value of financial statements for shareholders and potential investors. Tomomewo et al. (2023) extended this understanding by studying the joint effect of audit quality and enterprise risk management on shareholder wealth in multinational manufacturing firms in Nigeria. They found that stronger audit systems, coupled with risk controls, led to higher returns on assets and economic value added, both of which are direct indicators of shareholder wealth.

Types of auditor opinions

Unqualified Opinion (Clean Opinion)

An unqualified audit opinion, often referred to as a clean opinion, is the most favorable result an auditor can issue. It indicates that the financial statements present a true and fair view in all material respects, in conformity with applicable accounting standards such as IFRS or GAAP (CPA Exams Mastery, 2025). The auditor must have obtained sufficient and appropriate audit evidence and found no material misstatements. This type of opinion reassures investors, creditors, and other stakeholders that the financial information can be relied upon. Research shows that companies receiving unqualified opinions are perceived as transparent and well governed, and thus more likely to attract investor trust and capital (Prayanthi et al., 2022 as cited in Hu et al., 2023). Auditors typically apply rigorous procedures including analytical review, substantive testing and internal control evaluation to substantiate their opinion. The issuance of an unqualified opinion does not imply that a company is financially healthy or a good investment; rather it confirms the fairness of the financial statements as audited.

Qualified Opinion

A qualified audit opinion is issued when financial statements are largely reliable except for specific issues that are material but not pervasive. These issues

typically relate to a single misstatement or limitation in audit scope that does not undermine the entire financial report (Tommy, 2025). Two common causes are a departure from accounting standards for a particular item or a scope limitation where the auditor could not gather sufficient evidence for certain balances. In both scenarios the rest of the statements may still be fairly presented. The auditor's report includes phrasing such as "except for the effects" of the issue to alert users while preserving confidence in the overall statements (Corporate Finance Institute CFI, 2025). Qualified opinions serve as a warning sign for stakeholders who must consider these exceptions. They support transparency while indicating that minor but material issues exist.

Adverse Opinion

An adverse audit opinion is issued when misstatements are not only material but also pervasive across financial statements. This opinion asserts that the financial statements do not present a true and fair view of the firm's financial position, results of operations or cash flows (Tommy, 2025 and CFI, 2025). It reflects systemic misreporting, flawed accounting policies or gross misapplication of accounting standards that affect numerous statement components. An adverse opinion undermines stakeholder trust and often leads to severe consequences such as stock price decline, regulatory scrutiny or loss of funding (CFI Team, 2025). Such opinions are rare but highly significant. One notable recent case involved a major investment firm whose auditor issued an adverse opinion because accounts did not give a true and fair view due to pervasive discrepancies and insufficient audit evidence (FT report, 2024). An adverse opinion indicates serious deficiencies and typically triggers urgent remedial action by a firm.

Disclaimer of Opinion

A disclaimer of opinion is issued when auditors cannot form any opinion due to pervasive scope limitations or uncertainties. This occurs when auditors are unable to obtain sufficient appropriate audit evidence regarding an essential portion of the financial statements, or when there is management refusal to allow proper audit procedures (CFI, 2025). In such cases the auditor states that no opinion can be given, and financial statements should not be relied upon. A disclaimer signals extreme uncertainty or obstruction in the audit process, such as management withholding access to records or pervasive unknowns (CPA, 2025). Stakeholders regard a disclaimer as one of the worst outcomes since it

indicates that the auditor cannot validate any part of the financial statements. This erodes credibility and often prompts heightened scrutiny from investors, lenders or regulators.

Shareholders Wealth

Shareholders wealth, on the other hand, is the value delivered to shareholders in the form of appreciation in stock prices, dividend payouts, and overall return on investment. In financial theory, shareholders wealth maximization remains a fundamental objective of corporate financial management. Metrics such as share price, earnings per share, and dividend per share are common proxies for measuring shareholders wealth. The relationship between auditor's report and shareholders wealth has been a subject of extensive discussion in accounting and finance literature, particularly in developing economies where the capital market is less efficient and information asymmetry is higher (Okafor et al., 2023).

Types of shareholder wealth

Share Price Movement

Share price movement refers to the fluctuation in the value of a company's shares on the stock exchange over time. It serves as a real-time reflection of investor sentiment, market perception, and the overall performance of a firm. A consistent upward movement in share price contributes to the wealth of shareholders through capital appreciation. According to Okoro and Sule (2023), the stock market responds swiftly to changes in financial disclosures, economic outlooks, and audit opinions, all of which can trigger positive or negative shifts in share price. For shareholders, these movements are crucial indicators of their investment's worth and expected returns. In the Nigerian stock market, price movements are influenced by corporate governance, transparency, and auditor credibility. A positive audit report, for example, can build investor confidence and push share prices upward. Therefore, share price movement is not just a technical measure but a strategic signal of firm value and investor wealth.

Dividend Payment

Dividend payment is the distribution of a portion of a company's profits to its shareholders, typically in the form of cash or additional shares. It is one of the most direct and tangible forms of return that investors receive from their equity holdings. According to Adeniran and Umeh (2022), dividend policy is often interpreted as a signal of a firm's financial health and future prospects.

Firms that pay consistent or increasing dividends are seen as stable and well managed, which positively influences investor confidence. In emerging markets like Nigeria, dividend payment is especially important due to the relatively low capital gain opportunities compared to developed markets. It also serves as a wealth-enhancing mechanism that complements share price gains. For many investors, especially those seeking regular income, dividend payments represent a key factor in determining investment attractiveness. Ultimately, a well-defined and consistent dividend policy can serve as a tool for shareholder retention and market reputation.

Earnings Per Share (EPS) Growth

Earnings per share growth is a key financial indicator that reflects the profitability of a company on a per-share basis. It is calculated by dividing the net income by the number of outstanding shares. Growth in EPS indicates that a company is generating increasing profits for each share owned, which typically leads to higher investor returns and enhanced market valuation. According to Bello and Musa (2023), EPS growth is a major driver of investor decisions and a predictor of future share price appreciation. In many cases, a rising EPS attracts more investors, boosts market confidence, and contributes to shareholder wealth. Furthermore, EPS is often used in valuation models such as the price to earnings ratio, making it a fundamental tool in investment analysis. In the Nigerian context, firms with steady EPS growth tend to outperform their peers in both market returns and dividend distribution, thereby offering a dual benefit to shareholders.

Theoretical Review

Agency Theory

Agency theory explains the relationship between principals, who are the shareholders, and agents, who are the managers responsible for running a company on behalf of the owners. The central concern of agency theory is the existence of conflicts of interest between these two parties, which can result in managers pursuing personal interests that may not align with those of the shareholders. Audit reports are one of the mechanisms used to reduce agency costs by providing independent and objective assessments of a company's financial activities. Through external audits, shareholders can obtain credible information that helps monitor managerial behavior and ensure accountability. This theory is particularly relevant in the context of financial reporting, as it supports the need for high

quality audit practices to protect investors' interests. Recent studies have reinforced the importance of agency theory in corporate governance, especially in emerging economies. For example, Adegbe and Olayemi (2022) found that audit committees and external audit reports significantly contribute to improving transparency and aligning managerial decisions with shareholder expectations. Similarly, Egbunike and Onyali (2023) showed that firms with stronger governance structures and robust audit processes experience fewer cases of earnings manipulation, which supports the principles of agency theory.

Signaling Theory

Signaling theory is centered on the idea that firms communicate certain signals to external parties, especially investors, to convey useful information about their financial health and future prospects. In audit reporting, the opinion expressed by an external auditor serves as a signal to investors about the reliability of the financial statements. A clean or unqualified audit opinion sends a positive signal that the company's financial reports are free from material misstatements, while a qualified or adverse opinion signals potential problems, possibly prompting negative investor reactions. This theoretical perspective is highly applicable in financial markets where information asymmetry exists. By acting as an information intermediary, the auditor helps reduce uncertainty and increase investor confidence. Research by Mohammed and Adediran (2023) confirmed that audit quality plays a key role in shaping investor perception and share valuation in the Nigerian stock market. Likewise, Ajao and Adeoye (2022) emphasized that companies with consistent clean audit reports tend to experience more stable investor trust and better market performance. These findings suggest that audit reports serve not only a compliance function but also a communicative role that influences shareholder decisions and wealth.

Stakeholder Theory

Stakeholder theory expands the traditional focus on shareholders by recognizing that a firm's responsibilities extend to all parties who have an interest in or are affected by its operations. These stakeholders include employees, customers, creditors, regulators, and the wider community. In audit report, the theory underscores the idea that transparent and credible financial disclosures are essential not just for shareholders, but for all stakeholders who rely on

corporate information to make decisions. High quality audit reports can enhance trust among stakeholders and contribute to long term organizational sustainability. This theory supports the argument that firms should adopt ethical accounting practices and independent audit systems to satisfy broader accountability expectations. Oboh and Olayemi (2022) argue that stakeholder theory provides a more inclusive framework for evaluating audit quality, especially in developing economies where public trust in corporate reporting remains fragile. Their study demonstrated that companies with strong stakeholder engagement and reliable audit disclosures were better positioned to attract long term investment and regulatory goodwill. In this way, stakeholder theory reinforces the broader societal value of auditing and encourages firms to move beyond narrow profit maximization goals.

Empirical Review

Many recent empirical research has examined the impact of audit opinion and audit quality attributes on shareholder wealth and firm performance in Nigeria and other emerging markets. A study by Obafemi et al., (2024) using listed non-financial firms in Nigeria showed that audit firm size had a statistically significant positive effect on earnings per share, whereas audit fees were negatively related to earnings per share albeit insignificantly. This indicates that larger audit firms may deliver stronger assurance leading to improved shareholder returns through dividend and earnings performance. Similarly, research by Ndubuisi et al., (2023) focused on manufacturing firms listed on the Nigerian Exchange Group and found that audit quality positively moderated the association between accounting earnings and share prices. Earnings per share had a direct and significant effect on market valuation, and high audit quality strengthened the predictive value of EPS for share price determination. In another study by Akosile et al., (2023) investigated the effect of external auditors' fees on shareholders' value of non-financial firms in Nigeria for the period 2011–2020. Using dynamic panel GMM and fixed effects methods, they found a statistically significant positive relationship between audit fees and shareholders' value. Timely submission of audited financial reports boosted market perception and contributed to higher firm valuation. Additionally, Olowookere et al., (2022) suggest that audit quality measured by audit firm size significantly lowered agency costs in Nigerian firms. Delays in audit report

issuance mitigated the positive influence of large audit firms on governance outcomes, revealing that timeliness interacts with audit firm reputation to influence shareholder value (Olowookere et al., 2022). Another empirical evidence from studies in banking by Samuel and Alade (2025) observed the effect of audit independence on reported quality in listed deposit money banks. Their result findings shows that excessive audit fees and large audit firm size were associated with reduced reporting quality, calling into question the assumption that costly audit engagements guarantee

higher assurance levels (Samuel & Alade, 2025). Collectively these findings highlight several patterns: audit firm size and independence often improve reported earnings and reduce agency conflict, thereby supporting shareholder wealth. Notably, few studies isolate audit opinion types such as; clean, qualified, adverse etc. This gap underscores the present study's focus on audit opinion type as a direct determinant of shareholder value through price movement, EPS, and dividends.

Conceptual Framework

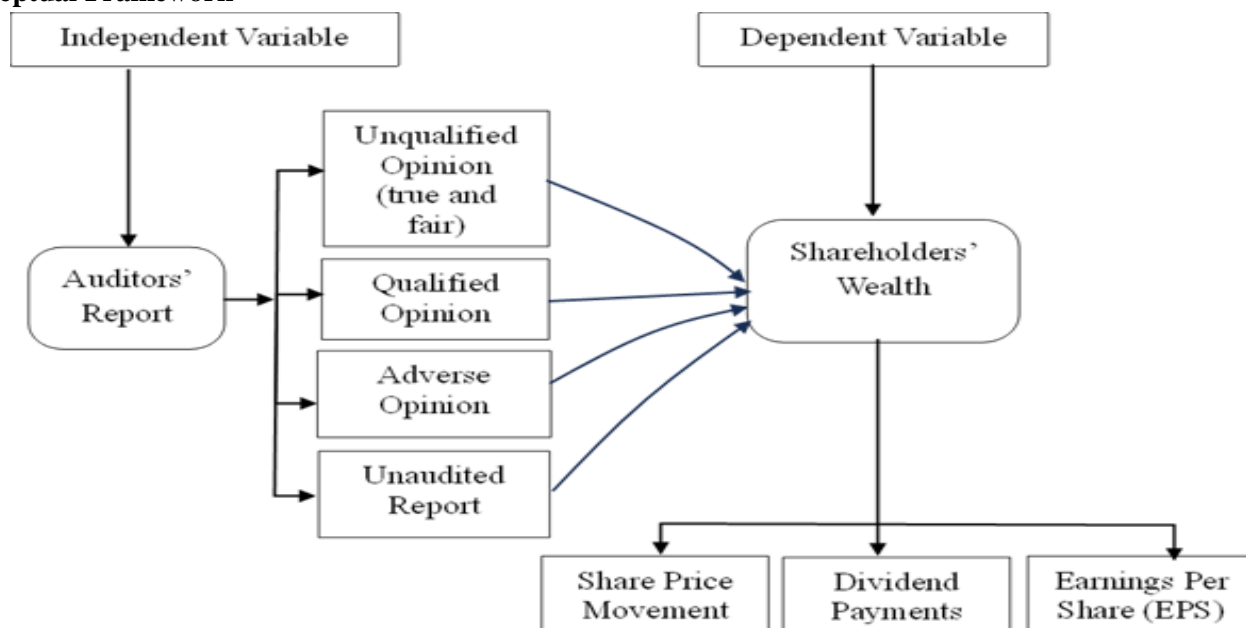


Figure 1: Conceptual Framework

Source: Researcher's Computation, 2025

The conceptual framework for this study is built on the relationship between auditors' reports as the independent variable and shareholders' wealth as the dependent variable. Auditors' reports are operationalized based on the type of opinion issued such as; unqualified (clean or true and fair view), qualified, adverse opinions and unaudited report which usually reflect the auditor's assessment of a firm's financial statement credibility. These reports are presumed to influence investor perceptions, market valuation, and corporate transparency. Shareholders' wealth is measured using proxies such as share price movement, dividend payments, and earnings per share (EPS). The framework assumes that favorable audit opinions enhance investor confidence and lead to increased shareholder wealth, while adverse or qualified reports may indicate financial irregularities or going-concern issues, potentially lowering investor trust and firm valuation.

Methodology

This study adopts a quantitative research design to examine the effect of auditors' reports on shareholders' wealth among listed firms in Nigeria. The approach is suitable because it enables the collection and analysis of numerical data that can be statistically tested to establish relationships between audit opinions and indicators of shareholders' wealth such as share price movement, dividend payment, and earnings per share growth. The population of the study consists of all firms listed on the Nigerian Exchange Group across sectors for the period between 2022 and 2024. A purposive sampling technique is employed to select thirty-five (35) firms from four sectors: industrial goods (9 firms), consumer goods (12 firms), financial services (9 firms), and agriculture (5 firms). These firms have consistent audit reports and available financial data for the three-year period. The study uses secondary data which are sourced from audited annual financial statements from

Nigerian Stock Exchange database, and financial publications. Key variables include the type of audit opinion (unqualified i.e. indicating a fair and true representation of financial statements, qualified, adverse, or disclaimer and unaudited), share price at year-end, dividends declared, and earnings per share. The study utilizes panel regression analysis to examine

the relationship between audit opinion and shareholders' wealth proxies. The data are analyzed using STATA by ensuring consistency and statistical validity. Tests for multicollinearity, autocorrelation, and heteroskedasticity are conducted to verify the robustness of the model.

Result

Table 1: Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
Company	105	18.00	10.15	1	35
Year	105	2.00	0.82	1	3
AO	105	0.76	0.43	0	1
SP	105	78.89	191.15	0	1100
DD	105	3.94	9.39	0	50.50
ESP	105	2.32	27.02	-207.65	76.07

Source: Researcher's Computation, (2025) AO: Audit Opinion (0 = Unaudited, 1 = Unqualified i.e. true and fair)

The descriptive statistics in Table 1 show that the majority of companies received an unqualified audit opinion (mean = 0.76), meaning their financial statements were presented in a true and fair view. The average share price was 78.89, but with a high variation (standard deviation = 191.15), indicating significant

differences across firms, with prices ranging from 0 to 1100. Dividend payments averaged 3.94, reaching a maximum of 50.50. Earnings per share averaged 2.32 but ranged widely from negative 207.65 to 76.07, showing considerable earnings variation.

Table 2: Summary of Multicollinearity

Variable	VIF	1/VIF
Share Price (SP)	8.18	0.1223
Dividend Declared (DD)	7.98	0.1253
Earnings per Share (ESP)	3.10	0.3222
Mean VIF	6.42	

Source: Researcher's Computation, (2025)

Table 2 indicates the presence of moderate to high multicollinearity among the variables. Share Price (VIF = 8.18) and Dividend Declared (VIF = 7.98) are approaching the critical threshold of 10, suggesting possible redundancy. Earnings per Share has a lower VIF of 3.10 which indicate less multicollinearity and while the overall mean VIF is 6.42, which is acceptable.

Table 3: Correlation Matrix

Variables	AO	SP	DD	ESP
AO	1.0000			
SP	-0.0309 (0.7544)	1.0000		
DD	-0.1146 (0.2443)	0.8012 (0.0000)	1.0000	
ESP	-0.0816 (0.4078)	-0.2815 (0.0036)	0.2374 (0.0147)	1.0000

Source: Researcher's Computation, (2025)

The correlation matrix in Table 3 shows linear relationships among independence auditor's opinion (AO), share price (SP), dividend (DD), and earnings per share (ESP). Audit opinion is negatively correlated with share price ($r = -0.0309$), dividend ($r = -0.1146$), and earnings per share ($r = -0.0816$), though none of these relationships are statistically significant ($p > 0.05$). This suggests that the type of audit opinion issued (e.g., unqualified) does not strongly influence market performance or shareholder returns in this sample. The weak correlations imply investors may already expect clean opinions or consider other factors more heavily in valuation decisions. Also, share price has a strong positive and statistically significant correlation with dividend ($r = 0.8012$, $p = 0.000$), indicating that companies that pay higher dividends often experience increased market value. In contrast, share price is negatively correlated with earnings per share ($r = -0.2815$, $p = 0.0036$), suggesting that market price might

not directly reflect accounting profits, possibly due to investor focus on other qualitative signals. Furthermore, dividend is moderately and positively correlated with earnings per share ($r = 0.2374$, $p = 0.0147$), implying that firms with higher earnings tend to pay more dividends. This relationship supports dividend policy theory, which posits that profitability enables and sustains dividend payouts. Additionally, its strong association with share price reinforces the idea that dividend-paying firms are often rewarded with better stock valuations. And lastly, earnings per share is positively correlated with dividend (as noted) but negatively with share price and audit opinion. The negative correlation with share price is significant, albeit counterintuitive, and may reflect investor skepticism about earnings quality or reliance on other financial indicators. The negative correlation with audit opinion, though not significant, implies little influence of audit clarity on reported profitability.

Table 4: Summary of Pooled Ordinary Least Square (OLS), Fixed Effect and Random Effects Models
Model 1

Variables	Pooled OLS	Fixed Effects	Random Effects	RE (Robust SE)
Share Price (SP)	0.00062	-0.00003	0.00051	0.00051
Dividend Declared (DD)	-0.01618	-0.00922	-0.01359	-0.01359
Earnings per Share (ESP)	0.00127	0.00195	0.00163	0.00163
Constant	0.77393***	0.79580***	0.77156***	0.77156***
chi ²	—	—	1.76	4.33
Df	—	—	—	—
N	105	105	105	105
R ²	0.0256	0.0172	—	—

Source: Researcher's Computation, (2025) Legend: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$,

Table 4 shows regression summary of Pooled Ordinary Least Squares (OLS), Fixed Effects (FE), and Random Effects (RE) models. Across all models, Earnings per Share (ESP) shows a small positive effect on the dependent variable, indicating that higher earnings per share slightly improve shareholder wealth. Dividend Declared (DD) consistently shows a negative coefficient, implying that higher dividend payouts may reduce long-term shareholder value, potentially due to

reduced reinvestment. Share Price (SP) has a very weak and inconsistent effect, with near-zero coefficients across models. The constant term is statistically significant at the 1% level (denoted by ***), indicating a strong base influence. The R² values (2.56% for OLS and 1.72% for FE) suggest that the models explain only a small proportion of the variation in shareholder wealth. The Random Effects chi-square ($\chi^2 = 4.33$) suggests marginal model improvement

Table 5: Post-Estimation Diagnostic Tests for Model Selection and Validity

Test / Statistic	Test Statistic	Degrees of Freedom	p-Value	Decision/Interpretation
Modified Wald Test for Groupwise Heteroskedasticity (Fixed Effects)	$\chi^2 = 5.06e+09$	df = 35	0.0000	Reject H ₀ → Groupwise heteroskedasticity is present

Hausman Test (FE vs RE)	$\chi^2 = 1.11$	df = 3	0.7735	Fail to reject $H_0 \rightarrow$ Random Effects preferred
Breusch–Pagan Lagrangian Multiplier Test (Pooled vs RE)	$\chi^2 = 17.45$	df = 1	0.0000	Reject $H_0 \rightarrow$ Random Effects preferred over pooled OLS
Pesaran’s Test of Cross-Sectional Independence	$z = 0.030$	—	0.9759	Fail to reject $H_0 \rightarrow$ No cross-sectional dependence
Wooldridge Test for First-Order Autocorrelation	$F = 6.128$	df = (1, 34)	0.0184	Reject $H_0 \rightarrow$ First-order autocorrelation is present

Source: Researcher’s Computation, (2025)

Interpretation of Table 5: Post-Estimation Diagnostic Tests (Approx. 140 words)

Table 5 summarizes the diagnostic tests used to assess the validity and appropriateness of the panel regression models. The Modified Wald Test for groupwise heteroskedasticity returns a highly significant p-value ($p = 0.0000$), leading to the rejection of the null hypothesis and indicating the presence of heteroskedasticity, which violates OLS assumptions. The Hausman Test yields a p-value of 0.7735, suggesting that the Random Effects (RE) model is preferable to the Fixed Effects (FE) model, as there is no systematic difference in coefficients. The Breusch–Pagan Lagrangian Multiplier Test also favors the RE model over Pooled OLS with a significant result ($p = 0.0000$). Pesaran’s Test for cross-sectional dependence

shows no evidence of dependence across firms ($p = 0.9759$). However, the Wooldridge Test detects first-order autocorrelation ($p = 0.0184$), suggesting the need to apply robust standard errors for reliable inference in the RE model.

Hypotheses Testing

H₀₁: Audit opinion has no significant effect on share price movement of listed Nigerian companies.

H₀₂: Audit opinion has no significant effect on dividend payment to shareholders.

H₀₃: Audit opinion has no significant effect on earnings per share growth of listed firms.

Model 1: Board composition and financial performance

Table.6:Random Effects GLS Regression Results (Robust Standard Errors)

R-sq:		Numbers of Obs		105		
Within	0.0119	Number of groups		35		
Between	0.0371	Obs per group:				
Overall	0.0237	Min		3		
		Avg		3.0		
		Wald chi2(3)		4.33		
corr(u_i, X)	= 0 (assumed)	Prob > chi2		0.2278		
(Std. Err. adjusted for 35 clusters in Company)						
AO	Coefficient	Robust Error	Std. z-value	p-value	95% Interval	Confidence
Share Price (SP)	0.0005081	0.0005292	0.96	0.337	−0.0005291	-0.0015452
Dividend Declared (DD)	−0.0135897	0.0114120	−1.19	0.234	−0.0359567	-0.0087774
Earnings per Share (ESP)	0.0016336	0.0020205	0.81	0.419	−0.0023264	-0.0055937
Constant	0.7715602	0.0562409	13.72	0.000	0.6613301	-0.8817902
sigma_u	0.28862106					
sigma_e	0.32798151					
Rho	0.43642465 (fraction of variance due to u_i)					

Source: Researcher’s Computation, (2025)

The regression results in table 6 show that audit opinion does not significantly influence any of the shareholder wealth indicators examined namely, share price movement, dividend declared, and earnings per share growth among listed Nigerian companies. The model, based on random effects generalized least squares estimation with 105 observations from 35 firms, yields a low overall R-squared value of 0.0237, indicating that only about 2.4 percent of the variability in the dependent variables is explained by audit opinion. The Wald chi-square value of 4.33 and a p-value of 0.2278 further indicate that the model is statistically insignificant at the 0.05 level. Individually, audit opinion has no significant effect on share price (coefficient = 0.0005, $p = 0.337$), dividend declared (coefficient = -0.0136 , $p = 0.234$), or earnings per share (coefficient = 0.0016, $p = 0.419$), with all p-values < 0.05 level of significance. As a result, all three null hypotheses (H01, H02, and H03) are accepted, implying that whether a firm receives an unqualified (true and fair) audit opinion or not does not materially impact shareholder wealth outcomes in the Nigerian context during the study period.

Discussion of findings

Hypothesis One (H01): Audit opinion has no significant effect on share price movement of listed Nigerian companies.

The regression analysis results show that audit opinion has no significant effect on share price, with a coefficient of 0.0005 and a p-value of 0.337, which is above the 0.05 threshold. This is supported by the correlation coefficient between audit opinion and share price ($r = -0.0309$), which is very weak and statistically insignificant ($p = 0.7544$). These findings suggest that whether or not a company receives an unqualified audit opinion does not meaningfully influence how the market values its stock. This result contrasts with findings by Ndubuisi et al. (2023), who noted that high audit quality enhanced the value relevance of EPS to market price. Similarly, Obafemi et al. (2024) found audit firm size positively influenced earnings, which may indirectly affect share price. However, the insignificant result here is consistent with Samuel and Alade (2025), who argued that large audit fees and firm size might reduce reporting quality, diminishing the market's confidence in audit signals. Therefore, H01 is accepted.

Hypothesis Two (H02): Audit opinion has no significant effect on dividend payment to shareholders.

The regression results shows that audit opinion does not significantly affect dividend payment, with a coefficient of -0.0136 and a p-value of 0.234. This is further supported by the correlation between audit opinion and dividend declared ($r = -0.1146$), which is weak and not statistically significant ($p = 0.2443$). These results suggest that the nature of an audit report—whether qualified or unqualified or unaudited does not play a significant role in influencing dividend policy among listed Nigerian firms. This contradicts Akosile et al. (2023), who reported that timely audit reports increased shareholder value via higher dividends. It also differs from Obafemi et al. (2024), who found that audit firm size positively impacts earnings per share, potentially influencing dividend distribution. However, the lack of significance in this study implies that dividends are more likely driven by internal profitability, liquidity, or corporate policies rather than external audit assurance. Consistent with Samuel and Alade (2025), excessive reliance on audit opinion may not guarantee value for shareholders.

Hypothesis Three (H03): Audit opinion has no significant effect on earnings per share growth of listed firms.

According to the regression results, audit opinion does not significantly influence earnings per share (EPS), as reflected in a coefficient of 0.0016 and a p-value of 0.419. The correlation between audit opinion and EPS is similarly weak at -0.0816 and statistically insignificant ($p = 0.4078$). These findings indicate that receiving a clean audit opinion does not translate into higher or improved earnings performance for listed firms in Nigeria. This contradicts the findings of Obafemi et al. (2024), who observed a significant positive relationship between audit firm size and EPS, suggesting that larger audit firms contribute to financial credibility. Similarly, Ndubuisi et al. (2023) found that audit quality strengthened the relationship between EPS and share price, emphasizing the importance of assurance quality. However, the results here align with Samuel and Alade (2025), who argued that high audit fees and auditor size do not necessarily enhance reporting quality. It appears that in Nigeria's context, audit opinion alone does not influence EPS outcomes. Therefore, H03 is accepted, supporting the insignificance of audit opinion on earnings growth.

Conclusion

Based on the resulting findings, it is evident that the audit opinion issued on financial statements does not exert a substantial influence on shareholder-oriented financial metrics such as share price movement, dividend payment, and earnings per share performance in the Nigerian corporate environment. The results suggest that while audit reports are fundamental components of corporate disclosure, their current impact on investor perception and firm valuation remains limited. This may reflect a broader issue of investor confidence in the practical implications of audit outcomes or a perceived uniformity in audit reports that reduces their discriminative value. It further indicates that stakeholders may place greater emphasis on other market-driven or operational indicators rather than relying solely on audit assurance in evaluating corporate performance. These insights underscore the need for enhanced audit transparency, improved communication of audit findings, and stricter enforcement of audit standards to strengthen the usefulness of audit reports as strategic tools for market confidence and investment decision-making. In light of these observations, strategic recommendations are necessary to reposition the role of audit in supporting shareholder value creation.

Recommendations

Based on the results of the study, the following recommendations are proposed:

1. Audit firms and regulators should improve the clarity and depth of audit reports beyond the standard "true and fair view" language. Including explanatory notes that provide greater insight into the financial health and governance quality of firms can help investors better interpret the implications of audit opinions and enhance their decision-making confidence.
2. Capital market regulators such as the Securities and Exchange Commission (SEC) and the Nigerian Exchange Group (NGX) should initiate educational campaigns to improve investor understanding of audit opinions and their relevance to financial performance indicators. A better-informed investor base is more likely to factor audit quality into valuation and investment strategies.
3. Firms should prioritize the timely submission of audited reports and engage auditors with high professional independence and reputation.

Regulators should enforce audit timelines strictly and discourage practices that compromise auditor objectivity, thereby ensuring that audit opinions are credible and more impactful on shareholder perception.

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