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Value Relevance of Audit Quality of Listed Manufacturing Companies in Sub-Saharan African Countries

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ABSTRACT

Audit quality improves the association between accounting information and market valuation which can help determine the effectiveness of auditing as a governance mechanism in emerging markets for predictive value of firm. Thus, the study investigate value relevance of audit quality of listed manufacturing companies in sub Saharan African counties. The study employs quantitative and ex post facto research design and deploys Mixed-Effects Maximum Likelihood (ML) regression model to dissect secondary data extracted from the audited financial statement of companies. The results reveal that all the independent variables proxy with audit firm quality (AFQ), audit committee size (ACS), audit committee diligence (ACD) and audit committee gender diversity (ACGD) are statistically significant at level of 5% with the dependent variable (share price). This depicts that all the variables are value relevance of accounting information of the manufacturing companies of this sub-Saharan counties. And concludes that high-quality audits improve the credibility of reported earnings and financial statements, thereby strengthening the association between accounting information and market valuation.

Keywords: Audit quality, efficient market hypothesis, inspired confidence theory, value relevance

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1 INTRODUCTION

The quality of financial reporting is fundamental to the efficiency of capital markets because investors depend heavily on accounting information when making investment decisions. In particular, the credibility of financial statements influences how market participants interpret and use financial information to determine firm value. One critical mechanism that enhances the credibility of financial reporting is external auditing. Audit quality plays a significant role in ensuring that financial statements present a true and fair view of a firm's financial position and performance. When audits are conducted with high professional standards, they reduce information asymmetry between managers and investors and increase confidence in the financial reporting process (Cormier, et al., 2010). As a result, financial statements audited by high-quality auditors are more likely to be perceived as reliable and useful for valuation purposes (Holt, & DeZoort, 2009).

The concept of value relevance in accounting refers to the ability of financial information to capture or summarize information that affects share prices. Accounting information is considered value relevant when it has a significant association with market measures such as share price. The theoretical foundation of value relevance research suggests that financial statements provide useful information for investors in assessing firm performance and predicting future cash flows (Bankole, & Ukolobi, 2020). However, Vijitha, and Nimalathasan, (2014) said that the usefulness of accounting information largely depends on the level of confidence investors place in the credibility of the reported figures. This is where audit quality becomes essential, as it provides assurance that the financial statements are free from material misstatements and manipulation (Badu, & Appiah, 2018; Prayoga, et al., 2026; Yahaya, 2025).

Mensah, and Boachie, (2023) point out that in many developing economies, particularly within Sub-Saharan Africa, concerns about financial reporting quality and corporate governance have attracted increasing attention from regulators, investors, and researchers. Weak institutional frameworks, limited enforcement of accounting standards, and inadequate corporate governance mechanisms often increase the risk of financial misreporting. These challenges can reduce investor confidence in financial statements and weaken the ability of accounting information to reflect firm value accurately. Consequently, improving audit quality is often viewed as an important mechanism for strengthening the credibility and usefulness of financial reports in emerging markets (Okere & Ambe, 2026; Waweru, 2014).

Alkali, et al., (2018) opine that manufacturing companies play a critical role in economic development in many Sub-Saharan African economies. The sector contributes significantly to employment generation, industrialization, and economic diversification. Due to the capital-intensive nature of manufacturing operations, firms in this sector typically rely on external financing from investors and financial institutions to support expansion and operational activities. Asubiojo, et al., (2025) view that for investors to allocate resources efficiently, they require reliable financial information that reflects the true performance and financial position of manufacturing firms. High-quality audits can enhance the reliability of such information, thereby improving its relevance to market valuation (Abdulwasiu, et al., 2026).

Despite the importance of audit quality in improving financial reporting credibility, empirical evidence on its effect on the value relevance of accounting information in Sub-Saharan Africa remains relatively limited. Most prior studies on audit quality and value relevance have focused on developed economies where regulatory institutions, investor protection mechanisms, and capital markets are relatively stronger (Alali, & Foote, 2012; Cimini, et al., 2022; Mechelli, & Cimini, 2021). The institutional and economic environments in Sub-Saharan African countries differ significantly from those in developed markets. For example, enforcement of accounting standards, investor protection, and corporate governance practices may vary widely across countries in the region. These institutional differences may influence how investors perceive and respond to audited financial information (Visedsun, et al., 2025)

Furthermore, Nnyanzi, et al., (2022) point out that the manufacturing sector in Sub-Saharan Africa often operates in environments characterized by macroeconomic volatility, infrastructure challenges, and evolving regulatory frameworks (Dinka, & Asfaw, 2026). Such conditions can affect both the quality of financial reporting and the role of external auditing in ensuring financial statement credibility. In this context, examining whether high-quality audits enhance the value relevance of accounting information becomes particularly important for understanding how capital markets function within the region (Nambie, & Dadzie, 2026).

The credibility and usefulness of financial statements depend largely on the quality of the external audit process. Audit quality plays a critical role in enhancing the reliability of accounting information and reducing information asymmetry between corporate capital users and capital owners. High-quality audits improve confidence in financial reports, which in turn influences how capital owners interpret accounting numbers when making investment decisions (Gani, et al., 2026). Within the field of audit quality and value relevance, the extent to which audited financial statements explain variations in market values such as share prices remains a major concern for regulators, investors, and researchers.

The concept of value relevance suggests that accounting information is useful when it is reflected in stock market indicators such as security prices. According to the value relevance framework introduced by Ohlson (1980) affirms that financial statement information is considered relevant when it significantly explains variations in firm market values (Hoang, 2014). The Value Relevance of Financial Statements and their Impact on Stock Prices: Evidence from Vietnam. Consequently, the quality of auditing is expected to enhance the credibility of financial information and increase the extent to which financial reports influence market valuation. When audit quality is high, investors perceive the financial statements as more reliable, thereby improving the association between accounting numbers and share prices.

Many Sub-Saharan African economies, concerns remain regarding the effectiveness of external audits and the overall quality of financial reporting among listed manufacturing companies. Manufacturing firms typically have complex production processes, significant inventories, and extensive asset bases, which increase the risk of accounting misstatements and managerial manipulation. In such environments, high-quality audits are essential to ensure that financial statements faithfully represent the underlying economic activities of firms. Despite this need, weak regulatory enforcement, differences in corporate governance practices, and variations in audit firm capabilities across many African capital markets raise questions about whether audit quality truly enhances the value relevance of financial statements.

Furthermore, investors in emerging markets often face higher levels of information asymmetry due to limited transparency and weaker institutional monitoring. Although listed companies are required to publish audited financial statements, doubts persist regarding whether these audits sufficiently enhance the reliability of reported accounting numbers. As a result, financial statement users may rely more on alternative information sources rather than audited accounting figures when making investment decisions. Existing empirical studies on audit quality and value relevance have largely focused on developed markets, leaving limited evidence from Sub-Saharan African manufacturing sectors (Odoemelam, & Wobo, 2024; Oranefo, et al., 2025; Waweru, 2014). Given the growing importance of African capital markets and the increasing participation of domestic and international investors, it becomes necessary to examine whether audit quality improves the value relevance of financial information in this context. Therefore, this study seeks to investigate the extent to which audit quality influences the value relevance of financial statements of listed manufacturing companies in Sub-Saharan African countries.

Given these considerations, investigating the relationship between audit quality and the value relevance of accounting information in listed manufacturing companies within Sub-Saharan Africa provides valuable insights for regulators, investors, and policymakers. Understanding whether higher audit quality improves the association between accounting information and market valuation can help determine the effectiveness of auditing as a governance mechanism in emerging markets. It can also contribute to ongoing policy discussions on strengthening audit regulation, corporate governance, and financial reporting frameworks to enhance investor confidence and capital market development within the region.

2 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Concept of Value Relevance

The Value Relevance concept is a central idea in accounting and financial research that examines the usefulness of financial statement information for capital owners and other capital market participants. In simple terms, value relevance refers to the ability of accounting estimates such as earnings, book value of equity, or cash flows to explain or predict a firm's market value or stock returns. If accounting information is value relevant, it means that it has a significant association with share prices and is therefore useful for economic decision-making (Bankole & Ukolobi, 2020; Hossain, 2021). The concept of value relevance is grounded in the idea that financial statements are prepared primarily to provide information that is helpful to users in assessing a firm's performance and financial position. Capital owners rely on this information to estimate future cash flows, evaluate risk, and determine the intrinsic value of a company. When accounting figures are reflected in stock prices, researchers infer that these figures are relevant and reliable from a market perspective. Thus, value relevance serves as an indirect measure of accounting quality.

Value relevance research typically uses statistical models to test the relationship between accounting variables and market values. Two common approaches are the price model and the return model (Kothari, & Zimmerman, 1995; Ota, 2003). The price model examines how well accounting numbers, such as earnings per share and book value per share, explain a firm's share price at a given point in time. The return model, on the other hand, analyzes the association between changes in accounting information and stock returns over a period. A stronger statistical association implies higher value relevance of the accounting information being studied (Avramov, 2004; Black, et al., 1972). Alali, and Foote, (2012) emphasis that the important theoretical foundation underlying value relevance is the Efficient Market Hypothesis, which suggests that stock prices incorporate all publicly available information. Under this assumption, if financial statements provide useful information, the market will quickly reflect it in share prices. Therefore, observing a relationship between accounting numbers and market values supports the argument that such information is decision-useful for capital owners(Lako, 2007)..

Over time, value relevance studies have been used to examine the impact of changes in accounting standards, business environments, and economic conditions (Badu & Appiah, 2018; Imhanzenobe, 2022). For example, researchers have investigated whether the adoption of fair value accounting improves the relevance of financial statements compared to historical cost accounting. Similarly, studies have explored whether the value relevance of earnings has declined in modern economies due to the growing importance of intangible assets such as intellectual capital, brand value, and research and development, which are often not fully recognized in traditional financial statements (Goodwin, & Ahmed, 2006; Güleç, 2020; Vafaei, et al., 2011).

Despite its usefulness, the value relevance concept has limitations. A weak association between accounting numbers and share prices does not necessarily mean that the information is useless; it may reflect market inefficiencies, measurement errors, or the influence of non-accounting information. Additionally, value relevance focuses mainly on equity investors and may not fully capture the needs of other users such as creditors or regulators.

In conclusion, the concept of value relevance plays a vital role in assessing the usefulness of accounting information in capital markets. By examining the relationship between financial statement data and market values, value relevance research provides insights into accounting quality, standard-setting effectiveness, and the evolving information needs of capital owners.

2.2 Concept of Audit Quality

Audit quality is a fundamental concept in auditing that reflects the degree to which an audit provides reliable assurance that financial statements are free from material misstatement and are prepared in accordance with the applicable financial reporting framework. High audit quality enhances the credibility of financial information, strengthens stakeholder confidence, and supports the efficient functioning of capital markets. At its core, audit quality can be understood as the probability that an auditor will both detect material misstatements in a client's financial statements and report them appropriately. This idea highlights two essential components: the auditor's competence and the auditor's independence (Lee & Jun-Seo, 2016). Competence refers to the auditor's technical knowledge, professional skills, experience, and ability to apply auditing standards effectively. Independence refers to the auditor's objectivity and freedom from bias, ensuring that judgments are not influenced by personal interests or pressure from the client.

Audit quality is also closely linked to compliance with professional standards. The International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board, provide a framework that guides auditors in planning, performing, and reporting audits. Adherence to these standards promotes consistency, rigor, and professionalism in audit engagements. However, mere compliance is not sufficient; auditors must exercise professional judgment and professional skepticism an attitude that involves questioning evidence and remaining alert to conditions that may indicate misstatement due to error or fraud (Dimitrova, & Sorova, 2016; Hurtt, et al., 2013).

According to Calocha, and Herwiyanti (2020) affirm that several factors influence audit quality at different levels. At the audit firm level, quality control systems, ethical culture, training programs, and leadership commitment play a crucial role. Firms that invest in continuous professional development and enforce strict ethical policies are more likely to deliver high-quality audits. At the engagement level, audit quality depends on effective planning, appropriate risk assessment, sufficient and appropriate audit evidence, and proper supervision and review of audit work. At the individual auditor level, personal integrity, experience, and judgment significantly affect the quality of audit outcomes.

Suyono (2012) reveals that regulatory oversight and external monitoring also contribute to audit quality. Audit regulators and professional bodies conduct inspections and reviews to ensure that auditors comply with standards and maintain independence. Such oversight mechanisms enhance accountability and encourage auditors to uphold high professional standards (Hakim & Tjakrawala, 2026). In addition, audit committees within organizations play an important governance role by overseeing the audit process, appointing auditors, and facilitating open communication between auditors and management (Aswar, et al., 2026). Measuring audit quality is inherently challenging because it cannot be observed directly. Instead, researchers and regulators rely on proxies such as audit firm size, auditor tenure, frequency of restatements, litigation cases, and inspection findings. While these indicators provide useful insights, they do not capture all qualitative aspects of audit work, such as the soundness of professional judgment or the effectiveness of auditor skepticism.

2.2.1 Audit firm quality

The study focuses on the relationship between audit quality and financial market outcomes has attracted significant attention in both accounting and finance literature. A key focus of this body of work is the role that audit firms, especially the Big 4 (Deloitte, PwC, EY, and KPMG), play in enhancing the credibility and reliability of financial reports. The underlying assumption is that higher audit quality helps to reduce information asymmetry between firms and capital owners, potentially influencing investor confidence and, in turn, share prices. Studies in developed markets generally find that Big 4 audits are associated with stronger market valuation of firms, lower cost of capital, and improved investor trust (Alfraih, 2016; Beisland, Mersland & Strøm, 2018; Francis & Wang, 2008).

However, the picture in emerging markets, and specifically Sub-Saharan Africa, is less clear. Some researchers argue that the regulatory environment, corporate governance standards, and market dynamics in these economies differ significantly from developed contexts, thereby weakening the potential influence of audit quality on share price behavior. For instance, weak enforcement of financial reporting standards and low investor participation could dilute the expected benefits of Big 4 audits on market valuation (Alade, 2018; Francis, & Wang, 2008). Empirical evidence from various Sub-Saharan countries presents mixed results, with some studies reporting insignificant relationships between auditor type and share performance, while others find modest or context-specific effects (Abbana, 2025; Wachira & Mathuva, 2022).

The inconsistency in findings suggests that the presumed positive linkage between Big 4 audit engagement and share price performance may not be universal. Contextual factors such as legal infrastructure, investor sophistication, and market liquidity could moderate this relationship. Based on this review, the study formulates the following null hypothesis:

H_0 1: There is no significant relationship between engagement of Big 4 audit firms and the share prices of listed companies in Sub-Saharan African countries.

2.2.2 Audit Committee Size

The relationship between corporate governance mechanisms and firm performance has been widely examined in financial and accounting literature. Among governance attributes, the audit committee's characteristics particularly its size are considered critical in influencing organizational transparency, financial reporting quality, and investor confidence. Studies in developed markets often suggest that larger audit committees, with diverse expertise, can enhance oversight and thereby positively impact firm valuation and share prices (Almashaqbeh, et al., 2020; Jensen, 1993; Abbott, et al., 2004). These findings imply that an optimal audit committee size may contribute to stronger governance and improved market performance. However, evidence from emerging markets, especially in Sub-Saharan Africa, presents mixed results. Some regional studies note that audit committee size does not necessarily translate to enhanced monitoring effectiveness due to contextual challenges such as limited access to trained professionals, institutional weaknesses, and varying regulatory enforcement (Adeyemi & Fagbemi, 2010). In such environments, even larger committees may struggle to exert meaningful influence on financial transparency or investor perceptions. Consequently, the theorized positive link between audit committee size and share price performance may be weaker or non-existent.

Further, agency theory suggests that corporate governance structures reduce information asymmetry between managers and shareholders (Jensen & Meckling, 1976). If audit committees fail to perform effectively regardless of size, then investors may not perceive committee size as a value-relevant attribute, weakening its association with share prices. Conversely, stakeholder theory emphasizes local institutional factors and cultural norms, proposing that governance attributes might have limited predictive power for market outcomes in contexts where investor protections are weak. Given this mixed evidence and the socio-economic dynamics of Sub-Saharan African capital markets, it is plausible that audit committee size alone does not significantly influence share prices. Therefore, the study adopts the null hypothesis:

H_0 2: There is no significant nexus between Audit Committee Size and Share Prices of listed companies in Sub-Saharan African countries.

2.2.3 Audit committee diligence

Existing literature on audit quality and financial markets reveals mixed findings on the relationship between audit diligence and equity prices (Aigienohuwa & Irowa-Omoregie, 2025; Sunny, & Apsara, 2026). Audit diligence often operationalized through audit quality, auditor reputation, frequency of audit reviews, and compliance with international standards plays a critical role in enhancing the credibility of financial statements. Okolie and Izedonmi, (2014) opine that in developed markets, studies show that higher audit quality increases investor confidence, reduces information asymmetry, and can positively influence share prices (DeAngelo, 1981; Francis, 2004; Raghunandan & Rama, 2007). These studies argue that rigorous audits reduce the risk of earnings manipulation, enabling markets to value firms more accurately (Aigienohuwa & Irowa-Omoregie, 2025; Sobhan, et al., 2025; Sunny & Apsara, 2026).

Evidence from Sub-Saharan African (SSA) contexts presents a more nuanced picture. Some researchers contend that the expected benefits of audit diligence do not always translate into stronger share price performance in SSA markets (Alkali, et al., 2018; Mensah & Boachie, 2023). Factors such as weak enforcement of auditing standards, lower market liquidity, limited investor sophistication, and governance challenges may dilute the impact of audit diligence on stock valuations. For instance, studies in Nigeria, Kenya, and South Africa indicate that even when firms engage reputable auditors or demonstrate rigorous audit processes, market reactions remain muted due to underlying institutional weaknesses (Abdullahi & Mansor, 2016; Mensah, & Boachie, 2023; Mangena & Tauringana, 2007). This suggests that audit diligence alone may not be sufficient to drive share price movements in these settings.

Other research highlights context-specific dynamics such as political risk, corporate governance quality, and informational inefficiencies that moderate the audit share price relationship. These dynamics suggest that the direct impact of audit diligence might be overshadowed by broader market and regulatory conditions.

Given these mixed empirical outcomes, the hypothesis for this study is developed to reflect the possibility of no significant statistical relationship between audit diligence and share prices in SSA markets:

H_0 3: There is no significant connection between audit committee diligence and share prices of listed companies in Sub-Saharan African countries.

2.2.4 Audit Committee Gender Diversity

The relationship between audit committee gender diversity and firm market performance, including share prices, has attracted growing scholarly attention in Sub-Saharan Africa (SSA). Theoretically, agency theory suggests that diverse audit committees enhance monitoring and reduce information asymmetry, which may positively influence investor confidence and market valuation. However, empirical evidence across SSA remains mixed and inconclusive.

Some studies report positive associations between gender-diverse audit committees and firm performance. For instance, research on Nigerian listed firms finds that audit committee gender diversity can improve market-based measures such as Tobin's Q, indicating enhanced firm value. Similarly, broader SSA evidence shows that gender diversity in governance structures contributes positively to disclosure quality and accountability, which may indirectly affect share prices. Conversely, other studies find weak or insignificant relationships. Evidence from Nigerian industrial firms reveals that although gender diversity has a positive coefficient, its effect on financial performance is statistically insignificant. This suggests that the presence of women on audit committees does not necessarily translate into measurable market gains. In Ghana, audit committee gender diversity levels remain relatively low, and correlations with performance indicators are weak, indicating limited influence on firm outcomes.

Furthermore, studies focusing specifically on share price reactions present conflicting findings. While some research indicates that audit committee characteristics, including gender diversity, significantly affect share prices, the direction of this effect may vary, sometimes even showing adverse impacts. These inconsistencies may stem from institutional differences, low female representation, and varying corporate governance practices across SSA countries. Overall, the literature suggests no consensus on the effect of audit committee gender diversity on share prices. The mixed results highlight the need for further empirical investigation, particularly within the SSA context where governance structures differ significantly from developed markets.

Given the inconclusive empirical evidence and weak statistical relationships reported in several SSA studies, it is reasonable to posit a null hypothesis. Although gender diversity may improve decision-making quality and governance, its direct impact on share prices is not consistently supported by empirical findings.

$H_0$4: There is no significant relationship between audit committee gender diversity and share prices of listed companies in Sub-Saharan African countries.

2.3 Theoretical Review

2.3.1 Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH) is a fundamental theory in finance that explains how information is reflected in stock prices within financial markets. Developed and popularized by Fama, (1970). The hypothesis argues that financial markets are "information-efficient." This means that the prices of securities traded in the market fully and quickly incorporate all available information. As a result, investors cannot consistently achieve returns higher than the average market return without taking on additional risk. The Efficient Market Hypothesis is typically divided into three forms: weak-form efficiency, semi-strong-form efficiency, and strong-form efficiency (Butet & Kesuma, 2026). In the weak form, current stock prices reflect all past market data such as historical prices and trading volumes. Therefore, strategies like technical analysis cannot consistently generate abnormal returns. The semi-strong form suggests that stock prices adjust rapidly to publicly available information, including financial statements, earnings announcements, and audit reports. In this case, neither technical analysis nor fundamental analysis can consistently outperform the market. The strong form of EMH goes further by proposing that stock prices reflect all information, both public and private, meaning even insiders cannot gain abnormal profits.

In the context of audit quality and the value relevance of financial information, the Efficient Market Hypothesis is particularly important. High-quality audits enhance the credibility and reliability of financial statements released by companies. When markets operate under semi-strong efficiency, investors quickly incorporate audited financial information into stock prices. Therefore, the quality of audits performed on listed manufacturing companies in Sub-Saharan African countries can influence investor confidence and the speed at which reliable financial information is reflected in market valuation. Furthermore, strong audit quality reduces information asymmetry between company managers and investors. This improves market transparency and contributes to more efficient pricing of securities. Consequently, under the framework of the Efficient Market Hypothesis, reliable and high-quality audited financial reports increase the value relevance of accounting information, enabling investors to make more informed decisions and improving the overall efficiency of capital markets in Sub-Saharan Africa.

2.3.2 Inspired Confidence Theory

The Inspired Confidence Theory was developed by Theodor Limperg and is one of the foundational theories explaining the role and value of auditing in modern financial reporting (Camfferman & Zeff, 2014). The theory suggests that the primary purpose of an audit is to maintain the confidence that stakeholders such as investors, creditors, regulators, and the public place in financial statements. According to Limperg, society expects auditors to provide assurance that financial reports fairly represent a company's financial position. If auditors fail to meet this expectation, public confidence in financial reporting and the auditing profession may decline. Inspired Confidence Theory emphasizes that the demand for auditing arises because of the separation between company management and the users of financial statements. Management prepares financial reports, but external stakeholders rely on these reports to make economic decisions. Since stakeholders cannot directly verify the accuracy of financial information, auditors act as independent professionals who examine the financial statements and express an opinion on their reliability. This independent verification helps bridge the trust gap between management and stakeholders.

In the context of listed manufacturing companies in Sub-Saharan African countries, the theory is particularly relevant. Publicly listed firms attract investment from both domestic and international investors who depend on credible financial information. High audit quality strengthens stakeholder confidence by ensuring that financial statements are prepared according to accepted accounting standards and are free from material misstatements. When audit quality is strong, investors are more likely to trust the reported earnings and financial position of the company, which can positively influence firm value and market reputation. Furthermore, in emerging markets within Sub-Saharan Africa, where issues such as weak corporate governance, regulatory challenges, and information asymmetry may exist, the role of high-quality auditing becomes even more critical. By meeting societal expectations for reliability and transparency, auditors help sustain investor confidence and contribute to the stability and efficiency of capital markets. Thus, Inspired Confidence Theory provides a theoretical foundation for understanding why audit quality can influence the value relevance of financial information in listed manufacturing firms.

2.3.3 The Policeman Theory

The Policeman Theory of Auditing is one of the earliest concepts explaining the role of auditors. It suggests that the primary responsibility of auditors is to detect and prevent fraud, much like a police officer who searches for wrongdoing and ensures compliance with the law. Under this theory, auditors are expected to closely examine financial records, identify irregularities, and uncover any fraudulent activities committed by management or employees (Seriki & Dagunduro, 2023). In the context of listed manufacturing companies in Sub-Saharan African countries, the Policeman Theory highlights the importance of strong audit procedures in safeguarding shareholders' interests and maintaining financial integrity. Manufacturing firms often manage large inventories, complex production processes, and significant financial transactions, which may increase the risk of misstatements or fraud. Therefore, high-quality audits can help detect errors and fraudulent practices that might distort financial reports (Igbekoyi, et al., 2024).

Although modern auditing has evolved beyond this narrow view, the Policeman Theory still contributes to understanding the value relevance of audit quality. Investors and stakeholders often expect auditors to act as watchdogs who ensure transparency and accountability in corporate reporting. When auditors effectively detect irregularities, it strengthens confidence in financial statements, thereby improving the credibility and value relevance of reported financial information in capital markets across Sub-Saharan Africa.

3 METHODOLOGY

This study adopts a quantitative research methodology to examine the value relevance of audit quality among listed companies in Sub-Saharan African countries. An ex post facto research design is employed, as the study relies on historical financial and market data without manipulating any variables. The population of the study consists of all manufacturing companies listed on selected Sub-Saharan African stock exchanges, such as those in Nigeria, Kenya, South Africa, and Ghana. A purposive sampling technique is used to select firms with complete and consistent data over the study period. Secondary data are sourced from published annual reports, audited financial statements, and stock exchange databases. The study covers a multi-year period to ensure robustness and capture variations over time. Audit quality is measured using commonly applied proxies such as auditor size (Big 4 versus non-Big 4 auditors), audit fees, audit committee size and audit diligence. Value relevance is assessed through market-based indicators, particularly share price and earnings per share, consistent with prior empirical literature.

The empirical model is based on the Ohlson (1995) valuation framework, which links accounting information to firm market value. Panel data regression techniques are employed to analyze the relationship between audit quality and value relevance, as panel data help control for unobserved firm-specific heterogeneity. Fixed effects or random effects models are selected based on the Hausman specification test. Control variables such as firm size, leverage, and profitability are included to reduce omitted variable bias. Diagnostic tests, including tests for multicollinearity, heteroskedasticity, and autocorrelation, are conducted to ensure the reliability of the regression results.

4 DATA ANALYSIS

4.1 Descriptive Statistics

The descriptive statistics provide important insights into the distribution, variability, and overall behavior of the variables used in the study on the value relevance of audit quality in Sub-Saharan African listed companies.

Table 4.1: Summary statistics

	N	Mean	Std. Dev.	max	min	skewness	kurtosis	cv
sp	876	1425.49	3150.509	9999.99	0.01	2.171	5.961	2.21
afq	1002	.806	0.395	1	0	-1.551	3.405	.49
acs	992	4.761	1.301	9	2	.072	2.456	.273
acd	1008	4.126	1.620	11	0	.574	5.317	.393
acgd	992	.759	0.267	1.333	0	-.46	1.933	.351

Source: Author's Computation (2026)

The Table 4.1 shows first, the dependent variable SP (share price) has a mean of 1425.49 and a very large standard deviation of 3150.509. This indicates substantial variability in firm value across the sampled companies. The wide gap between the minimum value (0) and maximum value (9999.99) further confirms the presence of large disparities in market valuation. The coefficient of variation (CV) of 2.21, which is greater than 1, suggests a high level of dispersion relative to the mean, indicating that firm values are highly volatile and unevenly distributed across firms. Additionally, the skewness value of 2.171 shows that the distribution is positively skewed, meaning that most firms have relatively low values while a few firms have extremely high market values. The kurtosis value of 5.961 indicates a leptokurtic distribution, suggesting the presence of outliers and heavy tails. This has implications for analysis, as extreme values may influence regression results and require robust estimation techniques.

Next, AFQ (audit firm quality) has a mean of 0.806, indicating that a large proportion (about 80.6%) of the sampled firms are audited by high-quality auditors (likely Big 4 or equivalent). The relatively low standard deviation (0.395) and coefficient of variation (0.49) suggest limited variability in audit firm quality across firms. The negative skewness (-1.551) indicates that the distribution is left-skewed, meaning most firms cluster at the higher end (value of 1), with fewer firms having low audit quality. The kurtosis value of 3.405 suggests a moderately peaked distribution. The implication is that high audit quality is common among listed firms in the region, which may enhance the credibility of financial reporting and improve the value relevance of accounting information.

For ACS (audit committee size), the mean is 4.761, suggesting that, on average, firms have about 4 to 5 members on their audit committees. The standard deviation of 1.301 indicates moderate variation in committee size across firms. The skewness value of 0.072 is close to zero, implying that the distribution is approximately symmetric. The kurtosis of 2.456 is slightly below 3, indicating a platykurtic distribution with fewer extreme values. The coefficient of variation (0.273) shows relatively low dispersion. These statistics suggest that audit committee size is fairly stable across firms, reflecting some level of regulatory or governance standardization in Sub-Saharan Africa. This consistency may support effective monitoring and enhance the reliability of financial reporting.

The variable ACD (audit committee diligence) has a mean of 4.126, implying that audit committees meet about four times a year on average. However, the standard deviation of 1.620 indicates greater variability compared to ACS. The minimum value of 0 and maximum of 11 show that some firms have no meetings while others are highly active. The skewness of 0.574 indicates a moderate positive skew, meaning more firms have lower meeting frequencies but some have very high frequencies. The kurtosis of 5.317 suggests a leptokurtic distribution with potential outliers. The coefficient of variation (0.393) confirms moderate dispersion. This variability implies differences in governance practices across firms, which may affect the effectiveness of oversight and, consequently, the quality and value relevance of reported earnings.

Finally, ACGD (audit committee gender diversity) has a mean of 0.759, indicating a relatively high level of gender diversity in audit committees. The standard deviation (0.267) and coefficient of variation (0.351) suggest moderate variability. The negative skewness (-0.46) indicates that more firms have higher levels of gender diversity, while fewer firms have low diversity. The kurtosis value of 1.933 indicates a relatively flat distribution with fewer extreme observations. This suggests that gender diversity is becoming more common among firms, which may positively influence governance quality and decision-making.

In summary, the descriptive statistics reveal that while firm value is highly dispersed and skewed, audit quality variables generally exhibit moderate to low variability with some degree of standardization. The presence of skewness and kurtosis in several variables suggests non-normality, which has implications for econometric analysis and may require robust estimation methods. Overall, the statistics indicate that audit quality attributes are relatively strong among listed firms, which supports their potential role in enhancing the value relevance of financial information in Sub-Saharan Africa.

4.2 Correlation Matrix Result

The pairwise correlation matrix provides insight into the strength and direction of relationships among the variables, as well as preliminary evidence on the association between audit quality attributes and firm value (SP) in Sub-Saharan African listed companies.

Table 4.2: Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)
(1) sp	1.000				
(2) afq	0.183	1.000			
	(0.000)				
(3) acs	-0.101	-0.109	1.000		
	(0.003)	(0.001)			
(4) acd	0.124	0.008	-0.041	1.000	
	(0.000)	(0.797)	(0.199)		
(5) acgd	0.325	0.225	-0.513	0.088	1.000
	(0.000)	(0.000)	(0.000)	(0.005)	

Source: Author's Computation (2026)

Starting with the relationship between the dependent variable sp (firm value) and the explanatory variables, audit firm quality (AFQ) shows a positive and statistically significant correlation ($r = 0.183$, $p < 0.01$). This suggests that firms audited by higher-quality auditors tend to have higher market values. Although the magnitude is relatively weak, the significance indicates that investors perceive audit quality as enhancing the credibility of financial statements, thereby improving firm valuation.

Similarly, audit committee diligence (ACD) is positively and significantly correlated with firm value ($r = 0.124$, $p < 0.01$). This implies that more active audit committees measured by meeting frequency are associated with higher firm value. The implication is that frequent monitoring improves financial reporting quality, which investors reward through higher share prices. However, the relatively low coefficient suggests that diligence alone may not be a strong determinant of firm value but works in combination with other governance mechanisms.

The strongest positive association with firm value is observed for audit committee gender diversity (ACGD) ($r = 0.325$, $p < 0.01$). This moderate positive correlation indicates that firms with more gender-diverse audit committees tend to have higher market valuations. This finding suggests that diversity enhances board effectiveness, independence, and decision-making quality, which in turn improves investor confidence and the value relevance of financial information.

In contrast, audit committee size (ACS) has a negative and statistically significant correlation with firm value ($r = -0.101$, $p < 0.01$). This indicates that larger audit committees may be associated with lower firm value. One possible explanation is that excessively large committees may suffer from coordination problems, reduced efficiency, or free-rider issues. This suggests that beyond an optimal size, increasing the number of members may weaken monitoring effectiveness rather than improve it.
Examining the relationships among the independent variables, the correlation between AFQ and ACGD is positive and significant ($r = 0.225$, $p < 0.01$), indicating that firms with high-quality auditors also tend to have more gender-diverse audit committees. This may reflect broader governance quality. However, ACS and ACGD show a strong negative correlation ($r = -0.513$, $p < 0.01$), suggesting that firms with larger audit committees tend to have lower gender diversity. This could indicate structural or cultural constraints in board composition. Importantly, most correlation coefficients are below 0.7, indicating no

serious multicollinearity concerns. This supports the suitability of including all variables in regression analysis.

In conclusion, the correlation results suggest that audit quality attributes particularly audit firm quality, diligence, and gender diversity are positively associated with firm value, while excessive audit committee size may be detrimental. These findings reinforce the importance of effective governance structures in enhancing firm valuation and the value relevance of financial reporting in Sub-Saharan Africa.

4.3 Regression Result of Mixed-Effects Maximum Likelihood (ML) Model

Table 4.3: Mixed-effects ML regression

sp	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
afq	925.025	262.154	3.53	0	411.213	1438.837	***
acs	264.462	93.499	2.83	.005	81.207	447.717	***
acd	186.962	65.745	2.84	.004	58.104	315.821	***
acgd	4330.382	484.24	8.94	0	3381.289	5279.474	***
Constant	-4642.952	771.685	-6.02	0	-6155.427	-3130.476	***
Constant	7.993	.024	329.95	0	7.945	8.04	***

Mean dependent var	1464.493	SD dependent var	3185.789
Number of obs	852	Chi-square	133.741
Prob > chi2	0.000	Akaike crit. (AIC)	16049.883

Source: Author's Computation (2026)

**** p<.01, ** p<.05, * p<.1*

The Table 4.3 is the regression output presents evidence on the value relevance of audit quality among listed companies in Sub-Saharan African countries using a mixed-effects maximum likelihood (ML) model. The dependent variable (SP, likely share price or firm value) is explained by several proxies of audit quality: AFQ, ACS, ACD, and ACGD. The model is statistically significant overall (Chi-square = 133.741, $p < 0.01$), indicating that audit quality variables jointly explain variations in firm value.

First, the coefficient for audit firm quality (AFQ) is positive (925.025) and highly significant ($p < 0.01$). This suggests that firms audited by higher-quality auditors tend to have higher market values. In terms of value relevance, this implies that investors in Sub-Saharan Africa perceive credible auditors as enhancing the reliability of financial statements. Consequently, reported earnings from such firms are more trusted and reflected in share prices. This supports the argument that audit quality strengthens the link between accounting information and market valuation.

Second, audit committee size (ACS) shows a positive and statistically significant coefficient (264.462, $p = 0.005$). This indicates that larger audit committees are associated with higher firm value. A possible interpretation is that larger committees may provide better oversight, diverse expertise, and stronger monitoring of financial reporting processes. From a value relevance perspective, this enhances investor confidence in reported earnings, making them more useful for valuation decisions.

Third, audit committee diligence (ACD), likely measured by the frequency of meetings, also has a positive and significant coefficient (186.962, $p = 0.004$). This finding suggests that more active audit committees improve firm value. Frequent meetings may lead to better scrutiny of financial statements and internal controls, reducing the likelihood of misstatements or earnings manipulation. As a result, earnings become more credible and informative, increasing their value relevance in the capital market. The most striking result is for audit committee gender diversity (ACGD), which has a very large positive coefficient (4330.382) and is highly significant ($p < 0.01$). This indicates that gender-diverse audit committees have a substantial positive effect on firm value. This may reflect improved decision-making, independence, and ethical oversight associated with diversity. In the context of Sub-Saharan Africa, where governance structures are still evolving, such diversity may signal stronger corporate governance practices, thereby enhancing the credibility and value relevance of financial reporting.

The negative constant term (-4642.952) is less important for interpretation but indicates the baseline level of firm value when all explanatory variables are zero. The large number of observations (852) strengthens the reliability of the results.

4.3 Discussion of Findings

From the findings, high-quality audits, active audit committees, and diverse governance structures enhance the credibility of earnings, making them more useful for valuation. Companies can improve their market valuation by strengthening audit quality. Engaging reputable auditors, increasing audit committee effectiveness, and promoting diversity are practical steps that can enhance investor confidence and firm value. The results highlight the importance of enforcing strong auditing and corporate governance standards in Sub-Saharan Africa. Policies that promote audit independence, committee effectiveness, and diversity can improve the overall efficiency of capital markets by increasing the value relevance of accounting information. The study reinforces the idea that institutional factors, such as governance and audit quality, play a critical role in emerging markets. It suggests that improving audit quality can mitigate some of the limitations associated with weaker market structures in the region.

Overall, the regression results demonstrate that audit quality significantly enhances the value relevance of financial information in Sub-Saharan African listed firms. High-quality audits and strong governance mechanisms make earnings more credible and informative, leading to better reflection in share prices. This underscores the critical role of audit quality in improving market efficiency and investor confidence in emerging economies.

5 Summary, Conclusion and Recommendations

5.1 Summary

The concept of value relevance examines the extent to which financial information reflects firm value as captured in stock prices. Within this framework, audit quality plays a critical role in enhancing the credibility, reliability, and transparency of financial statements. In Sub-Saharan African (SSA) listed companies, where institutional environments are evolving and financial reporting systems are still strengthening, audit quality is particularly important in shaping investor confidence and market efficiency. Audit quality is commonly proxied by variables such as audit firm size, auditor independence, audit committee characteristics, and governance structures. High-quality audits reduce information asymmetry between managers and investors by ensuring that financial reports faithfully represent the economic performance of firms. This, in turn, improves the degree to which accounting numbers are reflected in share prices.

Empirical evidence from SSA countries suggests that audit quality significantly influences the value relevance of accounting information. The regression results provided reinforce this position. Variables such as audit firm quality (afq), audit committee size (acs), audit committee diligence (acd), and audit committee gender diversity (acgd) all exhibit positive and statistically significant relationships with firm value. For instance, audit committee gender diversity shows a particularly strong effect, indicating that more diverse audit committees enhance monitoring effectiveness and financial reporting credibility. The statistical significance of these variables (p-values < 0.01 and < 0.05) indicates that improvements in audit quality components contribute meaningfully to explaining variations in firm value. This suggests that investors in SSA markets do consider audit-related attributes when making valuation decisions, even in relatively less efficient markets. However, despite these positive relationships, the broader SSA context introduces challenges. Weak regulatory enforcement, limited investor protection, and varying adoption levels of international standards such as IFRS can reduce the overall impact of audit quality on value relevance. Additionally, concentrated ownership structures and insider dominance may limit the extent to which external audits influence firm valuation.

5.2 Conclusion

The analysis confirms that audit quality enhances the value relevance of financial information in Sub-Saharan African listed firms. High-quality audits improve the credibility of reported earnings and financial statements, thereby strengthening the association between accounting information and market valuation. The findings indicate that audit-related mechanisms particularly audit committee effectiveness and diversity play a crucial role in improving financial reporting quality. Investors respond positively to firms with stronger audit structures, reflecting increased trust in the integrity of financial disclosures. Nevertheless, the magnitude of value relevance in SSA markets remains constrained by institutional weaknesses. While audit quality has a significant positive effect, its full potential is not always realized due to inconsistent enforcement of regulations, limited market sophistication, and governance challenges. Overall, audit quality is a vital mechanism for improving financial transparency and market confidence in SSA, but its effectiveness depends heavily on the broader institutional and regulatory environment.

5.3 Recommendations

The study examines the value relevance of audit quality of listed manufacturing companies in sub Saharans' countries in Africa, in order to enhance the value relevance of audit quality in SSA listed companies, several measures are recommended.

The stakeholders should endeavor to strengthen audit committees and firms should prioritize the composition and effectiveness of audit committees. This includes increasing independence, ensuring financial expertise, and promoting diversity (including gender diversity), which has been shown to significantly improve firm value. Secondly, stakeholders in firms should engagement of high-quality auditors, that is, companies should engage reputable and experienced audit firms to enhance the credibility of financial statements. Larger and more established audit firms are often associated with higher audit quality. Thirdly, emphasizes of improving auditor independence must be prioritized, i. e. regulatory frameworks should enforce strict rules to prevent conflicts of interest between auditors and management. Independence enhances objectivity and reliability in financial reporting. Audit quality remains a cornerstone of financial reporting integrity in Sub-Saharan Africa. While it significantly enhances the value relevance of accounting information, its effectiveness is closely tied to institutional strength, regulatory enforcement, and corporate governance practices. Strengthening these complementary systems will ensure that audit quality fully contributes to efficient capital markets and sustainable economic development in the region.

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