Global Journal of Arts Humanity and Social Sciences ISSN: 2583-2034

GSAR PUBLISHERS
GLOBAL SCIENTIFIC AND ACADEMIC RESEARCH

Glob. J.Arts.Humanit.Soc.Sci
ISSN: 2583-2034
Vol-3 Iss-8, page 872-880

# Audit Quality, Enterprise Risk Management, and Stock Returns of Multinational Manufacturing Companies listed in Nigeria

BY

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Article History
Received: 31/05/2023
Accepted: 01/08/2023
Published: 05/08/2023

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**Abstract**

Meeting stock returns in multinational manufacturing companies listed in Nigeria has remained difficult as the companies had been struggling to remain profitable owing to high cost of running manufacturing companies in Nigeria. Unethical practices, security challenges and unstable economic policies have greatly hindered effective performance and stock return of these companies. Prior studies had shown that audit quality and enterprise risk management had the ability to enhance stock return. Consequently, this study examined the effect of audit quality and enterprise risk management on stock returns of multinational manufacturing companies listed in Nigeria. The study employed *ex-post facto* research design. The population comprised 32 multinational manufacturing companies listed on the Nigerian Exchange Group (NGX) as at 31st December 2021. Fourteen firms with relevant data were purposively selected. Validated data, covering a period of 15 years (2007 - 2021) were extracted from published annual reports and sustainability reports of the sampled firms. Reliability of the data was premised on the auditors' and regulatory agencies certification of the source documents. Descriptive and inferential (multiple regression) statistics were used to analyzed the data at 5% significant level. Findings revealed that audit quality and enterprise risk management had significant effect on return on equity (Adj.$R^2$ = 0.0925, Wald-test (5, 201) = 5.20, $p > 0.05$). The study recommended that management of the companies should ensure audit quality and enterprise risk management to enhance stock returns of the companies.

**Keywords**: Audit firm size, Audit independence, Audit quality, Compliance and reporting, Enterprise risk management, Risk monitoring, Stock returns

## 1. Introduction

Companies have been inundated with the problem of shareholders' wealth maximization resulting from accumulated challenges over the years. Lack of adequate capital to operate with (Tomomewo, et al, (2022), unfriendly working environment, lack of corporate property, and contractual rights protections (Egiyi, 2022). According to Ademola et al. (2020), the problem of meeting shareholders' wealth maximization had been heightened resulting from evidence of accumulated infrastructural deficits, multiplicity of tax obligations, consisting of poor and unstable electricity supply to ensure effective production and storage of finished goods, bad roads to transport both the raw materials to warehouse and inaccessible roads to distribute finished goods to rural areas, lack of water supply and other business operating enabling environment.

Okolie and Ogbaragu (2022) posited that in the midst these challenges, meeting shareholders' wealth maximization has become complex as making manufacturing and effective corporate performance quite challenging. Consistent with this view, Alaeddin (2021) reported the problem of shareholders' wealth and the associated challenges have been compounded by the advent of COVID-19 that had brough huge and unprecedented hardship resulting from the prolonged lockdowns. Egiyi and Okafor (2022) reported that during the lockdown, companies had experienced huge losses resulting from damages recorded from deterioration of raw materials and finished goods at the warehouses and lack of preservatives for the companies to store goods and to keep the products in safe custody.

The problem of stock return and its associated challenges are multidimensional affecting the sustainable growth desired by the shareholders. Stock returns is characterized with insider trading and unethical manipulations in a desperate attempt by the management to put up an impressive posture to unsuspected



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shareholders and other stakeholders of supposed competency and effective utilization of human and capital resources of the company to have success and financial performance (Sumathi & Jothi, 2017). Stock return expectations of the manufacturing company are hardly achieved, no wonder managers resort to earnings management, discretionary earnings, and insider trading activities as a cover of incompetence and poor outcome of operations (Udoka & Orok, 2017).

Strong debate has been advanced in relation to shareholders' wealth maximization model as the primary aim of business venture. According to Burca et al. (2018), most investors in European listed corporations are expecting security and long-term reputation of the companies rather than short-term earnings. The studies of Metz et al. (2020); Bansal and Thenmozhi (2020) revealed that legitimacy and adequate information disclosure dominate the results from recent studies. Shareholders conducted in Canada revealed that corporate and institutional investors are not interested in short-term profit maximization, instead, desire stable and enduring market competitiveness and steadily stable market share price (Yuewen, 2017). The ability of the multinational manufacturing companies to content and protect their reputation and high-earned brand is much expectation and results of the majority of studies conducted in Australia (Connor & Andrew, 2020).

Bartels (2019) documented that studies in Germany revealed that the case of shareholder wealth maximization is difficult as various results have failed to a common opinion. According to Dustmann et al. (2017), in Germany, the agency theory postulation cannot be undermined, that the agency nexus arising from the separation of shareholding from managerial control invented weakness, giving the managers the impulse to over-emphasized corporate profit maximization and possible insider trading to maximize its own wealth (higher salaries and economic incentive and corporate perks) at the detriment of the shareholders' welfare in the long-term performance or maximizing enduring wealth for the shareholders. Consistent with this understanding, Brendam et al., (2020) noted that institutional investors in the United States of America are not ignorant that the managers tend to avoid taking investment and financial risks that may maximize wealth, rather are motivated to short-tern risk-averse investment for quick rewards and bonuses claims among corporate organizations in French and UK firms (Merle et al., 2019); Jeff et al., 2021). Xinyu and Ping (2020); Hendratama and Barokah (2020) posited that Chinese firms are concerned with making the best opportunities towards creating adequate economic value for the family-owned and public listed manufacturing companies, otherwise, the management and corporate image will be in great danger.

There is dearth of studies that have considered the effect of audit quality, enterprise risk management on stock returns of multinational manufacturing companies listed in Nigeria, using similar identifies variables used in this study. For instance, Iwedi et al. 2020) studied the effect of enterprise risk management on shareholders' value and the study revealed that enterprise risk management practice had a positive effect on shareholders' value. The definition, measure, and evaluation of shareholders' value were not specified in the study. Though the study considered a period of 8 years, but the period of years covered were not given, while the econometrics specification of the models was not presented in the study. While it is a possibility to measure enterprise risk management with more than one variable and this was not the same hare. In filling this gap, this study proposes to explore more measures to measure enterprise risk management with more than one variables and this led to the formulation of the study objective, question, and hypothesis.

***Objective: investigate the effect of audit and enterprise risk management on stock returns of listed multinational manufacturing companies in Nigeria;***

***Research question: In what way do audit quality and enterprise risk management affect stock returns of listed multinational manufacturing companies in Nigeria?***

***Research Hypothesis ($H_0$): There is no significant effect of audit quality and enterprise risk management on the stock returns of multinational manufacturing companies listed in Nigeria***

The rest of the study was fashioned in this way: In section two, the study considered the literature review and theoretical framework. Section three brought the methodology into fore and in section four, data analysis, results, and discussions were considered. In section five, conclusion, recommendations, and contribution to knowledge were considered.

## 2. Literature Review and Theoretical Framework

### 2.1 Conceptual Review

**Stock Returns**

Stock returns are another variable identified as one of the measures of shareholder wealth maximization. Stock returns are defined as gains or profits from stock investment in a specific time period. Iacobelli (2018) reported that stock return is closely related to shareholders' wealth maximization model. The extent of return from the number of shares or stocks held by the shareholders could reflect the efficiency and competence of the managers in managing the affairs of the companies that influence share prices. The issue of stock returns as a measure of the effectiveness of corporate performance is significant (Khalil-Oliwa, 2019; Liu, 2019). Studies have diverse opinions of the effect of audit quality on stock returns. For instance, Matar and Eneizan (2018) documented that audit quality tends to convince and attract investors to corporate stocks and the volume of traded stock will greatly impact the overall performance of the banks to influence shareholders' wealth maximization.

**Audit Quality**

Audit quality and enterprise risk management jointly form the independent variable of this study. According to Egiyi (2022), the audit quality and risk management committee of companies are responsible for monitoring the overall risk management framework, the corporate financial reporting procedures and observance of reporting standards of the companies, the extent of compliance practices of the International Financial Reporting Standards and regulatory guidelines as well the risk appetite



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compliances, the performance of the auditors as stipulated in the audit engagement letter and the overseeing of the financial corporate audit program of the multinational companies (Elamer & Benyazid, 2018; Eya et al., 2020; Farrell & Gallagher, 2019). Meanwhile, in consideration of enterprise risk management, it is desirable that multinational manufacturing companies put in place a strong and effective risk management policies. Risk is part of every human endeavour, starting or developing a business always requires taking risks. Risk can be defined as the chance of loss or an unfavourable outcome associated with an action. Uncertainty occurs when one does not know what will happen in the future, the greater the uncertainty, the greater the risk.

**Audit Independent Committee**

The independence of auditors could be complex and problematic as many stakeholders do not have a clear understanding of some basic audit issues as the auditor is being guided by regulatory standards which every professional auditor would like to comply with rather than what the clients or the stakeholders expect because of the critical role audited financial statement play in the efficient and effective operations of the country's capital market (Fariha et al., 2021).

**Audit Firm Size**

Audit firm size is considered advantageous in delivery quality audit report. Large seized auditing firms have more resources and are in a better position not to cut corners, but to ensure a detailed and step-by-step audit exercise that will not put their reputation in danger, as such they are considered as providing quality audit services, as they could afford to train their employees to quality training and more international exposure, making is the difficult compromising quality (Elbanna et al., 2020; Farrell & Gallagher, 2019).

**Audit Committee Independence**

The audit composition is made of selected financial experts with many years of financial reporting and regulatory experience, who are aware of the implication of compliance with financial principles and standards (Kakanda et al., 2017). According to Inegbedion et al. (2020), in the majority of the multinational companies in Nigeria, the audit committee is composed of experienced directors who work closely with the auditors to ensure that quality was not compromised and that there is no conflict of interest exists between the external auditors and any member of the management of the board members. From the Nigeria perspective, the audit committee is charged with the following financial responsibilities (i) ascertain and ensure that requirement are as required and review from time to time the relationship with the financial activities with all government policies to ensure there are breaches considering possible sanction (Agana et al., 2022).

**Risk Monitoring, Composition, and Reporting**

Yamada and Fujita (2022) revealed that risk monitoring, compliance, and reporting had a close association with effective financial performance and shareholder wealth maximization. The monitoring and compliance as it affects value creation entail: The companies being up-to-date with possible changes in the host and operating locality and country such as the new introduction of legal reforms which would necessitate the company adjusting to new realities. Xinyu and Ping (2020) argued that effective monitoring would require quick responses to compliance risks, analysis of the implications, and drawing conclusions and modifications to the existing policies as expected. The ability of the company to set early warning and signals of any potential breaches of the risk compliances. The risk monitoring compliance and reporting would require holistic risk monitoring and periodic reviewing, the outcomes following risk policy violations and possible sanctions, comparing progress made in risk identification, and risk treatment plan, and reviewing and updating the risk treatment promptly.

### 2.2 Theoretical Review

**The Stakeholder Theory:** The stakeholder theory was proposed by Edward in the year 1984 when Freeman defined stakeholders as a group of people who are directly or indirectly affected by the actions and inactions, and the success or failure of organizations (Al-Matari et al. 2014)). The stakeholder theory suggested that stakeholders are essentially significant in the success of organizations and that the absence of stakeholders could lead to corporate failure and weak corporate growth. Ang et al. (2000) reported that the stakeholders include the employees for salaries, wages, and bonuses, the government for tax revenue, customers for prompt and regular service, suppliers for prompt payment and contractual obligations, and the community and society for social interaction and operational legitimacy, the trade unions for amicable wages negotiations, and the general public for fair treatment and quality of products and services. The stakeholder theory further suggested that managers need to give due recognition to the concerns of the stakeholders in all strategic decisions (Balagobei & Selvaratman, 2015; Balagobie, 2018).

The stakeholder theory reflects the interrelationship between the global capitalist and the other stakeholders who are important in the business transaction and play important roles in the organizational structure (Ballou et al., 2006). According to Crane et al. (2013), stakeholder theory tends to consider the need for a corporate organization to have a symbiotic business and economic association between companies and their stakeholders in order to actualize the wealth creation objective of companies. Chisasa and Young (2013) noted that existing investors and potential investors tend to be motivated when there is good news in the stakeholder relation rather than bad news resulting from poor product quality or lack of legitimacy due to unethical practices, which will likely impact negatively on corporate stock prices and demand of corporate shares.

**Agency Theory:** Agency theory suggested in the literature that both the agents and the principals have mutual responsibility to each other. For instance, Ahmed et al. (2015) suggested that in resolving the agency problem, agency costs become inevitable and that shareholders are greatly concerned about bridging information asymmetry. Ajekwe and Ibiamke (2017) reported that both the principals as well as the agents are motivated by self-interests as the prevailing in the principal-agent relationship. The assumptions of self-interest tend to be the main causes of conflict of interest that have remained inevitable in the relationship. The theory assumes that the interest of the agents and that of the principals are



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alignments. According to Alaa and Mukhtar (2017), the agents are riding on the resources of the principals to pursue self-interests and human beings are insatiable by nature and both the agents and the principals cannot be satisfied with actions one for the other.

Supporters of agency theory have suggested that conflicts of interest are essentially inevitable in any mutual contractual relationship between agents and principals in real-life circumstances. For instance, Alao (2013) suggested that the theory offers corporate directors to embark on investment decisions that could improve shareholders' wealth maximization models. Aliyu et al. (2016) reported that agency theory and the associated conflicts have encouraged shareholders to attract quality managers as well as retain them who have shown enough character and confidence of meeting their needs. The agency theory has encouraged the better performance of the managers and adequate remuneration to motivate transparency and pursuance o investments that will increase shareholders' wealth. Angell and Brewer (2017) documented that agency theory is closely related to the understanding and dynamics of corporate governance practices and effective managerial phenomena.

### 2.3 Empirical Review

Mohy-Uddin and Raza (2022) investigated the effect of shareholders' dividend payment and risk management by the directors on financial performance and cost-efficiency. The study used descriptive statistics and multiple regression analysis, using panel data regression model for the study. The result of the analysis revealed that shareholders' dividend payment and effective risk management had a positive effect on the return on assets and regular dividend payment rating and financial performance of the companies. Mohy-Uddin and Raza (2022)'s study is in congruence with the study done by Egiyi and Okafor (2022), which revealed that enterprise risk management had a positive effect on return on equity, return on assets, and dividend yield. Contrary to Mohy-Uddin and Raza (2022)'s study by Parastoo and Mardani (2020) whose analysis revealed that enterprise risk management had a negative effect on dividend payment as a measure of the performance of the companies sampled in the study.

Elbanna et al. 2020) investigated the importance and effect of audit quality on the present and future performance of companies. The study employed *expo facto* research for a period of 10 years, using financial statements as the source of the data used for the study. The regression analysis carried out revealed that audit quality had a positive effect on dividend payments now and in the future of many organizations in Arab Middle East countries. This study is in concordance with the study done by Sakawa and Watanabel (2020), which revealed that institutional ownership had a positive effect on the financial performance of the companies sampled. Contrarily, the study done by Elbanna et al. 2020) is not in concordance with the study done by Otero et al. 2020) whose study showed that enterprise risk management had a negative and insignificant effect on return on assets and dividend payment of the banks, suggesting that liquidity enhances dividend payment.

Nwaobia and Ajayi (2020) carried an investigation of the effect of financial reporting quality on shareholders' wealth maximization of companies listed in Nigeria. The study consisted of a pollution of 173 companies and a sample of 10 companies were selected using purposively sampling techniques for a period of 10 years covering 2008 to 2017. The study data were extracted from the financial statement of the companies, while descriptive statistics and multiple regression analysis were carried out. The result of the study revealed that shareholders' wealth maximization was significantly affected by financial reporting quality. In addition, the study equally found that each of earnings persistence, earnings smoothing had a negative significant effect on shareholders' wealth maximization respectively. The study recommended that management of the companies should show high level of managerial competence to improve shareholders' wealth maximization and equity rewards to shareholders. Nwaobia and ASjayi (2020)'s study is in concordance with the study of (Sattar et al., 2020). In less competitive companies, the study found that audit quality and transparency were not guaranteed as such, audit quality exhibited a negative effect on shareholders' wealth maximization. On the contrary, the result obtained by Nwaobia and Ajayi (2020)'s study is not in compliance with the result derived from the study done by Alhababsah (2019) that found that based on F-statistics of joint result, the study revealed that audit quality had a positive significant effect on shareholders' wealth creation of the listed companies in Jordan.

Scattar et al. 2020) carried out an investigation of the effect of audit quality, transparency, and accountability on shareholders' wealth maximization of private and public manufacturing companies in Pakistan. Using generalized method of moment the study found that audit quality, transparency, and accountability had a positive significant effect on shareholders' wealth maximization of the companies investigated involved in high competitive in the capital market. In addition, in less competitive companies, the study found that audit quality and transparency were not guaranteed as such, audit quality exhibited a negative effect on shareholders' wealth maximization. Scattar et al. 2020)'s study is in consonance with the study of (Nwaobia & Ajayi, 2020). The study found that each of earnings persistence, earnings smoothing had a negative significant effect on shareholders' wealth maximization respectively. Contrarily, the study of Scattar et al. 2020) is not in consonance with the research work of Alhababsah (2019) whose study revealed that audit quality had a positive significant effect on shareholders' wealth creation of the listed companies in Jordan.

Adegboyegun et al. 2020) examined the influence of integrated reporting on return on equity and economic value added as measures of corporate performance. The study employed pooled panel data analysis for the study for a period of 10 years. Based on the regression analysis conducted, the study found that audit quality and integration reporting exerted a positive effect on return on equity and economic value added of the selected and sampled deposit money banks for the period under consideration. This study is in accordance with the study concluded by Ademola et al. (2020), whose study found that audit rotation enhanced audit quality and audit quality had a positive effect on economic value added and equity returns of the sampled companies. Conversely,



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this study is not in accordance with Bensaada and Noria (2019)'s study which concluded that enterprise risk management had a negative effect on the assets growth performance of the companies tested in the study.

Adegboyegun et al. (2020) investigated the effect of audit quality and fair value accounting on assets growth as a measure of corporate performance reporting in Nigeria. Secondary data was employed, using financial statements obtained from the selected companies. The study employed dividend yield, return on equity, and return on assets as measures of corporate performance. Descriptive statistics and inferential analysis were used for the data analysis. The result of the analysis revealed that quality and fair value accounting had a negative effect on dividend yield. However, the study found that value relevance had a positive effect on asset growth and corporate reporting. This study is in consonance with Bensaada and Noria (2019)'s study which concluded that enterprise risk management had a negative effect on the assets growth performance of the companies tested in the study. On the other hand, this study is not in consonance with Ademola et al. (2020)'s study which found that audit rotation enhanced audit quality and audit quality had a positive effect on economic value added and equity returns of the sampled companies.

## 3. Methodology

The study examined the effect of audit quality and enterprise risk management on stsock returns of multinational manufacturing companies listed in Nigeria. The study employed *ex-post facto* research design. The population comprised 32 multinational manufacturing companies listed on the Nigerian Exchange Group (NGX) as at 31st December 2021. Fourteen firms with relevant data were purposively selected. The reliability and reliability of data were premised on the certification of external auditors. A period covering 15 years spanning from (2007 - 2021), were extracted from published annual reports and sustainability reports of the sampled firms. Reliability of the data was premised on the auditors' and regulatory agencies certification of the source documents. Descriptive and inferential (multiple regression) statistics were used to analyzed the data at 5% significant level.

**Model Specifications**

$Y_{it} = \beta_0 + BX_{it} + \mu_{it}$

**Functional Specification**

SRTS = *f*(ADINDP, ADFS, ADCCM, RMCR, RAT

Model

$SRTS_{it} = \alpha_0 + \beta_1 ADINDP_{it} + \beta_2 ADFS_{it} + \beta_3 ADCCM_{it} + \beta_4 RMCR_{it} + \beta_5 RAT_{it} + \mu_{it}$

Where:

SRTS = Stock Returns, ADINDP = Audit Independence, ADFS = Audit Firm Size

ADCCM = Audit Committee Composition, RMCR = Risk Monitoring, Compliance and Reporting

RAT = Risk Appetite and Tolerance.

## 4. Data Analysis, Results, and Discussions

The purpose of this analysis in this subsection is to investigate the relationship between audit quality, enterprise risk management proxies, and stock returns. This study uses a pooled panel regression model to explore the impact of audit committee independence, audit firm size, audit committee composition, risk monitoring, compliance and reporting, and risk appetite and tolerance on stock returns. The analysis reports the estimated coefficients, standard errors, t-statistics, and p-values of each variable in the model. The adjusted R square and F-statistics are used to assess the overall fit of the model.

**Table 1: Regression and Post-Estimation Results**

| Variables | Coeff | Std. Err | T-Stat | Prob |
|---|---|---|---|---|
| Constant | 119.908 | 75.886 | 1.58 | 0.116 |
| ADINDP | 0.2748 | 0.3175 | 0.87 | 0.388 |
| ADFS | -13.0973 | 20.1617 | -0.65 | 0. 517 |
| ADCC | -18.3907 | 13.0667 | -1.41 | 0.161 |
| RMCR | 7.3423 | 12.312 | 0.60 | 0.552 |
| RAT | -5.9858 | 16.6802 | -0.36 | 0.720 |
| Adj $R^2$ | 0.0482 | | | |
| F-Stat/Wald Stat (Prob) | F(5, 201) = 1.20 (0.3121) | | | |
| Hausman Test | chi2(5) = 1.05 (0.958) | | | |
| Testparm Test/LM Test | F(14, 174) = 0.00 (1.000) | | | |
| Heteroskedasticity Test | chi2(5) = 154.03 (0.000) | | | |
| Autocorrelation Test | F(1, 13) = 1.452 (0.2497) | | | |

*Dependent Variable: SRTS*
***Source**: Author's Work (2023)*
*Note: all the analysis was tested at 5% significance level*

**Post-Estimation Results**

Again, the result of the Hausman test with the *p-value* of 0.958, being above the 5 percent level of significance chosen for the study reveals that random effect is the appropriate estimator according to its null hypothesis which states that there is presence of unsystematic difference in the model coefficients; thus, the study failed to reject the null hypothesis. The result of the confirmation test (Testparm) carried out, having *p-value* of 1.000 however does not support the outcome of the Hausman test which attested that the random effect estimation technique is the best estimating technique for the Model, hence, we chose pooled ordinary least square (OLS). The result of the heteroskedasticity test ($p$ = 0.000) and autocorrelation test ($p$ = 0.2497) revealed that the model suffer heteroskedasticity issue but not autocorrelation issue. Thus the analysis was carried out using the pooled regression estimator with robust standard error.



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Regression Equation Results

$SRTS_{it} = \alpha_0 + \beta_1 ADINDP_{it} + \beta_2 ADFS_{it} + \beta_3 ADCC_{it} + \beta_4 RMCR_{it} + \beta_5 RAT_{it} + \mu_{it}$

$SRTS_{it} = 119.908 + 0.2748 ADINDP_{it} - 13.0973 ADFS_{it} - 18.3907 ADCC_{it} + 7.3423 RMCR_{it} - 5.9858 RAT_{it}$

The adjusted R square of the model is 0.0482, indicating that only 4.82% of the variation in stock returns is explained by the independent variables. The F-statistic for the model is 1.20 with a p-value of 0.3121, indicating that the model does not provide a good fit for the data.

The results show that the coefficient for ADINDP is 0.2748 with a standard error of 0.3175. The t-statistic is 0.87 with a p-value of 0.388, indicating that the relationship between ADINDP and stock returns is not statistically significant. Similarly, the coefficient for RMCR is 7.3423 with a standard error of 12.312. The t-statistic is 0.60 with a p-value of 0.552, indicating that the relationship between RMCR and stock returns is also not statistically significant.

Furthermore, the coefficient for ADFS is -13.0973 with a standard error of 20.1617. The t-statistic is -0.65 with a p-value of 0.517, indicating that the relationship between ADFS and stock returns is not statistically significant. The coefficient for ADCC is -18.3907 with a standard error of 13.0667. The t-statistic is -1.41 with a p-value of 0.161, indicating that the relationship between ADCC and stock returns is also insignificant. Finally, the coefficient for RAT is -5.9858 with a standard error of 16.6802. The t-statistic is -0.36 with a p-value of 0.720, indicating that the relationship between RAT and stock returns is not statistically significant. At a 5 % level of significance and degree of freedom of 5,210, the F/Wald-test of 5.20 with a probability value of 0.3021 which is more than 0.05 level. Based on this, the study failed to reject the null hypothesis and rather rejected the alternative intead. Consequently, this implied that there is no significant effect of audit quality and enterprise risk management on stock returns of multinational manufacturing companies listed in Nigeria"

**Discussion of Findings**

This model examined the effect of audit quality, enterprise risk management on stock returns of listed multinational manufacturing companies in Nigeria. Based on the estimation conducted, the study found in this model mixed results of individual explanatory variables in the model. For instance, the study revealed that none of the variables in the model exhibited significant effect, while audit committee independence, and risk monitoring, compliance, and reporting revealed positive insignificant, while audit fees and audit exerted negative and insignificant effects. However, based on the joint statistics using the combination of the entire explanatory variables showed a positive insignificant effect. This implied that audit quality and enterprise risk management had a positive but insignificant effect on stock returns of the multinational manufacturing companies listed in Nigeria.

This result is similar with some of the results reported by some previous studied by Parastoo and Mardani (2020); Nwaobia and Ajayi (2020); Bensaada and Noria (2019); Agana et al. (2022); Rasheed et al. (2019); Balagobei and Selvaratnam (2018) who equally reported negative effects. However, on the contrary, the result was found to be dissimilar with some previous studies by. Mohy-Uddin and Raza (2022); Eya et al. (2020); Cosma et al. (2018); Awa and Obinabo (2020); Elbanna et al. (2020); Sakawa and Watanabel (2020); Sattar et al. (2020); Chou and Buchadadi (2017); Alhababsah (2019); Udoka and Orok (2017); Adegboyegun et al. (2020); Ademola et al. (2020); Osemene and Fakile (2020); Rana et al. (2017); Akintoye and Akinadewo (2018); Teoh et al. (2017) who documented significant effects

## 5. Conclusion, Recommendations, and Contribution to Knowledge

This study investigates the relationship between audit quality, enterprise risk management proxies, and stock returns using a pooled panel regression model. The results show that there is no statistically significant relationship between audit quality and enterprise risk management proxies. The lack of statistical significance for audit committee independence (ADINDP), audit firm size (ADFS), audit committee composition (ADCC), risk monitoring, compliance and reporting (RMCR), and risk appetite and tolerance (RAT) suggests that these variables are not good predictors of stock returns in the context of this study during the period under review. The empirical result revealed mixed reactions of individual effects as each of audit committee independence, audit fees, audit committee composition, risk monitoring, compliance and reporting, and risk appetite and tolerance had insignificant effects. However, based on joint explanatory variables analysis result showed that audit quality and enterprise risk management had a positive effect on stock returns of multinational manufacturing companies listed in Nigeria.

The study recommended that the legal and business policy regulators in Nigeria bodies saddled with the responsibility of regulating risks related compliances, legal and regulatory framework in relation to risks and safety should intensify efforts to protect the stakeholders' investments in the multinational manufacturing companies operating in Nigeria as reckless attitude of the management and weak corporate governance had impacted on the inactive or poorly constitute audit committee composition. Given the result in objective three which revealed that audit committee composition and audit fee exerted negative effects on asset growth of the multinational manufacturing companies in Nigeria.

This study has contributed the existing knowledge in the literature. Naturally, investors would desire reliable, credible, and timely information from the financial performance of companies where they had made invested their funds, this study had contributed in this respect. The investors rely heavily on the professional skills and expertise of the auditors to present an honest accounting information report of the true and fair financial position of the companies audited by the auditors. Investors who wish to invest in the capital market or in corporate organizations would find this study beneficial in making an informed investment decisions and divestment options, trusting that the reports as audited by the auditors are of high quality and inherent enterprise risk were well managed.



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