Ownership Structure and Audit Firm Selection in Listed Non-Financial Firms in Nigeria

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Abstract

This study examines the influence of ownership structure on audit firm selection in listed non-financial firms in Nigeria. Using secondary data from 67 non-financial firms over a 10-year period (2015–2024), the study employed a stratified random sampling technique and panel data regression analysis to investigate the relationship between institutional ownership, block family ownership, government ownership, audit committee independence, and firm size on the likelihood of selecting high-quality audit firms (Big 4 auditors). The findings revealed that institutional ownership has a positive and significant effect on audit firm selection, suggesting that firms with strong institutional investors are more likely to engage reputable auditors due to higher corporate governance standards. Block family ownership negatively influences audit firm selection, implying that family-controlled firms may prefer lower-tier auditors to maintain greater financial control and reduce audit costs, while Government ownership exhibits a weak negative effect, likely due to political influences and internal audit mechanisms. Audit committee independence does not significantly impact audit firm selection, indicating that independent audit committees alone may not be sufficient to influence audit choices in the presence of dominant ownership structures. Firm size, however, has a strong positive effect, with larger firms more likely to engage top-tier auditors due to increased transparency requirements. This study recommends that firms should be encouraged to engage Big 4 audit firms or enhance audit quality standards for non-Big 4 firms so as to ensure financial transparency and investor confidence.

Keywords: Audit firm selection, Big 4 auditors, Corporate governance, Institutional ownership & Ownership structure

Introduction

The selection of an audit firm is a critical corporate governance decision either by the manager or the other stakeholder that influences financial reporting quality, investor confidence, public scrutiny and overall corporate accountability of the firm. In unpredictable and markets like Nigeria occasioned by government policy volatility, where regulatory frameworks are evolving and ownership structures vary significantly across firms, understanding the determinants of audit firm selection becomes imperative and a key indicator of the reliability of the financial reporting process. Particularly, the choice between a Big 4 audit firm and a non-Big 4 firm reflects firms' strategic priorities regarding credibility, financial transparency, and compliance with international reporting standards.

Prior studies (Adamu & Haruna, 2020; Angsoyiri, 2021; Ogboi & Okolie, 2024) suggest that ownership structure plays an important role in shaping corporate governance practices, including the decision to engage a reputable audit firm (AUDF). Institutional ownership (INSTOW), block family ownership (BFOW), and government ownership (GOVO) exert varying degrees of influence on managerial decision-making and external monitoring mechanisms (Iliya, Abubakar & Shagari, 2024; Sinebe, 2024). Institutional investors often demand higher audit quality to mitigate information asymmetry and ensure financial statement reliability, while family-controlled firms may prioritize cost efficiency and family tradition and consequently retain more influence

over auditors (Ado, Rashid, Mustapha & Ademola, 2020; Egbunike, Okoro & Sinebe, 2023; Olusola, 2024). Similarly, government-owned enterprises may select auditors based on regulatory expectations and political considerations rather than financial reporting quality alone. Audit committee independence further contributes to audit firm selection by reinforcing oversight and reducing managerial discretion in auditor appointments. A strong and independent audit committee is more likely to advocate for high-quality auditors to enhance financial statement credibility and investor trust (Aanu, Odianonsen & Foyeke, 2014; Sinebe, 2023a). Additionally, firm size (FSIZE) acts as a control variable, as larger firms with greater public visibility and complex financial transactions are more inclined to engage Big 4 auditors due to their specialized expertise and global reach.

Given the significance of these factors, this study aims to examine the relationship between ownership structure and audit firm selection in Nigerian firms, with a particular focus on the likelihood of engaging a Big 4 audit firm. The findings aim to contribute to the corporate governance literature and offer practical implications for regulators, investors, and policymakers in Nigeria's evolving business landscape.

Statement of the Problem

The selection of an audit firm, particularly whether a company engages a Big 4 or non-Big 4 audit firm, plays a critical role in ensuring financial transparency, investor confidence, and regulatory compliance. In Nigeria, where corporate governance mechanisms continue to evolve, ownership structure has been identified as a key determinant of audit quality and firm accountability. However, the extent to which different ownership types influence audit firm selection remains a subject of debate.

Institutional investors are often associated with strong corporate governance practices and may prefer reputable audit firms to ensure credibility. Similarly, block family ownership can lead to entrenchment, potentially affecting the choice of auditors either to maintain independence or to facilitate earnings management. Government ownership introduces another dimension, as state-controlled firms may be subject to political influences in selecting auditors. Furthermore, an independent audit committee is expected to enhance oversight and promote objective audit firm selection, yet its effectiveness in this regard within Nigerian firms is unclear. Additionally, firm size may play a role in determining audit firm selection, as larger firms often require the expertise and global reputation of Big 4 audit firms.

Despite the relevance of these factors, empirical evidence on their relationship with audit firm selection in Nigerian publicly listed firms remains limited. Understanding these dynamics is essential for policymakers, regulators, and corporate stakeholders aiming to strengthen corporate governance and improve financial reporting quality.

Hypothesis

The following hypothesis is set out to guide the focus of this study.

$H0_1$: There is no significant relationship between institutional ownership and audit firm selection in listed non-financial firms in Nigeria.

$H0_2$: There is no significant relationship between block family ownership and audit firm selection in listed non-financial firms in Nigeria.

H0$_3$: There is no significant relationship between government ownership and audit firm selection in listed non-financial firms in Nigeria

H0$_4$: There is no significant relationship between audit committee independence and audit firm selection in listed non-financial firms in Nigeria.

H0$_5$: There is no significant relationship between firm size and audit firm selection in listed non-financial firms in Nigeria.

Theoretical Framework

This study is anchored on the "Resource Dependence Theory" as propounded by Pfeffer and Salancik in 1978. The theory states that, organisations largely depend on external resources to grow and to survive. It argues that organizations must change, negotiate, and interact, adapt or adopt new methods with their environment in order to obtain the resources they need f or their survival, and this dependence shapes their behavior. Based on this theory, it can be seen that the providers of funds, the management and all individuals or firms who dictate the direction of the firms, ultimately dictates who the auditor would and how long such engagement can last. One of the limitations of this theory is that it creates an environment where organisations could lay too much emphasis on external constraints thereby limiting its internal potentials. By over relying on how the firm is perceived from the outside, firms seek external expertise and legitimacy by engaging Big 4 auditors, even beyond their financial capability, as big firms which rely on access to global markets and external capital, are more inclined to appoint top-tier auditors to enhance their reputation and investor confidence. Conversely, family-owned businesses may prefer non-Big 4 auditors to minimize costs and maintain managerial discretion, unless external financing necessitates a higher level of audit assurance. These theoretical perspectives provide a foundation for understanding how ownership structures and audit committee independence choices influence how audit firm are selected in Nigerian listed firms.

Institutional Ownership and Audit Firm Selection

Institutional investors are known for advocating higher financial transparency and strong corporate governance. Studies indicate that institutional ownership is positively associated with the selection of Big 4 auditors due to the perceived need for enhanced audit quality and credibility (Aribaba, Samson & Egbewole, 2022; Olusola, 2024; Al Shbail, Jaradat, Al-Hawamleh, Hamdan & Musleh Alsartawi, 2025). Institutional investors exert pressure on firms to engage reputable auditors to reduce information asymmetry and increase investor confidence (Saleh, Eleyan & Maigoshi, 2024). However, some scholars argued that the impact of institutional ownership varies depending on the regulatory environment and the level of investor activism (Sinebe & Okolo, 2022; Kirk, 2024; Al-Qadasi, 2024; Saleh, et al. 2024).

Block Family Ownership and Audit Firm Selection

Block family ownership occurs when a significant proportion of a firm's equity is held by a family or a closely related group. Research suggests that family-owned firms may have unique incentives when selecting auditors. Some studies argue that family-controlled firms prefer non-Big 4 auditors to reduce costs and limit external scrutiny (Al-Okaily, 2020; Apochi, Mohammed & Yahaya, 2022; Lamido, Ibrahim & Yahaya, 2023). Conversely, other scholars propose that family firms seeking external financing or listing on stock markets are more inclined to engage Big 4 auditors to signal credibility and transparency to investors (Jeroh, 2018; Abudy, Amir & Shust, 2024). The dual role of block family owners as both managers and shareholders raise concerns about self-interest,

which may affect audit firm selection strategies (Abdelmoneim, 2024; Schweiger, Matzler, Hautz & de Massis, (2024).

Government Ownership and Audit Firm Selection

Government-owned firms often operate under different governance mechanisms compared to private sector firms. Some studies suggest that firms with government ownership are more likely to engage Big 4 auditors due to heightened regulatory oversight and public accountability (Muhammed, Dogarawa, Shittu & Ahmed, 2020; Alhassan & Mamuda, 2020). However, in certain cases, government-owned firms may opt for non-Big 4 auditors due to political influence and reduced pressure for financial transparency (Musa, 2023; Salihu, Barde & Adamu, 2024). The level of government intervention in corporate decision-making significantly influences the audit firm selection process, particularly in emerging markets with weaker regulatory enforcement (Ogboi, et al, 2024).

Audit Committee Independence and Audit Firm Selection

An independent audit committee is essential for ensuring audit quality and oversight of financial reporting processes. Studies indicate that firms with independent audit committees are more likely to engage Big 4 auditors to enhance audit credibility and mitigate financial reporting risks (Adebiyi, Naburgi, Mohammed & Umar, 2024). Independent directors play a crucial role in the objectivity of audit firm selection, reducing managerial influence over auditor choice (Ide, Jeroh & Ebiaghan, 2021; Kassem & Omoteso, 2024). In contrast, firms with weaker audit committees may allow managerial preferences to dominate, leading to lower-quality auditor selection (Sinebe, 2023b; Pham, Nguyen & Tran, 2025). Given Nigeria's evolving corporate governance landscape, audit committee independence is expected to play a key role in determining the selection of reputable audit firms.

Control Variable: Firm Size

Firm size is another important determinant of audit firm selection, as larger firms tend to have more complex and automated financial transactions and greater public scrutiny as against smaller firms. Empirical evidence suggests that large firms are more inclined to engage Big 4 auditors due to their expertise, reputation, and global presence (Muotoo, & Odum, 2024). On the other hand, smaller firms often choose non-Big 4 auditors due to lower audit fees and reduced external monitoring (Okolo & Sinebe, 2025). In emerging markets, the availability of high-quality auditors also influences firm size's impact on audit selection, while larger firms with significant market capitalization may prefer Big 4 auditors to enhance credibility among investors and regulatory bodies.

Empirical Review

The impact of institutional ownership on audit quality in Nigerian manufacturing firms was carried out by Olusola (2024). The study applied an experimental research design and multiple regression analysis. Findings showed that the explanatory variables accounted for 16.4% of changes in auditors' tenure. Institutional ownership had a negative but insignificant impact on auditors' tenure (β = -0.339; p = 0.304). The study concluded that institutional ownership did not significantly influence audit quality. It recommended future research on audit fees, audit size, and audit committee independence to provide more conclusive results.

The longitudinal research design was used by Adebiyi *et al* (2024) to study secondary data from 16 listed firms (2014–2023). Findings revealed that audit tenure and audit fees negatively affected

audit quality, while audit committee independence strengthened their impact. The study recommended periodic auditor rotation, transparency in fee negotiations, and stricter audit committee oversight to enhance corporate governance, regulatory compliance, and audit quality, ultimately improving investor confidence.

The ex-post facto and correlational research design was used by Iliya *et al* (2024) to analyse data from annual reports of 11 sampled companies out of 21. Multiple regression analysis in STATA 14 revealed that audit committee meetings and size negatively impacted performance, while block holders and institutional ownership had positive effects. Audit quality moderated the relationships except for institutional ownership. The study recommended increasing institutional shareholding and strengthening corporate governance mechanisms for improved audit effectiveness.

In a study of how the performance-aspiration gap influences strategic change in family firms and emphasizing the moderating role of family ownership by Schweiger *et al* (2024), the study was grounded in socioemotional wealth (SEW) theory, the study highlights that family firms prioritize control, exhibit risk aversion, and maintain long-term interests, making them less responsive to economic fluctuations. By analysing publicly listed European firms (2007–2016), the findings reveal that firm success discourages strategic change, with family ownership further reinforcing resistance. This underscores the distinct decision-making dynamics of family businesses, where continuity prevails over reactive adjustments, contributing to corporate governance and strategic management research.

Using data from Athens Stock Exchange firms (2014–2018) and a logit regression model, Fasoulas Chytis, Lekarakou and Tasios, (2024) examined how corporate governance mechanisms influence auditor choice in Greece. the study finds that firms with larger boards, more independent directors, and greater female representation are more likely to select Big Four auditors. Conversely, family-owned firms prefer non-Big Four auditors, maintaining control over financial reporting. The findings highlight governance structures' impact on audit quality in an emerging market. The study offers insights for regulators, investors, and policymakers, emphasizing the need for governance reforms to enhance transparency and financial accountability.

Using data from 75 firms (2013–2022) and advanced regression techniques, the study finds that firms with more independent audit committee members saw a 15% increase in ROA, while ownership concentration negatively affected performance, Azeez (2024) examined the impact of ownership structure and audit committees on the financial performance of listed non-financial firms in Nigeria. These results highlight the importance of corporate governance in financial oversight. The study recommends strengthening audit committees and diversifying ownership structures. Policymakers should implement governance reforms to enhance transparency. Future research should explore the long-term impact of governance changes on financial stability and shareholder value

Study Gap

Despite the growing body of research on ownership structure and audit firm selection, significant gaps remain, particularly in the context of emerging markets like Nigeria. Existing studies have predominantly focused on developed economies, where institutional frameworks, regulatory environments, and corporate governance practices differ significantly from those in Nigeria. The unique institutional setting in Nigeria, characterized by evolving corporate governance codes, regulatory inefficiencies, and political influences, necessitates further empirical investigation to understand how ownership structure affects audit firm selection.

Several studies have examined the relationship between ownership structure and audit-related variables. For example, Muhammed *et al* (2020) explored the effect of managerial and institutional ownership on auditor selection in financial service firms, but their study was limited to a single sector, ignoring other industries where ownership dynamics and audit firm choices may differ. Similarly, Olusola (2024) focused on institutional ownership and audit quality but did not find a significant impact, leaving room for further exploration of other ownership types, such as family and government ownership.

Additionally, prior studies have focused on different aspects of audit selection, such as audit fees (Ogboi *et al,* 2024), audit quality (Adebiyi *et al,* 2024), and audit report timeliness (Muotoo *et al,* 2024), but have not comprehensively analysed the determinants of audit firm selection. Moreover, while some studies have examined ownership concentration and its impact on firm performance (Aribaba *et al,* 2022), they have not explicitly linked these ownership structures to audit firm choices.

Despite extensive research on corporate governance, Schweiger *et al* (2024) explored the influence of the performance-aspiration gap on strategic change in family firms but do not examine how external economic shocks or institutional differences shape these effects. Similarly, Fasoulas *et al* (2024) assess auditor choice in Greece but overlook the role of industry-specific factors and evolving regulatory frameworks in audit selection. Additionally, Azeez (2024) investigates corporate governance and financial performance in Nigerian non-financial firms, yet fails to address sectoral variations and the long-term implications of governance changes. These studies collectively highlight the need for further exploration into the moderating effects of external institutional factors, the interplay between governance mechanisms across industries, and the sustainability of governance-driven performance improvements over time, particularly in emerging markets.

Given these limitations, this study seeks to fill the gap by providing a comprehensive analysis of ownership structure and audit firm selection in Nigeria, considering multiple ownership types, corporate governance mechanisms, and cross-industry variations. This will contribute to the literature by offering context-specific insights relevant to policymakers, regulators, and corporate stakeholders.

Methodology

The study made use of secondary data and employed the stratified random sampling technique to select sixty-seven (67) non-financial firms for a period ten (10) years, between the period of 2015 - 2024, while the panel data analytical technique was adopted for the data analysis.

Model Specifications

The model for this study is stated in econometrics terms below as;

$AFS = f(AUDF + INSTOW + BFOW + GOVOW + ACIND + FSIZE)$

$AUDF_{it} = \alpha_0 + \beta_1 INSTOW_{it} + \beta_2 BFOW_{it} + \beta_3 GOVO_{it} + \beta_4 ACIND_{it} + \beta_5 FSISZE_{it} + e_{it}$

f = Stochastic error term capturing other unexplanatory variables

ε_t = error term

ί = firm identifier (70 firms)

t = time variable (10 Years)

αo is the intercept of the regression.

β_1, β_2 , β_3, β_4 and β_5 are the co-efficient of the regression equation.

The Apriori expectation: β_1, β_2, β_3, β_4 and β_5 is less or greater than 0.

Result of the Findings

Descriptive statistics

Table 1: Summary of Descriptive statistics of the variables

VARIABLES	OBS	MEAN	STD. DEV	MIN	MAX
AUDF	670	.5328358	.4992934	0	1
INSTOW	670	47.75522	26.04635	0	95
BFOW	670	6.752239	13.14373	0	73
GOVO	670	.5358209	2.271761	0	14
ACIND	670	48.23981	40.68025	0	100
FSIZE	670	7.220328	13.71168	0	9.48

Source: *Regression Output, 2025.*

The descriptive statistics presented in Table 1 provide an overview of the key corporate governance and firm-specific variables under consideration in this study. The statistics summarize the distribution of the data. The mean value of 0.5328 suggests that about 53.3% of firms in the sample are audited by a Big 4 audit firm, while the remaining 46.7% are audited by non-Big 4 firms. The standard deviation (0.4993) indicates a balanced distribution of firms between these two groups. The near-even distribution of firms audited by Big 4 and non-Big 4 audit firms suggests that firms may choose auditors based on factors such as cost, reputation, and regulatory requirements. However, firms audited by non-Big 4 auditors may face concerns regarding audit quality and financial transparency. Institutional Ownership (INSTOW) mean institutional ownership is 47.76%, with a standard deviation of 26.05%. This implies that, though there is a wide variation in institutional holdings among firms, ranging from 0% to a maximum of 95%, some firms have little to no institutional ownership, while others are largely owned by institutional investors. The high variation in institutional ownership suggests differences in investor confidence and firm characteristics. The average block family ownership (BFOW) is 6.75%, with a high standard deviation of 13.14% suggests that some firms have significant family ownership (73%), while others have none. The presence of family ownership in some firms may indicate a concentration of control, which can lead to either strong governance or entrenchment risks. Firms with high family ownership may prioritize long-term sustainability but could also suffer from conflicts of interest. The mean value of Government Ownership (GOVO) 0.5358 and a standard deviation of 2.27 suggest that government ownership is generally low (between 0 to 14%) but can vary significantly across firms. The variation in government ownership suggests that some firms operate under strong state influence, which could affect their corporate governance structures. The mean value of audit committee independence (ACIND) is 48.24%, with a large standard deviation (40.68). This wide spread suggests that some firms have fully independent audit committees, while others have little to no independence. The wide dispersion in audit committee independence raises concerns about governance effectiveness. The mean firm size (FSIZE) is 7.22, with a standard deviation of 13.71, and ranges from 0 to 9.48. The standard deviation indicates a significant variation in firm sizes within the sample. The significant variation in firm size suggests structural differences in operations, profitability, and market influence.

Normality Test

Table 2: Shapiro-Wilk W test for normal data

VARIABLES	OBS	W	V	Z	PROB>Z
AUDF	670	0.99990	0.043	-7.687	1.00000
INSTOW	670	0.95924	17.863	7.020	0.00000
BFOW	670	0.83758	71.182	10.386	0.00000
GOVO	670	0.88903	48.632	9.459	0.00000
ACIND	670	0.86819	57.765	9.878	0.00000
FSIZE	670	0.98847	5.053	3.945	0.00004

Source: *Regression Output, 2025.*

The Shapiro-Wilk test results in Table 2 indicate that most of the variables (INSTOW, BFOW, GOVO, ACIND, and FSIZE) are not normally distributed (p-values < 0.05). The only exception is AUDF, which appears to be normally distributed. The lack of normality suggests potential issues in using parametric statistical techniques that assume normality, such as Ordinary Least Squares (OLS) regression. This deviation could be due to some variables having extreme values (outliers) causing skewness which can distort regression results or the presence of firms of varying sizes and ownership structures that may lead to an uneven distribution of data points. Since most variables are not normally distributed, the- study would consider using non-parametric statistical techniques for hypothesis testing.

Correlation Analysis

Table 3: Summary of Spearman Correlation Matrix

	AUDF	INSTOW	BFOW	GOVO	ACIND	FSIZE
AUDF	1.0000					
INSTOW	0.3490*	1.0000				
	0.0000					
BFOW	-0.4078*	-0.6248*	1.0000			
	0.0000	0.0000				
GOVO	0.0434 0.2618	0.2605*	-0.1570*	1.0000		
		0.0000	0.0000			
ACIND	0.0425 0.2714	0.1135*	-0.0587	0.0319	1.0000	
		0.0033	0.1289	0.4104		
FSIZE	0.4432* 0.0000	0.4005*	-0.5291*	-0.0534	0.0640	1.0000
		0.0000	0.0000	0.1674	0.0980	

Source: Regression Output, 2025.

From the Spearman correlation matrix in Table 2, AUDF is positively correlated with INSTOW (0.3490, p = 0.0000) and FSIZE (0.4432, p = 0.0000), meaning larger firms and those with higher institutional ownership are more likely to engage Big 4 auditors possibly due to higher scrutiny and regulatory demands, while being negatively correlated with BFOW (-0.4078, p = 0.0000), suggesting that firms with high family ownership tend to use non-Big 4 auditors. INSTOW is positively correlated with FSIZE (0.4005, p = 0.0000), implying that larger firms tend to have higher institutional ownership, while being negatively correlated with BFOW (-0.6248, p = 0.0000), indicating that firms with concentrated family ownership attract fewer institutional investors. BFOW is negatively correlated with AUDF (-0.4078, p = 0.0000) and INSTOW (-0.6248, p = 0.0000), showing that firms with strong family ownership rely less on institutional investors and Big 4 auditors, while being negatively correlated with FSIZE (-0.5291, p = 0.0000), meaning family-owned firms tend to be smaller. Furthermore, GOVO shows to be positively

correlated with INSTOW (0.2605, p = 0.0000), suggesting that government-affiliated firms attract institutional investors, while being negatively correlated with BFOW (-0.1570, p = 0.0000), meaning that government-controlled firms are less likely to have strong family ownership. Also, ACIND displays a weak correlation with other variables, suggesting that it is relatively independent of ownership structures and firm size, while FSIZE is positively correlated with AUDF (0.4432, p = 0.0000) and INSTOW (0.4005, p = 0.0000), indicating that larger firms are more likely to hire Big 4 auditors and attract institutional investors while the negative correlation with BFOW (-0.5291, p = 0.0000), suggests that family-owned firms tend to be smaller.

Result for Variance Inflation Factor (VIF) Test

Table 4: VIF Test Result

VARIABLE	VIF	1/VIF
INSTOW	1.62	0.615934
BFOW	1.54	0.649185
FIRMSIZE	1.26	0.791699
GOVO	1.08	0.922142
ACIND	1.01	0.993478
Mean VIF	1.30	

Source: *Regression Output, 2025.*

Analysis of the Variance Inflation Factor (VIF) Results in Table 3 shows that since all VIF values are below 5, there is no serious concern regarding multicollinearity. This means that the independent variables are not strongly correlated, ensuring that the regression model remains stable and reliable. With a Mean VIF of 1.30, indicating an overall low level of multicollinearity.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Table 5: Diagnostic Tests fitted values of AUDF

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity	
Decision rule	If p-value is statistically significant, then reject Ho and accept HA
Result	chi2(1) = 0.32; Prob>chi2= 0.5705

Source: Regression Output, 2025.

From the Breusch-Pagan / Cook-Weisberg test in Table 5, $Chi^2(1)$ is 0.32 and p-value = 0.5705. Since 0.5705 > 0.05, we fail to reject H_0, meaning there is no evidence of heteroskedasticity in the model. The test confirms that the variance of residuals is stable across observations, meaning the model is well-specified. This suggests that the standard errors of the estimated coefficients are reliable and will not lead to misleading inferences and we can confidently proceed with regression analysis without the need for corrective measures.

Hadri-LM-Unit Root Test

Table 6: *Results of the Panel Unit-Root Tests*

Variables	**Hadri-LM-Test**	
	Statistics	p-value
AUDF	25.7812	0.0000
INSTOW	19.0706	0.0000
BFOW	22.8259	0.0000
GOVO	14.9234	0.0000
ACIND	19.5915	0.0000
FSIZE	31.8223	0.0000

Source: Regression Output, 2025

The Hadri-LM unit root test is used to determine whether panel data variables are stationary or contain unit roots (non-stationary). From the results in Table 6, (AUDF, INSTOW, BFOW, GOVO, ACIND, FSIZE) have p-values of 0.0000, which are less than 0.05. This means H_0 is rejected, and accept the Alternate decision.

Hypothesis Testing

Table 7: Summary of regression analysis

AUDF	COEF.	STD. ERR.	z	P>|z|
INSTOW	.0040376	.0006092	6.63	0.000
BFOW	-.002826	.0006351	-4.45	0.000
GOVO	-.0069239	.0041775	-1.66	0.097
ACIND	-.0004575	.0006507	-0.70	0.482
FSIZE	.1868282	.010304	18.13	0.000
_CONS	-.9640761	.0949044	-10.16	0.000
N				670
R-squared				0.2338
Wald chi2(5)				418.27
Prob > F				0.0000

Source: Regression Output, 2025.

This regression analysis in Table 7 examines the relationship between dependent and independent variables. It shows that INSTOW with a coefficient of 0.0040376 and p-value: 0.000 shows that INSTOW has a positive and significant effect on audit firm selection. This implies that firms with strong institutional ownership may prefer high-quality audit firms (e.g., Big 4 auditors) due to stricter corporate governance standards. BFOW has a coefficient of -0.002826 and p-value 0.000 (statistically significant at 1% level) indicating that a 1% increase in family ownership reduces the likelihood of selecting a particular audit firm by 0.28%. this implies that family-controlled firms may be less likely to engage top-tier auditors due to cost concerns or a preference for greater control over financial reporting. GOVO with a coefficient of -0.0069239 and a p -value: 0.097 (marginally significant at 10% level) indicating that Government-owned firms may be less likely to engage top-tier auditors due to political influences or internal audit mechanisms. ACIND has a coefficient of -0.0004575 and a p-value: 0.482 (not statistically significant) meaning that Audit committee independence does not have a significant effect on audit firm selection. This implies that the independence of the audit committee may not be a major determinant of whether a firm hires a particular auditor. FSIZE has a coefficient 0.1868282 and a p-value 0.000 (statistically significant at 1% level) meaning that firm size has a strong positive effect on audit firm selection. Larger firms are significantly more likely to choose high-quality auditors as require greater financial transparency and tend to prefer reputable audit firms. Model Fit (R-squared, Wald chi^2, and Prob > F) indicate that 0.2338 (23.38% of the variation in audit firm selection is explained by the independent variables), Wald $chi^2(5)$ 418.27, while the model is statistically significant overall at a prob > F is 0.0000 indicating that the model is highly significant. The study confirms that institutional ownership and firm size significantly influence audit firm selection, while family ownership has a negative impact. Strengthening corporate governance can improve audit quality and financial transparency.

Discussion of Findings

The findings of this study highlight the significant role corporate governance mechanisms play in shaping firms' audit choices. It reveals that institutional ownership has a positive and statistically significant effect on audit firm selection, suggesting that firms with higher institutional ownership

are more inclined to engage reputable audit firms. This supports previous studies that emphasize the role of institutional investors in enhancing financial transparency and accountability (Olusola, 2024), while Institutional investors often demand high audit quality to mitigate agency problems and ensure the credibility of financial statements (Adamu, et al. 2020). Conversely, block family ownership negatively influences audit firm selection, indicating that family-controlled firms are less likely to engage top-tier audit firms. This finding aligns with the argument that family-owned firms prefer to maintain discretion over financial reporting and may opt for less rigorous audits to avoid external scrutiny (Al-Okaily, 2020). Prior studies suggest that family-controlled firms often exhibit weaker corporate governance structures, which may compromise audit quality (Oranefo, 2022). Additionally, government ownership exhibits a weakly significant negative effect on audit firm selection. This finding aligns with research indicating that state-owned enterprises often face political interference, which may reduce their incentive to hire top-tier auditors (Muhammed et al., 2020). Government-controlled firms may rely on internal regulatory frameworks rather than external audit quality assurance, leading to weaker financial oversight (Nawaiseh, Bader & Nawaiseh, 2019). The findings further indicate that audit committee independence is statistically insignificant in influencing audit firm selection. This contradicts existing literature that emphasizes the role of independent audit committees in strengthening financial oversight (Aanu *et al,* 2014). A possible explanation is that while audit committees exist, their effectiveness may be undermined by dominant ownership structures that exert control over financial decisions (Adebiyi *et al*, 2024). Finally, firm size has a strong positive effect on audit firm selection, confirming prior studies that larger firms tend to engage reputable auditors due to higher regulatory scrutiny and investor expectations (Dehkordi & Makarem, 2011). Large firms require high-quality audits to maintain stakeholder confidence and comply with corporate governance regulations (Junaidu & Kabiru, 2022). These findings highlight the importance of ownership structure and governance mechanisms in shaping audit quality decisions, reinforcing the need for strengthened corporate governance practices to enhance financial transparency and investor confidence in Nigerian firms.

Conclusion

From the results of the study, it can be empirically concluded that Institutional Ownership has a positive and significant relationship on audit firm selection, indicating that firms with high institutional ownership are more likely to engage reputable auditors. Also, Block Family Ownership has a negative and significant relationship on audit firm selection, meaning family-controlled firms are less likely to choose top-tier audit firms. Furthermore, Government Ownership shows a negative relationship on audit firm selection. This suggests that government-controlled firms may face political influences that may also reduce their likelihood of engaging high-quality auditors and Audit Committee Independence does not significantly relationship audit firm selection. Firm Size on the other hand has a strong positive relationship with the audit firm selection, with larger firms being more likely to engage top-tier auditors. This implies that the existence of independent audit committees alone may not be sufficient to influence audit decisions, possibly due to dominant ownership structures overriding their influence. This finding aligns with the expectation that large firms require high-quality audits to maintain financial credibility and regulatory compliance.

Recommendations

Based on the findings, the following recommendations are made:

i. Since institutional ownership positively influences audit firm selection, regulatory bodies and policymakers should promote institutional investor participation in corporate governance.

ii. Given the negative relationship between block family ownership and audit firm selection, family-controlled firms should be encouraged to prioritize audit quality over control concerns.

iii. As government ownership negatively impacts audit firm selection, reforms should focus on reducing political influence in corporate governance. Government-controlled firms should be required to adopt independent audit selection processes that prioritize audit quality and accountability.

iv. Since audit committee independence does not significantly affect audit firm selection, audit committees should be given greater oversight authority and ensuring they operate independently of dominant ownership structures.

v. Regulators should encourage this practice across all firms by promoting audit quality standards and ensuring that even smaller firms have access to top-tier audit services.

By implementing these recommendations, corporate governance frameworks can be strengthened, leading to improved transparency, accountability, and audit quality in firms.

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