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AUDITORS' SWITCH DECISION AND FINANCIAL PERFORMANCE OF PUBLICLY LISTED NON-FINANCE COMPANIES IN NIGERIA

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ABSTRACT

This study investigated the relationship between auditors' switch decision and financial performance of publicly listed non-finance companies in Nigeria. *Ex-post facto* research design was used and panel data involving measures of auditors' switch decision (audit fees, audit opinion, big-4 audit firms and audit tenure) and financial performance (net profit after tax margin, earnings before interest and tax margin, earnings before interest, tax amortization and depreciation margin) were obtained from the audited financial statements from 2013-2023. Given the lack of studies that had not covered specific areas of Nigerian economy, companies in the natural resource, ICT, healthcare, agriculture and construction/real estate sectors were used. Data obtained were analyzed using descriptive, post-estimation and inferential statistical techniques. Specifically, the three stage least squares regression results revealed that auditors' switch decision significantly and negatively influence the level of financial performance of non-finance companies in Nigeria. The study recommends among others that the board should reconsider reviewing fees of auditors as well as encouraging audit tenure; this would lead to increased financial performance. In addition, there is the need for listed non-finance companies to engage more of the Big-4 audit firms in order to enhance financial performance.

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INTRODUCTION

In recent times, there have been numerous debates over the selection of auditor(s) and the justifications or rationales for changing auditors. Notably, when the contract of an audit firm expires, a company by law is expected to choose a new auditor or continue with the existing to carry out its external audit (Atlass, 2022). However, if a company deems it necessary to choose a new auditor, it gives rise to what is termed 'auditors' switch'. According to Matoke and Omwenga (2023), auditors' switch decision (ASD) entails the replacement of an existing auditor, leading to a selection of high-caliber and distinctive auditor so as to realign the features of an audit firm with expanding client needs. Switching auditors entails resignation and release from obligation to clients' company (Martani, Rahmah, Fitriany & Anggraita, 2021). Switching auditors can leave investors with negative feelings and low confidence in financial reporting, depending on if the auditors' switch is from the big-4 to the big-4 or the big-4 to the non-big 4 (Nnamma & Ekwueme, 2021). Mandatorily, listed companies are required to switch external auditors on a regular basis (e.g. every 3-9years). Proponents of ASD or audit rotation argue that compelling companies to switch auditors would enhance auditors' independence; hence preventing auditors from aligning with management to conceal financial misstatement (Sook, Seon, Dong & Seung, 2019). According to Yunawati and Zulkarnain (2019), issues with auditors' independence and quality of audit are the most vital factors influencing the choice(s) of listed companies to switch auditors. For instance, a survey by the World Bank revealed that Nigeria has over 2,000 audit firms that provide audit services to both listed and non-listed companies. Regardless of the fact that there are numerous audit firms in Nigeria, the big-4 audit firms (KPMG, Ernst & Young, Akintola Williams Deloitte and Pricewaterhouse Coopers) still dominate the audit market. Utomo, Zaky and Imang (2019) noted that the big-4 audit firms offer audit services to about 85 percent of Nigeria's publicly listed companies on the floor of Nigerian Exchange Group with the remaining 10 percent being national with international affiliations audit firms. Furthermore, the lack of in-depth empirical studies on the question of whether ASD may affect a cross-section of companies' financial performance in Nigeria appears to remain unanswered. ASD and financial performance often assume multi-dimensional concepts; hence Sook, Seon, Dong and Seung (2019) contend that a good ASD and financial performance indicators should be an ongoing empirical research process rather than discrete indicators. In accounting literature, there are robust empirical evidences on the factors that determine the choice of auditors and its relationship to financial performance in both developed and developing counties; although with conflicting findings. For instance, Sook, Seon, Dong and Seung (2019) in Korea found evidence that mandatorily switched audit firms have negative relationship with cost of equity. In the same vein, Utomo, Zaky and Imang (2019) in Nigeria documented a positive relationship between auditors' switch decision and managerial ownership. Atlass (2022) documented evidence of negative insignificant link between auditors switch decision and financial performance. Regardless of the plethora of empirical evidences in this subject area, there is absence of cross-sectional studies that cut across several sub-sectors in Nigeria. In specific terms, we found a near absence of cross-sectional study in sub-sectors such as natural resources, information and communication technology (ICT), healthcare, agriculture and construction and real estate. Thus, this study sought to bridge the gap by expanding existing literature to explore natural resources, ICT, healthcare, agriculture and construction and real estate in Nigeria. Again, available studies appear to have predominantly employed ordinary least square (fixed and random effects) estimation techniques for data analysis notwithstanding for certain weaknesses in endogenous variables that could result to bias and inconsistent estimates. Given the above, this study employed a three stage-least square (3-SLS) approach to resolve endogeneity problem linked with panel data. Against this backdrop, the study investigated the extent to which auditors' switch decisions (measured by big-4 audit firm, audit fees, audit opinion and audit tenure) affect financial performance (proxied by net profit after tax margin, earnings before interest and tax margin and earnings before interests, taxes, depreciation and amortization margin) of publicly listed non-finance companies in Nigeria.

REVIEW OF RELATED LITERAURE

Conceptual Review

Auditors' Switch Decision (ASD): Practically, companies that switch auditors are more probable to send negative signals to shareholders about reliability of financial reporting; this is mainly due to the perceptions of opinion shopping; where companies that are distressed attempt to avert unfavourable audit opinion by the auditor (Akrawah, Anichebe & Okunrobo, 2020). According to Ezejiofor and Okolocha (2000), publicly listed companies tend to switch auditors to avert negative opinion and this usually results to low quality of audit. The decision to switch auditors may impair auditors' independence and lower quality of audit (Olowookere & Inneh, 2016; and Okolie, 2014) Prior studies indicate that companies attempt to switch auditors do so after receiving qualified audit opinions (Singer & Zhang, 2017; Hussein, 2018; Matoke & Omwenga, 2023). According to Hussein (2018), switching of auditors is a strategic and cumbersome choice due to the numerous motivations and incentives to switch auditors. Thus, the board of directors may weigh the benefits of switching an auditor by looking at the minimal cost fit between client-auditors' coalition needs (Choi, Lim & Mali, 2017). Prior studies had emphasized the importance of researching the effect of ASD on financial performance. While some studies found a negative effect of ASD on financial performance, there are other studies found a positive effect of ASD on financial performance.

According to Gharibi and Geraeely (2016), the reason for the negative effect of ASD on financial performance is hinged on the fact that companies may dismiss auditors for audit opinion shopping or probably to find auditors who are willing to embrace aggressive accounting practices. In some other context, ASD is triggered due to the going-concern opinion disagreements, auditors' tenure and quality of audit (Hamza, Wan, Norfadzilah, Razana, Nadiah & Zarinah, 2018). Given the mixed viewpoints and results in the literature as well as the growing needs of companies to switch auditors, there is the need to examine the likely relationship between ASD and financial performance of companies in Nigeria. The critical elements of ASD include but not limited to audit opinion, audit fee, big-4 audit, and audit tenure. In this study, four (4) measures were employed - audit opinion, audit fee, big-4 audit, audit tenure, audit reappointment and audit rotation are briefly discussed as follows:

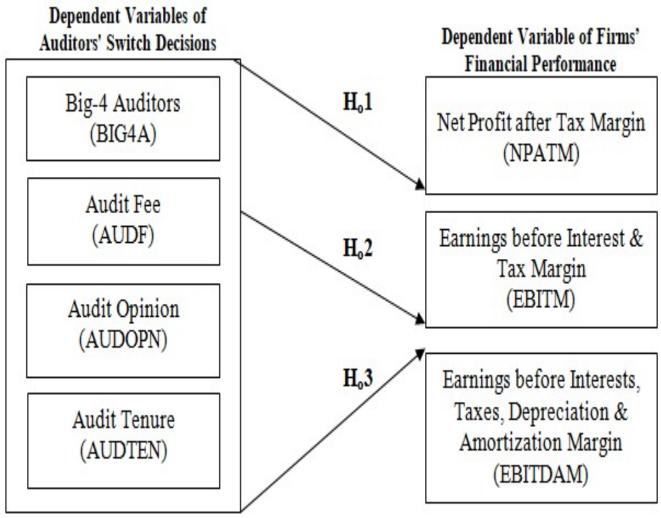
Audit Opinion : Audit opinion refers to a certification attached to the financial statements of an audited company. Audit opinion offers an opinion on whether there are financial misstatements in financial statements. Notably, publicly listed companies by law are expected to submit annual audited financial reports. According to Gwizu, Waeni, Chimanga, Saidi and Karasa (2017), because companies are compelled to show audited financial reports on the basis of the accounting methods employed in preparing the financial statements, auditors'-client conflict may ensue. The auditors'-client conflict usually arises when the auditors do not agree to a contentious accounting method employed by management. In the view of Choi, Lim and Mali (2017), if the auditors'-client conflict is not adequately resolved, it could lead to auditors' switching decision. It has been argued that disagreement with auditors' opinion influences auditors' switch decision. For instance, Totok, Rahmawati and Agung (2017) found that auditors' switch decision is more usually accompanied by auditors'-client disagreements.

Audit Fee: Audit fees refer to the costs incurred by corporations to pay auditors to audit firms' financial statements. The existing literature revealed that size of companies, complexity and profitability are the major factors driving audit costs incurred by a client company. According to Ezejiofor and Ezekwesili (2022), the fee paid to an auditor is one of the dynamics influencing ASD and hence it was employed as one of the measures of ASD. In the accounting literature, some measures have been employed to measure audit fee (Okolie, 2007; and Okolie, 2014). While some studies use amount paid to auditors in a current year or measured using the amount paid to auditors divided by the revenue earned in a current year. In this study, we measured audit fee as the fee paid to auditors divided by revenue; this was used because other variables used in the study are either dummy or ratios, hence we expressed audit fee as a ratio by dividing audit fee by revenue.

Big-4 Auditors: Practically, switching auditors can make investors have negative perception as well as low confidence in financial reporting. Usually, companies may switch auditors from the big-4 to big-4 or big-4 to non-big 4 (Nnamma & Ekwueme, 2021). In Nigeria, the big-4 audit firms include Akintola Williams, Deloitte and Touch; Ernst and Young (E&Y); Klynveld, Peat, Marwick and Goerdeler (KPMG) as well as PricewaterhouseCoopers (PwC). Companies are deemed to switch auditors on a regular basis and supporters of ASD contend that switching auditors enhances independence of auditors; thus preventing them from quickly aligning with management to conceal financial misstatements (Sook, et al, 2019). To measure big-4 auditors, dummy variable was used; a dummy variable indicates as one (1) if a company chooses a big-4 and zero (0) if otherwise.

Auditor Tenure (AUDTEN): Practically, when the relationship between auditors and companies remain for too long, such relationship may influence the independence and quality of audit (Okolie, 2014; and Matoke & Omwenga, 2023). The literature offers mixed results on the relationship between AUDTEN and financial performance; while some studies showed a negative or insignificant relationship, other studies documented a positive relationship. According to Qawqzeh, Endut, Rashid, Johari, Hamid and Rasit (2018), the debate on audit tenure arises from the axiom that the duration of relationship between external auditors and the company may lead to decreased performance because lengthy audit tenure may be lead to fraudulent cases. AUDTEN refers to the number of years an audit firm remains with a client company or employs the same auditor. AUDTEN as opined by Qawqzeh et al (2018) can be dissected into short and large audit periods. While long AUDTEN may decrease independence and professional care, leading to poor financial performance, shorter AUDTEN connotes that auditors have less knowledge about client-company which may lead to low audit quality, hence decreased financial performance (Akrawah, et al, 2020; and Qawqzeh, et al, 2018). To measure audit tenure, this study employed a dummy variable; (1,0) is computed as "1" for companies that use external auditors that have stayed for 3years and "0" for auditors with less than 3years of engagement.

Financial Performance: Generally, performance can be broadly divided into two (2) –financial and non-financial performance. Financial performance can be ascertained using financial accounting ratios and the ratios express relationships between variables shown in financial statements. According to Okere, Ogundipe, Oyedeji, Eluyela and Ogundipe (2018), financial ratios are meaningful metrics for assessing financial performance compared to other measures of performance. Financial performance from accounting perspective can be viewed from firm level (accounting-based measures) and industry level (market-based measures). Financial performance ratios are essentially good measures of companies' aggregate efficiency, growth and sustainability (Asiriuwa, Aronmwan, Uwuigbe & Uwuigbe, 2018). Besides, financial performance measures like return on assets, return on equity, return on capital employed, earnings per share, and dividend per share have been widely employed in the literature while other financial performance measures such as net profit after tax margin, earnings before interest and tax margin and earnings before interests, taxes, depreciation and amortization margin appear not to have been sufficiently studied. This current study included these accounting variables of financial performance to resolve the conflict where extant studies found either negative or positive association between ASD and financial performance. The conceptual review is modelled in figure 1 below:



Source: Researcher's Conceptualization (2024)

Figure 1. Conceptual Model of Study

Theoretical Framework: This study is anchored on the theory of inspired confidence which was developed in the late 1920s by a Dutch Professor, Theodore Limperg of University of Amsterdam in his book titled, 'the social responsibility of auditor, a basic theory on the auditor's function', Limperg espoused his general theory of inspired confidence (Limperg Institute, 1985 as cited in Matoke & Omwenga, 2023). The theory is based on the principle that continued relevance of the statutory audit function is derived from society's needs for independent examination of the financial statements prepared and presented by management (Limperg, 1932 as cited in Atlass, 2022). In this context, the statutory audit function is expected to provide a level of assurance that fulfils all reasonable expectations of the society (Maoke & Omwenga, 2023).

The theory posits that the demand for audit service is a direct consequence of the participation of external stakeholders of companies and hence connects the needs for reliable financial information to meet such needs. According to Hayes, Dassen Roger, Schilder, and Wallage (2005), cited in Atlas (2022), the demand for audit service is direct consequence of the participation of outside stakeholders in the company. Because such information provided by management may be biased due to conflict of interest, an audit is required. Carmichael (2004) observed that the theory does not prescribe definite rules about the behavior of an auditor in each particular case. Thus, the theory expects from the accountant that in each special case he ascertains what expectations he arouses; that he realizes the tenor of the confidence that he inspires with the fulfillment of each specific function" (Limperg Institute, 1985 as cited in Matoke & Omwenga, 2023). Thus, the theory posits that, changes in the needs of the community and audit techniques result in changes in the auditor's function.

RESEARCH METHODS

Ex-post facto research design was used in this study and this design was used because the study used data that has existed such that the researcher had no means of controlling the events or variables. The study population comprised all Natural Resources, ICT, Healthcare, Agriculture and Construction/Real Estate Sector companies listed on the floor of the Nigerian Exchange Group. As at 31st December, 2023, there were Five (5) companies in the Agriculture sector, Four (4) in Natural Resources, Eight (8) in ICT, Eight (8) in Healthcare and Nine (9) in Construction/Real Estate, thus making a total population of Thirty-Four (34) listed companies on the Nigerian Exchange Group (NGX, 2023). Given the size of the population, four (4) agriculture, three (3) natural resources, four (4) ICT, six (6) healthcare and two (2) construction and real estate companies were selected as the sample size, thus making a total sample size of nineteen (19) listed non-finance companies. The sample of the study was arrived at using the exclusion and inclusion criteria. Non-finance companies whose data were not available for the study period were excluded while those with relevant data for the study were included in the sample size of the study.

The study used secondary data comprising measures of auditors' switch decision (ASD) and financial performance. The ASD measures include audit opinion, audit fees, big-4 audit firms and auditor tenure while the financial performance measures were net profit after tax margin, earnings before interest and tax margin and earnings before interests, taxes, depreciation and amortization margin. The secondary data were obtained for 19 publicly listed non-finance companies from 2013-2022. The study adapted some existing ASD models of Matoke and Omwenga (2023); Ezejiofor and Okolocha (2022), by introducing a different ASD variable – audit opinion and auditor tenure. In view of this, multiple regression estimation technique was employed to assess the relationship between the dependent and independent variables. The econometric model is given as:

$$NPATM = f(BIGGA, AUDF, AUDOPN, AUDTEN) \quad \text{- Eq. 1a}$$

$$NPATM_{it} = \beta_0 + \beta_1 BIG4A_{it} + \beta_2 AUDF_{it} + \beta_3 AUDOPN_{it} + \beta_4 AUDETN_{it} + \mu_{it} \quad \text{-Eq. 1b}$$

$$EBITM = f(BIGGA, AUDF, AUDOPN, AUDTEN) \quad \text{-Eq. 2a}$$

$$EBITM_{it} = \beta_0 + \beta_1 BIG4A_{it} + \beta_2 AUDF_{it} + \beta_3 AUDOPN_{it} + \beta_4 AUDETN_{it} + \mu_{it} \quad \text{-Eq. 2b}$$

$$EBITDAM = f(BIGGA, AUDF, AUDOPN, AUDTEN) \quad \text{-Eq. 3a}$$

$$EBITDAM_{it} = \beta_0 + \beta_1 BIG4A_{it} + \beta_2 AUDF_{it} + \beta_3 AUDOPN_{it} + \beta_4 AUDETN_{it} + \mu_{it} \quad \text{-Eq. 3b}$$

Where: NPATM represents net profit after tax margin; EBITM is earnings before interest and tax margin; EBITDAM is earnings before interest, tax, depreciation and amortization; BIG4A is big-4 audit firm; AUDF is audit fee while AUDOPN is audit opinion; AUDEN is auditor tenure; μ_{it} is error term firm; í is individual companies while t is time frame.

The analysis were done in the following phases Descriptive Statistics (mean, standard deviation, minimum value, maximum value, kurtosis, skewness and Pearson correlation); Post-estimation Statistics (variance inflation factor (VIF) & Breuch-Pagan Cook-Wesiberg) and Inferential Statistics (3-stage Least Square Regression) statistical techniques. A-priori expectation is that measures of ASD will significantly affect financial performance of the listed non-finance companies in Nigeria.

Table 1. Variables Measurement

Variables	Description
BIG4A	Dummy variable indicated as 1 if a firm chooses a Big-4 and if otherwise 0. Big-4 refers to audit firms such as: Deloitte; Ernst &Young; Klynveld, Peat, Marwick & Goerdeler; and PricewaterhouseCoopers
AUDF	Amount paid to auditors divided by revenue
AUDOPN	Dummy variable indicated as 1 if an opinion is expressed and if otherwise 0.
AUDTEN	Dummy (1,0) is computed as "1" for companies that use external auditor that have stayed for 3years and "0" for auditors with less than 3years of engagement.
NPATM	Net income divided by net sales
EBITM	Revenue minus expenses less tax and interest
EBITDAM	Revenue minus expenses less tax, interest, amortization and depreciation

Source: Compiled by the Researcher (2024)

Table 2. Summary Statistics

Variables	Mean	Std. Dev.	Min Val.	Max. Val.	Skewness	Kurtosis
NPATM	-49.837	751.30	-5376.709	6946.536	1.0312	61.2021
EBITM	19.405	536.39	-1466.617	7029.232	11.637	155.624
EBITDAM	54.984	631.82	-627.715	8640.237	13.296	181.347
AUDF	10.968	6.2019	54.8446	164.5330	7.5644	59.9270
BIG4A	0.4315	0.4966	0	1	0.2763	1.0763
AUDOPN	0.0105	0.1024	0	1	9.5922	93.010
AUDTEN	0.7901	0.7029	0	1	4.3848	42.309

Source: Compiled by the Researcher via STATA 13.0

Table 3. Pearson Correlation

	NPATM	EBITM	EBITDAM	AUDF	BIG4A	AUDOPN	AUDTEN
NPATM	1.0000						
EBITM	-0.4811	1.0000					
EBITDAM	-0.4621	0.0583	1.0000				
AUDF	-0.2223	0.3963	0.6413	1.0000			
BIG4A	0.0510	-0.0186	-0.0587	-0.1322	1.0000		
AUDOPN	0.0005	-0.0052	-0.0099	-0.0127	-0.0899	0.0391	
AUDTEN	0.0487	0.0585	0.0459	0.0736	0.0379	0.0237	1.0000

Source: Compiled by the Researcher via STATA 13.0

Table 4. Variance Inflation Factor

Variables	VIF	1/VIF
BIG4A	1.03	0.9741
AUDF	1.02	0.9819
AUDOPN	1.01	0.9913
AUDTEN	1.01	0.9900
Average VIF	1.02	

Source: Compiled by the Researcher via STATA 13.0

Table 5. Results for Breusch-Pagan and Cook-Weisberg

Ho: Constant Variance	Variables: Fitted values of NPATM, EBITM, EBITDAM
Chi2(2) = 56.66	Prob. > Chi2 = 0.0000

Source: Compiled by the Researcher via STATA 13.0

RESULTS

The summary statistics (Table 2) revealed that the mean (average) financial performance measures (NPATM, EBITM, and EBITDAM) of the listed non-finance companies in Nigeria are around -49.8, 19.4 and 54.9 with EBITDAM being the highest reported financial performance measures of the study. The mean values for audit switch decision (ASD) variables such as AUDF, BIG4A, AUDOPN and AUDTEN were 10.968, 0.4315, 0.0105 and 0.7901; this results implies that ASD values were not too far from each other and that most likely the non-finance companies exhibit on the average, similar disposition to why they switch auditors. The minimum values for BIG4A, AUDOPN and AUDTEN were zero (0); this is expected since BIG4A, AUDOPN and AUDTEN are dummy variables. On the other hand, the maximum values for AUDF, BIG4A, AUDOPN and AUDTEN were 164.533, 1, 1 and 1 respectively; an indication that the highest audit fee paid by non-finance companies under investigation was about N164.533 when expressed as a ratio to total revenue generated while BIG4A, AUDOPN and AUDTEN suggest that some of the non-finance companies were audited by non big-4 audit firm, expressed opinion about the financial statements of the companies and had audit tenure for companies that use external auditor that have stayed for 3years. Remarkably, all the variables skewed towards same direction (i.e. they were positively skewed); suggesting that all the variables moved in similar direction. In addition, all the variables have a normal distribution as indicated by the kurtosis values, which are above three (3) as suggested by Gujarati (2003), except BIG4A; an indication of large number of audit firms being audited by the big-4 audit firms and that most likely the non-finance companies switch around the big-4 audit firms (KMPG, PWC, Akintola Williams and Ernst and Young. Table 3 showed the Pearson correlation for ASD measures (AUDF, BIG4A, AUDOPN and AUDTEN*)* and financial performance measures (EBITM, NPATM & EBITDAM*)*. The results showed that correlation between ASD and financial performance is positive except for EBITM (-0.4811) and EBITDAM(-0.4621); this implies that there is negative relationship between EBITM, EBITDAM and AUDF while the other variables were positively related with BIG4A, AUDOPN and AUDTEN as indicated in the Pearson r values. Table 4 showed results for VIF for multicollinearity; the average VIF = 1.02, which is not greater than accepted average VIF of 10.0. This suggests absence of multicollinearity problem in the empirical model of ASD and financial performance. Impliedly, the result of VIF offers evidence that the estimated models of ASD and financial performance are void of bias. Table 5 showed the Breusch-Pagan/Cook-Weisberg results and it was found that the ASD and financial performance

Table 6. Three Stage Least-Squares Regression for Measures of Auditors' Switch Decisions and Financial Performance

Equation	Obs	Parms	RMSE	"R-sq"	chi2	P
NPATM	190	3	730.3931	0.0499	9.98	0.0188
EBITM	190	3	490.8264	0.1583	35.72	0.0000
EBITDAM	190	3	483.2058	0.4120	133.13	0.0000
		Coef.	Std. Err.	z	P>z	
NPATM						
	AUDF	-26.576	8.645024	-3.07	0.002	
	BIG4A	33.2103	108.3935	0.31	0.759	
	AUDOPN	-2.2999	521.4768	-0.00	0.996	
	AUDTEN	12.8938	19.22800	8.44	0.000	
	_CONS	-32.5361	72.87699	-0.45	0.655	
EBITM						
	AUDF	34.6797	5.809482	5.97	0.000	
	BIG4A	37.4484	72.84073	0.51	0.607	
	AUDOPN	15.4926	350.4341	0.04	0.965	
	AUDTEN	9.48480	109.7380	6.19	0.000	
	_CONS	-38.1685	48.97356	-0.78	0.436	
EBITDAM						
	AUDF	65.6952	5.719284	11.49	0.000	
	BIG4A	33.8228	71.70980	0.47	0.637	
	AUDOPN	0.93956	344.9931	0.01	0.991	
	AUDEN	10.4803	66.41220	12.48	0.000	
	_CONS	-37.79289	48.21319	-0.78	0.433	

Source: Compiled by the Researcher via STATA 13.0

variables fit-well in the empirical model because probability Chi2 is 0.0000 which is less than 0.05 significant level; an indication of nonexistence of heteroskedasticity in the estimated empirical model of ASD and financial performance. Table 6 showed the 3-stage least squares regression for measures of ASD(AUDF, BIG4A, AUDOPN and AUDTEN) and financial performance (NPATM, EBITM and EBITDAM). The model of ASD and EBITDAM has the higher R-squared with a value of 0.4120; an indication that the variables of ASD jointly explained about 41 percent of the systematic variation in EBITDAM. On the other hand, ASD jointly predicts EBITM with about 16 percent while NPATM with about 0.5 percent. The coefficients for NPATM in relation to AUDF, BIG4A, AUDOPN and AUDTEN were -26.58, 33.21 -2.30 and 12.89 respectively; an indication that engaging big-4 audit firms and audit tenure would lead to approximately 33 percent and 13 percent increases in financial performance while an increase in AUDF and AUDOPN would lead to approximately 27 percent and 2.3 percent decrease in financial performance. On the other hand, the coefficients EBITM in relation to AUDF, BIG4A, AUDOPN and AUDTEN were 33.7, 37.4, 15.5 and 9.5 percents respectively; an indication that when non-finance companies increase AUDF, BIG4A, AUDOPN and AUDTEN it would lead to approximately 34 percent, 37 percent, 16 percents and 10 percent increases in financial performance.

The coefficients EBITDAM in relation to AUDF, BIG4A, AUDOPN and AUDTEN were 65.7, 33.8, 0.94 and 10.5 percents respectively; an indication that when non-finance companies increase AUDF, BIG4A, AUDOPN and AUDTEN it would lead to approximately 66, 34, 0.94 and 11 percents increases in financial performance. The t-value showed that AUDF and NAPTM (t-value = -3.07; p-value = 0.002 < 0.05) and AUDTEN and NAPTM (t-value=8.44; p-value=0.000 < 0.05) were statistically significant while BIG4A and AUDOPN were not statistically significant. Also, AUDF and EBITM (t-value = 5.97; p-value = 0.000 < 0.05) and AUDTEN and EBITM(t-value=6.19; p-value = 0.000 < 0.05) were statistically significant while BIG4A and AUDOPN were not statistically significant. Furthermore, AUDF and EBITDAM (t-value=11.49; p-value=0.000<0.05) and AUDTEN and EBITDAM (t-value=12.48; p-value=0.000 < 0.05) were statistically significant while BIG4A and AUDOPN were not statistically significant; the results suggest that when non-finance companies pay reasonable audit fees and encourage audit firms' tenure, it contributes to increased financial performance. The three stage least squares regression results revealed that auditors' switch decision significantly and negatively influence the level of financial performance of non-finance companies in Nigeria.

DISCUSSION

Over the years, the regulatory framework of accounting and business organizations have attempted to strengthen auditors' roles and functions in safeguarding shareholders' interest in order to mitigate the agency problem; however, little is yet known as regards how auditors' switch decision (ASD) impact on financial performance of non-finance companies. It would be interesting to examine the impact of audit opinion, audit fee, big-4 audit firms and audit tenure on financial performance measures such as net profit after tax margin (NAPTM), earnings before interest and tax margin (EBITM) and earnings before interest and tax, depreciation and amortization (EBITDAM). In fact, the contention in the accounting literature is if certain factors of ASD contribute significantly to financial performance; notably, there is mixed findings in the accounting literature (Hamza, *et al,* 2018; Choi, *et al,* 2017; Matoke & Omwenga (2023). The mixed results may be connected methodological bottlenecks employed by prior studies. Given the above, this study investigated the effects of ASD on financial performance of listed non-finance companies in Nigeria. Findings indicated ASD significantly influence the level of financial performance of non-finance companies; although the relationship is negative. The findings of our study corroborates with the results of Ezejiofor and Okolocha (2022); and Unamma and Ekwueme (2021) who showed that ASD significantly influence the level of financial performance in Nigeria. On the other hand, our findings disagrees with the results of Gharibi and Geraeely (2016); and Atlass(2022) who showed that ASD had insignificant effect on financial performance of listed companies in Iran and Tadawul.

CONCLUSION AND RECOMMENDATIONS

This study examined how certain ASD variables influence the level of performance of publicly listed non-finance companies in Nigeria from 2013-2022. The study concludes that ASD significantly influence the level of financial performance. Impliedly, the level of performance of non-finance companies in Nigeria changed due to increased audit fees, engagement of big-4 audit, expression of audit opinions and implementation of the tenure of audit firms. In addition, it was concluded that relationship between ASD and financial performance is negative hence the study recommends as follows:

i) The study revealed that financial performance is influenced by audit fees and audit tenure; hence, boardroom should consider reviewing fees of auditors as well as the implementation of the tenure of audit firms (i.e. audit tenure of not more than 3 years), particularly when there is a switch in the decision of auditors; this practice would lead to increased financial performance

ii) The study offers evidence that financial performance is significantly affected by Big-4 audit firms; thus, there is the need for listed non-finance companies to engage more of the Big-4 audit firms in order to enhance financial performance.

iii) The results indicated that financial performance is influenced by audit opinion; hence, the auditors should constantly given their opinions where necessary, of the financial statements of the company, particularly in areas that need improvement in order to enhance financial performance

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