JIBC

Journal of Internet Banking and Commerce

An open access Internet journal (http://www.icommercecentral.com) Journal of Internet Banking and Commerce, December 2019, vol. 24, no. 3

AUDIT QUALITY, POLITICAL CONNECTION AND INVESTORS PROTECTION AND HOW THEY AFFECT NIGERIA FIRMS PERFORMANCE

UDISIFAN MICHAEL TANKO

Department of Accounting and Finance, Federal University Wukari, Taraba, Nigeria

Tel: +234 8039619727

Email: umichaeltanko@gmail.com

SAMAN UDI POLYCARP

Department of Accounting and Finance, Federal University Wukari, Taraba, Nigeria

Abstract

Firm effective performance is the paramount objective of every profit-making- organisation. It is the aim of every management to see that this objective is actualized. In order to achieved this goal firm engage the service of quality audit firm, elect political connected personnel to serve as Board of Directors as well as ensuring the protection of their investors to encourage others to invest in the firm. The objective of this paper is to examine the effect of audit quality, political connection and investors' protection on firm performance in Nigeria listed companies. The study used the Big 4 as proxy for audit quality, Return on Assets was used for firm performance while managerial ownership was used as the measurement for investors' protection. The study employed secondary data. Multiple regression and Pearson Correlation were used to analysed the data. The study revealed that audit quality has positive insignificant effect on firm performance. It also documented that political connection and investors' protection significantly improved firm performance.

Keywords: **Audit Quality; Firm Performance; Investors Protection; Political Connection**

INTRODUCTION

The survival of any firm is largely depends on its financial performance. Furthermore, most firms operate with the aim of making profit and having sound performance. Firm performance has implication on firms' health and its survival [1-40]. Firms' performance is very pertinent to management and others stakeholders such as supplier, government, shareholders among others. Firm performance it is the outcome of the firms which have been achieved by individuals or group of individuals legally [22]. Effectiveness and efficiency management of firms' resources by management is highly reflected on sound financial performance which will in return contribute to Gross Domestic of country [34]. In order to achieve high firm performance, managers have to be more concern with efficient utilisations of asset.

Audit quality, political connection and investors' protection are determinants of firm's performance which can either lead to achieving high firm performance or poor firm performance. Most financial analyst and stakeholders believed that a firm been audited by Big 4 audit firm, such firm financial statements may be free from material misstatement. The ability of any company to engage the service of one of the Big 4 audit firm will boost its performance. It will trigger the confidences of users of accounting information such as customers, creditors, government agency, and employees among others. Audit quality is vital instrument for rapid improvement of firm's performance. Studies have shown that high-quality auditors, through their strict and thorough monitoring, can assist to improve accounting transparency [41], which in turn helps protect investors' interests, thereby reducing agency costs in connected firms [11] as cited by Liu [28].

Auditors are to check the work of each department in a firm in order to ensure proper management of resources by those in custody of those resources. One of the essences of audit is to achieve high quality financial statements which are vital decision making tools to users. The function of external auditor's reflect the quality of financial report or information that firms maintain to create confidence among the stakeholders and reflect the efficiency, effectiveness and credibility of audit firms [25]. Chong and Wang opined that the Big 4 audit firms are likely to provide high quality audit service compare to non-Big 4 audit firms. They further provides that Big 4 audit firms are expose to high level of litigation and cost and they have reputation. In addition, the reputation of Big 4 audit firms is of great advantage to firms that demands for their service. However, this may not be obtainable in some cases. There are situation where non-big 4 may provide more reliable information than the Big 4, because non-Big may like to strive harder to be to complete with the Big 4.

Arifur, et al. [2] stated that politically connected executive and directors can be powerful and make influence because they can use their political influence and exploit advantage. If a company is politically connected its can capitalize on such opportunity to attract more investors, customers, among others which will intensively increase its performance. Isaboke and Naziri [21] stated that political connected firms have easy access to cheap loans from banks and likely to pacify to investors demand cause from reduction in corporate transparency. According to Xu [42] the connection of firms with government will mitigate information asymmetry and eliminate hindrance between the firm and government. This connection provide edge for firm to get access to resources such as soft loans from banks without much demand for collateral and this will in return portraits it affect on firm performance. If firms desire political connection in transition economy is to allow absolute controls of its resource by government or sell more security to public office holders as well as its Board of Directors should compose of politicians. Liu et al. [28] observed that political connected firm may have strong incentives to reduce the severe agency conflicts arising from political connections and this may favour high-quality auditors and great accounting transparency compared with non-political connected firms. Mohammadi [31] provides that political connected firms have stronger motivation to obtain more value destroying Related Party Transactions (RPTs) he believed that they have more power and opportunities gained from their connections.

The protection of investors in a firm is very paramount; the going concern of a firm and its performance is determined by the investors. If any company failed in protecting the investors is at the expense of its performance and its continuity in competitive market. Isaboke and Naziri [21] postulated that the operating environment level and the legal systems of firms also have an impact on discretionary accruals. Many country investors protection laws are flexible and firms may not be law abiding due to the flexibility in the laws and corporate chartered that protect investors. Klapper and Love [24] opined that investor’s protection, i.e. average governance is greater in countries with stronger legal protection. In a country where there is strong legal provision for protection of the investors it will enhance the performance of firms because the investors are certain of their protection, it will prompt them to invest more into the company. Klapper and Love [24] also provide that in countries with weak legal systems for investor's protection, investors would embrace small improvements in governance relative to other firms.

This study is motivated by controversial perspective of many commentators on whether audit quality, political connections and investor's protection are of benefit or loss to stakeholder interests with respect to their wealth maximization via increase of firm performance. The motivation of this study is also derived on the fact that audit quality, political connection and investors protection has colossal role to improve performance of firm's but this vital role have been neglected. Study on this subject matter is scarce in most developing countries like Nigeria.

On this background this study will examine the effect of audit quality, political connection and investor's protection on performance of Nigerian firms.

Statement of Problems

Firms in Nigeria collapsed due to poor performance and this can attributed to poor audit quality, political connection and investors protection. Report given on Nigeria Stock Exchange website indicated that over 60 companies have been delisted from NSE for the past years. Also various companies have closed down due to poor performance. Lack of auditor's independence has become a very huge issue which has affected the performance of various firms. According to Curtis audit scandals involving Big 4 clients have prompt for questions to auditor's independence and audit quality. High strict audit process has been neglected by most audit firms in Nigeria these has bad signal on financial performance of many firms which led to collapsed of firms.

Politically connected firms are poorer in terms of performance than non political connected firms, on the facts that more connected firms are been handled as government business in Nigeria. In Nigeria government (public enterprise) are been handled has no one business this mindset have been transferred to politically connected firms. Also access to financing is the bed rock to survival of any business. Political connected firms have been the firms that have easy access to soft loan and these funds were not effectively utilized in order to improve firm performance. Such soft loans need to be use efficiently and effectively to increase firm performance but reverse is the case in politically connected firms. In addition, Politician protect their related companies so that low quality accounting information presented by the companies will not be penalize and invest less in showing their accruals [5].

Investor's protection needs to be main concern of every firm. However, this responsibility has been down play by firms. Most firms failed to enforce lay down laws that protect investors who invest their hard earned funds to generate more incomes. These drive investors away and it in turns affect firms performance. The laws that protect investors have become lacuna in Nigeria which can be use circumvent the protection of investors [39]. The protection of both investors without and within the country is very vital to be put in cognizant by companies in order to attract more investors.

Objectives of the Study

The main objective of this study is to examine the effects of audit quality, political connection and investors' protection on financial performance. Other specific objectives include the followings:

- To investigate the effect of audit quality on financial performance
- To ascertain the relationship between political connection and financial performance
- To explore the effect of investors protection on financial performance

Research Questions

- To what ascertain does audit quality affect financial performance?
- How does political connection affect financial performance?
- What is the effect of investors' protection on financial performance?

REVIEW OF PREVIOUS LITERATURES AND HYPOTHESES DEVELOPMENT

Audit Quality and Firms Performance

According to DeAngelo [10] audit quality is the competency and independence of auditors in investigating, detecting and reporting material misstatement. Questionable accounting practices are likely to be discovers in a firm audited by competence auditors than incompetence auditors. Zheri and Shabbos states that quality auditors are more likely to discover material misstatement and questionable accounting practice by clients and report irregularities compared to low quality auditors. Audit quality is the ability of auditors to detect errors, irregularities and material misstatement in the financial statement and report such misstatement to the relevant authorities. Audit quality also deals with ability of auditors to ensure that financial statements are free from all kinds of irregularities.

Previous research have adopt various proxies for audit quality which includes audit fee, audit independence, audit size, audit rotation [8,12,14,18,30,32,33]. Recently Elewa and

El-Haddad [12] examined the effect of audit quality on performance in Egypt. The study used the panel data analysis. The study used auditors experience proxies by Big 4 and auditors' independence (measured by auditor rotation) as independent variable while return on assets and returns on equity were used as dependent variables. Findings indicated that auditors experience and auditors' independence has insignificant impact on ROA and ROE. These findings contradicted the findings of Hua, et al. [16] who investigated financial reporting quality and audit quality and how its promote firms financial in Malaysia. They found a significant relationship between audit firm size and financial performance in Malaysia listed firms. Similarly, Matoke and Mwenga [30] assessed audit quality and financial performance of firms listed on Nairobi Stock Exchange. Findings shows that audit firm size, auditors' independence and experience has positive effect on firm performance. This is supported by Munene, et al. [33] they found positive relationship between auditors' independence and firm financial performance of firms listed in Nairobi Stock Exchange. While Ching, et al. [8] examined the relationship among audit quality, earnings management and financial performance of on Malaysian listed public firms. They states that audit quality delivered by either Big 4 or non-big 4 does not significantly improve financial performance of firms. However, the study found positive and statistical significant relationship between audit firm size and financial performance while the relationship between audit fee and audit tenure and financial performance are insignificant. Study by Hassan and Farouk [14] found significant relationship between audit size, audit independence and financial performance of Nigerian cement firms. The study also found that audit independence is more influential on financial performance compare to audit firm size.

This study employed audit firm size as proxy for audit quality, to examine it effect on Nigeria firms' performance. Based on the above discussion the following hypothesis is formulated in its null form

H_{O1} Audit firm size does not significantly affect firms' performance in Nigeria

Political Connections and Firms Performance

According to Barney as cited by Bencheikh and Taktak [4] states that resource- based theory predicts that politically connected firms can gain competitive advantages over their competitors. This will rapidly improved firms' performance if such advantages are judiciously utilised. Independent political connected directors can helps their firms obtains first hand information, obtain preferential regulatory treatment and lower taxes as well as gain soft loan [43]. While attention of numerous researches had been drawn to the issues of political connections and firms' performance few empirical studies in Nigeria were are available most of the few empirical studies were available in Nigeria.

There is no consensus in respect to the relationship between political connections and firm performance. Empirical evidence shows both positive and negative relationship between political connection and firms' performance. Study by Charoun and Maaloul [29] investigate the effect of political connections on companies' performance and value in Tunisia. The result show that political connections improved financial performance. Even though, the study found negative and significant relationship between political connections and ROA, Tobin Q and market capitalisation. The finding is inconsistent with the findings of Bencheikh and Taktak [4] they examined the effect of political connection on firm performance in a newly democratised country. The study used the listed firms in Tunisia. The study employed multiple linear regressions to analyse the data collected via secondary source. The result revealed positive association between political connection and firm market performance. Similarly, Zhang, et al. [43] assessed the impact political connection of independent directors on firm performance in China. The study employed panel data approach. The study employed multiple regressions. Findings show positive relationship between political connection of independent directors and ROE and EPS. In the same vein, Cheema [7] investigates the association between political connections and organisational performance in Pakistan. He collected data from 250 non-financial firms listed on Karachi Stock Exchange (KSE). They adopt multiple regressions to analyse the data. Findings of the study show a significant and negative association between political connections and firm performance ROA and ROE). While Liu, Luo and Xu (n.d) assessed the effect of political motivation and overinvestment on firm performance of firms listed in China. They found that on average, the performance of politically motivated firms declined as their executives got elected into people congress. The study also revealed that political connected firms are less efficient in term of investment which adversely affects performance.

Based on the above inclusive empirical result above the second is formulated as follow;

$H_{02:}$ there is no significant relationship between political connections and firm performance in Nigeria.

Investors Protection and Firms' Performance

The problem of agency increase rapidly due the separation of ownership, firm decision making, risk bearing [13] as cited by Isaboke and Naziri [21]. According to Isaboke and

Naziri [21] to reduce risk expropriation by cantered managers there is need for investors' protection. Both the minority and majority shareholders require intensive protection. This will encourage them to invest more. Agency theory empowers managers to control the companies on behalf of the shareholders and to align principal-agent interest. Those in control of the company can use the power and information under their custody to their advantage and to the disadvantage of the investors [39]. Section 63(1) of Companies and Allied Matters Act 2004 of Nigeria as amended provides for division of corporate power between officers, agent etc. This help play significant role in protecting the interest of investors and guide against conflict of interest as to the management and the company [39]. She further states that investigation by corporate affairs commission as provided by CAMA 2004 is another vital means of protecting investors. Section 314 and 320 provide circumstance where inspectors may be appointed to investigate the affairs of a company in a situation where the affair of a company is to defraud its creditors or creditors of a person and other investors.

Recent research studying the link between investor protection and firm performance are mostly from developed countries, they are scanty. The empirical results are mixed. One of the studies on investors' protection and firms performance was carry out by Garcia-Ramos and Olalla [15] they investigate the impact of corporate governance and weak investors protection on firms performance in Southern Europe. The study is a cross-country and panel data approach was applied. The result of the study shows inverted U-shaped relationship between the independent directors and firm performance which allowed optimal indication of independent directors on the board. They further provided that more independent directors on the board are always in the best interest of the investors. Large numbers of independent directors on the board the protection of investors will be guarantee. Similarly, Hua [19] carry out another cross-border research on investors' protection and firms' performance. The study used China cross-board merger and acquisitions. The study employed ownership structure as investor protection index for measurement of investor protection. The data used for the study were secondary data. The study used OLS to analyse the data. The study revealed a positive relationship between Tobin'Q and investors protection while ROE provided reversed result. Li, et al. [26] assessed the impact of investor protection on financial performance of Islamic banks. The unbalanced panel data of 91 Islamic banks and other financial institution worldwide from 1991 to 2010 were collected the econometric techniques to specify the model. The study revealed a positive and significant relationship between dividend pay ratio (investor protection) and ROA and ROE.

$H_{03:}$ Investor protection does not have significant effect on firm performance in Nigeria.

METHODOLOGY

Data Descriptions

This study employed secondary data. The data were generated from the annual report and accounts of 25 selected firms listed on Nigeria Stock Exchange (NSE). The study used two point filters, the criteria is that a firm must be listed before the year 2007 and remain in operation during the period of the study (2008 to 2017) and the firm must have required data for the study to arrived at the sample of the study.

Variables and Their Measurement

The study used Return on Assets (ROA) as dependent variable, audit quality, political connection and investors' protection as independent variables and firm age was used as the control variable.

Firm performance: Firm performance is measured by ROA. Which is calculated as net profit divide by total assets [36].

Audit quality: Audit quality is measured by a dummy variable that takes the value of "1" if auditor is among the Big 4 and "0" otherwise [21].

Political connections: Most of the studies that used political connections as variable measured political connections by dummy variable [4,38] "1" if any member of the board is a member of parliament, minister, member of a political party or a public office holder "0" otherwise.

Investor's protection: Investors' protection is measured by ownership structure [3,20,35]. This study used managerial ownership as proxy for investors' protection. This was used because managers will intent to protect the interest of the firm do to their stake in the firm's equity.

Firm age: The control variable which is firm age was measured based on age of the firm from date of incorporation. The study used the natural log the firm age as proxy for firm age.

Analytical Techniques and Model Estimation

The study adopts the multiple linear regressions to analyse the data it is most appropriate for the study. Multiple regressions were used because of its ability to use multiple independent variables to estimate their effect on a single dependent variable. Descriptive statistics were used to summary the data and correlation was employed to examine the relationship between the explanatory variables and the dependent variables (Figure 1).

A multiple regression model is formulated to investigate the relationship between the independent variables and dependent variables. The model is formulated as follows;

$ROA=\beta_{oit} + \beta_{1it}AQ + \beta_{2it}PC + \beta_{3it}IP + \beta_{4it}PC+\varepsilon_{it}$ Where;

ROA=Return on Assets

β_0=intercepts/ autonomous variable.

β_1, β_2, β_3, β_4=the regression coefficients in the independent variable it=time for intercepts

AQ=Audit Quality

PC=26%s IP=Investors Protection FA=Firm age.

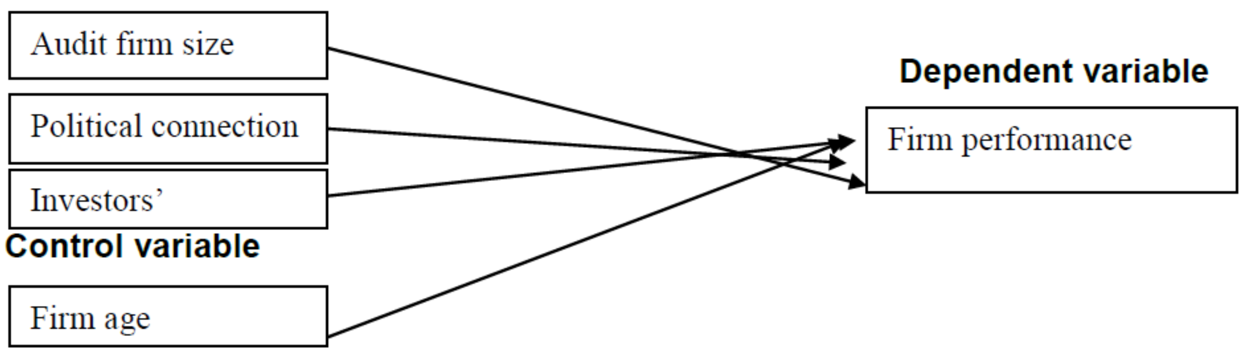

Figure 1: Conceptual framework of the research variables Independent variables.

RESULTS

Descriptive Statistical Analysis

Table 1 present the descriptive statistics analysis obtained from the data on the explanatory variables and the dependent variable of the study. The summary of statistics includes measures of central tendency such as mean, measure of dispersion such as the standard deviation, minimum and maximum values of both explanatory variables and dependent variable.

Table 1: Descriptive Statistics.

Variables	Obs.	Mean	Std. dev.	Min.	Max.
ROA	250	0.121	0.229	-0.333	1.398
Audit Quality	250	0.544	0.499	0.000	1.000
Political Connection	250	0.260	0.440	0.000	1.000

Investors Protection	250	0.109	0.745	1.002	8.36
Firm Age	250	1.560	0.311	0.477	1.973

Source: STATA 13.0 output.

Table 1 shows that the mean of ROA is 12% with standard deviation of 0.229. The minimum value is -0.333 with maximum value of 1.398. The percentage of mean of ROA indicates poor performance in the selected firms. The standard deviation represents the average variability of return on total asset among the sample firms within the period covered by the study which is 0.229. This implies that the level of performance among the selected firms is widely spread. Some firms record relatively higher level of performance than others. Minimum value of -0.333 is an indication ROA computed based on loss, while maximum value of 1.398 is an indication of computation of ROA based on profit.

The mean of audit quality is 54% with standard deviation of 0.499. The minimum value is 0.000 with maximum value of 1.000. The percentage of mean of audit quality indicates that 54% the selected firms are audited by Big 4 and the Non Big 4 in Nigeria. The standard deviation is 0.499. This implies that the a high variation among the firm the engaged the audit service of Big 4 audit firm and those that used the Non Big 4 audit firm. Minimum value of 0.000 indicate firms that their financial statements are audited by Non Big 4 audit firm and the maximum value of 1.000 is an indication of firms that their financial statements are audited by the Big 4 audit firms. The mean of Political connection is 26% with standard deviation of 0.440. The minimum value is 0.000 with maximum value of 1.000. The percentage of mean of political indicates that politically connected is 26% among the selected firms and the remaining 74% are not politically connected. The standard deviation is 0.440. This implies that a variation among the firms that are politically and the firms that are not politically connected which suggest a wide range.

The mean of investors' protection is 10% which is indication of weak investors protection, standard deviation is 0.745 showing the high level of variation among firms with strong investors' protection and those with weak investors' protection. The firm age is at average of 1.560 while the standard deviation is at 0.311 this indicates that there is little difference among the age of the selected firms.

Correlation Analysis

Table 2 shows the correlation between the dependent variable and the explanatory variables of the study.

Table 2: Correlation Matrix.

Variables	ROA	Audit Quality	Pol. Con.	Inv. Prot.	Firm Age	VIF
ROA	1.000					
Audit Qual.	0.031	1.000				1.18
Pol. Con.	-0.102	0.378	1.000			1.24
Inv. Prot.	-0.147	0.054	0.129	1.000		1.05
Firm Age	-0.087	0.028	-0.199	0.026	1.000	1.02

Source: STATA 13.0 output.

On Table 2 the correlation coefficients on the relationship between the dependents (ROA) and the explanatory variables (audit quality, political connection, investors' protection and firm age). The values of the correlation range from -1 to +1. The symbol of the correlation coefficient indicates if the relationships between the variables are positive or negative. Absolute value of the correlation coefficient and larger indicate strength and strong relationships respectively. The correlation coefficients on the main diagonal are 1.000 for all the variables, which indicate perfect and positive linear relationship that each variable has with itself.

From Table 2 it shows that audit quality has weak and positive relationship with ROA at correlation coefficient of 0.031. This means that audit quality move toward direction with ROA. It also indicates that audit quality increase ROA but very low. The result also shows that political connection, investors' protection and firm age have weak and negative relationship with ROA with correlation coefficient of -0.102, -0.147 and -0.087 respectively. This suggests that political connection, investors' protection and firm size reduces ROA.

In order to check if there evidence of multicollinearity between the independent variables, variance inflation factor (VIF) was used. The study shows that there is no presence of multicollinearity as the VIF is less than 10. According to Gujarati (2003), if the VIF is in excess of 10 is an indication of multicollinearity.

The study also checks for normal distribution of data collected. Normality implies that errors (residuals) should be normally distributed. The normal p-p plot of regression shows that data are fairly normal. To confirm this, Shapiro-wilk W test for normal data is less than 5% significance level.

Regression Analysis on Audit Quality, Political Connection, Investors Protection and ROA

Multiple regression was used to estimating the effect of the explanatory variables on the dependent variable. It was also used to test the hypotheses.

Table 3: Regression Results.

Variables	**Co-efficient**	**t-value**	**p-value**	**Remark**
Constants	0.253	3.29	0.001	
Audit Quality	0.043	1.38	0.169	Positive but Insignificant
Pol. Conn.	-0.074	-2.04	0.042	Negative but Significant
Inv. Protection	-0.040	-2.07	0.039	Negative but Significant
Firm Age	-0.084	-1.77	0.078	Negative and significant
F-Ratio	2.980			
P-value	0.020			
R^2	0.046			
Adj. R^2	0.031			

Source: STATA 13.0 output.

Table 3 shows the R^2 of 0.046 this gives the percentage of the total variation in the dependent variable explained by the explanatory variables. It signifies that 4% of the total variation in ROA of the sampled firms in Nigeria is caused by audit quality, political connection and investors protection while the remaining 96% total variation are explained by other factors not including in the model. The F-Statistics test the overall hypothesis of the slope coefficient which shows significant relationships with probability result of 2.98 and probability value of 0.020 which is less the 0.05 level of significance.

Table 3 shows that audit quality has insignificant but positive effect on ROA of the sampled firms in Nigeria. This suggest that an increase in audit quality will lead to increase on ROA by same unit as other variables remain constant and is insignificant at 10% level of significance. In addition, political connection has negative effect on ROA and the effect is statistically significant at 5% level of significance. The result implies that more decrease on public office holders or politicians on board will lead to decrease of firm performance.

The result also indicates that Investors' protection has negative effect on ROA and the effect is statistically significant at 5% level of significance. The result implies that decrease on investors' protection will lead to decrease of firm performance at same unit when other variable remain constant. The Table also shows that firm age has significant relationship with firm performance at 10% level of significance. This suggests weak investors' protection in Nigerian firms.

Hypothesis Testing

This study focused on three selected determinants of firm performance, which are audit quality, political connection and investors' protection, in order to ascertain this, the following hypotheses were tested.

H_{01} audit firm size does not significantly affect firms' performance in Nigeria: It is noted on Table 3 that audit firm size has positive but insignificant impact on firm performance in Nigeria at p-value of 0.16. Hence, the study do not have enough evidence to rejects the first null hypothesis (H_{01}) which states that audit firm size has no significant effect on firm performance.

H_{02} there is no significant relationship between political connection and firm performance in Nigeria: Table 3 indicates that political connection has a negative impact and significant relationship with firm performance in Nigeria. The relationship is negative but significant at t-value of -2.04 and p-value of 0.0042 respectively. Hence, the study rejects the null hypotheses (H_{02}) which state there is no significant relationship between political connection and firm performance.

H_{03} investors protection does not has significant effect on firm performance in nigeria: Table 3 shows that investors' protections have significant effect on firm performance in Nigeria at p-value of 0.039 which is lower than the level of significance of 0.05. Hence, the study rejects the first null hypothesis (H_{03}) which state that investors' protections does not have significant effect on firm performance.

DISCUSSION

Table 3 above shows that audit firm size has positive and insignificant effects on firm performance at 16% p-value. With respect to the relationship between audit firm size and the firm performance the hypothesis H_{01} is supported. The justification of the insignificant relationship between audit firm size and firm performance is the possibility that good firm performance not necessary matter that firm must be audited by Big 4s to have sound firm performance. This implies that small audit firm can carry out good audit assignment. This finding is in consistent with the findings of Ching, et al. [8] and Munene, et al. [33] who find out that audit firm size has insignificant positive effect on firm performance. However, the result contradicts the findings of Hua, et al. [18] and Hassan and Farouk [14] who documented significant positive effect of audit quality firm performance. This implies that firm performance is not influence by audit firm size.

Table 3 also shows a negative and significant relationship between political connection and firm performance. This significant effect implies that increase in the number of politicians and public office holders will enhance firm performance significantly. This finding support the findings by Maalou [29] and Cheema [7] who found significant association between political connected firms with firm performance while the result disagreed with the result of Zhang et al. [43] who found insignificant relationship between political firm with firm performance. This finding is line with agency theory prediction that board members should align the interest of the principal with that of agent [36]. It is also in line with resources based theory. This shows that political connected firms have more advantage to obtain loans and other resource due to the influence of member of their board who are politically affiliated than non-politically connected firms.

The study provides that investor' protections have significant effect on firm performance. The justification of significant relationship between investors' protections and firm performance is the facts that efficient number of shares held by managers and investors' protection law will help to reduce information asymmetry. Even though the relationship is negative, this implies weak investors' protection. This also suggests that investors' protection will increase firm performance if more effort is put in place to ensure investors protection. This finding is in consonance with the finding of Farouk and Hassan [12] who reported significant association between investors' protection and firm performance while the result disagreed with the result of Hua [19] who found positive relationship between investors protection with firm performance. This finding is line with agency theory prediction that board members should align the interest of the principal with that of agent by working toward achieving principal interest in turn for compensation than pursuing their interest. Furthermore, the control variable (firm age) provides negative significant effect on ROA at 10% level of significance.

CONCLUSION

This study examined the relationship between audit quality, political connection, investors' protection and the financial performance of quoted firms in Nigeria. The results showed that audit quality have positive coefficients and insignificantly influence the firm's financial performance. However, generally the result showed that political connection and investors' protection add value to the firm's financial performance in Nigeria. Political connection and investors' protection had significant and negative relationship with return on assets (ROA). The results suggest important implications for practitioners and policy makers in Nigeria. One important and major implication is that, audit firm size does not improve significantly to the financial performance of quoted. Therefore, it is important stakeholders and policy makers to note that competency of audit firm are not centre on the audit firm size. What Big 4 audit firm can do the non-Big 4 can equally do. Firm should appoint more political affiliated personnel on the board since political connection has significant impact on firm performance. This will help to improve firm performance by having access to resources such as loans. Regulatory bodies such as SEC and government should provide stringent regulations on investors' protection and make it compulsory for firms to comply; failure to compliance should attract sanctions.

This study adds to existing knowledge in two ways. Firstly, the major finding of the study indicates positive but insignificant relation between audit firm and firm performance. This implies that firm performance is not solely matters of weather firm is audited by Big 4s audit firm. This study help to give an insight to policy makers that non Big 4s can also perform better audit and assurance service if given the opportunity. Furthermore, the results from this study indicate that political connection and investors' protection have significant relationship with firm performance, this implies that if firms include political affiliated people on their board this will give the firm competitive advantage and access to resources. Also the study suggests that if the protection of investors is guarantee this will encourage investors to invest more of their funds in the firm. It provides implication policy for regulatory bodies such as Security and Exchange Commission (SEC) Nigeria Stock Exchange (NSE), Central Bank of Nigeria (CBN) among others should put in place more stringent laws that protect the interest of investors'. Similarly, the implications of these findings is that for firm to achieve high performance they should engage competent audit firm regardless of its size, include connected political personnel who can provide them with access to resources and protect investors by ensuring the safety of their investment and restrict all manner of information asymmetric.

Secondly, this study adds to the literature by updating the knowledge on the effect of audit quality, political connection and investors' protection on firm performance in Nigeria as well as emerging economies. Due to the fact that there are few literatures that examined the impact of audit quality, political, investors' protection on firm performance in the developing countries.

REFERENCES

1. Abdulmalik OS, Shittu I, Ahmad AC (2016) Political Connections of Boards and the Selection of Auditors in Nigeria. International Journal of Economics and Financial Issues 6.
2. Arifur K, Dessalegn D, Mihret M, Badrul M (2016) Corporate political connections, agency costs and audit quality. International Journal of Accounting & Information Management 24: 357-374.
3. Sánchez-Ballesta JP, Meca E (2007) Ownership structure, discretionary accruals and the informativeness of earnings. Corporate Governance 15: 677- 691.
4. Bencheikh F, Taktak NB (2017) The effect of political connections on the firm performance in a newly democratised country. Mediterranean Journal of Social Sciences 8: 40-46.
5. Chaney PK, Faccio R, Parsley D (2011) The Quality of Accounting Information in Politically Connected Firms. Journal of Accounting and Economics 1: 58-66.
6. Chang EC, Wong SML (2004) Political control and performance in China listed firms. Journal of Comparative Economics 32: 617-653.
7. Cheema MU, Munir R, Su S (2015) Political connections and organisational performance: evidence from Pakistan. International Journal of Accounting & Information Management 24: 321-338.
8. Ching CP, Boon HT, Ong TS, Hong YH (2015) The Relationship among Audit Quality, Earnings Management, and Financial Performance of Malaysian Public Listed Companies. International Journal of Economics & Management 9: 211-219.
9. Companies and Allies Matter Acts (2004) Law of Federal Republic of Nigeria.
10. DeAngelo LE (1981) Auditor size and audit quality. Journal of Accounting and Economics 3: 183-199.
11. Dyck A, Zingales L (2004) Private benefits of control: An international comparison. The Journal of Finance 59: 537-600.
12. Elewa MM, El-Hadded R (2019) The Effect of Audit Quality on Firm Performance: A Panel Data Approach. International Journal of Accounting and Financial Reporting 9: 229-244.
13. Fama M, Jensen M (1983) Separation of ownership and control. Journal of Law and Economics 26: 301-325.
14. Farouk MA, Hassan SU (2014) Audit Quality and Financial Performance of Quoted Cement Firms in Nigeria. European Journal of Business and Management 6: 73-82.
15. García-ramos R, Olalla MG (2012) Financial performance in southern europe.

International Journal of Business And Management Studies 4: 129-139.
16. Gujarati D (2003) Basic Econometrics. London: McGraw-Hill.
17. Himmelberg CP, Hubbard RG, Love I (2000) Investor Protection, Ownership, and Investment. Columbia University, USA.
18. Hua SC, Hla DT, Isa AH (2016) Malaysia Financial Reporting Practices and Audit Quality Promote Financial Success: The Case of Malaysian Construction sector. UNIMAS Review of Accounting and Finance 1: 36-50.
19. Hua X (2019) Investor Protection and Firm Performance: Evidence from China's Cross -Border Mergers and Acquisitions.
20. Idris MII (2012) The Impact of Ownership Structure and External Audit on Accruals and Real Activities Earnings Management in Jordan. University of Gloucestershire, England.
21. Isaboke CM, Naziri A (2018) Role of audit quality, political connections and investor protection on discretionary accruals in China. Research Journal of Finance and Accounting 9.
22. Iswatia S, Anshoria M (2007) The influence of intellectual capital to financial performance of insurance companies in Jakarta Stock Exchange (JSE). Proceedings of the 13th Asia Pacific Management Conference, Melbourne, Australia.
23. Jardak MK, Matoussi H (2007) Investor Protection, Disclosure Regulation and Financial Market : International 1-55.
24. Klapper LF, Love I (2002) Corporate Governance, Investor Protection , and Performance in Emerging Markets. World Bank Policy Research Working Paper.
25. Kwabena KA (2017) The Effects Of Internal Audit Quality On Financial Performance Of Firms Listed At The Nairobi Securities Exchange. University of Nairobi, Kenya.
26. Li Y, Hassan A, Abdirashid E, Zeller B, Du M (2012) The impact of investor protection on financial performance of islamic banks : an empirical analysis. Corporate Ownership & Control 9: 50-60.
27. Liu Q, Luo W, Xu N (2016) Political Motivation, Over-investment and Fir Performance. SSRN Electronic Journal pp: 63.
28. Liu Y, Li X, Zeng H, An Y (2016) Political connections, auditor choice and corporate accounting transparency: evidence from private sector firms in China. Accounting and Finance 57: 1071-99.
29. Maaloul A, Chakroun R, Yahyaoui S (2018) The effect of political connections on companies' performance and value: Evidence from Tunisian companies after the

revolution. Journal of Accounting in Emerging Economies.

30. Matoke VN, Omwenga J (2016) Audit Quality and Financial Performance of Companies Listed in Nairobi Securities Exchange. International Journal of Scientific and Research Publications 6: 372-381.

31. Mohammadi AH (2016) Three essays on political connections, financial reporting, and auditing–Evidence from Indonesian listed companies. Massey University, Albany, New Zealand.

32. Morteza Z (2014) The effect of audit quality on the performance of listed companies in Tehran Stock Exchange. International Letters of Social and Humanistic Sciences 21: 36-43.

33. Munene LW, Njangiru MJ, Ngungu SW (2016) Effect of Auditing on Financial Performance of Water and Sanitation Company in Kirinyaga County, Kenya. Journal of Finance and Accounting 4: 271-284.

34. Naser K, Mokhtar MZ (2004) Determinants of corporate performance of Malaysian companies. Paper presented at the Fourth Asia Pacific Interdisciplinary Research in Accounting Conference.

35. Park Y, Shin H (2004) Board composition and earnings management in Canada. Journal of Corporate Finance 10: 431-457.

36. Peter Z (2019) Corporate and Tax planning in listed Non-Financial companies in Nigeria. Bayero University Kano, Nigeria.

37. Rusmin R, Evans J, Hossain M (2012) Ownership structure, political connection and firm performance: evidence from indonesia 10.

38. Saeed A, Belghitar Y, Clark E (2015) Do Political Connections Affect Firm Performance? Evidence from a Developing Country. Emerging Markets Finance and Trade 52: 1876-1891.

39. Shibbi A (2014) An Examination of Investors' Protection under Nigerian Law. Ahmadu Bello University, Nigeria.

40. Wakaba R (2014) Effect of audit committee on financial performance of Nairobi listed firms. A dissertation submitted to Department of Accounting University of Nairobi, Kenya.

41. Watts RL, Zimmerman JL (1983) Agency problems, auditing, and the theory of the firm: Some evidence. Journal of Law and Economics 26: 613-633.

42. Xu N, Xu X, Yuan Q (2017) Political Connection, Financing Frictions, and Corporate Investment : Evidence from Chinese Listed Family Firms. European Finance management 19: 675-702.

43. Zhang C, Lv Y, Guo Q (2017) Political Connections of Independent Directors and Firm Performance: Evidence of Chinese listed Manufacturing Companies over 2008-2013. 2017 3rd International Conference on Education Technology,Management and Humanities Science pp: 69-73.