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AUDIT REPORTING LAG AND FIRM VALUE IN NIGERIAN LISTED CONSUMER GOODS FIRMS: DOES DIFFERENCE IN PROXIES MATTER?

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Abstract

The Nigerian capital market has been increasingly inundated with reports of imposition of fines by the authorities of the Nigerian Exchange Commission arising from late filings of audited financial statements, despite the apparent upward trend in firm value measures. Previous empirical studies, with focus on the Nigerian consumer goods firms, have paid less attention to the empirical question of whether these fines, which suggest audit delays, influence different measures of firm value. It is against this backdrop that this study examined the effect of audit reporting lag on firm value in listed consumer goods firms. This study adopted an ex-post facto research design. The study's sample consisted of ten (10) purposefully selected Nigerian listed consumer goods firms. Three hypotheses were formulated and tested. We analysed the collected data using descriptive and inferential statistics, employing E-Views version 12.0. We analysed the data at a significance level exceeding five percent (5%). Findings revealed that

audit reporting lag has a significant effect on stock returns (as a market-based financial performance measure) of the selected listed consumer goods firms in Nigeria (λ = -.4680, p-value <0.05). It was also revealed that audit reporting lag has a significant effect on Tobin's q (another market-based financial performance measure) of the selected listed consumer goods firms in Nigeria (β= -5.3774, p-value <0.05). Based on these findings, the study concluded that audit reporting lag has a significant impact on the firm value of listed consumer goods firms in Nigeria. Therefore, it is recommended that many listed Nigerian consumer goods firms should engage more industry-specialised auditors to reduce audit reporting lag, improve the timeliness of their reporting and consequently, increase their firm value.
Keywords: Audit Reporting Lag, Stock Returns, Market Value Added, Tobin's Q, Firms' Size, Firms' Growth, Firms' Leverage, Consumer goods Firms.
JEL Codes: G1; G18; G38; L66; M42

Introduction

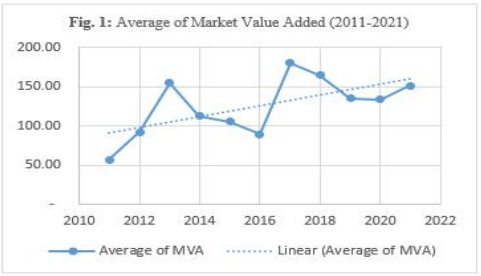
Financial reporting delays, often known as "audit reporting lag (ARL)" have the potential to convey a detrimental message to the market, thereby negatively impacting a company's market value and diminishing its overall economic worth. **Lawal, et al. (2020)** suggests that a delay in a company's financial reporting can engender suspicion among market participants, as it may imply the firm's concealment of unfavorable facts, hence potentially influencing its stock price. It is imperative to rapidly disclose financial information to investors in order to facilitate informed decision-making. The delay in the issuance of an audit report is commonly regarded as an indication of a potential adverse outcome arising from the audit process. In situations characterized by a notable disparity in information resulting from agency difficulties, the level of audit risk escalates, potentially leading to a protracted report lag as additional time is allocated to mitigate the risk of undetected flaws **(Oh & Jeon, 2022).** ARL refers to the temporal gap between the conclusion of the fiscal year and the issuance of the audit report. The importance of timely financial reporting in maintaining capital market efficiency cannot be overstated. This is due to the potential negative consequences of delays in financial reporting, such as sub-optimal investment decisions and an elevated risk of investor fraud **(Sanyaolu, et al, 2020).**

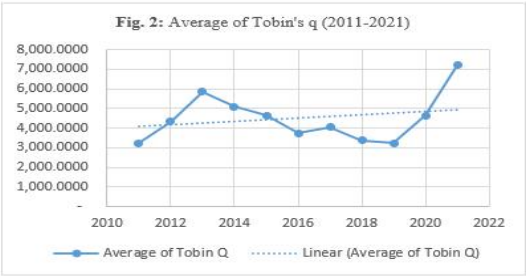
Numerous existing empirical investigations have focused on the determinants of ARL, encompassing various regions globally, including developing countries such as Nigeria. For instance, **Muhammad (2020)** identifies several aspects that contribute to the overall assessment of auditor traits, corporate governance procedures, and non-corporate governance firm characteristics. **Asuzu, et al. (2021),** on their parts, submitted that various factors such as the remuneration provided to audit firms and the scale of the audit firm can influence ARL. Furthermore, audit firms may accelerate this process by augmenting the size of their audit team and being particularly incentivized by the audit fees they receive. However, the impact of ARL has been relatively under-studied in empirical research, particularly with regards to firm value, a primary indicator with which the wealth of shareholders is assessed. Even the existing ones preponderantly adopted one measure of firm value, leaving unanswered questions as to stability and consistency of empirical outcomes if other measures were to have been employed.

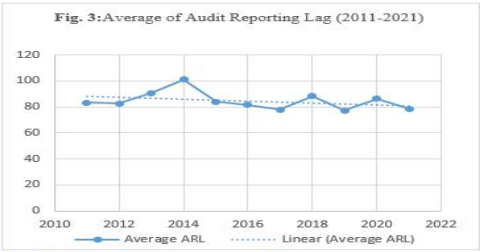
The firm value is a measure of its ability to enhance shareholder wealth and its potential for expansion, which impacts investors' interest. The metric serves as an indicator

of the attractiveness of the enterprise to prospective investors. In the contemporary corporate landscape, wherein the distinction between management and ownership is evident, the valuation of a corporation is also indicative of the efficacy of its managers as perceived by external stakeholders **(Sulaiman, et al., 2019).** Shareholders' wealth is a measure of the financial resources possessed by shareholders and is determined by the stock market, which computes it by considering the market value of shares held by investors **(Sanyaolu, et al., 2019).**

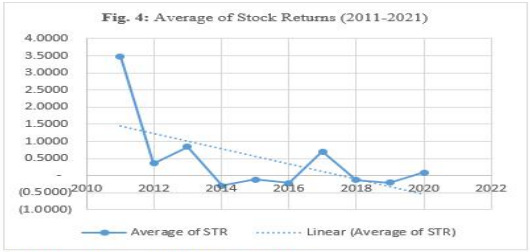
Meanwhile, a cursory review of existing data from NGX and S&P Capital IQ database between 2012 and 2021 on three measures of firm value (market value added, Tobin's Q and stock returns) and ARL for ten (10) listed consumer goods firms revealed that MVA increased by about 64.35% from N92 billion to N152 billion, Tobin's Q rose by about 67.03% from 4,313 to 7,204, stock returns grew by about 77.27% from 0.36% to 0.64%, while ARL declined by 4.61% from 83 days to 79 days, all between years 2012 and 2021. Figures 1 to 4 show the trend in ARL, market value added, Tobin's q and stock returns for some selected firms between years 2011 and 2021.







(**Source**: Authors' construction, 2024)



(**Source**: Authors' construction, 2024)

From the four figures, it can be deduced that both market value added and Tobin's q followed upward trajectories, while stock returns have declined over time. These trends provide confusing signals with regard to the three measures of firm value, regardless of their determinants. However, ARL followed a declining path during the same period. A compelling empirical question that arise from the foregoing is that: does ARL contribute to the trajectories of these measures of firm value? if yes, how significant is the contribution?

It is mandatory for companies that are listed on the NGX to promptly submit their annual and quarterly financial reports within a period of 30 days following the conclusion of each quarter. Non-compliance with this requirement would lead to the classification of the entity as MRF (Missed Regulatory Filing) and could incur financial sanctions. The Nigerian Exchange (NGX) places significant emphasis on the necessity of complying with rigorous disclosure criteria as delineated in their 2015 Rulebook (Issuers' Rules) and other regulations established by the NGX. In this regard, a total of thirteen (13) publicly traded companies, including those in the consumer products sector, were fined N78.7 million by the Nigerian Exchange (NGX) authorities due to their failure to timely submit their financial statements (Chinwendu & Chukwuma, 2022).

These fines were attributed to the failure of these corporations to adhere to regulatory deadlines during the third quarter of 2021, the entirety of 2021, and the initial quarter of 2022. Some of the affected firms and the fines imposed are as follows: Honeywell Flour, N1.2 million; Notore, N900,000; UBN, N1.2 million; Japau, N2.8 million and Union Bank, N4.2 million. These firms failed to present their financial statements for the fiscal year 2021 and the first quarter of 2022. Furthermore, Presco Plc incurred a sanction of N5.1 million, whilst Veritas Kapital, Lasaco, FBN Holdings, Ardova, C&I Leasing, Coronation Insurance, and Briclinks were fined N4.8 million, N5.3 million, N8.1 million, N9.7 million, N20.4 million, N14.9 million, and N70,000, respectively.

Similarly, Glaxo SmithKline Consumer Nigeria, Juli Plc, PZ Cussons were amongst the twenty-six (26) listed firms that were fined a sum of N125 million by the NGX for failing to file their 2022 audited financial statements and quarterly reports for the first half of 2023. While Glaxo SmithKline Consumer Nigeria was fined N1.3 million, Juli Plc and PZ Cussons were fined N120,000 and N4.8 million respectively (Punch, 2023). The foregoing, therefore, can only suggest the existence of the menace of audit delays amongst listed Nigerian firms. In this regard, how firm value react to these infractions and the penalties they attract, especially using more than one proxies of firm value in a developing economy such as Nigeria, remains in contention in empirical literature. This provides the motivation for this study.

Prior studies such as that **Lawal, *et al*.,(2020), Oh, *et al.,* (2022); Muhammad, (2020), (Asuzu, *et al.*,2021), Siyanbola, *et al*. (2020),Hidayatullaha, *et al*.,(2020), Sanyaolu, *et al.(*2019); Sulaiman,*et al.,* (2019)** have investigated ARL in relation to other variables but with different focus and inconclusive evidence. For instance **Lawal *et al* (2020)** examined audit reporting lag and firm value in Nigerian food and beverage companies with findings that audit delays does not affect the market value of a firm. This study only employed Tobin's q as the only measure of firm value. How robust will this finding be using other measures of firm value such as market value added and stock return is an empirical question, evidence of which is thin in existing literature. Therefore, this study focused on audit reporting lag and firm value, in relation to which three research questions were asked:

i. How does audit reporting lag influence stock returns of Nigerian listed consumer goods firms?
ii. How does audit reporting lag influence Tobin's q of Nigerian listed consumer goods firms?
iii. To what extent does audit reporting lag influence market value added of Nigerian listed consumer goods firms?

Literature Review

Conceptual Review

Audit Reporting Lag

The Audit Report Lag (ARL) pertains to the time interval between the conclusion of the fiscal period encompassed by the report and the date of the report's issuance. **Almosa and Alabbas (2008)** have observed that the duration of auditors' audits has the ability to influence the timeliness with which audited financial statements are made accessible to users. **Abdillah et al (2019)** highlights the significance of timely financial statements in preserving the pertinence of this information. The importance of timeliness cannot be overstated in maintaining the integrity, fairness, and efficiency of capital markets, hence ensuring the protection of investors and the mitigation of risks. A significant delay in the issuance of audit reports may also lead to a postponement of share transactions by both existing and prospective shareholders **(Hashim, 2017).**

The assessment of reporting lag can be conducted by different methods, including the examination of the temporal gap between the conclusion of the accounting year and the declaration of earnings **(Sengupta, 2004).** In essence, the total reporting lag can be defined as the duration spanning from the final day of the accounting year to the day of the annual general meeting **(Amitabh, 2005).** firms that exhibit higher levels of transparency in their financial statements typically have reduced audit report lags. There exists a contention that increased degrees of earnings manipulation may result in a prolonged lag, since it necessitates a longer duration to amass the requisite evidence for an audit opinion **(Oh, et al., 2022).**

Firm value

In an ideal market, the capital structure of a firm does not independently influence its value and investment decisions **(Modigliani & Miller, 1958).** However, it is important to note that in the real-world, situations deviate from this ideal scenario as a result of many factors such as taxation, transaction costs, and information asymmetry **(Modigliani & Miller, 1963).** Numerous developing nations, such as Nigeria, exhibit prevailing market flaws. Accordingly, the valuation of a company can be affected by the increased costs connected with debt financing and the tax advantages associated with debt, as they have an effect on the cost of capital and investor returns. In general, it is anticipated that larger corporations with significant assets and robust cash flows will attain higher levels of long-term profitability and stability **(Putu et al, 2014).** As a result, the enhanced market stability of these larger enterprises is underpinned by the confidence exhibited by stakeholders in their investment decisions.

Audit reporting lag and Firm value

Delays in financial reporting convey an unfavorable message to the market and have the potential to detract from a company's market value. The presence of reporting delays raises concerns among market players regarding the possibility of the company concealing bad information, which might potentially have an impact on the value of its stock. Prior to issuing financial statements, it is imperative for a firm to undergo thorough audits. However, any delays in the auditing process might result in the postponement of financial statement publication and subsequent regulatory repercussions **(Lawal, et al., 2020).**

Theoretical Underpinnings

Agency Theory

The theory was propounded by Jensen and Meckling in 1976. At the heart of the theory is the concept of agency problem, a phenomenon that arises when there is a separation between ownership and management within an organization, as exemplified by corporations **(Jensen & Meckling, 1976)**. Agency theory is a conceptual framework utilized to explain the significant connection between those occupying positions of authority (referred to as principals) and the individuals who act on their behalf as agents **(Nwafor & Amahalu, 2021).** The allocation of authority to managers for the execution of everyday operations is entrusted to shareholders, who serve as the owners. The allocation of ownership and control can give rise to an agency problem, particularly the issue of moral hazard, because economic actors put their personal well-being above that of others **(Okeke & Obiakor, 2021).**

This theory offers a structured approach to addressing the challenge of divergent interests between managers and shareholders within a corporate environment **(Opudu & Eze, 2022).** Nevertheless, there exists a potential divergence in the interests of shareholders

and managers, since managers may exhibit a preference for immediate personal benefits above the long-term objectives of the firm. Conversely, shareholders anticipate that managers will actively pursue their long-term strategic interests. This phenomenon is commonly referred to as agency theory. The pursuit of significant financial gains by shareholders is often impeded by management's prioritization of short-term outcomes, resulting in the emergence of agency problems **(Yusnia & Kanti, 2021).**

The theory acknowledges that in situations when many participants possess a shared objective, they may exhibit divergent motives, which can subsequently result in disparate outcomes **(Amahalu & Obi, 2020).** The idea posits that the presence of disparities in information accessibility and the self-interested motivations of those engaged necessitate the implementation of measures aimed at mitigating this issue and fostering mutually beneficial outcomes for all parties involved. Implementing this approach will effectively mitigate concerns pertaining to knowledge asymmetry and opportunistic conduct. The aforementioned strategies encompass the provision of attractive remuneration and incentives to managerial personnel, the implementation of audit procedures, and the cultivation of trust between proprietors and agents **(John & Abimbola, 2022).** Audits have a vital role in mitigating information asymmetry and ethical hazards, hence establishing stakeholder confidence in the veracity of financial statements generated by managers acting as representatives **(Sumiadji et al, 2019).**

Signalling Theory

The application of signalling theory, initially proposed by Michael Spence in 1973, underscores the importance of accounting data, specifically in relation to investors. The proposition posits that within the realm of the capital market, investors place significant reliance on accounting data for the purpose of analyzing companies and formulating economic judgments. This theoretical framework posits that precise accounting data functions as a dependable indicator of market dynamics, enabling investors to assess the genuine worth of a company. The central focus of signaling theory is the resolution of information asymmetry, wherein external auditors play a crucial role as unbiased intermediaries to alleviate this concern **(Olabisi, Kajola, & Abioro, 2020).** Signaling theory is a crucial topic within the field of financial management, which revolves around the notion that organizations employ signals as a means of communication with other entities, such as investors (Dewiyanti, 2021).

Numerous authors have observed that investors place importance on information, and the implementation of a policy by management can function as an indicator of a company's value, hence influencing its stock returns **(Puspitaningtyas, 2018)**. According to signaling theory, managers are believed to possess privileged information regarding the objective worth of the company, which may not be readily apparent to investors. Their motivation lies in optimizing their profitability through the strategic utilization of this information **(Puspitaningtyas, 2019). Pernkopf, Latzke, and Mayrhofer (2020)** argue that signalers frequently possess unique information that is not accessible to others, hence granting them a competitive advantage in deciding the specific information or signals to communicate. Moreover, this theory holds significance in the context of this study as it highlights the potential for audit reporting lag to generate knowledge asymmetry between investors and corporate management.

Empirical Review

The study conducted by **Hamid (2023)** investigated how ownership structure influence the timeliness of audit reports for a sample of 102 non-financial listed firms in Saudi Arabia spanning the period from 2012 to 2021. Based on the application of a Generalized Method of Moments (GMM) methodology, the research revealed a positive association between elevated levels of managerial ownership and heightened audit delays. Nevertheless, the presence of family and institutional ownership has the potential to enhance the timeliness of financial reporting. Notably, the presence of government ownership does not have a substantial effect on the duration of audit delays.

Asuzu, et al., (2021) evaluated how managerial stock ownership affect and audit fees on the delayed issuance of audit reports for publicly traded manufacturing companies in Nigeria. The analysis utilized data from 39 organizations across diverse sectors spanning the years 2011 to 2019. While the independent variables include audit fees, audit quality and managerial stock ownership, ARL served as the dependent variable, controlling for board characteristics, moral hazards, risk, and firm characteristics. The examination of the data encompassed both descriptive and inferential statistical methods, including the utilization of Pearson correlation and multiple panel regression. Results indicated that a significant relationship among ARL, managerial ownership and audit fees.

The study conducted by **Rahmansyah et al. (2021)** examined the influence of corporate governance on audit delays. While controlling for control variables such as firm and auditor characteristics such as firm size, financial losses, and auditor quality, the study employed corporate governance proxies such as board meetings, the size of audit committee, audit committee independence, board size, board independence. Multiple regression analysis was carried out on the specified model, having collected data from fifty-five (55) firms listed on the Indonesia Stock Exchange (BEI) between years 2017 to 2018. Except for audit committee size, audit committee independence, and board meetings, the study documented evidence that board size has a significant influence on audit delays.

The study conducted by **Siyanbola et al. (2020)** investigated the influence of specific firm characteristics on audit reporting lag among Nigerian deposit money institutions. Data were gathered from ten (10) banks, covering the period from 2008 to 2017. Dynamic generalized method of moments with fixed effects was utilized to estimate the model. Findings indicate a statistically significant positive correlation between the age of a bank and audit reporting delays. However, the size of the banks does not exert statistically significant positive influence on audit reporting delays, while profitability was documented to have a negative albeit statistically insignificant effect on the occurrence of reporting delays.

Against the background of the fact that the occurrence of audit delays, leading to the subsequent postponement of financial statement release, exacerbates information asymmetries and has the potential to impact the valuation of a company, **Lawal et al. (2020)** examined the influence of audit reporting delays on the overall value of Nigerian beverage and food industries. Generalized Method of Moments (GMM) was utilized to examine secondary data extracted from the annual reports of ten (10) publicly traded corporations over a duration of five years. Results showed that there is no statistically significant relationship between market values of firms and audit delays.

Hidayatullah, et al. (2020) interrogated how the auditors' change, company size, and audit opinion affect ARL in listed Indonesian manufacturing companies, having collected data between 2016 and 2018 from seventy-two (72) manufacturing firms. Multiple linear regression analysis was utilized to estimate the model. With the exception of audit opinion, it documented evidence that auditor's change and firm size have no significant effect on

audit report lag. **Anichebe, Ezechukwu and Okpalukeje (2019)** examined the nexus between firm dynamics and the audit delays, collecting secondary data which spanned a period of 10 years (2009-2018) from seven (7) listed pharmaceutical firms in Nigeria. Descriptive statistics and ordinary least square techniques were utilized to analyse the data. Findings revealed that audit lag and director's lag in pharmaceutical enterprises are influenced by firm dynamics.

Research Methods

Ex-post facto research design was adopted as the historical data were collected to understand the behaviours of audit reporting lag in relation to firm value, over the period of interest to the study. Twenty-one (21) consumer goods firms comprised the population of the study (NGX, 2022), from which ten (10) firms were selected using purposive sampling technique. Secondary data were collected from the annual reports and Daily Official List of the Nigerian Exchange for a period of ten (10) year, beginning from 2011. The data were panelled and analysed using a combination of descriptive and inferential statistical devices such as mean, maximum, minimum and standard deviation and panel robust least square method of regression analysis.

The static panel estimators are more suitable for short panel were the time points (*T*) is small relative to the cross-sections (*N*), that is, $T = 11, N = 10$. The robust least square was employed to address the concerns regarding non-normality in the distribution of the data and outliers. Of the three estimation methods of robust least square, the MM-estimation method was utilised as there are outliers in the both the dependent and independent variables. However, Breusch-Pagan cross-sectional dependence test, serial correlation test and normality test were the battery of post estimation tests conducted to determine the fitness of the models and their estimates based on sound econometric justifications.

The variables and their measurement were as measured in table 3.1

Table 3.1: Variables and measurements

Type of Variables	Proxies	Measurement
Independent	Audit Reporting Lag	The difference between a firm's financial year end date and the audit report date
Dependent	Stock Returns	$\text{Price}_{t-1}\text{-Price}_{t}/\text{Price}_{t}$
	Market Value Added	Market Value Added = V – K; Where the variables are: V = the market value of equity; K = total amount of capital invested
	Tobin's Q	Market Value of Equity / Book Value of Equity
Control	Firm size	Natural Logarithm of Total Assets
	Firm growth	change in current year sales over preceding year sales divided by preceding year sales
	Firm leverage	ratio of total debt to equity

(Source: Authors' compilations, 2023**)**

The study adopted a model which was applied by **Shuaibu, Ali and Moh'd Amin (2019)** with little modification as shown below:

The above was modified and transformed into regression equations as follows:

Model I: $STR_{it} = \lambda_0 + \lambda_1 ARL_{it} + \lambda_2 FS_{it} + \lambda_3 FG_{it} + \lambda_4 FL_{it} + £it$

Model II: $Tobin's\ Q_{it} = \alpha_0 + \alpha_1 ARL_{it} + \alpha_2 FS_{it} + \alpha_3 FG_{it} + \alpha_4 FL_{it} + £it$

Model III: $MVA_{it} = \beta_0 + \beta_1 ARL_{it} + \beta_2 FS_{it} + \beta_3 FG_{it} + \beta_4 FL_{it} + £it$

α_0 = parameters to be estimated (is the average amount the dependent variable increases when the independent increases by one unit, other independent variables held constant); β_1 - β_4 = partial derivatives or the gradient of the independent variables; £ = an error term assumed to satisfy the standard OLS assumption; i = Firm ; t = time; ARL= Audit Reporting Lag; FS = Firm size; FL = Firm leverage; FG = Firm growth; Tobin's Q= Tobin's Q (share price performance) ; MVA = Market Value Added (share price performance) STR = Stock Returns (share price performance)

Results and Discussion

Descriptive Statistics

This section provides the summary statistics of the variables being examined in the study such as stock return (*SR*), Tobin's Q (*TBQ*), market value added (*MVA*), audit reporting lag (*ARL*), firm size (*SIZE*), sales growth (*GROWTH*) and leverage (*LEV*).

Table 4.1-: Summary Statistics
Sample: *N* = 10, *T* = 11 (2011 – 2021)

	Variable						
Statistics	**SR**	**TBQ**	**MVA**	**ARL**	**SIZE**	**GROWTH**	**LEV**
Obs.	110	110	110	110	110	110	110
Mean	19.461	4481.660	125239.4	84.709	17.991	126.811	2.097
Median	0.147	711.918	16530.26	82.000	18.137	6.670	1.656
Maximum	410.123	57711.54	1233748.	206.000	20.152	12756.77	13.512
Minimum	0.00015	0.147	-252.0275	49.000	15.698	-98.706	0.473
Std. Dev.	58.585	9145.156	287272.2	23.240	1.103	1215.614	1.622
Skewness	4.7295	3.1020	2.9326	1.6178	-0.1555	10.336	3.7647
Kurtosis	27.9093	14.5089	10.5483	8.5675	2.1517	107.885	24.5387
Jarque-Bera	3253.916	783.4957	418.8070	190.0560	3.7413	52379.87	2386.123
p-value	0.0000	0.0000	0.0000	0.0000	0.1540	0.0000	0.0000

Source: Researchers' computation, (2023)

Table 4.1 presents the results of the descriptive statistics for the panel series. From the table, the averages of the three market-based performance variables (*SR*, *TBQ*, *MVA*) and GROWTH are below their standard deviations, suggesting a high level of variation of these measures for the sampled consumer goods firms. In contrast, the series of *ARL*, *SIZE* and *LEV* have their standard deviations lower than their averages, indicating low level of variation amongst the firms and tendency to have high predictive power. Meanwhile, all the series except *SIZE* have positive skewness, suggesting that they are normal in distribution. These results are reinforced by the kurtosis statistics which demonstrate leptokurtic and platykurtic distribution, rather than mesokurtic distribution with a statistic of 3 or approximately 3. As further test of normality, the Jarque-Bera statistics and their corresponding *p*-values, except for the SIZE series, additionally indicated non-normal distribution. With these results, there appears to exist in the data outliers which cab bias the estimation unless a suitable estimation technique is employed.

Model Estimation and Results

Based on the results of descriptive statistics (table 4.1), the Robust Least Squares (RLS) estimation technique, particularly the MM-Estimation method, was adopted to estimate the three static panel models, in line with the study's objectives, the results of which are presented in table 4.2, having taken natural logarithms of all the series except *MVA*. While

the upper panel contained the estimates of the three models (*SR*, *TBQ* and *MVA* models), the lower panel displayed the robust statistics on the bases of which the validity of the estimates in the models were evaluated and determined. Therefore, the estimates obtained are interpreted in terms of elasticities. To evaluate the good of fit of the estimated models and the overall or global test of significance of the estimated model, the Rw-squared and Rn-squared statistic were utilised.

Table 4.2-: Robust Least Square Estimates (MM-Estimation Method)
Sample: *N* = 10, *T* = 11 (2011 – 2021)

Model	1	2	3
Response Variable:	**STR**	**TBQ**	**MVA**
Independent Variable			
Intercept (*C*)	20.7837	45.5997***	148293.2***
	(0.1780)	(0.0000)	(0.0061)
ARL	-4.6799**	-5.3774***	-18031.39**
	(0.0428)	(0.0003)	(0.0260)
SIZE	-0.0545	-0.8960***	-2626.878
	(0.9171)	(0.0075)	(0.1524)
GROWTH	0.0004	0.0034***	-0.5454
	(0.4068)	(0.0000)	(0.7374)
LEV	1.9037**	-0.6711	-16910.34***
	(0.0466)	(0.2730)	(0.0000)
Robust Statistics:			
R-squared	0.0639	0.0921	0.0389
Adj. R-squared	0.0283	0.0575	0.0023
Rw-squared	0.8281	0.5816	0.5144
Adj. Rw-squared	0.8281	0.5816	0.5144
Rn-squared stat. (Overall Test)	11.3451**	136.6444***	27.1226***
	(0.0229)	(0.0000)	(0.0000)
Diagnostics:			
Jarque-Bera	1.1085	4.5229	4.5383
	(0.5745)	(0.1042)	(0.1034)

Source: Researchers' Computation (2023)

***Note*:** The values in the parenthesis **( )** are the p-values underneath the respective coefficients and statistics. The asterisks ***, ** & * denote statistical significance at the conventional 1%, 5% and 10% levels of significance, respectively.

SR Model: This model focuses on the relationship between Audit Reporting Lag and Stock Returns. Thus, the following hypothesis was tested. The model is based on 'double-log' specification except for the *GROWTH* variable having negative values. Thus, coefficients obtained are given as elasticity.

Test of Hypothesis 1

H_{01}: There is no significant effect of audit reporting lag on the stock returns in Nigeria Listed consumer goods firms.

As shown in table 4.2, changes in the audit reporting lag (*ARL*) exert a negative and statistically significant effect (λ_1 = -4.6799, p = 0.0428 < 0.05 or 5%) on stock returns (*SR*) of the selected consumer goods firms in Nigeria. On the basis of the size of the partial slope coefficient, it then implies that a 1 per cent increase (decrease) in *ARL* will, on average, result in about 4.68 percent decrease (increase) in *SR.* Put differently, the stock returns negatively and significantly respond to audit reporting lag, thereby rejecting the null hypothesis. Meanwhile, changes in *GROWTH* and *SIZE* exerts a positively and negatively insignificant influence of stock returns (*SR*), while leverage (*LEV*) has a significantly positive influence on

stock returns (*SR*). Furthermore, results from the lower panel indicated an adjusted-Rw^2 statistic of 0.8281 which suggests that all the policy variables (*ARL*, *SIZE*, *GROWTH* and *LEV*) in the model account for about 82.81% of the variation in the response variable (*SR*). Thus, this model's strong predictive power is established. The R-squared statistics (11.3451, with a less than 1% p-value), however, suggests that all the policy variables including ARL jointly and significantly influence stock returns.

Results from the cross-sectional dependence, normality and serial correlation tests, as presented in table 4.3 showed no cross-sectional dependence of the series, no serial correlation in the error term and the normality of the distribution of the residuals. This is because the Breusch-Pagan LM test statistic (*T* > *N*), the Q-Statistic (Ljung-Box-(*Q* = 0.0246, *p* = 0.875)) and Jarque-Bera statistic (1.1085, having the *p*-value of 0.5745) are all above 5% level of significance for the cross-sectional dependence test, serial correlation test and normality test respectively. Based on these results, the estimates obtained are valid for inferences and policy making.

Table 4.3-: Post Estimation Test Results for *SR* Model
Sample: *N* = 10, *T* = 11 (2011 – 2021)

Cross-sectional dependence test:		**P-value**
Breusch-Pagan LM Test	27.4521	0.1002
Serial Correlation Test		
Q-Statistic (Ljung-Box)	0.0246	0.875
Normality Test:		**P-value**
Jarque-Bera	1.1085	0.5745

Source: Authors' computation (2023)

TBQ Model: This model focuses on the relationship between Audit Reporting Lag and Tobin's Q. Thus, the following hypothesis was tested. The model is based on 'double-log' specification except for the *GROWTH* variable having negative values. Thus, coefficients obtained are given as elasticity.

Test of Hypothesis 2

H_{02}: There is no significant effect of audit reporting lag on the Tobin's Q in Nigeria Listed consumer goods firms.

As shown in table 4.2, changes in the audit reporting lag (*ARL*) exert a negative and statistically significant effect (α_1 = -5.3774, *p* = 0.0003 < 0.05 or 5%) on Tobin's q (*TBQ*) of the selected consumer goods firms in Nigeria. On the basis of the size of the partial slope coefficient, it then implies that a 1 per cent increase (decrease) in *ARL* will, on average, result in about 5.38 percent decrease (increase) in *TBQ.* Put differently, the Tobin's q negatively and significantly responds to audit reporting lag, thereby rejecting the null hypothesis. Meanwhile, changes in *GROWTH* and *SIZE* exerts a positively and negatively significant influence of Tobin's (*TBQ*), while leverage (*LEV*) has an insignificantly negative influence on Tobin's (*TBQ*).

Furthermore, results from the lower panel indicated an adjusted-Rw^2 statistic of 0.5816 which suggests that all the policy variables (*ARL*, *SIZE*, *GROWTH* and *LEV*) in the model account for about 58.16% of the variation in the response variable (*TBQ*). Thus, the model's strong predictive power is demonstrated. The R-squared statistics (136.64, with a less than 1% *p*-value), however, suggests that all the policy variables including ARL jointly and significantly influence stock Tobin's q.

With respect to the results from the post estimation tests, the cross-sectional dependence, normality and serial correlation tests, as presented in table 4.4 showed no cross-sectional dependence of all the series, no serial correlation in the error term and the normality of the distribution of the residuals. This is because the Breusch-Pagan LM test statistic ($T > N$), the Q-Statistic (Ljung-Box-(Q = 3.4616, p = 0.326)) and Jarque-Bera statistic (4.5229, having the p-value of 0.1042) are all above 5% level of significance for the cross-sectional dependence test, serial correlation test and normality test respectively. Based on these results, the estimates obtained are valid for the purpose of making inferences and policy formulation.

Table 4.4-: Post Estimation Test Results for TBQ Model
Sample: N = 10, T = 11 (2011 – 2021)

Cross-sectional dependence test:		**P-value**
Breusch-Pagan LM Test	24.3327	0.1107
Serial Correlation Test		
Q-Statistic (Ljung-Box)	3.4616	0.326
Normality Test:		**P-value**
Jarque-Bera	4.5229	0.1042

Source: Authors' computation (2023)

MVA Model: This model focuses on the relationship between Audit Reporting Lag and market value added. Thus, the following hypothesis was tested. The model is based on 'Lin-Log' specification since the dependent variable (*MVA*) could not be logged having negative values. Thus, coefficients obtained are expressed as semi-elasticities having divided by 100 in the case of 'Lin-Log' specification.

Test of Hypothesis 3

H_{03}: There is no significant effect of audit reporting lag on market value added in Nigeria Listed consumer goods firms.

As shown in table 4.2, changes in the audit reporting lag (*ARL*) exert a negative and statistically significant effect (β_1 = -18031.39, p = 0.0260 < 0.05 or 5%) on market value added (*MVA*) of the selected consumer goods firms in Nigeria. On the basis of the size of the partial slope coefficient, it then implies that a 1 per cent increase (decrease) in *ARL* will, on average, result in about 18,031 percent decrease (increase) in *MVA.* Put differently, the market value added negatively and significantly responds to audit reporting lag, thereby rejecting the formulated null hypothesis three. Meanwhile, while changes in *GROWTH and SIZE* exert an insignificantly negative effect on *MVA*, SIZE exerts, leverage (*LEV*) has a significantly negative influence on market value added (*MVA*).

Furthermore, results from the lower panel indicated an adjusted-Rw^2 statistic of 0.5144 which suggests that all the policy variables (*ARL*, *SIZE*, *GROWTH* and *LEV*) in the model account for about 51.44% of the variation in the response variable (*MVA*). By this result, the model's strong predictive power is clearly demonstrated. The R-squared statistics (27.1226, with a less than 1% p-value), however, suggests that all the policy variables including ARL have a combined influence on market valued added of listed Nigerian consumer goods firms.

With respect to the results from the post estimation tests, the cross-sectional dependence, normality and serial correlation tests, as presented in table 4.5 showed no cross-sectional dependence of all the series, no serial correlation in the error term and the

normality of the distribution of the residuals. This is because the Breusch-Pagan LM test statistic ($T > N$), the Q-Statistic (Ljung-Box-(Q = 3.4113, p = 0.315)) and Jarque-Bera statistic (4.5383, having the p-value of 0.1034) are all above 5% level of significance for the cross-sectional dependence test, serial correlation test and normality test respectively. Based on these results, the estimates obtained are valid for the purpose of making inferences and policy formulation.

Table 4.5-: Post Estimation Test Results for MVA Model
Sample: N = 10, T = 11 (2011 – 2021)

Cross-sectional dependence test:		**P-value**
Breusch-Pagan LM Test	28.4337	0.1114
Serial Correlation Test		
Q-Statistic (Ljung-Box)	3.4113	0.315
Normality Test:		**P-value**
Jarque-Bera	4.5383	0.1034

Source: Authors' computation (2023)

Summary of Hypotheses Testing Results

Based on the results obtained from the estimations of the models, a summary is provided in terms of the three formulated hypotheses and the decisions made on their statistical significance. These are as shown in table 4.6.

Table 4.6-: Summary of Tests of Hypotheses' Results

Audit reporting lag and market-based financial performance (Stock return)		
	Null Hypotheses (H_0)	**Stat. Significance**
1	There is no significant effect of audit reporting lag on stock returns in Nigeria Listed consumer goods firms	Significant ($p < 0.05$)
Audit reporting lag and market-based financial performance (Tobin's Q)		
	Null Hypotheses (H_0)	**Stat. Significance**
2	There is no significant effect of audit reporting lag on Tobin's Q in Nigeria Listed consumer goods firms	Significant ($p < 0.01$)
Audit reporting lag and market-based financial performance (Market value added)		
	Null Hypotheses (H_0)	**Stat. Significance**
3	There is no significant effect of audit reporting lag on market value added in Nigeria Listed consumer goods firms	Significant ($p < 0.05$)

Source: Researchers' compilation (2023).

Discussion of Findings

The study examined the effect of audit reporting lag on firm value of listed consumer firms in Nigeria for a period of eleven (11) years, from 2011-2021. The model was found to be statistically significant, in the case of the consumer goods firms, that is, Audit Reporting Lag has absolute significance and positive relationship which exerts adverse effect on the share price performance of firms in the consumer goods sector from 2011-2021. In exploring the effect of audit reporting lag on firm value of consumer goods firms in Nigeria, three panel models were estimated for each of market-based financial performance (share price performance) such as stock returns, Tobin's q and market value added. Thus, the empirical findings revealed that changes in audit reporting lag exert significantly negative effect on stock returns, Tobin's Q and market value added.

The foregoing suggests that firm value, surrogated by stock returns, Tobin's q and market value added, responds negatively and significantly to audit reporting lag of listed Nigerian consumer goods firms. This finding is consistent with the results obtained by **Akintoye, Lawal and Sanyaolu (2020)** which revealed that audit reporting has a significant effect on firm value (Tobin`s Q) in Nigeria`s selected food and beverage companies. Further result from this current study indicated that a significant and positive relationship between firm leverage and market value added, a proxy of firm value. These findings, however, contrast with the observation of **Akintoye, et al. (2020) Kabiru and Ibrahim (2019)** concluded in their study that firm size has a positive and significant impact on firm value of consumer goods firms in Nigeria. The relationship is significant but statistically weak which indicates that larger firms enjoy more investor`s confidence and relative to smaller firms. Our findings also support this conclusion. In contrast with the results obtained by **Al-Slehat (2020),** our study revealed a significant negative relationship between firm value and firm size. It implies that larger firms are valued lower by markets.

Conclusion and Recommendations

This study investigated the influence of audit reporting lag on firm value of listed Nigerian consumer goods firms. Secondary data which spanned years 2011 and 2021 were collected from the Daily Official List of the Nigerian Exchange and the annual reports of the listed firms. Informed by three objectives, three hypotheses were formulated and tested using robust least square method of regression analysis. In similar fashion to two other proxies of firm value employed in this study, we documented evidence that stock returns of listed Nigerian consumer goods firms react negatively and significantly to audit reporting lag. The implication of these results is that the shorter auditors of listed consumer goods firms complete their audit and the audited results are filed with the Securities and Exchange Commission (SEC), the higher will the firm value respond, to the benefit of the shareholders. While it confirms the signalling theory, these results challenge the agency theory, both of which served as the theoretical framework underpinning this study.

Based on the above findings and conclusion, the study recommended as follows:

i. Regulatory authorities of consumer goods firms should step up their oversight functions, especially in the area of making the firms over which they superintend to report their financial results timelier.
ii. Auditors should strive to improve quality of their audit work, regardless of shortened time it takes to complete same. This is necessary not to sacrifice quality on the ground they want report timelier, so that the figures contained in the filed audited reports can more decision useful.
iii. Listed consumer goods firms in Nigeria should moderate their expansionary drive in order to increase stock returns, Tobin's q and market value added.

Contribution to knowledge

This study expanded on the body of cognate literature and increased knowledge on the nexus between audit reporting lag and firm value of listed Nigeria consumer goods firms by documenting emphatic empirical evidence that audit reporting lag negatively and significantly influence the three surrogates of firm value in listed Nigeria consumer goods firms. Methodologically, unlike previous studies that employed one measure of firm value within the sector of interest to this study in Nigeria, this current study, however, documented evidence that ARL exerts significant influence on firm value of consumer goods firms in Nigeria.

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