xIlkogretim Online - Elementary Education Online,2021; Vol 20 (Issue 5): pp.3953-3960
http://ilkogretim-online.org
doi: 10.17051/ilkonline.2021.05.434

Does Audit Quality Matter for Firm Performance? Empirical Evidence from Pakistani Public Listed Companies

Muhammad Nadeem Khan, Assistant Professor, Iqra University , Karachi.
Rakesh Parksh, Assistant Professor and HOD, Iqra University North Campus, Karachi
Moona Shamim, Lecturer, Iqra University, Karachi
Shamrez Ali, Lecturer at University of Sahiwal and PhD Scholar at Institute of Business Administration, Karachi, shamrezali@uosahiwal.edu.pk

Abstract- The global financial crisis of 2007-08 raised several question marks on the disclosure of financial reports of companies and bent a need for transparent and independent audits for public listed companies. The purpose of this current study is to explore the impact of audit quality on firm performance. To do this, the current study applied disproportion stratified random sampling on all Pakistani public listed companies and constructed a cross-section data set of 150 firms that were operating in 2018. Furthermore, this study applied the Weighted Least Square technique and found that audit quality measured by an audit from Big-Four firms is a source of an increase in firm performance. These findings propose to the government and management of firms to make sure the implementation of a transparent and independent audit in all public listed companies.

Keywords: audit quality, Weighted Least Square technique, global financial crisis

I. INTRODUCTION

The profit maximization is the primary objective of any public and private company which directly depends on the revenue of a firm. Therefore, an increase in revenue is indispensable and it further depends on the core business activities of a firm. Furthermore, every firm needs finance to invest in its core business activities so that the objective of maximum profit should be achieved (Jensen, 2002). This primary objective of profit maximization is consistent with the objective of stockholders because they want maximization of their wealth which is possible in case of an increase in profit of the firm consistently. In other words, the profit of a firm should be sustainable otherwise firm cannot ensure the increase in wealth of stockholders that are the real owner of a firm.

However, stockholders do not perform core business activities and merely depend on the management of the firm which sometimes overrides the interests of stockholders. Therefore, to avoid principal-agent problem stockholders analyze the performance of a firm with the help of its financial statement and assess whether management is working to protect their interest of shareholders or not. This creates a need for financial statements that present a true and fair view of financial information of the firm and this could be possible only in the presence of the independent audited financial statements. Thus, an independent audit is indispensable to assure shareholders that management is working to protect the best interest of shareholders and that the goals of management are aligned with the goals of shareholders (Jensen and Meckling, 1976).

Furthermore, an independent audit of financial reports reveals the importance of the appointment of an independent auditor to make sure the good quality of audit because a good quality audit is a pre-requisite to verify the accuracy and transparency of financial information. Transparency means that financial statements are reflecting true and fair financial information. Therefore, independent external monitoring urges to management to ensure transparency in day to day financial affairs of the firm which is a primary source to win stakeholders' confidence. (Esplin *et al*., 2018). However, the definition of audit quality is different among different researchers. Esplin, et al. (2018) defined audit quality as a combination of various factors such as audit plan, the timing of the audit, staff deployed for audit, audit hours, risk assessment, and accounting knowledge of external audit. Unlikely, Dang *et al.* (2016) defined audit quality in terms of two factors i.e. restatement of financial statements and allegations of fraud. Both definitions are ensuring the accountability of agents (management) and transparency in financial reporting because ofthe lack of these qualities in a firm lead to corruption. Consequently, the process of sustainable growth could be disturbed particularly for the case of developing countries (Ibrahim et al.2009; Chen at al.2003).

Masood & Lodhi (2015), investigate the same problem and conclude that lack of transparency and accountability lead to corruption and misappropriation of assets management in organizations. This study further reveals that as per the corruption index, comparatively, Pakistan is one of the most corrupt countries in the world because of a lack of accountability and transparency. These findings motivate us to investigate the impact of audit quality on firm performance of Pakistani listed companies. The proxies used by this study to determine the audit quality are audit from Big-4 firms and audit fees. After analyzing empirically this study concludes that audit from Big-4 audit firms is a more reliable proxy for measurement of audit quality than audit fees. Furthermore, audit quality is a source of the increase in firm performance because it makes sure accountability which leads to transparency in a firm. These findings are more important for stockholders, management, and the government to take steps for assurance of audit quality (Balachandran *et al* .2019; Becker at al.2010; Davidson and Neu1993)

The next section consists of a review of former studies and methodology adopted in this research. The findings of the study are given in the last section followed by a conclusions and recommendations.

II. LITERATURE REVIEW

The financial scandals in emerging markets lead to the poor performance of firms. Furthermore, after the global financial crisis of 2007-08 stakeholders of firms are much concerned with the performance of firms because they were the primary victims of the failure of firms. Therefore, to make sure efficient management policies and their enforcement in an effective way for the sake of sustainable profit earning, independent external monitoring is required (Hamed Sayyar, 2015). Salme Zekaj (2018) report that in the current regime of influential media and increasing trend of corporate governance, a need of fair and transparent assessment of financial reports and financial statement of a firm has been intensified because it is one of the primary way not only to win the trust of investors and shareholders but also to maintain the pace of investment activities in a firm. Similarly, Elawa and Haddad (2019) conclude that a good quality audit is a key to ensure an efficient market atmosphere because of a decrease in chances of fudging in financial reports. Furthermore, business investment requires the absence of asymmetric information in financial information because it has a direct impact on investment decisions that are very crucial for the performance of a firm. Therefore, there is a need for good quality audits from a credible source otherwise it would be very difficult for a firm to continue the investment projects (Carl Shapiro, 1993). Becker et al. (1998) explains the importance of audit in such a way that it reduces the informational differences between stakeholders of firm and management. Thus, after studying the views of the above provided former studies, one can have an idea that audit quality does matter for firm performance. Severalresearchersinvestigated firm performance in different ways. There are multiple indicators available in the financial sector to ascertain the performance of firms such as profitability, efficiency, liquidity, and debt ratio. These financial indicators help the users of financial statements to gauge the performance of a firm.

Profitability ratios help to determine the performance of a firm using profit earned by a firm with (Shaikh, Riaz, & Ahmad, 2020)the closing numbers of financial statements. Return on assets (ROA) is one of the most important indicators used by stakeholders to determine the performance of the firm. (ROA) reveals that by using the total assets of a firm, how much profit is earned by the firm in a single financial year. The increasing trend in this ratio with as compared to prior year results stated that the firm's performing is increasing (Buallay *et al*., 2017; (Farhan et al., 2017; Delen et al.2013; Ponikvar et al. 2009; Barnes, 1987). Another strong indicator is Return on equity (ROE) which states that how much profit is earned by a firm in a single reporting period after utilizing all equity in its financial operations(AHMED, RIAZ, AQDAS, & HASSAN, 2021). Similar to (ROA), an increasing trend in this ratio indicates better performance as compared to prior years (Buallay et al. 2017; Farhan et al., 2017; Hassan and Halbouni, 2013; Delen et al.2013; Ponikvar et al.,2009; Barnes, 1987).

Further extended to the quality of the audit, Becker et al. (1998) concluded that high-quality auditors have more abilities to detect mistakes of management and they usually questions the financial treatment of management and upon unsatisfactory clarifications,high-quality auditors qualify the opinion of the audit report. Thus,an audit of highquality acts as a real examiner of subject matter i.e. financial statements of the client. But again there is a question mark on the quality of external monitoring that either the quality of audit conducted by external monitors is according to international standard or not. Balachandrana et al. (2018) reveals that audit firms having a high quality of audits have more reliable and transparent evidence related to accounting standards. Therefore, different researchers empirically measured audit quality in different ways. For instance, Evans (2017) concluded that a timelineis one of the key determinants of audit quality. Furthermore, Evans (2017) reveals that audit quality is based on auditor industry specialization and auditor reputation. On the other hand, Kusumawati and Syamsuddin (2018) described that an experienced audit team, independence of the audit team, and competency of team members are some benchmark qualities for external audits.

Furthermore, Esplin et al. (2018) described the audit quality as an aggregate effect of multiple characteristics. The first and most crucial aspect of assessing the audit quality is reviewing the audit plan of the external audit firm. According to International Standards on Auditing, the external auditor must make proper audit planning about how much time the audit client is required, the risk of possible misstatements in financial statements of the client, and how much staff is required to conduct audit fieldwork. The second aspect of assessing audit quality is derived from the amendment in financial policies, disclosures, and audit adjustments made by the external auditor during audit. The third most important aspect of assessing audit quality is the advice relating to internal controls of the business. External auditors are not supposed to form an opinion about the lacking of an internal control system of assurance client but as a piece of goodwill gesture, external auditors highlight some instances through a management letter explaining the weaknesses observed during an audit.

Moreover, Skinner and Srinivasan (2012) and Ahmad, Bin Mohammad, and Nordin (2019)explained that two forces compel an auditor to deliver quality audits. Those forces are litigation and reputation incentives. Litigation force means when auditors are legally liable for audit failures and this fear boosts the efforts of auditors to provide quality audits (Skinner and Srinivasan, 2012). An audit is all about having a reputation in the industry so that client will pay for your name and avail your services to ensure good quality of audit.Negative impacts on reputation will result in loss of clients (Skinner and Srinivasan, 2012). Chen et al. (2001) analyzed the scenario of the Chinese auditing market where different auditing services providers have a different set of mind regarding the attributes or quality of audit. The first one was auditors from certified public accountants is the local audit firms and the Big 5 audit firms. Becker et al. (1998) used audit quality as a dichotomous variable and consider big six audit firms pertain to a higher quality of audit.

Although audit quality has its primary role in determining a firm performance, there several other factors that can affect a firm's performance. For instance, Ponikvar et al. (2009) reveal that efficiency ratios include various ratios that compare the overall turnover of the firm after utilizing multiple factorsto determine the firm efficiency, and these efficiency ratios are the most crucial determinants of a firm's performance. This study used the asset turnover ratio,monitor the sales as a percentage of total assets i.e. how much efficiently sales target has been achieved by utilizing the assets of a firm. Similarly, Hassan and Halbouni (2013) investigated the effect of corporate governance mechanisms on the performance of firms of the United Arab Emirates (UAE) listed firms. The governance mechanismsdefinethe Chief Executive Officer's dual role, size of the board of directors, and audit type. Likewise, Haat et al. (2008) and Ahmad and Bin Mohammad (2019)also document that corporate governance does matter for transparency in the corporate sector and firm performance. Corporate governance includes seven different characteristics like independence of the board of directors, board leadership, duality role, quality of directors, insider ownership, foreign ownership, and higher debt financing and higher audit quality.

III. METHODOLOGY

This section provides information on research design. This study provides information about the research model, sample size, and research methods used to empirically analyze the relationship between audit quality and a firm's performance.

The research model is a mental sketch used to describe the possible interrelationship between dependent and independent variables. In the light of former studies, the current study constructs a model given below to investigate the relationship between audit quality and firm performance.

$$Firm\ Performance \ = f(Size, Efficiency, Corporate\ Governance, Externl\ Audit)$$

Where Size means the size of the firm and efficiency represents how efficiently a firm is utilizing its assets. Furthermore, Corporate governance consists of a dual role of directors, foreign ownership, and debt to asset ratio. The variable of interest is the external audit which includes audit from Big 4 audit firms and audit from any firm other than Big-4 firms.

3.1 Sample Size:

The target population for this study is all listed companies in Pakistan because they are bound to make their data available for the public under the Companies Act 2017. There are 563 firms listed in the Pakistan stock exchange out of which 439 firms pertain to the normal counter. The rest of the 124 firms are defaulter in the Pakistan stock exchange. We have stratified normally listed firms into their prescribed categories and identified the name of the auditor for the financial year ended 2018. Further, disproportion stratified random sampling used to take a sample from each defined category consists of 150 firms.

3.2 Econometric Methodology:

It has been explained already that this study collected data from 150 listed companies for the year 2018. It implies that the data set consists of cross-section data because there 150 cross-sections for the year of 2018. In this case, one cannot apply OLS (Ordinary Least Square) because of the violation of the assumption that the error term has constant variance. Therefore, to tackle this problem literature suggests WLS (Weighted Least Square). The estimate able equation for this current study is below:

$$ROA_i = \beta_0 + \beta_1 SIZE_i + \beta_2 EFFICIENCY_i + \beta_3 DEBT_i + \beta_4 FO_i + \beta_5 DR_i + \beta_6 AQ_i + \varepsilon_i$$

where

ROA is the return on asset used as a proxy of firm performance, $SIZE$ is the natural log of total assets of a firm uses as a proxy of size of the firm, $EFFICIENCY$ is the ratio of sales to the total asset to measure the efficiency of a firm, $DEBT$ is the ratio of total liabilities to the total asset of a firm used to measure debt level of a firm, FO is a dummy variable which is equal to 1 if foreign people purchases the share of a firm and 0 otherwise, DR is a dummy variable equal to 1 if directors of the firm have more than 1 role and zero otherwise, AQ is a dummy variable equal to 1 if a firm is taking the services for external audit from Big-4 auditing firms of Pakistan and 0 otherwise, ε is Gaussian error term, and $_i$ represents cross-section.

IV. DATA AND RESULTS

The core reason to conduct this research is to gather information about the effect of audit quality on the performance of firms listed in the Pakistan Stock Exchange. There are 36 sectors in the Pakistan Stock Exchange and the data set of this research represents 28 sectors. Before applying any research method on the data of 150 firms for the year 2018, this study provides the basic information of these firms this year. According to the values of table 1, out of thetotal of 150 firms, 79 firms have appointed auditors from the Big 4 category (described below) and 71 firms have appointed other auditors. 142 firms have role duality and 6 firms have inside ownership and 81 firms have foreign ownership in their shareholding pattern. Big 4 Audit Firms are Deloitte Yousuf Adil Chartered Accountants, A.F Ferguson & Co. Chartered Accountants, EY Ford Rhodes Chartered Accountants, and KPMG Taseer Hadi & Co. Chartered Accountants.
Table 2 consists of the values of descriptive statistics of all other variables. According to the values of table 2, The variable debt has a mean value of 0.565 with the minimum, maximum value, and standard deviation of .0006, 9.286, and .769 respectively. The efficiency variable has a mean value of 0.763 with a minimum value

of .0002, a maximum value of 4.690, and a standard deviation of .780 in the data set. The mean value of returns on assets (ROA) is 0.033 with a standard deviation of .0916 having minimum and maximum values of -0.314 and 0.361 respectively in the data set. Similarly, the variable size of a firm has been calculated using the natural log of total assets at the closing date of the financial year with a mean value of 22.573, maximum and minimum value of 28.27 and 17.59 respectively with a standard deviation of 2.137 in data set. The log of audit fee (lnfee) has been calculated by taking the log of the audit fee variable. It has a mean value of 13.904 with a standard deviation of 0.937 with a minimum and maximum value of 11.512 and 16.938 respectively. This variable has the largest value of standard deviation among all variables.
Financial ratios (Debt to Assets ratio, Efficiency ratio, and Return on Assets) that have been used in this research are calculated using different financial formulae. Table 3 shows the ratios used in this research and the formula through which ratios are computed

Table 1. Background of Companies

Variables	Yes	No	Total Observations
Audit from Big-4	79	71	150
Dual Role of Directors	142	8	150
Inside Ownership	6	144	150
Foreign Ownership	81	69	150

Table 2. Descriptive Statistics

Variables	Mean Value	Standard. Deviation.	Minimum. Value.	Maximum. Value.	Total Observations.
ROA	.033	.091	-.314	.3614	150
DEBT	.565	.769	.0006	9.286	150
EFFICIENCY	.763	.780	.0002	4.690	150
SIZE	22.573	2.137	17.59	28.27	150
AUDIT FEE	13.904	.937	11.512	16.938	150
AUDIT FEE	1825717	2826139	100000	22710000	150

Table 3	The formula of Financial Ratios
DEBT	(Total. Liabilities ÷ Total. Assets)
EFFICIENCY	(Net Sales ÷ Total Assets)
SIZE	.Total Assets at the closing date
ROA	(Net Income ÷ Total Assets)

4.1 Results

Initially, OLS Regression is applied to the data set to estimate the impact of independent variables on the dependent variable. Because the data is cross-sectional and the core issue of this data is heteroscedasticity, therefore, this study applied Breusch-Pagan / Cook-Weisberg test to verify the existence of heteroscedasticity because in the presence of heteroscedasticity OLS method will not be appropriate to estimate the finding. Results of OLS regression are mentioned. As per the results of OLS regression, efficiency, and audit quality have a positive and significant impact on firm's performance but foreign ownership has a significant but negative impact on firm performance. All other independent variables have an insignificant impact onfirm's performance. But these results are not reliable because they are not efficient because of the presence of heteroscedasticity. The probability value of Breusch-Pagan/Cook-Weisberg is rejecting the hypothesis that their error term has constant variance (homoscedasticity).

TABLE 4 RESULTS OF OLS REGRESSION

REGRESSORS	*SIZE*	*EFFICIENCY*	*DEBT*	*FO*	*DR*	*AQ*
ROA	0.005 [0.004]	0.026*** [.0043]	-0.010 [0.0090]	-0.028* [0.0150]	-0.031 [0.0300]	0.069*** [0.0160]
BREUSCH-PAGAN / COOK-WEISBERG	0.035					

To tackle this problem, this study applied WLS (Weighted Least Square) which fixes the problem of heteroscedasticity by assigning less weight to those values of error term that have large variance and more weight to those values that have less variance. The value of WLS is presented in table 5. According to the results of table 5, firms that take services of Big-4 firms for external audits are significantly performing better than those firms that are taking services for external audits from other than Big-4 firms. Because the good quality of audit is a source of an increase in transparency and accountability in the firm this ultimately leads to achieving better performance. Furthermore, audit quality is indispensable for winning shareholders' trust which is an essential determinant of investment activities and plans. These results are consistent with (Bulut et al. 2009; Haat et al. 2008; and; Davidson and Neu, 1993). Similarly, an increase in size and efficiency in a firm leads to a significant increase in firm performance. On the other hand, more debt is adversely affecting firm performance. These results are consistent with (Kuncova et al. (2016); Ibhagui and Olokoyo(2018)). Likewise, the dual role of directors is responsible for the decrease in firm performance because it creates a hectic situation for directors to focus on the core decision-making process which results in poor performance of a firm. On the other hand, foreign ownership is affecting negatively but insignificantly to firm performance. It has an insignificant role in firm performance which implies that for this sample size foreign ownership does not matter for firm performance. These results also are consistent with Hat et.al (2008) and Bhagat and Bolton (2008). The value of adjusted R^2 is representing that 26 percent variation of the dependent variable has been explained by independent variables.

TABLE 5 RESULTS OF WLS REGRESSION

REGRESSORS	*SIZE*	*EFFICIENCY*	*DEBT*	*FO*	*DR*	*AQ*
ROA	0.009*** [0.0030]	0.021*** [0.0060]	-0.118*** [0.0190]	-0.015 [0.0100]	-0.036* [0.0210]	0.047*** [0.0120]
ADJ_ R^2	0.2654					

Furthermore, for robustness checks, the current study measures audit quality with a natural log of audit fee in this model rather than audit from Big-4 firms. The sign of coefficients of all variables and their significance level is similar to the main model but audit quality is no more significantly the firm performance. These results are consistent with (Ramgopal Venkataraman(2008). After analyzing the data of audit fee, the study found that two firms which are taking services for external audit form the same firm were paying the difference amount as an audit fee. Furthermore, a large variation exists in the data of audit fees which could be analyzed in the table of descriptive statistics. The mean value of the audit fee is 1825717 which shows that the average audit fee of 150 firms for the financial year 2018 was approximately Rs 1.825 million. The lowest and highest audit fee for the said financial year was Rs 0.1 and Rs 22.7million respectively with a standard deviation value of 282139 as shown in the table under the headings minimum values, maximum values, and standard deviation respectively. This large variation might be the reason for an insignificant impact on firm performance. The results of this model are presented in the appendix under the title of Table 6.

V. CONCLUSION

The agency cost theory poses a threat to firm performance in the long run because management gives more importance to its interests than stakeholders' interests. This problem is the primary cause of lack of stockholders' confidence and troubles for long term business investment activities. Therefore, there is a need for transparent disclosure of annual financial reports which is possible in presence of independent and good quality audits. Thus, the current research is conducted to find the relationship between audit quality and firm performance. To do this, this research collected the data of 150 public listed companies of Pakistan for the year of 2018 after applying disproportion stratified random sampling. To measure firm performance this study uses return on asset and audit from Big-4 firms as a proxy of audit quality suggested by Buallay *et al*., (2017) and Rusman and John(2017).

Furthermore, the current research applies the Weighted Least Square technique to tackle the problem of heteroscedasticity detected by the Breauch-Pagan Test in case of OLS estimation.

According to the finding of this study, audit quality is positively and significantly correlated with a firm performance which implies that audit quality makes sure the transparency which is a primary source to win stockholders' confidence. These results are consistent with (Bulut et al. 2009; Haat et al. 2008; and; Davidson and Neu, 1993). Furthermore, this study also uses audit fees as a proxy of audit quality which has a positive but insignificant relationship with firm performance but there is a large variation in the audit fee of two firms that are taking services from the same audit firm which raises a question mark large on this proxy. Therefore, in the case of this study Audit from Big.4 firms is a better proxy than audit fee to measure the audit quality.

REFERENCES

1. Ahmad, R., & Bin Mohammad, H. (2019). Exploring the Relationship of Intellectual Capital, Board Characteristics and Business Performance: A Literature Review. *Pakistan Journal of Humanities and Social Sciences, 7*(2), 185-202.
2. Ahmad, R., Bin Mohammad, H., & Nordin, S. B. (2019). Moderating effect of board characteristics in the relationship of structural capital and business performance: An evidence on Pakistan textile sector. *Journal of Studies in Social Sciences and Humanities, 5*(3), 89-99.
3. Ahmed, r., riaz, s., aqdas, r., & hassan, (2021). The Relationship among Overconfidence, Economic Expectation, Social Factors and Investment Decision Making Behavior with the Mediating and Moderating Effects. *Journal of Contemporary Issues in Business and Government| Vol, 27*(2), 1076.
4. Balachandran, B., Faff, R., Nguyen, L., & Puwanenthiren, P. (2018). The impact of audit quality in rights offerings. *Accounting & Finance*, https://doi.org/10.1111/acfi.12429
5. Barnes, P. (1987). The Analysis and Use of Financial Ratios: A Review Article; *Journal of Business Finance & Accounting, 14*(4), 449-461.
6. Becker, C. L., Defond, M. L., Jiambalvo, J., & Subramanyam, K. (1998). The Effect of Audit Quality on Earnings Management. *Contemporary Accounting Research, 15*(1), 1-24.
7. Bhagat, S., & Bolton, B. (2008). Corporate Governance and Firm Performance. *Journal of Corporate Finance, 14(3),* 257-273.
8. Buallay, A., Hamdan, A., & Zureigat, Q. (2017). Corporate Governance and Firm Performance: Evidence from Saudi Arabia. *Australian Accounting, Business and Finance Journal, 11*(1),78-98.
9. Bulut, H. I., Cankaya, F., & Er, B. (2009). Auditing firm reputation and the post-issue operating performancein an emerging market: evidence from Turkish IPO firms. *Investment Management and Financial Innovations, 6*(3-1).
10. Chen, C. J., Shome, A., & Su, X. (2001). How is Audit Quality Perceived by Big 5 and Local Auditors in China? A Preliminary Investigation. *International Journal of Auditing,5(2)*, 157-175.

11. Dang, C. M., Fargher, N., & Lee, G. (2016). Audit Quality for US-listed Chinese Companies. *International Journal of Auditing*, *21(2),*150-163
12. Davidson, R. A., & Neu, D. (1993). A Note on the Association between Audit Firm Size and Audit Quality. *Contemporary Accounting Research, 9*(2), 479-488.
13. Delen, D., Kuzey, C., & Uyar, A. (2013). Measuring firm performance using financial ratios: A decision tree approach. *Expert Systems with Applications, 40*(10), 3970-3983.
14. Elewa, M. M., & El-Haddad, R. (2019). The effect of audit quality on firm performance: a panel data approach. *International Journal of Accounting and Financial Reporting*, *9*(1), 229-244.
15. Esplin, A., Jamal, K., & Sunder, S. (2018). Demand for and Assessment of Audit Quality in Private Companies. *A Journal of Accounting, Finance and Business Studies, 54*(3), 319-352.
16. Evans, R. J. (2017). Audit quality and audit report lag: Case of Indonesian listed companies. *Asian Review of Accounting, 25*(2), 191-210
17. Farhan, A., Obaid, S. N., & Azlan, H. (2017). Corporate governance effect on firms' performance - Evidence from United Arab Emirates. (66-80, Ed.) *Journal of Economic and Administrative Sciences, 33*(1), 66-80.
18. Haat, M. C., Rahman, R. A., & Mahenthiran, S. (2008). Corporate governance, transparency and performance of Malaysian Companies. *Managerial Auditing Journal, 23*(8), 744-778.
19. Hassan, M. K., & Halbouni, S. S. (2013). Corporate governance, economic turbulance and financial performance of UAE listed firms. *Econimics and Finance, 30*(2), 118-138.
20. Ibhagui, O. W., & Olokoyo, F. O. (2018). Leverage and firm performance: New evidence on the role of firm size. *The North American Journal of Economics and Finance*, *45*, 57-82.
21. Jensen, M. C. (2002). Value maximization, stakeholder theory, and the corporate objective function. *Business ethics quarterly*, 235-256.
22. Jensen, M., & Meckling, W. (1976, October). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360.
23. Kuncová, M., Hedija, V., & Fiala, R. (2016). Firm size as a determinant of firm performance: the case of swine raising. *Agris on-line Papers in Economics and Informatics*, *8*(665-2016-45098), 77-89.
24. Kusumawati, A., & Syamsuddin, S. (2018). The effect of auditor quality to professional skepticsm and its relationship to audit quality. *International Journal of Law and Management, 60*(4), 998-1008.
25. Masood, A., & Lodhi, R. N. (2015). Factors Affecting the Success of Government Audits: A Case Study of Pakistan. *Universal Journal of Management, 3*(2), 52-62.
26. Ponikvar, N., Tajnikar, M., & Pušnik, K. (2009). Performance Ratios for Managerial Decision-Making in a Growing Firm. *Journal of Business Economics and Management, 10*(2), 109-120.
27. Rusmin, R., & Evans, J. (2017). Audit quality and audit report lag: case of Indonesian listed companies. *Asian Review of Accounting*.
28. Sayyar, H., Basiruddin, R., Rasid, S. Z., & Elhabib, M. A. (2015). The impact of audit quality on firm performance: Evidence from Malaysia. *Journal of Advanced Review on Scientific Research*, *10*(1), 1-19.
29. Shaikh, G. M., Riaz, S., & Ahmad, R. (2020). DOES ECONOMIC EXPANSION COSTS ENVIRONMENTAL DEGRADATION? TESTING KUZNET'S INVERSE U SHAPED CURVE IN PAKISTAN COUNTRY. *PalArch's Journal of Archaeology of Egypt/Egyptology, 17*(3), 916-938.
30. Shapiro, C. (1983). Premiums for High Quality Products as Returns to Reputations. *Quarterly Journal of Economics, 98*(4), 659-680.
31. Skinner, D. J., & Srinivasan, S. (2012). Audit Quality and Auditor Reputation: Evidence from Japan. *The Accounting Review, 87*(5), 1737-1765.
32. Venkataraman, R., Weber, J., & Willenborg, M. (2005). Litigation risk, audit fees and audit quality: initial public offerings as a natural experiment, researchgate.net/publication/228459218
33. Zekaj, S. (2018). Impact of audit quality on firm performance