INDONESIAN JOURNAL OF BUSINESS AND ECONOMICS
Vol.7 Issue 1, June 2024
P-ISSN2621-6167, E-ISSN 2621-4466
https://journal.uniku.ac.id/index.php/ijbe

LOWBALLING PRACTICE AND QUALITY OF FINANCIAL REPORTING IN NIGERIA

wale henry Agbaje
Adekunle Ajasin University
wale.agbaje@aaua.edu.ng

Abstract

There are still issues facing financial reporting and this causes an inability to achieve a high-quality financial report and this remain one of the interest of regulators and practitioners. Specifically, the study examines the impact of lowballing pricing on relevance of financial reporting quality, faithfulness of financial reporting quality and timeliness of financial reporting quality. The survey research design was employed in this work. Primary source of data was used for empirical analysis. The population of this study include 667staff and management of banks operating in Akure, Ondo State with a sample size of two-hundred and fifty (250). Strictly structured questionnaire was administered to two-hundred and fifty staff of banks in Akure out of which two-hundred and eleven was returned. The demographic information was analyzed with the aid of frequency distribution and presented via a pie chart with the aid of SPSS. The study utilized ordinary least square regression to examine the relationship between lowballing pricing and quality of financial report with the aid of E-views.

The result revealed a significant relationship between lowballing pricing and relevance of financial report (t = 3.0070, p<0.05); insignificant relationship between lowballing pricing and faithfulness of financial report (t = 0.0800, p> 0.05) and a significant effect between lowballing pricing and timeliness of financial report (t = 2.8754, p<0.05). The study concludes that lowballing pricing has a significant effect on the quality of financial report in Nigeria. It is therefore recommended that banks should carefully evaluate the decision on lowball audit fees and weighing the potential cost savings against the potential risks to financial reporting quality. The cost savings from lowballing fees may be offset by the cost of compromised audit quality, which could result in increased regulatory scrutiny, financial restatements and reputational damage.

Keywords: lowballing pricing, faithfulness, relevance, timeliness of financial reporting
JEL codes: M41

1. Introduction

Financial reporting is imperative because users rely on information contained in the financial statements to take serious decisions (Bala, *et al.,* 2018). Quality financial reporting provides information that are useful for decision making and such information is relevant and faithfully reflect the economic reality of the company's activities during the reporting period as well as the company's financial condition at the end of the period (Fashami, 2022). In recent times, there have been yarning to enhance the extent to which financial report become more useful to users (Francis & Wang, 2018). This yearning has been triggered by some many factors such as current financial scandals, growth in accounting information disclosures requirements, emergence of new regulations, growth in accounting information needs (Mohammad, Safaa & Ahmad 2020).

As a result, the desire to enhance quality, it is generally believed that financial statement undergo an auditing exercise which will report on the truthfulness and fairness of information contained in the financial report (Bala, *et al.,* 2018). In this case, effort has been centered on price charged on audit exercise for enhancement of financial reporting quality. Audit exercise are tools used to spot out any manipulation, misappropriation of information contained in the financial statement and report on its truthfulness and fairness. Therefore, it is seen as a tool to extricate any challenges surrounding financial reporting (Mohammad, Safa & Ahmad 2020). Price charged for audit exercise might be below the standard price for initial engagement and this create a lowballing pricing practice which could have effect on quality of financial report.

Regulators have previously expressed concern that problems specific to the pricing and performance of first audit engagements are likely to affect the quality of the report and, consequently, the assurance auditors provide on these engagements (Leventis and Dimitropoulos 2010).The existence and potential consequences of lowballing, in which auditors offer their services at reduced rates in order to draw in new clients, are the subject of much of this concern (Shakhatreh, Alsmadi, & Alkhataybeh 2020). Lowballing practices occurs when auditor discounted audit fee for initial engagement. Lowballing practices is a trend that affect auditors independence, audit quality and financial reporting quality. According to SEC (2000), lowballing is believed to lead to "a variety of independence and reporting issue" because the independence of auditor can be impeded which in turn affect audit quality and create issues for quality of financial reporting.

Therefore, quality financial reporting remains one of the issues facing business organization in Nigeria. Financial Reporting come into being to assist end users in making informed decision and financial report is expected to be relevant, timely and of faithful representation, hence, absence of such financial reporting quality often impairs the usefulness of such financial statement to users. The outmost objective of auditing is to enhance the quality of financial reporting through reducing the rate of information asymmetry (Francis & Wang , 2018) and to ensure management adopt proper accounting standards for financial reporting enhancement (Gibbins, 2022). However, this primary objective has been jeopardized as a result of impairment of auditor's independence. Chung and Kallapur, (2016) outlined that the existence of bond between the client (management) and the auditor will cause an inability of auditor to discharged utmost responsibility and eventually dance to the management choice of accounting standards for person gain even when such reporting does not represent reality (Francis & Wang, 2018). Those emerging problems are affecting negatively the economic decisions to be taken by users and worth examining. However, it was argued in several studies that high audit fees paid could be seen as an auditor's effort to ensure quality of financial reporting is achieved. In this regard several studies have been conducted.

Therefore, there is a need to investigate the effect of lowballing pricing on relevance, faithfulness and timeliness financial reporting quality in Nigeria. The study is structured into five separate sections which are introduction, literature review, data and methods, results and discussion of findings, conclusion and recommendations.

2. Literature review and hypothesis development

The section presents review of relevant and related concept, theory, empirical studies, thereby paving way for identified gap the study made attempt to fill.

2.1 Lowballing Pricing

Lowballing is a low offer or estimate (Ghosh 2021). Wagner (2021) describes lowballing as a tactic for achieving compliance that entails presenting a highly appealing first offer in order to get someone to accept it before decreasing the conditions. Due to the start-up and

P-ISSN2621-6167, E-ISSN 2621-4466
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transaction expenses associated with switching auditors for a customer, the incumbent auditor has a cost advantage over competitors (Ghosh 2021). Audit firms are eager to reduce the initial audit fee in order to obtain these quasi-rents in subsequent years. As a result, two requirements must be met. To switch, the audit firm must first incur a loss by providing a fee that is less than the audit engagement costs. Second, in following years, the audit fee must include both the profit from the audit engagement and the initial loss (Salehi et al, 2022).

The concept of lowballing price was discussed and implemented in DeAngelo's model's initial theory in 1981. This practice happens when an initial offer contains a reduction of at least 30% of the estimated audit charge (Cho et al. 2021). According to Kronenberger (2021), lowballing pricing is the practice of discounting audit fees by offering a lower price at the first audit engagement in order to offset a loss incurred earlier by the business or lower income to be earned in the future. According to him, this method fosters closeness, which ultimately leads to the auditor conducting non-audit services for the customer. Hence, according to the preceding discussion, lowballing pricing implies a decrease in the audit price for the first engagement. It might refer to a reduced audit fee, an anomalous audit charge, or a pricing audit price. This act is performed to benefit both the management (client) and the audit company.

2.2 Financial Reporting Quality

The Financial Accounting Standard Board (FASB) and the International Accounting Standard Board (IASB) place much emphasis on financial reporting quality. According to Hassan (2013) Financial reporting quality aims at promoting transparency, thereby presenting high-quality financial report. Financial reporting is the process of communicating the financial result of an organization to shareholders and the public for use in line with regulatory, ethical and conceptual framework. Financial reporting encompasses the financial statement, accounting disclosures, corporate governance disclosures. It is an imperative process that an organization undergo in other to provide key and useful information to users showing the performance and the position of the organization over time. However, the quality of financial reporting is a salient issue in the field of accounting because it affects the decisions of users. A financial report possesses a high quality if it provides information to users that is useful in assessing the performance and position of the organization. That is, a high-quality financial report is one in which information contained in it is material, relevant, faithfully, understandable, completed and verifiable.

Several measurement methods have been developed to evaluate the quality of financial reporting. Herath *et al.,* (2017) opined that Accrual method, conservatism, value relevance and qualitative characteristics of financial statement have been generally applied by researchers. However, the financial reporting quality measures considered in this study are the qualitative characteristics which includes Relevance, faithfulness representation and timelines.

2.2.1 Relevance

The predictive and confirmatory values of financial reports are described as the relevance of financial information in the conceptual framework for financial reporting. (International Accounting Standards Board, 2010). If financial data is to be valuable, it must be able to influence or make a difference in the decisions that users make. A financial report may have predictive, confirmatory, or both predictive and confirmatory significance. A financial report's predictive value is found in its ability to enhance users' processes for predicting future outcomes, whereas its confirmatory value is found in its ability to validate earlier judgements. Financial information's predictive and confirmatory values, on the other hand, are intertwined,

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whereas materiality is an entity-specific element of relevance. Materiality is a relative phrase that refers to the kind or size of the objects to which the information relates.

According to Collier (2015), the value of financial information lies in its ability to present decision-making possibilities. This refers to the ability of financial reports to persuade their readers to make economic judgments regarding the provision of resources to a reporting company. The relevance of financial information, according to Erin, Olojede, and Ogundele (2021), is its ability to effectively influence investors' investment decisions.

2.2.2 Faithful Representation

Economic phenomena are depicted in financial reports using numbers and words. Because good financial reports depict significant facts, it is assumed that they will be an accurate picture of those economic realities. Thus, the completeness, neutrality, and error-free nature of a financial report are indicators of its accuracy (IASB, 2010). If a financial report has all of the information that it should have, it is termed complete. These are financial data derived by an entity's transactions and other operations. The description and explanation of significant information concerning transactions and other occurrences are also included in the completeness of a financial report. The objectivity and fairness in the compilation of financial reports expresses the neutral depiction of financial reports. Financial information that is impartial is free of bias and manipulation. The absence of errors or omissions in the portrayal of the economic situation is referred to as error-free depiction of financial report.

2.2.3 Timeliness

In relation to financial reporting, one of the most important qualitative qualities is 'timeliness. Corporate financial reporting must be accurate and timely. Information must be current in order to be useful. Financial information has the ability to influence a decision if it is available at the time the decision is made decision-making. (Haleem, 2020). Financial reporting timelines have a positive impact on financial statement users. The usefulness of information made available to diverse users is influenced by the timeliness of audited business annual financial reports, which is considered a critical and essential component (Almosa *et al.*, 2017). Although timeliness does not guarantee success, it can help. It is relevant; but, information that is not published in a timely manner is not. irrelevant. Accounting data must be updated on a regular basis a critical factor that can have an impact on decision-making process. Financial reporting that is updated on a regular basis improves the effectiveness of the reporting. The timing of financial reports that have been audited are regarded as a critical and key factor of their usefulness to external users are given access to information (Almosa et al., 2017 and Aljifri & Khasharmeh, 2010).

2.3 Theoretical Review

2.2.3 Credibility Theory

Credibility Theory was propounded by Limperg in the late 1920s. The theory assumes that credibility factors enhance both the supply and demand of audit service. According to the lending credibility theory, the audit's principal purpose is to add credibility to the financial accounts. The service that auditors sell to their clients, in this view, is credibility. Users of financial statements observe characteristics in audited financial accounts that give them more confidence in the data supplied by management (in the financial statement). Users believe that increased credibility benefits them; these benefits are typically thought to be that the quality of investment decisions improves when they are based on reliable information

The theory also suggests that the credibility to be added to the financial report can be impeded with lowballing pricing practices and having an effect on quality of financial report. The existence of

P-ISSN2621-6167, E-ISSN 2621-4466
https://journal.uniku.ac.id/index.php/ijbe

lowballing pricing practices could make rational investors believe that the auditor would not have make reasonable judgement and this could have impacted the credibility of financial report and also impede the extent to which the financial report aids decision making. This study is anchored on the credibility theory because it suggests that financial reporting quality can be enhanced if business client engaged the service of an auditor who can add credibility to the financial report of the firm and whose independence cannot be compromised. Drawing from the above theoretical basis, this study hypothesized thus;

H_0: There is no significant effect of lowballing pricing on financial reporting quality of listed banks in Nigeria.

2.4 Empirical Review

Using secondary data generated from financial records, Fatemi (2013) investigates whether lowballing pricing methods risk auditor independence. The findings suggest that when lowballing is prevalent, auditors' perceptions of test results are vulnerable to the psychological effect of motivated reasoning. Coulton, et al., (2016) found that audit fee lowballing has a significant impact on standard accounting quality, implying that an inverse link exists. The financial statements were used as the study's data source. The results were obtained using Ordinary Least Squares (OLS) regression. According to Shaowen et al. (2016), auditor industry expertise has a lessening influence on audit fee underbidding. The information was obtained from a secondary source using a selection procedure that involved retrieving audit fees and auditor-related information from the Audit Analytics database for fiscal years 2000 to 2012.

Bala, Amran, and Shaari (2018) investigated how audit fee pricing influences the financial reporting quality of Nigerian listed corporations. The survey includes 88 Nigerian publicly listed firms from 2012 to 2016. The data came from the annual reports of the listed corporations as well as Thompson Reuters DataStream. The accruals model was used to show the quality of financial reporting. Multiple regression was utilized in the estimation model. Superior audit fee prices, according to the data, are associated with a lower degree of discretionary accruals, reflecting higher financial reporting quality. Likwise, Kuntadi (2020) researched how lowballing impacts auditor independence and audit opinion using a Case Study Public Accounting Office in the Jakarta area. This study is based on primary data and a questionnaire. The following auditors are among those who have taken part in this research. The analytical tool used to test hypotheses is simple linear regression. Lowballing has a significant influence on auditor independence and opinion.

Behrend et al., (2020) performed research on Abnormal Audit Fees and Audit Quality in Louisiana. To evaluate the hypotheses, the research relies on secondary data derived from financial statements and assessed using an Ordinary Least Squares (OLS) model. According to the statistics, the amount of unusual audit fees paid by the client has a negative relationship with the likelihood of using discretionary accruals to achieve or exceed the consensus analyst prediction. The data lend credence to the notion that exceptional audit fees suggest a greater amount of labor on the engagement. In other words, the data indicate that customers who pay extremely low audit fees obtain subpar audits.

Shakhatreh, AlSmadi, and Ahmad (2020) investigated the influence of lowballing on financial disclosure quality in Jordan. The study focuses on a subset of Jordan's poor quality financial statements. Data for the study was acquired from the financial statements of manufacturing and service businesses listed on the Amman Stock Exchange between 2009 and 2016. The logistic regression analysis was chosen. According to the research, understating audit fees has a positive influence on real financial reporting quality. According to

P-ISSN2621-6167, E-ISSN 2621-4466
https://journal.uniku.ac.id/index.php/ijbe

Alharasis (2021), a greater amount of fair value disclosure resulted in higher audit fee pricing. To elicit data from accessible and available secondary sources, a sample of published annual reports of firms listed on the Amman Stock Exchange was employed (ASE). Ordinary Least Squares (OLS) regression was used to generate the findings. Prinz's (2021) analysis concludes that there is insufficient evidence to support a link between lowballing and audit quality using OLS regression approaches. According to the survey, European nations often decrease audit fees in the first engagement. The research relies on a secondary source of data derived from financial statements.

3. Data and methods

The study adopts a survey research design. The choice of the design was due to the fact data will be gathered from respondent via primary source with a structured questionnaire to examined the effect of lowballing pricing on quality of financial report in Nigeria. The population of the study comprises of staff and management deposit money banks operating in Ondo State as at 31st December, 2021.

Table 3.1: Population of the study

S/N	Banks	Population in Person
1	First bank	90
2	Zenith bank	86
3	Guarantee Trust Bank	60
4	Access Bank	60
5	Wema Bank	78
6	United Bank for Africa	45
7	Sterling Bank	76
8	First City Momentum Bank	78
9	Fidelity Bank	52
10	Union bank	42
	TOTAL	**667**

Source: *Researcher's compilation (2021)*

The study adopted a purposive sampling technique to select the sample size of 10 from the total population. The use of Taro Yamane statistical formular is used to determine the sample of the study at 5% level of significant.

n = N / 1+ N (e)2

Where: n = the desired sample size

N = Total population

e = Tolerable error

n =?

N = 667

e = 0.05

1 = constant

n = 667 / 1 + 667 (0.05)2

n = 667 / 1 + 667 (0.0025)

n = 667/ 1 + 1.6675

n = 667 / 2.6675

n = 250

The study utilized a primary source of data where relevant information are gathered with the use of a structured questionnaire. The questionnaire used a four-point Likert scale with response opinions ranging from 1 (strongly disagree) to 4 (strongly agree). To analyze the demographic information of the respondent, the study will analyze the data obtained using frequency table and presented with the use of pie chart. The study also adopts an ordinary least square regression analysis techniques to estimate the relationship between lowballing pricing and quality of financial report.

The model specification was adopted from Elliot (2000). The model was modified to meet the specific objectives of the study

$LB = \alpha_0 + \alpha_1 RFR + \alpha_2 FFR + \alpha_3 TFR + \mu$ ……….….. (i)

Where;

LB = Lowballing Pricing

α = Constant factor

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RFR= Relevance of Financial Reporting
FFR= Faithfulness of Financial Reporting
TFR= Timelines of Financial Reporting
μ = Error

To test the validity and reliability of the research instrument, the filled questionnaire will be subjected to Cronbach Alpha test to establish the validity of the questions raised to capture the objectives of the study. Since all variables report an Alpha value 0.75 this shows that they are reliable.

Table 3.2: Cronbach Alpha Test

S/N	Variable	Cronbach Alpha	Items
1	Lowballing Pricing	0.798	6
2	Relevance of Financial Report	0.758	6
3	Faithfulness of Financial Report	0.759	7
4	Timeliness of Financial Report	0.793	7

4. Results and discussion

4.1 Descriptive Statistics

Frequency tables and a bar chart was used analyze and present the data obtained. The data analysis is based on the data obtained from the field and has been fully analyzed using frequency distribution. Two hundred and fifty (250) questionnaires were administered to the respondent out of which two hundred and eleven (211) were retrieved from the respondent. The gender distribution for the respondent. The distribution revealed that majority of the respondent are male constituting 55% while 45% are female

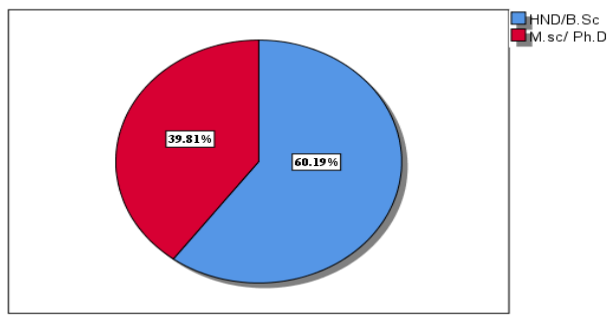
Furthermore, the frequency distribution and the pie chart of the respondent age. This was such that 17.15% represent age bracket of 20-24, 20.90% representing age bracket of 25-29, 23.7% representing age bracket of 30-34, a good number of 25.10% representing age bracket of 40-44, 11.4% representing age bracket of 45-49 and 1.9% representing above 50. It is observed that a larger amount of data was obtained from the age bracket of 40-44.

Table 4. 1: Frequency Distribution on Respondent's Education Status

Education Status	Frequency	Percentage
HND/B.SC	127	60.20%
M.Sc/ Ph.D	84	39.80%
Total	211	100%

Source: *Researcher's construct*

Figure 4. 1: Respondent's Education Status Displayed in Pie Chart



Source: *Researcher's construct*

Table 4.1 and figure 4.1 shows the frequency distribution and pie chart of the respondent educational level. It was observed that 60.19% of the respondent had a B.Sc or HND qualification representing a good number while 39.81% had a M.Sc and Ph.D qualification.

Table 4. 2: Frequency Distribution on Respondent's Management Level

Management Level	Frequency	Percentage
Lower Level	71	33.60%
Middle Level	83	39.30%

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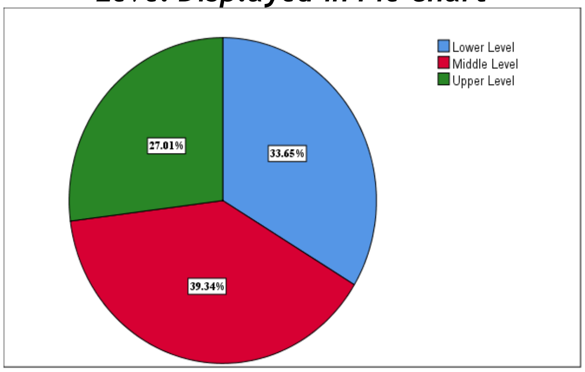
Upper Level	57	27%
Total	211	100%

***Source:** Researcher's construct*

Figure 4. 2: Respondent's Management Level Displayed in Pie Chart



***Source:** Researcher's construct*

Table 4.2 and Figure 4.2 shows the frequency distribution and pie chart of the respondent level in management. This shows that 33.65% of the respondent belong to the lower-level management, 39.34% belongs to higher level of the management, while 27.01% represent upper level of the management. This shows data large data set were obtained from the middle level management. The frequency distribution of the respondent service year. This was such that a larger number representing 51.7% has between 5 to 10 years working experience. 19% represent respondent with working experience between 11 to 15 years, 20.9% represent respondent with work experience between 16 to 20 years, 5.7% shows respondent with work experience between 21-25 years, 1.4% represent respondent with work experience of between 26 to 30 years and 31 to 35 years.

Table 4. 3: Response on Lowballing Price

Statement		Strongly Agreed	Agreed	Disagreed	Strongly Disagreed
External auditors are fascinated by low audit fee reducing the quality of opinion on financial reporting	F	30	172	9	0
	%	14.2%	81.5%	4.3%	0.0%
Lowballing pricing offers differentiation techniques to make auditor stands out among competitor	F	22	180	8	1
	%	10.4%	85.3%	3.8%	0.5%
Lowballing pricing will give a sign of external auditor commitment to providing value to the client	F	18	178	11	4
	%	8.5%	84.4%	5.2%	1.9%
The attitude of the auditor who is not independent will affect the way of thinking and approving the wrong actions on the financial report	F	30	174	7	0
	%	14.2%	82.5%	3.3%	0.0%
Auditors often use lowballing pricing as business strategy as long as it is not used to mislead financial reporting	F	26	175	9	1
	%	12.3%	82.9%	4.3%	0.5%
Discounting of first engagement audit fee induced long-term engagement relationship between auditor and the client	F	31	167	13	0
	%	14.7%	79.1%	6.2%	0.0%

Table 4.3 show the analysis of response on lowballing pricing. It was observed that 95.7% of the respondent agreed low audit fees enables external auditor to give a less quality opinion on

P-ISSN2621-6167, E-ISSN 2621-4466
https://journal.uniku.ac.id/index.php/ijbe

financial statement while 4.3% of the respondent refuted. It was also observed that 95.7% of the respondent agreed that lowballing pricing is often used as a strategy to make auditor stand out among others while 4.3% refuted. Furthermore, 92.9% of the respondent affirmed that lowballing is a sign of commitment in providing value to client while 7.1% of the respondent refuted.

More also, 96.7% agreed that attitude of auditors who are not independent leads to wrong opinion on financial report while 3.3% refuted. 95.2% of the respondent agreed that auditors use lowballing pricing as business strategy as long as it is not used to mislead financial reporting while 4.8% of the respondent disagreed to the statement. A good number of respondents representing 93.8% agreed that long term relationship between auditor and client is induced as a result of lowballing pricing

Table 4. 4: Response on Relevance of Financial Reporting Quality

Statement		Strongly Agreed	Agreed	Disagreed	Strongly Disagreed
Effectiveness of decision making is fascinated by significance of information portrayed in the financial statements	f	53	152	6	0
	%	25.1%	72.0%	2.8%	0.0%
Financial report contains complete and predictable Information in all material aspect	f	38	160	13	0
	%	18.0%	75.8%	6.2%	0.0%
Quality financial report is an indication that information portrayed in the financial statement has a confirmatory value	f	36	169	6	0
	%	17.1%	80.1%	2.8%	0.0%
Quality of financial report is significant in assessing performance and position of organization	f	42	159	8	2
	%	19.9%	75.4%	3.8%	0.9%
High financial reporting is an essential tool for promoting transparency and accountability	f	40	160	11	0
	%	19.0%	75.8%	5.2%	0.0%
High financial reporting gives a Hallmark of responsible corporate governance performance	f	41	161	7	2
	%	19.4%	76.3%	3.3%	0.9%

Table 4.4 shows the analysis of response on relevance of financial reporting. This shows that 95.1% agreed that the significance of information portrayed in financial statement helps to facilitate effective decision making while 4.9% of the respondent refuted. In a similar manner, 97.2% of staffs of deposit money banks agrees that their company financial report do contain complete and predictable Information in all material aspect while 2.8% refuted. 95.3% of the respondents agreed that quality financial report is an indication that information portrayed in the financial statement has a confirmatory value while 4.7% refuted.

Furthermore, 97.2% agree that financial report in the banking sector is significant in assessing performance and position of organization while 2.8% refuted. In a similar order, 94.8% agreed that high financial reporting is an essential tool for promoting transparency and accountability while 5.2% refuted. 95.7% shows that high financial reporting gives a Hallmark of responsible corporate governance performance while 4.3% refuted.

P-ISSN2621-6167, E-ISSN 2621-4466
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Table 4. 5: Response on Faithfulness of Financial Reporting Quality

Statement		Strongly Agreed	Agreed	Disagreed	Strongly Disagreed
Auditor's confirmatory role on financial information is fascinated by the ability to track and trace financial figures presented in the financial statement	f	51	3	157	0
	%	24.2%	1.4%	74.4%	0.0%
Quality financial report is an indication that information is accurately presented in the financial statement	f	52	150	9	0
	%	24.6%	71.1%	4.3%	0.0%
Effective database and storage system will enhance information backup to authenticate financial report	f	40	88	43	40
	%	19.0%	41.7%	20.3%	19%
Effectiveness of decision making is fascinated by reliability of information presented in the financial statement	f	49	155	6	1
	%	23.2%	73.5%	2.8%	0.5%
Management is responsible in ensuring that financial report reflect accurate information	f	33	169	9	0
	%	15.6%	80.1%	4.3%	0.0%
Quality financial report will give a reflection on company financial health	f	46	157	7	1
	%	21.8%	74.4%	3.3%	0.5%
Improvement of financial reporting process and system enhances faithfulness of financial information	f	36	164	10	1
	%	17.1%	77.7%	4.7%	0.5%

Table 4.5 shows the response relating to faithfulness of financial reporting quality. It was observed that 25.6% agreed that the confirmatory role of the auditor is based on the ability to track and trace financial figures presented in financial statement while 74.4% disagreed to this and affirmed that confirmatory role of the auditor is not based on the ability to track and trace financial figures presented in financial statement. It was observed that 95.7% of the respondent agreed that quality financial report indicate that information is accurately presented in the financial statement while 4.3% of the respondent refuted. It was also observed that only 60.7% of the respondent agrees that effective database and storage system enhance information backup to authenticate financial report while 39.3% refuted.

Furthermore, 95.7% of the respondent agree that management place effective role in ensuring that financial report reflect accurate information thereby enhancing the faithfulness of financial report while 4.3% of the respondent refuted. 96.2% of the respondent affirmed that financial report in the banking sector is a reflection of company financial health while 3.8% refuted. It was also observed that 94.8% agreed that improving financial reporting process and system enhances faithfulness of financial information

 P-ISSN2621-6167, E-ISSN 2621-4466
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Table 4. 6: Response on Timeliness of Financial Reporting Quality

Statement		Strongly Agreed	Agreed	Disagreed	Strongly Disagreed
Delay in financial reporting will give an indication of underlying issues with a company financial health	F	49	52	50	60
	%	23.2%	24.6%	23.7%	28.4%
Organization resources and characteristics will support timely release financial information for decision making processes	F	41	161	8	1
	%	19.4%	76.3%	3.8%	0.5%
Quality financial report gives will give an indication that financial statement is usually available at the end of the year	F	33	40	115	23
	%	15.6%	19%	54.5%	10.9%
Holding organization accountable for financial reporting deadline is significant in enhancing financial report	F	31	90	69	21
	%	14.7%	42.6%	32.7%	10%
Prioritization of financial information timelines reduces information asymmetry in the market	F	31	168	10	2
	%	14.7%	79.6%	4.7%	0.9%
Delay in financial reporting undermines confidence in the organization and its management	F	40	160	10	1
	%	19.0%	75.8%	4.7%	0.5%
External audit exercise does delay the release of audited financial statement	F	41	80	52	38
	%	19.5%	37.9%	24.6%	18%

Table 4.6 show the response on the timeliness of financial reporting quality. It was observed that 47.8% of the respondent agreed that a delay in financial report of banks indicate that the bank is faced with financial health issues while 52.2% of the respondent refuted and affirmed that delay in financial report of banks is not an indication that the bank is faced with financial health issues. It was observed that 95.7% of the respondent agree that organization resources and characteristics support timely release of financial information for decision making processes while 4.3% refuted. Furthermore, 34.6% of the respondent agreed that quality financial report is an indication that financial statement is usually available at the end of the year while 65.4% of the respondent refuted.

More also, 57.3% of the respondent agreed that holding organization accountable for financial reporting deadline is significant in enhancing financial report while 42.7% of the respondent refuted. It was also observed that 96.7% of the respondent affirmed that prioritization of financial information timelines reduces information asymmetry in the market while 3.3% of the respondent refuted. It was observed that 94.8% of the respondent agree that delay in financial reporting undermines confidence in the organization and its management while 5.2% refuted. It was also seen that there was a mixed finding on response if external audit exercise delays the release of audited financial statement. 57.4% agreed while 42.6% refuted.

Descriptive Statistics

The presence of outliers in variable can distort its correctness and also induce lack of efficiency of the error term. The study explores the variable characteristics by obtaining their descriptive statistics as presented in Table 4.7. The descriptive statistics highlight and made emphasis on the mean, median, maximum, minimum, standard deviation, skewness, kurtosis and the Jarque-Bera test. The result reveal that on average, the value reported by lowballing pricing (LLB) is 24.1185, while the median, maximum and the minimum value reported is 24, 28, and 18 respectively. The average of relevance of financial reporting (RFR) reported a value of 24.6446 while the median, maximum and minimum value reported is 25, 35 and 20 respectively.

Furthermore, the average value reported by FFR is 28.8720, while the median, maximum and maximum value reported is 29, 33, and 11 respectively. Timeliness of financial reporting reported an average value of 28.5924 and median, maximum and minimum value reported a value of 29, 33 and 11 respectively. In terms of normality, all variables considered were not normally distributed. This was shown in the probability value of the Jarque-Bera test that report a value less than 0.05. The normality was also reinforced by the skewness and kurtosis value as all variable report a kurtosis greater than 3 and skewness value less than 0 indicating that all variables are not normally distributed

***Table 4.7**: Descriptive Statistics*

	LLB	RFR	FFR	TFR
Mean	24.1185	24.6446	28.8720	28.5924
Median	24.0000	25.0000	29.0000	29.0000
Maximum	28.0000	30.0000	35.0000	33.0000
Minimum	18.0000	15.0000	20.0000	11.0000
Std. Dev.	1.6960	1.8288	2.2631	2.4851
Skewness	-1.2721	-1.0072	-0.8515	-2.5819
Kurtosis	6.1255	7.5053	5.9402	16.7281
Jarque-Bera	142.7876	214.1274	101.4999	1891.2960
Probability	0.0000	0.0000	0.0000	0.0000
Observations	211	211	211	211

***Source:** Researcher's construct from E-views 10*

Pairwise Correlation

In furtherance to the univariate analysis of the variable, the study also explores the degree of collinearity among the independent variables. It is important to understand the degree of relationship among the explanatory variables. The result of the correlation analysis is captured in Table 4.11. The shows that there is a positive and significant correlation between lowballing pricing (LLB) and relevance of financial reporting (RFR) r = 0.3384 and p< 0.05. it exhibits a positive and significant correlation with faithfulness of financial reporting (FFR) r =

0.2112 and p<0.05. It also a positive and significant correlation with timeliness of financial reporting (TFR) r = 0.2996 and p<0.05.

***Table 4.8**: Correlation Matrix*

Correlation

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Probability	LLB	RFR	FFR	TFR
LLB	1.0000			

RFR	0.3284	1.0000		
	0.0000	-----		
FFR	0.2112	0.5780	1.0000	
	0.0020	0.0000	-----	
TFR	0.2996	0.3881	0.3090	1.0000
	0.0000	0.0000	0.0000	-----

Source: *Researcher's construct from E-views 10*

4.4 Interpretation of Regression Estimate of Lowballing Pricing and Quality of Financial Report in Nigeria.

The study adopted an ordinary least square regression to carry out the study analysis. The result of the regression analysis was presented in Table 4.9. The result given in the Table 4.9 indicated that the explanatory variables jointly explained 14.28% of the total variations of the lowballing pricing. The F-value measured the overall significance of the model. The F-value of 11.4906 with p-value less than 0.05 revealed that the model statistically significant and implies that lowballing pricing had significant effect on quality of financial report in deposit money banks in Nigeria. Moreover, this is a broad submission; the study assessed the individual effect of the variable in the subsequent section.

The effect of lowballing pricing on relevance of financial reporting in Nigeria

As shown in Table 4.9, lowballing pricing has a positive and significant effect on relevance of financial reporting in Nigeria with a coefficient of 0.2284 and p-value of 0.0030 which is less than 0.05. This indicate that an increase in lowballing pricing will lead to an increase in the relevance of financial reporting. This implies that when companies engage in lowballing pricing practices (i.e., initially quoting a lower price than what is ultimately charged), the financial reports they produce are perceived as more relevant by users.

The effect of lowballing pricing on faithfulness of financial reporting in Nigeria

Furthermore, from the Table 4.9, it was observed that lowballing pricing had a positive but insignificant effect on faithful representation of financial reporting in Nigeria with coefficient of 0.0048 and p-value of 0.9363 which is greater than 0.05. This shows that an increase in lowballing pricing led to increase in faithful representation of financial report but not in a significant way. This implies that the level of lowballing pricing does not appear to have any impact on the accuracy and reliability of financial information provided by the company in its reports.

The effect of lowballing pricing on timeliness of financial reporting in Nigeria

As shown in Table 4.9, it was observed that lowballing pricing had a positive and significant effect on timeliness of financial reporting in Nigeria with coefficient of 0.1379 and p-value of 0.045

P-ISSN2621-6167, E-ISSN 2621-4466
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which is less than 0.05. This shows that an increase in lowballing pricing led to increase in timeliness of financial report. This implies that when companies engage in lowballing pricing practices, their financial reports are more likely to be delivered to stakeholders in a timely manner. This suggests that companies that engage in lowballing pricing may prioritize timely reporting as part of their overall strategy to maintain transparency and credibility.

Table 4.9: Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RFR	0.2284	0.0760	3.0070	0.0030
FFR	0.0048	0.0595	0.0800	0.9363
TFR	0.1379	0.0480	2.8754	0.0045
C	14.4095	1.7518	8.2254	0.0000
R-squared	0.1428	Mean dependent var		24.118
Adjusted R-squared	0.1303	S.D. dependent var		1.696
S.E. of regression	1.5816	Akaike info criterion		3.774
Sum squared resid	517.8075	Schwarz criterion		3.837
Log likelihood	-394.1082	Hannan-Quinn criter.		3.799
F-statistic	11.4906	Durbin-Watson stat		2.030
Prob(F-statistic)	0.0000			
Observation	211			

Source: *Researcher's construct from E-views 10*

Discussion of Findings

The empirical verification shows that lowballing pricing has a significant and positive effect on relevance of financial reporting. This indicate that an increase in lowballing pricing will lead to an increase in the relevance of financial reporting. Lowballing pricing may be seen as a signal of a company's transparency and honesty. lowballing pricing creates greater competition among audit firms, which can lead to greater scrutiny of a company's financial statements. Companies that engage in audit lowballing pricing may be more likely to view the audit process as a valuable tool for improving the quality of their financial reporting, and may therefore be more receptive to suggestions or criticisms from their auditors. The findings collaborate with the broad submission of Kuntadi (2020) who examined audit fee pricing and financial reporting quality.

More also, the study discovers an insignificant effect of lowballing pricing and faithfulness of financial reporting. This implies that lowballing pricing does not impact the accuracy and reliability of financial report. Audit firms may be able to maintain high quality audits even at lower prices, particularly if they are able to find efficiencies in their audit processes or leverage technology to reduce the time and resources required for the audit. When audit firms are competing to offer the lowest fee, they may be more likely to compromise their independence in order to secure or maintain the engagement. This could lead to a reduced ability to identify

P-ISSN2621-6167, E-ISSN 2621-4466
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and report on financial reporting errors or irregularities, which could ultimately impact the faithfulness of financial reporting. Additionally, the impact of audit lowballing pricing on faithfulness of financial reporting may be influenced by the regulatory environment in which the audit takes place. Regulations in the banking sector takes different policies and guidelines that affect the behavior of audit firms and the quality of their audits. The findings of the study collaborate with the findings of Prinz (2020) who examined audit fee lowballing and financial disclosure quality.

The study also discover that lowballing pricing has a positive and significant effect on timeliness of financial reporting. This suggests that companies that pay lower audit fees may produce financial statements more quickly than companies that pay higher fees. Companies that pay lower audit fees may be more likely to work more closely with the auditor to ensure that the audit process is completed in a timely manner. These companies may be more proactive in providing the auditor with the necessary information and data, which could help to expedite the audit process. Companies that pay lower audit fees may be smaller and less complex, which may make it easier to produce financial statements more quickly. Smaller companies may have simpler accounting systems and fewer transactions, which could make it easier for auditors to complete the audit quickly. In addition, the auditor may be more motivated to complete the audit quickly in order to maintain their own profitability, which could help to mitigate any negative impact of lowballing pricing on the timeliness of financial reporting. This finding is consistent with the findings of Shakhatreh *et al* (2020).

5. Conclusion

This study concluded that when considering lowballing pricing and quality of financial report among deposit money banks in Nigeria, lowballing significantly affect the relevance and timeliness of financial reporting in a positive manner and no significant effect exist on faithful representation of financial report. The summary of the research findings from the data analysis were as follows: There was a statistically positive significance relationship between lowballing pricing, relevance of financial report and timeliness of financial report but no significant effect on faithfulness of financial reporting. In a broader view, lowballing pricing has significant effect on quality of financial report in Nigeria. Based on the findings of the study, the study recommended that; Banks should carefully evaluate the decision on lowball audit fees should and weighing the potential cost savings against the potential risks to financial reporting quality. The cost savings from lowballing fees may be offset by the cost of compromised audit quality, which could result in increased regulatory scrutiny, financial restatements, and reputational damage. Furthermore, bank should ensure that the competence of the auditor is being evaluated before selecting an auditor. It is important to conduct a thorough evaluation of their competence, experience, and reputation. It is important to select an auditor that has the necessary expertise and resources to perform a high-quality audit. There should be a focus on the overall quality of financial reporting. Timeliness is an important aspect of financial reporting, but it is not the only consideration. It is important to prioritize overall quality and accuracy, even if it means slightly longer reporting times. High-quality financial reporting is critical to maintaining the trust of investors, regulators, and other stakeholders. There may be alternative cost-saving measures that can be considered besides lowballing audit fees; therefore, banks can optimize their internal controls, streamline processes, and reduce overhead costs. These measures can help reduce costs without compromising the quality of financial reporting.

The study has contributed to frontier of knowledge in the area of lowballing pricing and quality of financial report in Nigeria. This study as contributed to the existing knowledge as it fill some gaps that existed in this study in Nigeria by examining the effectiveness of lowballing pricing and quality of financial report among deposit money banks in Ondo state, Nigeria. With respect to this, it is suggested that further studies should be carried out in other states, or another geo-political zone in Nigeria.

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