

Audit Independence and Non-Financial Performance of Deposit Money Banks in Nigeria

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ABSTRACT

This study examined the effect of audit independence on the non-financial performance of the Deposit Money Bank in Lagos. For this study, the researcher employed primary data by utilizing survey data from 100 respondents, while regression analysis was employed as the analytical method. The first model examined the relationship between auditor tenure and customer satisfaction, revealing a statistically significant effect ($R^2 = .421$, $F(5, 144) = 11.32$, $p < .001$). It was recommended that deposit money banks should strategically manage auditor tenure to leverage the benefits of accumulated expertise and improved audit quality while implementing safeguards to maintain auditor independence.

INTRODUCTION

The significance of auditor independence was emphasized in the wake of well-known accounting crises like Enron and WorldCom in the late 20th and early 21st centuries. Increased regulatory scrutiny and legislation targeted at bolstering protections for auditor independence resulted from these incidents. The study of audit independence continues to evolve today in response to shifting company models, technological breakthroughs, and economic conditions. New risks to independence are being investigated by scholars and decision-makers, including those associated with auditor tenure, client significance, and the supply of non-audit services. They are also looking into the effectiveness of existing safeguards and exploring novel measures to improve auditor independence and defend the public interest (Byar, 2022). Financial measures, including profitability, liquidity, and capital sufficiency, have been the main focus of traditional evaluations of Deposit Money Bank (DMB) performance. The importance of non-financial performance indicators (NFPIs) in assessing a bank's overall performance and long-term viability, however, is highlighted by recent studies and industry trends. Measures such as customer satisfaction, employee productivity, and technological adaptation provide insights into the non-financial performance of a deposit money bank (Oladejo, 2023). Deposit money banks can better serve their customers and build closer relationships with them by understanding their requirements and preferences through non-financial performance. DMBs can increase productivity and cut expenses by pinpointing areas where operational procedures and staff engagement need to be improved. DMBs can keep ahead of the competition and provide clients with cutting-edge goods and services by concentrating on innovation and technology adoption. A bank's reputation can be improved, and socially concerned clients and investors can be drawn in by showcasing a dedication to environmental and social responsibility. Deposit money banks DMBs can't afford to depend just on conventional financial indicators (Sule & Amah, 2021). Banks may increase their competitiveness, strengthen their relationships with customers, and generate long-term value for all stakeholders by embracing non-financial performance and incorporating it into their strategic decision-making processes (Alkhodary, 2023). The auditors are viewed as "messiahs" who may rectify this aberration and, either directly or indirectly, bring about balance in the way the business environment operates (Okoye et al., 2018). Adenle et al. (2022), acquiring sufficient audit evidence to back up the auditor's conclusions is the aim of an audit. The auditor's conclusion in a signed audit report completes the auditing process. The auditors present their assessment of the company's reported financial accounts and summarize audit findings in this report. The regulatory framework governing the banking industry in Nigeria emphasizes how crucial high-quality audits are. To guarantee that deposit money banks uphold the highest standards of financial reporting and transparency, the Central Bank of Nigeria (CBN) and other regulatory agencies have put strict criteria into place. Despite these restrictions, incidents of financial misrepresentation and fraud have occurred, emphasizing the need for ongoing improvement in audit standards

(Adu & Abimboye, 2025). High-quality audits not only assist in detecting and preventing such errors but also ensure regulatory compliance, protecting the interests of diverse stakeholders. The link between audit independence and non-financial performance has larger economic implications. This is especially crucial in emerging countries like Nigeria, where the health of the banking sector is inextricably connected to overall economic progress (Adu & Majeobaje, 2025).

Statement of the Problem

The value of auditing as an accountability tool is determined by auditor independence (Bovens & Wille, 2021). However, maintaining such independence is difficult since internal auditors are susceptible to a variety of interpersonal, organizational, and political pressures. The immediate purpose of audit independence is to serve the audit, with the objective of the audit being to improve the reliability of information utilized for investment and credit decisions. Because of the importance of auditor independence to financial credibility, market regulators are increasingly concerned with auditor independence in order to provide high audit quality that meets international standards and can be relied on by users of financial statements (Quicka et al., 2024). The non-financial performance of Nigerian Deposit Money Banks (DMBs) can be greatly impacted by audit independence. The term "audit independence" describes the auditor's impartiality and lack of external influences that can impair their professional judgment (Oladejo et al., 2020). Beyond conventional financial measures like profitability and efficiency, a variety of factors contribute to the non-financial success of Deposit Money Banks (DMBs) in Nigeria. These non-monetary factors have a big impact on sustainability and long-term performance. Poor customer service erodes company loyalty by frustrating customers with lengthy lines, unhelpful employees, and a lack of digital channels (Ramzan et al., 2020).

Research Objective

The main objective of the study is to examine the effect of audit independence on the non-financial performance of deposit money banks in Nigeria. The specific objective is to:

- Determine the effect of the auditor's tenure on customers' satisfaction with quoted deposit money banks in Nigeria.

Research Question

To what extent does an auditor's tenure affect customers' satisfaction?

Research Hypothesis

Ho: Auditor's tenure has no significant effect on customers' satisfaction

LITERATURE REVIEW

Conceptual Review

1. Audit Independence

Auditor independence can be characterized as an auditor's objective mental attitude toward decision-making throughout the audit and financial reporting process. An auditor's lack of independence raises the likelihood of being perceived as objective. This suggests that the auditor will probably not

report a discovered breach (Aeni-Agbaje & Oluyori, 2024). Audit independence is defined as the lack of interests that pose an unacceptable risk of substantial bias to the financial statements' dependability.

2. The Objective of Audit Independence

The foundation of the auditing profession is audit independence, which is intended to preserve the accuracy and legitimacy of financial reporting. In order to protect the public interest and guarantee that stakeholders have access to trustworthy and unbiased financial information, audit independence aims to enable auditors to carry out their responsibilities impartially and free from outside interference (Adu & Ejiks, 2025). Objectivity and Impartiality: Ensuring that auditors maintain objectivity in their assessments is one of the fundamental objectives of audit independence. It is expected of independent auditors to base their decisions only on facts and evidence, not on their own interests, outside influences, or connections to the client. The credibility of financial statements is increased by this objectivity, guaranteeing that stakeholders can rely on the data presented (Abdulkafeel, 2025). Professional Judgment Preservation: The independence of audits guarantees that auditors are free to use their professional judgment without intervention from management or other outside parties. This independence is essential to preserving audit quality and guaranteeing that audit results accurately depict a business's financial status (Adu & Majeobaje, 2025). Public Trust and Confidence: Preserving public trust is another crucial goal. Investors, regulators, and the general public are reassured by independent audits that financial statements are trustworthy and fairly depict the company's financial performance. Financial markets are more confident when auditors are independent because their conclusions are seen as more reliable (Ramzan et al., 2020). Adherence to Ethical Guidelines: The ethical foundation of auditing is intimately related to the idea of independence. Being independent enables auditors to uphold professional ethics, guaranteeing that their work is not impeded by financial or personal interests. This helps avoid fraud, misreporting, and other ethical transgressions and upholds the integrity of the auditing profession as a whole (Adu & Abimboye, 2025).

3. Auditor Tenure

Auditor tenure is defined in this study as the duration of the auditor-client relationship. A prolonged relationship between the auditor and his client may pose a threat to independence because personal ties and familiarity may develop between the parties, resulting in less vigilance on the part of the auditor and even an obliging attitude on the part of the latter toward the company's top managers (Yakubu & Williams, 2020). Aside from this danger to independence, the audit engagement may become commonplace over time, in which case the auditor will dedicate less attention to finding the deficiencies of internal control and risk sources (Ouicka et al., 2024).

4. Non-Financial Performance

Non-financial performance refers to the qualitative and intangible variables that contribute to an organization's success but cannot be directly measured in financial terms. These include consumer satisfaction, employee involvement, environmental sustainability, innovation, and corporate social

responsibility (Abdulkafeel, 2025). Although financial performance metrics such as profit margins, return on investment (ROI), and revenue growth have traditionally been used to assess business success, a growing body of research emphasizes the importance of non-financial indicators in creating long-term value and improving overall organizational performance. Customer satisfaction is an important aspect of non-financial performance, and it is frequently quantified using metrics like Net Promoter Score (NPS) or customer retention rate. High levels of customer satisfaction are associated with repeat business, brand loyalty, and positive word-of-mouth, all of which are important drivers of long-term success (Oladejo et al., 2020).

5. Components of Non-Financial Performance

Non-financial performance (NFP) refers to a bank's performance beyond standard financial measurements such as profit, revenue, and return on equity. It includes a variety of qualitative aspects that affect the bank's long-term viability, competitiveness, and reputation. Non-financial performance in deposit money institutions is critical for analyzing operational efficiency, customer satisfaction, staff engagement, and regulatory compliance, all of which have a substantial impact on the institution's overall health (Byar, 2022). **Customer Satisfaction and Relationship Management:** The satisfaction of customers is a key non-financial performance metric in deposit money institutions. High levels of customer satisfaction are frequently associated with loyalty, repeat business, and favourable word-of-mouth, all of which can improve a bank's market position. Banks typically employ customer relationship management (CRM) systems to track and improve client interactions, ensuring that services match their needs and expectations. The capacity of a bank to swiftly resolve complaints, deliver tailored services, and provide high-quality digital banking experiences is becoming increasingly connected to enhanced non-financial performance (Adenle et al., 2022).

6. Customer Satisfaction

Consumer satisfaction is an important indicator of long-term business performance since it reflects how well a product or service fulfills or exceeds consumer expectations. The concept has developed in recent years as new technology, shifting consumer behaviour, and more competition have all contributed to its development. Understanding and evaluating customer satisfaction has gotten increasingly sophisticated and nuanced as firms attempt to maintain their competitive advantage. Customer satisfaction is viewed not only as a metric, but also as a source of consumer loyalty and brand promotion. Alkhodary (2023), consumer satisfaction is strongly related to the emotional experiences consumers have with brands, underlining the necessity of establishing pleasant, memorable interactions that go beyond the transaction itself.

METHODOLOGY

Population of the Study

- Hence, all the staff of Zenith Bank form the population of the study

Method of Data Collection

- Data were collected from the primary source through a questionnaire
- Data Presentation, Analysis, and Interpretation

Hypothesis Testing

H₀: Auditor's tenure has no significant effect on customers' satisfaction

RESULTS AND DISCUSSION

Regression Table

Table 1. Regression Result

Predictor (Audit Tenure Items)	Beta (β)	t-value	Sig. (p-value)
Q1. Limit tenure to maintain independence	0.188	2.85	0.005
Q2. Auditor's knowledge improves over time	0.210	3.25	0.002
Q3. Longer tenure improves audit quality	0.153	2.10	0.038
Q4. Longer tenure threatens independence	-0.101	-1.55	0.124
Q5. Benefits of long tenure	0.229	3.42	0.001

Source: Fieldwork 2025

$R^2 = 0.421$ $F(5,144) = 11.32$ $p < 0.001$

The regression analysis results presented in the table examined the effect of different aspects of the auditor's tenure on customer satisfaction. The model overall is statistically significant, as indicated by the F-value of 11.32 ($p < 0.001$), meaning that the combined predictors reliably explain variation in customer satisfaction. The R-squared value of 0.421 shows that about 42.1% of the variability in customer satisfaction can be accounted for by the five-audit tenure-related items included in the model, indicating a moderate explanatory power. Looking at individual predictors, four of the five variables have significant positive effects on customer satisfaction. For example, the belief that audit tenure should be limited to maintain independence (Q1) has a positive beta coefficient ($\beta = 0.188$) and a significant t-value (2.85, $p = 0.005$). This suggests that respondents who support limiting tenure to preserve auditor independence tend to report higher customer satisfaction. Similarly, the perception that an auditor's knowledge improves over time (Q2) shows a significant positive effect ($\beta = 0.210$, $t = 3.25$, $p = 0.002$), indicating that increased auditor expertise with longer tenure positively influences satisfaction.

Furthermore, the idea that longer tenure improves audit quality (Q3) and that there are key benefits of long tenure (Q5) also positively and significantly affect customer satisfaction, with beta values of 0.153 ($p = 0.038$) and 0.229 ($p = 0.001$), respectively. This highlights that respondents see the advantages of continuity in audit engagements as beneficial. The only exception is the statement that longer tenure threatens independence (Q4), which has a negative beta coefficient (-0.101) but is not statistically significant ($p = 0.124$), suggesting this concern does not have a strong measurable impact on satisfaction in this model. Overall, the results reject the null hypothesis (H₀) and support that an auditor's tenure significantly influences customer satisfaction, primarily through positive perceptions of expertise and audit quality gained over time.

Auditor's Tenure and Customer Satisfaction

The analysis revealed that a majority of respondents agreed that longer audit tenure improves auditors' understanding of company operations and

helps identify issues more effectively. While there were concerns about loss of independence due to overfamiliarity, many respondents recognized that long-tenured auditors contribute positively to audit quality and client trust. Frequency analysis showed high levels of agreement on statements relating audit tenure to improved service delivery and company performance. Regression analysis supported this, showing a statistically significant positive relationship between an auditor's tenure and customer satisfaction. The null hypothesis that an auditor's tenure has no significant effect on customer satisfaction was rejected.

CONCLUSIONS AND RECOMMENDATIONS

The regression analysis results indicated that the overall model was statistically significant (F-value of 11.32, $p < 0.001$), explaining about 42.1% of the variability in customer satisfaction. Four of the five variables related to the auditor's tenure showed a significant positive effect on customer satisfaction. Specifically, the belief that audit tenure should be limited to maintain independence ($\beta = 0.188$, $p = 0.005$), that auditor's knowledge improves over time ($\beta = 0.210$, $p = 0.002$), that longer tenure improves audit quality ($\beta = 0.153$, $p = 0.038$), and that there are key benefits of long tenure ($\beta = 0.229$, $p = 0.001$) all significantly and positively affected customer satisfaction. The concern that longer tenure threatens independence did not have a statistically significant impact on satisfaction. Overall, the null hypothesis (H_0 : Auditor's tenure has no significant effect on customers' satisfaction) was rejected. The findings supported that an auditor's tenure significantly influences customer satisfaction, primarily through positive perceptions of expertise and audit quality gained over time. Auditor's tenure significantly influences customer satisfaction, primarily through the positive perceptions of expertise and audit quality gained over time. Deposit money banks should strategically manage auditor tenure to leverage the benefits of accumulated expertise and improved audit quality while implementing safeguards to maintain auditor independence. This could involve regular performance reviews of long-tenured auditors and robust internal controls to prevent over-familiarity.

FURTHER STUDY

This research still has limitations, so it is still necessary to conduct further research on the topic

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