

FINANCIAL DISCLOSURE QUALITY AND STOCK MARKET VOLATILITY: EVIDENCE FROM NIGERIAN CONSUMER GOODS FIRMS

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Abstract

In today's rapidly evolving and uncertain economic environment, financial data plays a central role in shaping investment decisions. The reliability and transparency of financial disclosures are essential for investors, regulators, and analysts in evaluating corporate performance, forecasting future outcomes, and making informed resource allocation decisions. However, variations in the quality and transparency of financial statements across firms and regions raise concerns about the credibility of publicly available financial information. This issue is particularly pronounced in developing economies such as Nigeria, where regulatory enforcement may be inconsistent and disclosure practices uneven. In such contexts, transparent financial reporting becomes critical in reducing investor uncertainty and strengthening confidence in the financial system.

Market instability, commonly captured through stock price volatility, reflects the degree of variation in a firm's share price over time. While a certain level of volatility is expected in capital markets, excessive fluctuations can discourage long-term investment, distort risk assessment, and reduce market efficiency. Evidence suggests that such volatility is often driven by information asymmetry, where some market participants possess superior or more timely information than others. This imbalance can trigger speculative trading, herd behavior, and price movements that do not accurately reflect a firm's underlying value. Therefore, improving financial statement transparency may play a key role in reducing information asymmetry and stabilizing stock price movements in emerging markets like Nigeria.

Keywords: Financial Transparency, Financial Reporting, Stock Price Volatility, Information Asymmetry, Investment Decisions

1. INTRODUCTION

Financial data is crucial in influencing investment decisions in the rapidly shifting and unpredictable economic environment of today. Accurate financial disclosures are crucial for legislators, analysts, and investors to assess business performance, forecast future events, and allocate resources strategically. However, there are differences in the quality and transparency of financial statements between companies and geographical areas, which casts doubt on the reliability of data that is made publicly available. In developing nations like Nigeria, where regulatory control may be inconsistent, this worry is especially acute. Transparent financial reporting is essential in these situations to reduce investor apprehension and boost trust in the financial system (Okoye et al., 2020). Market instability is often measured by stock price volatility, which shows how much a company's share price has fluctuated over time. Although some stock price fluctuation is normal, too much volatility can deter long-term investment, result in erroneous risk assessments, and impair market efficiency. According to Al-Dmour et al. (2021), this kind of volatility frequently results from information asymmetry, in which some investors possess

more or better information than others. This can cause herding, speculative behavior, and price swings that don't accurately represent a firm's genuine value.

Open and transparent financial reporting is one practical strategy to combat information imbalance. When financial statements are transparent, businesses give stakeholders timely, accurate, and pertinent information. This transparency demonstrates sound corporate governance and accountability in addition to assisting investors in making well-informed decisions. Businesses with clear disclosures typically enjoy improved market performance, lower financing costs, and more steady investor sentiment, claim Biddle, Hilary, and Verdi (2019). Enhancing the dependability and clarity of financial reports is mostly dependent on auditing. Specifically, audits carried out by internationally renowned accounting firms—collectively referred to as the Big Four (PwC, Deloitte, EY, and KPMG)—are frequently regarded as signs of legitimacy. These companies are renowned for upholding strict international best practices and auditing standards, which guarantee increased dependability and scrutiny in financial reporting. Big Four audits greatly increase the reliability of financial disclosures, lowering investor uncertainty, according to Salehi et al. (2019).

Adopting International Financial Reporting Standards (IFRS) and strengthening the function of audit oversight organizations are only two of the regulatory changes Nigeria has made recently to improve the quality of financial reporting. However, there are still issues with the consistent implementation and enforcement of these rules, particularly for companies that are not audited by respectable companies. While some businesses see transparency as a competitive advantage, others continue to conceal their financial realities, which fuels speculation and adds to market volatility, according to Adegbe and Fakile (2020).

Numerous elements that influence stock price volatility have been examined in earlier studies, such as company profitability, dividend policies, investor attitude, and general economic trends (Yaya & Ojeaga, 2019). But more people are realizing that the caliber of financial reporting, especially audit quality, merits more research. Credible audits may assist calm volatile markets, as highlighted by Sori et al. (2017), who noted that investors are more likely to value companies with audited and transparent financial statements.

Furthermore, research conducted abroad has demonstrated that companies audited by Big Four firms typically have lower stock price volatility because of increased investor confidence (AlShammari et al., 2020; Liu & Ma, 2021). These global statistics, however, might not accurately represent the Nigerian market's realities, as distinct firm-level traits and the auditors' perceived reliability could lead to different outcomes. A notable void in the body of literature is highlighted by the paucity of empirical studies that concentrate only on Nigeria.

2. PROBLEM STATEMENT

In recent years, global financial markets have witnessed increasing concerns about the reliability and transparency of corporate financial disclosures. In emerging economies like Nigeria, where investor protection mechanisms are relatively weak and regulatory oversight is often inconsistent, the quality of financial information becomes a critical determinant of investor behavior and market performance (Okoye, Akenbor, & Onuoha, 2020). A lack of transparency in financial reporting can lead to information asymmetry, which affects investor confidence and

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causes irrational price movements. These uncertainties are often reflected in stock price volatility, a key measure of market instability. Stock price volatility, while natural to some degree, becomes problematic when it is driven not by changes in firm fundamentals but by uncertainty arising from poor disclosure quality. According to Al-Dmour, Al-Dmour, and Masa'deh (2021), inadequate financial reporting increases the risk perceived by investors, thereby leading to speculative trading and erratic stock prices. In the Nigerian context, this issue is especially critical for the consumer goods sector, where firms are highly exposed to macroeconomic fluctuations such as inflation, foreign exchange volatility, and inconsistent government policies, which already predispose them to volatile stock behavior (Yaya & Ojeaga, 2019).

Transparency in financial statements is not only a compliance issue but also a strategic asset for companies operating in capital markets. Transparent disclosures reduce uncertainty, lower the cost of capital, and stabilize market expectations (Biddle, Hilary, & Verdi, 2019). However, the degree of transparency often hinges on the quality of the audit process. Big Four audit firms—PwC, Deloitte, EY, and KPMG—are globally recognized for their high standards, independence, and adherence to international best practices. Empirical studies, such as Salehi, Moradi, and Paiydarmanesh (2019), have established that the involvement of Big Four auditors is associated with reduced information asymmetry and enhanced investor trust. In Nigeria, despite the adoption of International Financial Reporting Standards (IFRS) and the establishment of regulatory institutions such as the Financial Reporting Council of Nigeria (FRCN), the enforcement of financial reporting standards remains a challenge (Adegbe & Fakile, 2020). Many companies still engage local audit firms with limited capacity and weak independence, casting doubt on the credibility of their financial reports. This divergence in audit quality has created two tiers of financial information in the market—one that is credible and one that is not—leading to unequal access to reliable data among investors and ultimately resulting in higher stock price volatility. While several studies have examined the influence of firm-specific factors such as profitability, leverage, and dividend policy on stock price volatility, limited empirical evidence exists on the role of financial statement transparency in this context—especially using audit quality as a proxy (Sori, Ramadili, & Karbhari, 2017). Even fewer studies have focused specifically on the Nigerian consumer goods sector, which is unique in terms of its contribution to GDP, exposure to economic shocks, and investor interest. This gap in the literature creates the need for a focused analysis of how the presence of a Big Four audit affects stock market behavior in this sector. Moreover, firm size may act as a confounding factor in the relationship between audit quality and stock price volatility. Larger firms generally have better governance structures, more stable earnings, and higher investor followership, which can independently contribute to lower volatility (Liu & Ma, 2021). Ignoring such firm characteristics may lead to biased conclusions regarding the effect of audit quality. Hence, controlling for firm size in the analysis is crucial for isolating the unique influence of financial statement transparency on stock price behavior. Against this background, this study seeks to examine whether financial statement transparency, proxied by the presence of a Big Four audit report, significantly affects the stock price volatility of consumer goods companies in Nigeria.

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Furthermore, it investigates whether this effect remains significant after controlling for firm size. These inquiries give rise to the following hypotheses:

Hypotheses

H₀₁: The presence of a Big Four audit report has no significant effect on the stock price volatility of consumer goods companies in Nigeria.

H₀₂: There is no significant effect of Big Four audited financial statements on the stock price volatility of consumer goods companies in Nigeria after controlling for firm size.

3. LITERATURE REVIEW**Financial Transparency**

Sound corporate governance and the growth of the capital market are predicated on financial transparency. It refers to the extent to which an organization openly discloses accurate, relevant, and timely financial information to stakeholders, particularly investors, regulators, creditors, and the public (Murcia & Santos, 2017). Informed decision-making and market efficiency are enhanced when managers and stakeholders have less information asymmetry thanks to transparent financial reporting. Transparency in corporate finance gives businesses the ability to tell the market about their financial situation, which in turn helps them gain credibility and trust. Adoption and adherence to internationally accepted accounting standards, such as the International Financial Reporting Standards (IFRS), are essential to financial transparency. Particularly for businesses in emerging markets, IFRS improves the comparability, relevance, and dependability of financial statements (Alade, 2020). Investors are able to evaluate the performance and financial health of companies across borders and industries when these standards are applied consistently. In Nigeria, the full adoption of IFRS in 2012 was aimed at improving the quality of financial reporting and aligning local practices with international norms. However, challenges persist regarding implementation, monitoring, and enforcement.

The importance of financial transparency becomes even more pronounced in capital markets where investors rely heavily on disclosed financial information to evaluate risks and returns. Studies have shown that higher levels of transparency are associated with lower cost of capital, reduced earnings management, and enhanced market valuation (Biddle, Hilary, & Verdi, 2019). Transparent financial reporting mitigates uncertainty by providing investors with a clearer understanding of a firm's operations, financial position, and strategic direction. This is especially vital in volatile environments where market reactions are highly sensitive to new information. Audit quality also plays a central role in enhancing financial transparency. Firms audited by high-quality auditors, particularly the Big Four (PwC, Deloitte, EY, and KPMG), are perceived to have more credible and reliable financial statements (Salehi, Moradi, & Paiydarmanesh, 2019). These audit firms follow stringent ethical standards and quality controls, which reduce the likelihood of financial misstatements and improve investor confidence. In contrast, low-quality audits increase the risk of manipulated or misleading disclosures, which can lead to misinformed investment decisions and stock price volatility.

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Furthermore, financial transparency serves as a governance tool for minimizing agency conflicts between shareholders and managers. According to agency theory, managers may pursue personal interests that conflict with shareholder wealth maximization unless constrained by monitoring mechanisms such as transparent reporting (Jensen & Meckling, 1976; updated in modern literature by Ofoegbu & Odoemelam, 2018). By providing detailed financial statements, firms reduce the scope for managerial opportunism and enhance accountability, which is crucial for attracting both domestic and foreign investment.

The role of financial transparency extends to macroeconomic stability and investor protection. In economies where transparency is low, investors may perceive markets as too risky and divert funds elsewhere, leading to capital flight and reduced investment inflows. The World Bank (2020) underscores that transparency in financial disclosures is essential for fostering financial inclusion and protecting small investors from fraudulent practices. This becomes particularly critical in Nigeria, where the capital market still grapples with issues of low investor education and inconsistent regulatory compliance. Despite its importance, obtaining full financial transparency remains a difficulty for many firms, particularly in developing countries. Factors such as weak regulatory structures, low audit independence, cultural factors, and inadequate enforcement procedures lead to persistent opacity in financial reporting (Okoye, Akenbor, & Onuoha, 2020). These limits have made it harder for investors to access and depend on financial information, hence creating market inefficiencies. The Nigerian Stock Exchange and the Financial Reporting Council of Nigeria have made gains in fostering transparency; however, compliance remains inconsistent among sectors.

Stock Price

The degree to which a stock's price varies over a specified period of time is referred to as stock price volatility. As a measure of the uncertainty or risk connected to a specific stock or the larger market, it is commonly calculated using statistical methods like standard deviation or variance of returns (Saidu, 2019). While low volatility indicates more stable pricing, high volatility indicates abrupt price changes. Both opportunities and challenges are presented by volatility in financial markets; while it can result in significant speculative rewards, it also raises investment risk. This is especially important in emerging economies like Nigeria, where there are many information gaps and market inefficiencies. A crucial component of risk assessment, portfolio planning, and asset pricing is volatility. Monitoring volatility trends gives analysts, fund managers, and investors important information about investor psychology, market sentiment, and external economic shocks. Both internal factors, including dividend decisions, earnings reports, and governance structures, as well as more general economic issues, like interest rates, inflation, and changes in exchange rates, influence volatility, according to Osei (2020). Inaccurate or inadequately disclosed financial information frequently increases market volatility by stoking investor skepticism and conjecture.

The Efficient Market Hypothesis (EMH) provides a theoretical framework for understanding the volatility of stock prices. EMH holds that stock prices in healthy markets take into account all available information and only react to sudden, unanticipated events (Fama, 1970; see also Adaramola & Oyinlola, 2018). However, rumors,

investor mood, and delays in the dissemination of financial information are often the driving forces behind stock movements in markets with low efficiency, like Nigeria's. As a result, the degree of volatility is directly influenced by investor reaction and the transparency of financial reporting. More transparency appears to result in more stable share prices, according to empirical data. Investors are better equipped to make wise decisions when businesses provide accurate and timely financial information, which in turn lessens volatile trading (Okere et al., 2021). However, ambiguous or misleading financial reporting creates uncertainty, which in turn spurs speculation and increases market volatility, particularly for companies examined by unknown or subpar auditors.

Additionally, market liquidity and investor trust are closely related to volatility. Low liquidity markets are more vulnerable to abrupt and large price changes, which frequently discourages institutional participation, as noted by Bouri and Jain (2017). Investors may look for larger rewards to offset the increased risk when a company or market is seen as being extremely unpredictable. This might lower stock prices or deter investment entirely. The necessity of improving financial transparency is further highlighted by the fact that stock price volatility is a typical feature of the Nigerian market due to persistent issues including insider trading, political meddling, and lax regulatory enforcement. There are two types of volatility: implied and historical. While implied volatility, which is usually determined from option pricing models, shows investor expectations for future unpredictability, historical volatility represents actual previous swings in stock prices (Yaya & Ogbonna, 2020). Both types are essential for estimating financial risk, forecasting price changes, and pricing derivatives. Monitoring volatility is also an essential tool for regulators and policymakers to assess the stability of the financial markets and the results of regulatory actions.

Signaling Theory

Originally presented by Michael Spence in 1973, Signaling Theory sheds light on how people or organizations with insider knowledge (insiders) might effectively convey such knowledge to outsiders. The theory is frequently used in corporate finance to explain to external investors how companies communicate their quality, dependability, and performance through outwardly apparent measures including financial disclosures, dividend payments, and audit quality. The basic tenet is that knowledgeable individuals, including business executives, communicate with less knowledgeable stakeholders and investors by sending signals to close information gaps (Spence, 1973). Transparent financial reporting serves as a crucial signal to capital markets in this study. Accurate, timely, and transparent financial statements show the company's long-term prospects, operational soundness, and management's honesty. Such transparency lowers uncertainty and promotes investment, which is interpreted favorably by investors (Jensen & Meckling, 1976; Iatridis, 2016). On the other hand, unclear or delayed financial reporting could indicate bad governance or unreported risks, which would raise stock price volatility.

In poor nations like Nigeria, where corporate governance frameworks may be less developed and regulatory agencies may not have the authority to enforce laws, this signaling mechanism is especially crucial. According to Olayemi and Egbunike (2019), investors view companies that follow strict reporting guidelines and are audited

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by reputable companies like the Big Four as having greater credibility. In the end, these reliable signals contribute to more stable stock prices by influencing market expectations and minimizing overreactions from investors. Signaling Theory helps explain how market outcomes are influenced by the quality of information. Investor confidence is increased by reliable and consistent signals, and this frequently results in less volatile share prices. This connection is particularly noticeable during organizational transitions or periods of economic hardship. Businesses that remain open and honest during challenging times typically keep the backing of investors, whereas those that don't frequently see more significant drops in value (Okere et al., 2021).

Furthermore, according to the hypothesis, transparent businesses are more likely to draw in longterm investors who are less likely to respond rashly to changes in the market. This helps to lessen stock price volatility and stabilizes the investment base. On the other hand, when companies send out weak, erratic, or deceptive signals, they draw speculative investors who react quickly to fresh information, which exacerbates price fluctuations (Adaramola & Oyinlola, 2018). As a result, transparency develops into a strategic instrument for promoting market stability and confidence rather than just a compliance requirement. Initiatives like the implementation of International Financial Reporting Standards (IFRS), which seek to improve comparability and standardize reporting, are also in line with signaling theory. To increase investor confidence and attract foreign investment, organizations such as the Financial Reporting Council (FRC) in Nigeria advocate for IFRS compliance (Ofoegbu & Okoye, 2016). Businesses that adhere to these international principles successfully convey their dedication to sound governance, which lowers the perceived risk of investing in them.

Review of Empirical Data

An increasing amount of research over the past decade has validated the importance of financial statement clarity in fostering market confidence and impacting stock price movements. For example, Egbunike and Odum (2018) looked at audit quality as a measure of transparency and discovered that it improved the value and relevance of accounting data in Nigerian businesses. According to a related study by Olayemi and Egbunike (2019), open reporting procedures greatly increase investor confidence while lowering stock price volatility. In a similar vein, Adaramola and Oyinlola (2018) showed that improved financial disclosure is associated with less volatility in share prices on the Nigerian capital market. These results corroborate Ofoegbu and Okoye's (2016) conclusion that IFRS compliance enhances the quality of financial information and promotes market stability in general. Otusanya and Lauwo (2019) discovered that, from a wider African viewpoint, a lack of financial openness causes speculative trading and information asymmetry, both of which increase volatility.

Particularly, audit quality and the existence of Big Four audit firms have been emphasized in several studies as important markers of financial transparency. According to Okere et al. (2021), stock price volatility was considerably lower for Nigerian listed businesses audited by Big Four firms than for those examined by less recognized auditors. Similarly, having renowned auditors lends credibility to financial reports, which results in more stable capital market pricing, according to Ayemere and Elijah (2020). Additionally, Ijeoma and Aronu (2017) discovered that institutional investors have greater faith in financial statements that have been examined

by credible auditors, which results in more stable stock prices. Obigbemi et al. (2016) concurred, finding that share price performance is significantly impacted by transparency when it is bolstered by high audit quality. Together, these results show that Big Four audit reports serve as trustworthy indicators that lower investor anxiety and promote more stable market results.

Additionally, a number of empirical investigations have established a direct correlation between stock market volatility and disclosure standards. Umoren and Udo (2017) discovered a strong inverse link between volatility and the quality of disclosure in Nigerian companies. Poor transparency was found to be a major contributor to anomalous returns and unpredictable stock behavior by Ogbodo and Akintoye (2020). Osei and Kwame (2019) found that price volatility was lower in Ghana for companies that released thorough financial accounts. In a similar vein, Musa and Shehu (2019) pointed out that inadequate disclosure exacerbates information asymmetry, causing investors to overreact and leading to abrupt price fluctuations. The impact of corporate characteristics on disclosure has been examined in several studies. According to Okafor and

Ugwuegbe (2021), larger companies typically report more transparently since they are more visible to the public, which helps to even out stock returns. According to Adebayo et al. (2022), the impact of financial reporting on price behavior is influenced by both audit firm type and firm size. Furthermore, institutional measures like required audit rotation and IFRS implementation greatly improve reporting quality and reduce speculative investor behavior, according to Eze and Obara (2018).

When taken as a whole, these findings provide credence to the idea that firm size and the existence of Big Four audits are significant variables in the connection between stock price volatility and financial reporting transparency in Nigeria's consumer products industry.

4. METHODOLOGY

An ex-post facto research design was used in the study. All 20 consumer goods companies listed on the Nigerian Exchange Group (NGX) as of 2023 were included in the target population. A purposeful sample of eight businesses was chosen from this population based on the completeness and accessibility of pertinent data during the study period. The NGX database and the yearly financial reports of the sampled companies provided secondary data for the six-year period from 2018 to 2023. The standard deviation of monthly stock prices was used to measure stock price volatility, and whether the company was audited by one of the Big Four audit firms (PwC, KPMG, Deloitte, or EY) was used to gauge financial statement transparency. Using firm size as a control variable, multiple regression analysis was used to assess the impact of Big Four audit affiliation on stock price volatility. The regression model is specified as:

$$SPV = \beta_0 + \beta_1 BFAR + \beta_2 FSIZE + \varepsilon$$

Where;

SPV = Stock Price Volatility

BFAR = Big Four Audit Report

FSIZE = Firm Size ε = Error term β_0 = Intercept β_1, β_2 = Coefficients of the independent and control variables

5. RESULTS, CONCLUSION AND RECOMMENDATIONS

Descriptive Statistics Result

	STOCK_PRICE_VOLATILIBIG_FOUR_AUDIT_B	FIRM_SIZE_LN_TOTAL	TY_FAR_ASSE
Mean	4.235417	0.750000	11.47000
Median	4.100000	1.000000	11.51500
Maximum	5.500000	1.000000	12.50000
Minimum	2.850000	0.000000	10.50000
Std. Dev.	0.695319	0.437595	0.515277
Skewness	0.233832	-1.154701	0.000278
Kurtosis	2.412576	2.333333	2.270192
Jarque-Bera	1.127552	11.55556	1.065241
Probability	0.569056	0.003096	0.587065

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Sum	203.3000	36.00000	550.5600
Sum Sq.			
Dev.	22.72299	9.000000	12.47900
Observations	48	48	48

Descriptive statistics provide valuable insights into the variables being studied. With a standard deviation of 0.70 and a mean value of roughly 4.24 for stock price volatility, the chosen consumer goods businesses' share prices exhibit a moderate degree of volatility. Because of the distribution's minor positive skewness (skewness = 0.23), some companies had volatility that was comparatively higher than the norm. A near-normal distribution is suggested by the kurtosis value of 2.41, which is approaching 3. The distribution's normality is confirmed by the Jarque-Bera probability (0.569), suggesting that the data are appropriate for regression analysis.

75% of the sample's companies were audited by one of the Big Four firms, according to the mean of 0.75 for Big Four audit status. The concentration of companies being audited by Big Four auditors is reflected in the variable's negative skewness (skewness = -1.15). As would be predicted for a binary variable, the Jarque-Bera probability of 0.0031 indicates a statistically significant divergence from normality. In terms of business size, the sample's mean of 11.47 (log of total assets) indicates a moderate firm size with little variation (standard deviation = 0.52). The Jarque-Bera probability of 0.587 supports the normality condition, and the distribution is symmetric (skewness \approx 0).

Regression Result

Dependent Variable: STOCK_PRICE_VOLATILITY__

Method: Panel Least Squares

Date: 08/01/25 Time: 01:05

Sample: 2018 2023

Periods included: 6

Cross-sections included: 8

Total panel (balanced) observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BIG_FOUR_AUDIT__BFAR__	-1.094543	0.169203	-6.468826	0.0000
FIRM_SIZE__LN_TOTAL_ASSE	-0.313193	0.143694	-2.179586	0.0346
C	8.648652	1.558704	5.548616	0.0000

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R-squared	0.761910	Mean depend ent var	4.235417
Adjusted R-squared	0.751328	S.D. dependent var	0.695319
S.E. of regression	0.346734	Akaike info criterion	0.779947
Sum squared resid	5.410116	Schwarz criterion	0.896897
Log likelihood	-15.71872	Hannan-Quinn criter.	0.824142
F-statistic	72.00210	Durbin-Watson stat	0.350092
Prob(F-statistic)	0.000000		

According to the regression analysis, there is a statistically substantial negative correlation between the stock price volatility of Nigerian consumer goods companies and their affiliation with the Big Four audits. In particular, the coefficient for `BIG_FOUR_AUDIT_BFAR` is -1.0945 ($p = 0.0000$), meaning that, assuming all other variables stay the same, companies audited by one of the Big Four firms see an average 1.09-unit decrease in stock price volatility. This result lends credence to the idea that trustworthy audit companies increase investor confidence, lessen information asymmetry, and strengthen the reliability of financial disclosures—all of which together lead to less volatility in stock prices. These findings are in line with earlier research by Hussainey and Al-Najjar (2011) and Alqatamin (2018), which found that better auditing is linked to more stable prices and less market uncertainty.

Furthermore, with a coefficient of -0.3132 ($p = 0.0346$), the analysis shows that firm size has a statistically significant negative impact on stock price volatility. This implies that larger companies typically have more stable stock prices, which may be because of things like more investor trust, operational diversification, and a larger market capitalization. These results are consistent with those of Mohammed and Farouk (2020) and Liu and Hu (2015), who discovered that business size reduces excessive price swings by promoting internal governance and earnings stability.

With an R-squared value of 0.7619, the model has a significant explanatory power, meaning that firm size and Big Four audit status account for roughly 76.2% of the variability in stock price volatility. An F-statistic of 72.002 ($p < 0.001$) indicates that the model is statistically significant overall, indicating that the predictor variables work together to meaningfully influence the dependent variable. The residuals may need to be adjusted using robust estimating techniques or subjected to additional analysis, as shown by the Durbin-Watson statistic of 0.35, which indicates the presence of positive autocorrelation. Nevertheless, the results highlight how important audit quality and firm-specific characteristics are in influencing investor confidence and market dynamics, especially in developing nations like Nigeria.

Test of Hypotheses

H₀₁: The presence of a Big Four audit report has no significant effect on the stock price volatility of consumer goods companies in Nigeria.

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With a p-value of 0.0000 and a regression output of -1.0945, the coefficient of `BIG_FOUR_AUDIT_BFAR_` is below the 5% significance level. This suggests that stock price volatility is negatively impacted by the existence of a Big Four audit report in a statistically meaningful way. Consequently, it is determined that Big Four audit reports considerably lower stock price volatility across Nigerian consumer goods companies, and the null hypothesis (H_{01}) is rejected.

H₀₂: There is no significant effect of Big Four audited financial statements on the stock price volatility of consumer goods companies in Nigeria after controlling for firm size.

Firm size (`FSIZE`) is a control variable in the regression model, and it was determined that `FIRM_SIZE_LN_TOTAL_ASSE` ($p = 0.0346$) and `BIG_FOUR_AUDIT_BFAR_` ($p = 0.0000$) were both statistically significant. This suggests that Big Four audit status has a substantial impact on stock price volatility even after controlling for firm size. The rejection of the null hypothesis (H_{02}) confirms that, even after controlling for firm size, Big Four audited financial statements have a significant impact on stock price volatility.

Conclusion

According to the study's findings, stock price volatility among Nigerian consumer products companies is considerably decreased by financial statement clarity. According to this, companies that are audited by internationally renowned audit firms typically have more stable stock prices, which is likely due to higher investor trust and less information asymmetry. Interestingly, the effect is still strong even when firm size is taken into consideration, underscoring the importance of both audit quality and firm-specific variables in promoting market stability. Therefore, improving audit procedures and encouraging open financial reporting are crucial tactics for reducing volatility and boosting investor trust in the Nigerian stock market.

Recommendations

The following recommendations were made for the study;

1. To increase the integrity of their financial statements, Nigerian consumer goods companies should give top priority to hiring Big Four audit firms. According to the study, stock price volatility was considerably lower for companies audited by Big Four auditors. This shows that higher audit quality can boost investor confidence and encourage market stability.
2. Regulators like the Securities and Exchange Commission (SEC) and the Financial Reporting Council of Nigeria (FRCN) ought to promote more financial disclosure and openness among smaller businesses, particularly those with smaller asset bases.

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