AUDITING QUALITY BETWEEN SHARE PRICE AND LIQUIDITY REGARDING INVESTOR'S DECISION

Nawaf Thuneibat *, Rula Hani AlHalaseh **

* Business School, Mutah University, Alkarak, Jordan
** *Corresponding author*, Business School, Mutah University, Alkarak, Jordan
Contact details: Business School, Mutah University, P. O. Box 61710, Alkarak, Jordan

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Abstract

Financial statements and the fact that many investors depend on the most critical outputs of the auditing quality. We documented the impact of audit quality as measured by audit firm size, tenure, fees, and firm experience on the stock prices and the liquidity of stock companies listed on the Amman Stock Exchange (ASE). The research adopted the deductive approach considering the least-squares dummy variable approach following Pham et al. (2020), Sumiadji et al. (2019), Ugwunta et al. (2018), and Al-Thuneibat et al. (2011) to study the relationship between time-varying predictors and outcomes of 185 shareholding companies listed on ASE from 2016 to 2020. The characteristics of an audit firm vary in their effects on both the stock price and the liquidity. Management of the listed companies should be discussed to address the barriers that limit the impact of audit quality on the reliability of information associated with financial statements aiming to reduce information asymmetry and boost investor confidence, and then the share price should rise, and smaller audit firms should be encouraged to perform more specific audit assignments.

Keywords: Auditing Quality, Investors' Decisions, Stock Price, Liquidity, Amman Stock Exchange (ASE), Jordan

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1. INTRODUCTION

Financial accounting's objective is to offer users of financial statements relevant and trustworthy data to assist them in making different choices (Osadchy et al., 2018; Alqaraleh & Ahmad, 2018). To ensure that these data help make economic choices, an efficient and independent authority known as an external audit must reassure consumers of financial statements of their fairness and trustworthiness (ElGammal & Gharzeddine, 2020; Fakhfakh, 2015). Due to the unreliability of unaudited financial statements and the fact that many investors depend on the most critical outputs of the audit process (external auditor's report) when making different judgments based on the financial statements (Kang, 2019). However, this reliance is contingent upon the quality of auditing these financial statements. The greater the audit's quality, the more this data is used to make different economic judgments (Almaharmeh et al., 2021; El Ghoul et al., 2021; Pham et al., 2020). These investment choices will undoubtedly affect how firms' shares are traded, priced, and perform financially (Wijaya, 2020). Despite the lack of a comprehensive definition of audit quality covering all types of audits and auditors, it is reasonable to assume this term incorporates compliance with

relevant audit procedures and standards. Audit quality as an agency relationship arises when one or more principals (e.g., an owner) engage another person as their agent (or steward) to perform a service on their behalf. Performance of this service results in the delegation of some decision-making authority to the agent. This delegation of responsibility by the principal and the resulting division of labour helps promote an efficient and productive economy (Purba & Bimantara, 2020).

Similarly, accounting disclosure is critical for the company's stakeholders and investors since it provides essential information when making economic choices (Al-Sakini, 2019). As a result, there is a desire for high-quality information to make diverse economic judgments, given that accounting flexibility enables the use of a variety of methodologies. The various accounting alternatives may lead to misleading users of financial statements, and one of the most important pillars of judgment that limits and mitigates this misinformation and increases the confidence of data users is the external audit process (Almarayeh et al., 2020; Chae et al., 2020; Salehi et al., 2017). Many questions were raised because of the emergence of many problems and the collapse of some major auditing companies. About the severity of reports issued by auditors (Kenny, 2020). It impacted investors' comprehension and trust in the audit process, prompting some to withdraw their investments. The impact of audit quality as measured by (audit firm size, audit firm tenure, audit fees, and audit firm experience) on the stock prices and liquidity of Jordanian companies are examined in this research. Thus, the following research questions serve as a guide for this study:

RQ1: What impact does audit quality as measured by (audit firm size, audit firm tenure, audit fees, and audit firm experience) have on the stock prices of companies listed on the Amman Stock Exchange (ASE)?

RQ2: What impact does audit quality as measured by (audit firm size, audit firm tenure, audit fees, and audit firm experience) have on the liquidity of stocks of companies listed on the ASE?

The structure of this paper is as follows. Section 2 reviews the relevant literature. Section 3 analyses the methodology that has been used to conduct empirical research on the impact of audit quality on the stock prices and stock liquidity of companies listed on the ASE. Section 4 presents the findings of this study, and Section 5 discusses and links them with the results of previous studies. Section 6 provides the conclusion the research reached.

2. LITERATURE REVIEW

Despite the interest in external audit quality, there is no clear concept of audit quality, whether through the study or standards set by professional organizations (Malagila et al., 2020; Iskandar et al., 2010) because it is a multidimensional latent construct (Tepalagul & Lin, 2015). Gonthier-Besacier et al. (2016) attributed this to the lack of accurate standards to measure its quality. Simultaneously, there may be a lack of adequate experience for recipients to assess the quality of services (Thuneibat, 2021). There is also a disparity in expectations for the audit process, resulting in diverse and disparate perspectives on the idea of audit quality (Trotman & Duncan, 2018). Pham et al. (2017) and Nwanyanwu (2017) defined audit quality as the correctness of the information supplied to investors by the external auditor. Haeridistia and Fadjarenie (2019) defined it as the level of assurance that the auditor delivers to users of audited financial statements. Gaynor et al. (2016) described it as the high degree of assurance supplied by the external auditor. According to AlQadasi and Abidin (2018), the quality of the audit is determined by the ability to uncover definitions in financial statements and reduce the negative consequences of the agency theory.

Additionally, while making an investment choice, you must depend on data that is both reliable and of high quality. Numerous types of research have shown a link between the quality of information and investment decision-making (Bi et al., 2017). As well, for data to be of good quality, it must be subjected to rigorous auditing (Taleb et al., 2015), to mitigate the risk of physical identification and information risk in general (Sengan et al., 2020). The better the quality of the data audited, the more reliable it is, which improves the degree of reliance on it, increasing the amount of contact and investment with these organizations (Mardijuwono & Subianto, 2018). Moreover, Hoti et al. (2012) discovered that the quality of the audit results in a decrease in the risk of substantial misrepresentation, which fosters trust in the company's performance shown in the financial statements, hence lowering the cost of capital.

Furthermore, according to the signalling theory, companies can send signals to users of financial statements that work to draw attention to them, such as voluntary disclosures either by contracting with large auditing firms (Big 4) or by contracting with experienced firms that charge a high fee or by relying on the auditor's rotation every period (Almaharmeh et al., 2021; Astuti et al., 2020; Malagila et al., 2020; Birjandi et al., 2015).

2.1. Audit quality impacts stock prices and liquidity

Several studies have been conducted to investigate the influence of audit quality on stock prices. For example, Okolie and Izedonmi (2014) investigated the impact of audit quality on the stock prices of companies listed on the Nigerian Stock Exchange (NSE) from the period 2006–2011. The size of the auditing firm, audit fees, the duration of the audit period, and the importance of the customer all contributed to the audit's quality. The research indicated that audit quality positively influenced the pricing of listed shares in NSE. Tambun et al. (2018) discovered that the quality of profits significantly increased the influence of audit quality on the accuracy of stock price forecasts. Ugwunta et al. (2018) concluded a positive, statistically significant effect of audit size (Big 4), independence, and the audit committee composition on the share prices of companies listed in the NSE. At the same time, there is a negative effect on the stock prices of the auditor's prolonged stay in auditing the firms

listed on the NSE. A study conducted by Wijaya (2020) investigated the relationship between audit quality and firm value and discovered that audit quality is positively related to firm value. This is because increased audit quality is projected to reduce information asymmetry, lower agency costs, and boost company value (Ugwunta et al., 2018). Oroud et al. (2019) investigated the role of audit quality as a moderator variable for the impact of accounting information on the share price of companies listed on the ASE, there is a significant impact of audit quality, whether related to the size of the auditing company or the rotation of the auditing company, on the relationship between accounting information and stock prices for companies listed on the ASE. Also, a study conducted by Abu Afifa et al. (2020) aimed to investigate the relationship between audit quality, earning quality, and the stock price of industrial companies listed in the ASE from 2010 to 2018. The audit quality was measured as (the size of the auditing company, the specialization of the auditing company, and the audit firm turnover). The study concluded that there is an effect of audit quality on stock prices. According to the findings of Almashaqbeh et al. (2020), audit firm size and audit fees have a beneficial influence on the stock prices of firms listed on the ASE. In this investigation, the following hypothesis was so established:

H1: There is a significant impact of audit quality on stock prices.

Several types of research have been carried out to investigate the link between audit quality and the influence on investment choices. The study by Rena et al. (2016) intended to investigate the influence of the external auditor's opinion on investment decisions in the Turkish banking industry. It found that the auditor's opinion reduces the risks of information and enhances its trustworthiness. The research revealed that the external auditor's opinion statistically influences investment decisions in the Turkish banking industry. In addition, Qin (2017) investigated the degree to which the stock's liquidity is connected to the choice of audit firm size, specifically, whether it is one of the Big 4 auditing companies or not. The research discovered a link between the audit firm size and audit fees with the liquidity of the company's shares. Campbell et al. (2022) found a positive association between stock liquidity and audit fees. The relationship is concentrated in companies with ineffective corporate governance measures. When organizations have robust corporate governance structures, these consequences are mitigated.

The study by Boubaker et al. (2019) concluded that the difficulty of reading annual reports hurts the ability of annual report users to analyze the information contained in these reports, which affects investment decisions and, as a result, the trading of these shares and their liquidity. AlHalaseh and Thuniebat (2021) conclude that the auditing opinion reports affect the liquidity of each share in the study sample, where each share has liquidity exceeding zero, regardless of the audit report type. In this investigation, the following hypothesis was so established:

H2: There is a significant impact of audit quality on stock liquidity.

2.2. Audit quality measurement

Audit quality may be measured in two ways, according to Memis and Cetenak (2012):

1. Indirectly, by using alternative methods and relating them to audit quality.

2. Metrics directly connected to the audit's quality are related to the audit process's outputs, the appropriateness of the conclusion that the external auditor may reach via his report, and the level of conformity with international standards (Drogalas et al., 2019).

This research used indirect variables since they can be accessed and estimated more precisely than direct variables (audit firm size, audit firm turnover, audit firm experience, and audit fees).

Audit firm rating (Size): Users of this audit quality indicator think that the large audit companies (Big 4) are respected and have a lot of potential, therefore, they have the capacity and motivation to do a good job on the audit. Many studies have used the classification of the auditing company to indicate the quality of the audit process, such as the study by Abu Afifa et al. (2020) that used the audit firm rating (the extent to which the audit firm belongs to big companies (Big 4) as an indicator of audit quality, and the study Ugwu et al. (2020) that used the audit firm rating (the extent to which the audit firm belongs to big companies (Big 4) as an indicator of audit quality. Almaharmeh et al. (2021) used the Big 4 as the only proxy of audit quality since such firms are at lower legal action risk following Pham et al. (2020), and these firms provide higher-quality auditing than others, and investors select Big 4 firms in the aim of receiving superior audit results concerning Wachid and Yunita (2019).

Audit firm turnover: Depending on the legislation, changing the external auditor may be elective or mandatory, and changing the external auditor offers benefits and drawbacks. One of the benefits of replacing the auditor (turnover) is that the auditor's independence is maintained since the duration of the period influenced the auditor's independence, as a connection may develop between the auditor and the client. Also, the client's independence may suffer due to the extended duration, lowering the quality of the audit process. As a result, the legislation proposed not allowing the auditing business to continue auditing the client's company for more than five years to maintain the auditor's independence and impartiality (Sumiadji et al., 2019).

Audit fees: Accepting inadequate audit fees may impair the efficiency of the audit process and the practice of professional care, which affects audit quality; nonetheless, accepting lower audit fees than others are not deemed unethical in and of itself until it affects audit quality (Thuneibat, 2021). Because the cost-benefit principle influences the auditor, low fees may impact audit methods and the amount of audit evidence to measure audit quality. According to Velte and Loy (2018), audit fees and going concern opinions are commonly used to assess audit quality.

Experience with audit firms: Without a doubt, the audit firm's experience firms in the industry to which the business under audit belongs decreases substantial misrepresentations in the financial statements and, as a result, improves auditing quality. According to the American Institute of

Certified Public Accountants (AICPA), five indicators affect the success and future of audit firms, the most important of which is specialization in auditing, which serves as the foundation for audit firms' survival and continuity, as well as an increase in the quality of their auditing (Abu Issa, 2011).

3. RESEARCH METHODOLOGY

3.1. Research design

This research adopted the descriptive, fixed-effect panel regression in SPSS Statistics using the least-squares dummy variable approach to study the relationship between time-varying predictors and outcomes. Panel data is multi-dimensional time series data. Pooled ordinary least square (OLS) model treats a dataset like any other cross-sectional data (Glover-Akpey & Azembila, 2016) and ignores that the data has time and individual dimensions, as used by Okolie (2014). On each series, a panel unit root test was performed, and it found no unit root problem threatened the panel data. At *I*, the data was discovered to be static (0). As a result, the fixed-effect panel data regression model was utilized to evaluate this study's panel data. The likelihood ratio redundant fixed-effect test and the Hausman test findings backed up the usage of the fixed-effect estimation method. When the sample was not drawn at random from a total population, Baltagi (2005), Bansal and Sharma (2016), and Ugwunta et al. (2018) supported the adoption of the fixed-effect approach over the random-effect method of estimation. The sample for this study was not picked at random from the entire population of ASE-listed companies.

The population of this study consists of all shareholding companies listed on ASE during the period from 2016 to 2020, which is equal to 185 companies as of the end of the year 2020. The research design adopted for this study is ex-post facto as the study relied on historic data. The required data were gathered from the company's annual reports and the ASE electronic site. The study sample consists of all shareholding companies that were continuously listed and traded during the study period, which resulted in 745 observations for each variable. Therefore, the total purposive sampling method was used. Adding, the necessary information about the audit firm needs to be offered in the study sample. After applying the conditions above, 149 companies remain. These companies fall under four main sectors: banking, insurance, services, and industry. In the emerging market in Jordan, this study undertakes quantitative research using a deductive approach to evaluate the relationship between audit quality (AQ) and market stock price and stock liquidity. This study constructs the model presented in the following equations (1), and (2) to test the study hypotheses.

$$MSP_{i,t} = \alpha + \beta_1 AQ_{i,t} + \beta_2 Control_{i,t} + \varepsilon_{i,t} \quad (1)$$

$$STLQ_{i,t} = \alpha + \beta_1 AQ_{i,t} + \beta_2 Control_{i,t} + \varepsilon_{i,t} \quad (2)$$

where,

- $MSP_{i,t}$ is the stock price of the company i at time t;
- $AQ_{i,t}$ is the audit quality of company i at time t measured by four components: audit firm classification, tenure, market share, and audit fees;
- $Control_{i,t}$ is the controlling variable of the company i at time t measured by the company's size and ROI;
- $\varepsilon_{i,t}$ is the error term;
- $STLQ_{i,t}$ is the liquidity of stock of the company i at time t, estimated as the stock turnover.

3.2. The variables

This study has two *dependent variables* which are stock price and the stock liquidity measured as follows:

The stock price ($MSP_{i,t}$) is the market price of the public shareholding company i listed in ASE within the study period t, directly obtained from the ASE electronic site, as at the end of each year. This proxy was used by previous researchers such as Oroud et al. (2019) and Almashaqbeh et al. (2020). According to Littell et al. (1996), a natural logarithm ensured linearity.

Stock liquidity (*STLQ*) is estimated as the stock turnover. The liquidity ratio was obtained from the electronic site of the ASE as the annual bulletins.

The *independent variable* is audit quality (*AQ*), because AQ is a multidimensional latent concept, there is no widespread agreement among academics on how to define or quantify it (Tepalagul & Lin, 2015). In most situations, however, the source of data for AQ proxies is just publicly available information (Masmoudi, 2021). Rajgopal et al. (2019) define many audit quality proxies, including the appointment of Big 4 companies, industry speciality auditors, audit fees, audit tenure, and so on. This variable was measured using the indirect approach through the ex-ante perspective of the audit process, which measures the quality of auditing through the use of alternatives representing audit quality, such as the size of the audit firm, the auditor's experience, the client retention period (tenure), and the auditor's specialization. This study used:

- Audit firm size (*AFS*) classification of the audit firm is among the Big 4 audit firms (Deloitte, Ernst & Young-EY, KPMG, and PWC). Recent research confirmed that the Big 4 firms have higher audit quality than the others and that client companies' shareholders favour Big 4 firms to receive an excellent audit performance (Wachid & Yunita, 2019). This study follows previous studies and employs the size of the audit firms to measure audit quality. It is a dummy variable, and the value 1 was given to audited companies by the Big 4, the value 0 otherwise (Almaharmeh et al., 2021; Masmoudi, 2021; Abu Afifa et al., 2020; Almashaqbeh et al., 2020; Okolie & Izedonmi, 2014).
- Audit firm tenure (*AFT*) means the number of years the audit firm has audited the same company for years. The length of the relationship between the auditor and the client is thought to weaken the auditor's independence, while others believe that a long audit period improves audit quality. This proxy was included in this study because of the disparity in opinions about audit tenure. This variable was measured through a dummy variable so that code 1 is given to the audit firm if it continues to contract with the same company for three consecutive years or more, 0 value otherwise (Sumiadji et al., 2019; Al-Thuneibat et al., 2011).
- Audit firm fees (*AFF*) this variable was measured by the natural logarithm of the value of fees collected from the client in Jordanian dinars for each year of the study period (Almashaqbeh et al.,

2020; Okolie, 2014; Li & Lin, 2005). The researchers obtained information related to the external auditor's fees through the disclosure items included in the financial reports published in the annual reports of the research sample companies. This study assumes that the quality of the audit is related to the value of the fees charged, as increasing the quality of the audit will require more detailed procedures by the auditor, which will require additional costs (Almashaqbeh et al., 2020; Iliemena & Okolocha, 2019). The natural logarithm treated this variable.

- Audit firm experience (*AFE*) expresses the market share of the auditing firms measured as the total of the companies audited by the audit firm over the total sector companies. Audit firms with industry specialization are of higher quality than non-specialization audit firms where the auditors can work more effectively. A dummy variable was used with the value of 1 if the audit firm has experience (ratio > 10%) and zero if there is no audit firm experience (ratio < 10%) (Abu Afifa et al., 2020; Sumiadji et al., 2019).

The controlling variables

- Company size (*COS*) is a dummy variable, 1) a small-sized if the total assets of the company are less than 20 million JD; 2) a med-sized if total assets are ranged from 20 to less than 40 million JD; 3) a large-sized if total assets are ranged 40 to less than 60 million JD, and finally, 4) a very large-sized if the total assets are other values (Abu Afifa et al., 2020). Calculated through the natural logarithm of the total assets (Almashaqbeh et al., 2020; Ugwunta et al., 2018). The yearly based data of this variable was obtained from statistical data on the ASE electronic site.

Return on investment (*ROI*) is a key ratio that can measure returns generated proportionate to investments. It should also be noted that *ROI* is heavily affected by the size of the investment base; if the investment base is more extensive, the resulting *ROI* will be lower. Calculated as in equation (3). It was directly obtained from ASE electronic site.

$$ROI = \frac{Earnings\ before\ interest\ and\ tax}{Capital\ employed} \quad (3)$$

4. RESULTS

Table 1 reveals that 58.4% of the observations are related to the service sector in ASE, which includes 87 shareholding companies. This indicates that the investment in Jordan tends to be more of a service provider than financing or production. Approximately 62% of their total assets are less than 60 million JD. This indicates that these small and medium companies do not have the financial ability to hire Big 4 auditing firms, as the percentage of companies that employ Big 4 audit firms is 44.6%. 59.6% of the study sample obtains a market share greater than 10%, the majority for the Big 4 firms with 276 companies (62.16%). At the same time, 68.3% of companies listed at ASE retained the audit firm for more than 3 years, 242 companies of them are of the Big 4 (47.54%), to reduce their costs because the audit firm gets experience auditing the same company or obtaining discounts when signing contracts for more than one year.

Table 1. Frequency of observations

Variable	*Item*	*Frequency*	*%*	*Variable*	*Item in millions*	*Frequency*	*%*
Market sector	Financial	70	9.4	Company size	X ≤ 20	305	40.9
	Insurance	95	12.8		20 < X ≤ 40	155	20.8
	Services	435	58.4		40 < X ≤ 60	60	8.1
	Industrial	145	19.5		X > 60	225	30.2
Total		745	100	Total		745	100
AFS	Big 4	332	44.6	*AFT*	X ≥ 3 years	509	68.3
	Non-Big 4	413	55.4		X < 3 years	236	31.7
Total		745	100	Total		745	100
AFE	X ≤ 10%	301	40.4				
	X > 10%	444	59.6				
Total		745	100				

Source: Compiled by the authors.

Table 2 shows the mean of the market stock price of the study sample value at 1.47 with a standard deviation of 1.943, which is considered a wide range. Hence, the minimum and maximum values are 0.11 JD and 21 JD, respectively, from 2016 to 2020. The mean value of *ROI* is 0.537, which reveals that every 1 JD employed in capital generates a 53.7% return in the ASE. The standard deviation equals 7.38. The standard deviation is 6.843 times greater than the mean. This indicates that the *ROI* varies widely around the mean. It means that the *ROI* status of the sample varies significantly. The lowest and highest values are -85.716 and 40.698, respectively. This indicates an extensive range of 126.414. The range confirms the standard deviation's revelation that there is a vast gap between the companies in terms of *ROI*, with some companies having a low *ROI* and others having a high *ROI*. The minimum value implies that other companies will lose money in some accounting years. The mean of the stock turnover rate as a liquidity measure (*STLQ*) is 59.729 times, with a standard deviation of 160 times. This value indicates that the number of executed trades varies between companies in ASE. Some companies achieve the maximum number of trades (1809), while others have no chance to trade during the study period. The table also indicates that *AFE* 60% of the companies in the market are audited by specialized audit firms. Based on the standard deviation of 0.491, it suggests insignificant variation around the mean. The natural log of the *AFF* has a minimum and maximum value of 6.62 and 14.97, respectively, with a mean of 9.561 and a standard deviation of 1.234. This shows that the audit firm fees in the sample companies deviate from the mean.

Table 2. Descriptive statistics

Variable	*N*	*Min.*	*Max.*	*Mean*	*Std. dev.*	*Kurtosis*
MSP	745	0.11	21.0	1.47	1.9428	46.228
STLQ	745	0	1809.11	59.729	159.640	41.324
AFS	745	0	1	0.45	0.497	
AFT	745	0	1	0.32	0.466	
AFE	745	0	1	0.60	0.491	
AFF Ln	745	6.62	14.97	9.561	1.234	3.228
COS Ln	745	9.76	22.86	17.3421	2.014	0.420
ROI	745	-85.716	40.698	0.537	7.38	32.46

Source: Compiled by the authors.

As indicated by the mean value in the table, the average company's size is 17.342. The standard deviation is 2.014, indicating that the size of the sampled companies varies greatly. It means that most of the companies' total assets are not in the same ballpark. The smallest and largest firm sizes are 9.76 and 22.860, respectively. This implies that the range is 13.1, indicating an extensive range of total assets companies owned during the study period.

Pearson correlation shows the relationships between dependent, independent, and controlled variables in Table 3 below. The absolute and high values of the correlation coefficient (≥ 0.80) indicate a strong association (Sekaran & Bougie, 2016). It demonstrates that *MSP, AFS, AFE, AFF, COS*, and *ROI* have a positive relationship. There was also a positive relationship between *MSR* and *STLQ* as dependent variables and *AFT*. This means that *AFS, AFE, AFF, COS*, and *ROI* all contribute to the increase in *MSP*. Other associations between the independent variables and control variables are less than 0.80. The highest coefficient noticed between audit firm fees and the companies' total assets is 0.735. The same table revealed that the variance inflation factor (VIF) for all study variables is less than 10 (Sekaran & Bougie, 2016). As a result, the study's regression models fit the multicollinearity assumption.

Table 3. Model 1 correlation

Variable	*MSP*	*STLQ*	*AFS*	*AFT*	*AFE*	*AFF*	*COS*	*ROI*	*VIF*
MSP	1.00								
STLQ	-0.125	1.00							
AFS	0.185	-0.252	1.00						1.505
AFT	-0.110	0.088	-0.088	1.00					1.022
AFE	0.179	-0.006	0.430	-0.127	1.00				1.259
AFF	0.274	-0.176	0.480	-0.086	0.273	1.00			2.336
COS	0.248	-0.267	0.438	-0.045	0.291	0.735	1.00		2.243
ROI	0.340	-0.260	0.089	-0.020	0.047	0.072	0.078	1.00	1.010

Source: Compiled by the authors.

This section presents the regression results of each hypothesis in this research. The results include the relationship between dependent variables (corporate share prices, liquidity, and stock return) and audit quality using fixed-effect generalized least squares (GLS) regression.

Testing the *H1*, Table 4 shows the regression result of the stock price as a dependent variable and the audit size, tenure, experience, and fees as predictors. Company size and *ROI* as controlling variables. The result shows the significance of the model, indicated by the p-value. The R^2 is around 20%, representing the percentage explained by the independent "predictive" variables from the variance of the dependent variable, which is the stock price. Other factors not studied in this model can explain the remaining percentage. As revealed in Table 4, the audit tenure, experience, and fees have significantly impacted the stock price. The impact is positive on the audit experience (t = 2.354; p = 0.019), and fees (t = 3.314; p = 0.001), while it is negative on the audit tenure (t = -2.226; p = 0.026). However, audit firm size does not impact stock price (t = 0.024; p = 0.981). Further examination reveals some significant impact on stock prices by the control variable *ROI* of the listed company and an insignificant impact with *COS*, with coefficients of 0.037 and 0.03, respectively.

Testing the *H2*, Table 5 shows the regression result of the stock liquidity as a dependent variable and the audit size, tenure, experience, and fees as predictors. Company size and *ROI* as controlling variables. The result shows the significance of the model, indicated by the p-value of the F-test. The R^2 is 17.8%, representing the percentage explained by the independent "predictive" variables from the variance of the dependent variable, which is the stock price. The remaining percentage, 82.2%, can be explained by other factors not studied in this model. The results significantly impact all the predictors and control variables and the stock liquidity. The relationships are positive except with audit size, company size, and *ROI*.

Table 4. Regression result of Model 1

MSP	*Coefficient*	*Std. error coefficient*	*t*	*Sig.*
Constant	-1.658	0.247	-6.715	0.000
COS	0.094	0.014	6.635	0.000
ROI	0.037	0.004	9.594	0.000
Const	-1.697	0.274	-6.201	0.000
AFS	0.002	0.069	0.024	0.981
AFT	-0.135	0.061	-2.226	0.026
AFE	0.15	0.064	2.354	0.019
AFF	0.115	0.035	3.314	0.001
COS	0.03	0.021	1.448	0.148
ROI	0.036	0.004	9.544	0.000
R-square	0.195			
F-test	29.825			
P-value	0.000			

Source: Compiled by the authors.

Table 5. Regression result of Model 2

STLQ	*Coefficient*	*Std. error coefficient*	*t*	*Sig.*
Constant	403.847	47.561	8.491	0.000
COS	-19.682	2.726	-7.220	0.000
ROI	-5.198	0.743	-6.991	0.000
AFS	-73.312	13.153	-5.574	0.000
AFT	27.847	11.577	2.405	0.016
AFE	52.914	12.186	4.342	0.000
AFF	15.18	6.605	2.298	0.022
COS	-22.104	3.965	-5.575	0.000
ROI	-5.022	0.726	-6.921	0.000
R-square	0.178			
F-test	26.569			
P-value	0.000			

Source: Compiled by the authors.

5. DISCUSSION

The current investigation has yielded several results. Audit firms' quality has a statistically significant positive impact on stock price and liquidity. However, the audit size has an insignificant impact on the market stock price. This result may be attributed to the fact that 45% of the companies listed in the financial market appointing major audit firms, the Big 4, and a market share greater than 10% constitutes 60% of the market. The Big 4 firms are controlling 62.16% of this market share in Jordan which is consistence with the relevant literature as Barghathi et al. (2020), who attributed the results to resources, network, experience, and public perception (brand name) of the firm. Moreover, most companies that employ Big 4 firms have solvency and huge assets, which may not make a difference to the investor when making the investment decision. Despite the audit size, the high audit quality will improve the quality of financial information related to financial disclosures, as well as investors' confidence in these companies, which in turn will increase shares' prices. This result agrees with Yakubu and Williams (2020) who stated that smaller audit firms that belong to professional bodies will provide higher audit quality. It agrees also with (Abu Afifa et al., 2020; Almarayeh et al., 2020; Ugwu et al., 2020; Zgarni et al., 2016; Okolie, 2014), and differs from Almashaqbeh et al. (2020). The participants in Barghathi et al. (2020) argued that the Big 4 firms had cutting-edge resources as well as qualified and trained human capital. That is, the Big 4 firms tend to invest extensively in human capital (training and equipping with new technologies) to enable their professionals to give higher quality services. Furthermore, the Big 4 firms benefit from their employees' cross-country mobility.

The audit firm (experience), and fees have a significant impact on the stock price. The results demonstrate that if one more unit of these variables is added and the other variables are constant, then the stock price is expected to rise by 15% and 11.5%, respectively. For audit fees, Yakubu and Williams (2020) concluded that the abnormal audit fee is attributed to the additional effort of the auditor to carry out rigorous audit engagement as a result of wider audit scope. As for the audit experience, this result can be justified through the agency theory, that is, the increase in the market share of the audit firm. In another word, the increase in the number of contracted companies relative to the total number of companies in the concerned sector makes the audit firm skilled and speedy and reduces the efforts made by the audit team in accomplishing their tasks. This case, in turn, is consistent with the curve expertise and is expected to reduce costs for the audited company and increase the stock price in the financial market. This result supports the findings of Almashaqbeh et al. (2020), Tambun et al. (2018), Ugwunta et al. (2018), and Okolie (2014), and disagrees with Abu Afifa et al. (2020) and Ugwu et al. (2020).

The audit tenure has a statistically significant negative impact on the stock price. This result agrees with Oroud et al. (2019) and disagrees with Abu Afifa et al. (2020), Almashaqbeh et al. (2020), and Ugwu et al. (2020). It reveals that if one unit of audit tenure is added and the other variable is kept constant, the AFT will decrease the stock price by 13.5%. This implies that mandatory audit firm rotation will enhance auditor independence, and an audit committee with nonexecutive independent members will promote audit quality (Yakubu & Williams, 2020). Audit rotation may reduce the subjectivity and bias when expressing an audit opinion of the audit firm, however, audit retention

for long periods may strengthen the links between the audit firm and the client and result in bias and subjectivity. The investor can pick up these reasons as indications of poor information contained in the auditor's report, which is expected to reduce his confidence in the audit report and, therefore, neglect it when making investment decisions. This notion is consistent with the singling theory and therefore, explains the negative impact of audit tenure.

The quality of audit firms has a statistically significant positive impact on liquidity. Audit size has a statistically significant and negative impact on liquidity. The increase by one unit in audit size will reduce the stock liquidity by 73.312 units. However, the audit tenure, market share, and fees have a statistically significant and positive impact on liquidity. The increase by one unit in *AFT, AFE*, and *AFF* will result in an increase in stock liquidity by 27.847, 52.914, and 15.18 units. The length of the contract period (three years and more) of the companies listed on the ASE with the auditing firms provides the audit firm with more experience in the company under audit, which reduces its costs in terms of the number of working days and the number of auditors. It was noticed that the audit fees are low or stable when contracting with the same auditing company continues. Lower costs raise the company's revenue and profits, which indicates the investor the request to buy the shares of this company, which raises the trading and then the share price in the market. Despite these facts, the long period of experience (low rotation) may affect the audit firm independence, which, in turn, may increase the subjectivity, and bias when expressing an audit opinion of the audit firm. Therefore, it is considered a bad signal by the investor, who in turn will reflect it in the financial market through his investment decision to refrain from trading the shares of this company. Therefore, whenever there is a rotation between auditing companies, the bias decreases, and the quality of the information increases, thus increasing the liquidity of the company listed in the financial market.

This finding tends to support Qin (2017), who found a connection between the choice of audit firm size, specifically whether it is one of the Big 4 or not, and audit fees and the liquidity of the company's shares. Furthermore, it supports the results of Campbell et al. (2022) in the presence of a positive relationship between stock liquidity and audit fees. Other previous research studied the type of external audit on stock liquidity (AlHalaseh & Thuniebat, 2021; Boubaker et al., 2019; Rena et al., 2016). Corporate organizations should regularly rotate audit firms to benefit from their diverse experiences and expertise in improving their accounting methods and policies, thereby improving their price, liquidity, and return.

6. CONCLUSION

This paper is aimed at investigating the impact of audit quality as measured by (audit firm size, audit firm tenure, audit fees, and audit firm experience) on the daily stock prices of all listed companies in ASE. In addition, using annual panel data analysis, our study aimed to study the impact of audit quality on stocks' liquidity estimated as stock turnover. The findings of the study revealed that audit quality significantly affects stock price and stock liquidity. Based on the results, it can be argued that the findings of the study verify that investment in Jordan tends to be more of a service provider than financing or production. Approximately two-thirds of these audited companies are small-medium companies, affecting their ability to hire Big 4 auditing companies. However, the results revealed that audit firm size does not impact the stock price but negatively impacts liquidity. This study concludes that audit quality significantly affects the stock price and stock liquidity.

The findings imply improving audit quality will improve the quality of financial information related to financial disclosures, and improve the investors' confidence in these companies, and then the share price increases and thus stock liquidity. Because the size of an audit firm affects both the stock price and the liquidity; as a result, smaller audit firms should be encouraged to perform more thorough audit assignments because the effect is insignificant. Some of the smaller firms can outperform the larger ones. It is critical that regulatory bodies such as Jordan Securities Commission (JSC) and ASE, among others, issue specific regulations about the minimum amounts of audit fees (as audit fees hurt liquidity) and sanction any firm that fails to comply.

This study is limited to studying the listed companies without considering their sectors. It is suggested to study the impact of audit quality on the sectors of the financial market and investigate other characteristics of audit firms such as nationality and ownership. Additionally, this study is limited to the quantitative approach that depended on the published data, while privately held information by auditors and auditees may provide a more objective and accurate measure of audit quality, due to the confidential nature of audit-related activities and information, this information is very rarely accessible to researchers. Thus, a qualitative approach is recommended to explore the perceptions of the various parties of stakeholders for obtaining more insightful results. Also, it is suggested to investigate the direct way of measuring the audit quality in the middle east context.

Furthermore, the findings of this paper that related to the positive impact of audit fees on the stock liquidity open the door for more research to investigate the moderating role of corporate governance and the companies' size through the impact of audit characteristics on the stocks' liquidity. In addition, studying the adverse impact of stock's liquidity on the audit quality. And exploring the audit risk from liquidity. The results of the study may give strength to the auditing literature since it combines stock price and liquidity.

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