How Audit Quality Affects Bank Performance and Stability with Moderating Role of Ownership Structure

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Abstract

This study examines the impact of audit quality on bank performance and stability, considering ownership structure. Analyzing BR/CS economies and Pakistan from 2010 to 2020, it finds that audit quality positively affects bank performance and stability. Foreign ownership moderates this relationship, while public ownership does not. These findings inform policymakers and regulators in promoting high-quality auditing practices and improving bank stability and performance. Audit quality is a crucial factor in maintaining the financial success and stability of banks, contributing to improved performance and transparency. Foreign ownership has a significant and positive moderating effect on the relationship between audit quality and bank performance and stability. The findings have implications for policymakers and regulators in implementing policies that promote high-quality auditing practices and enhance the stability and performance of banks in BR/CS economies and Pakistan. The current research focuses on the moderating role of ownership structure in the relationship between bank profitability, audit quality, and performance in BR/CS countries and Pakistan, which is a novel approach. The global financial crisis of 2007-2008 highlighted the importance of audit committees in overseeing financial institutions and enforcing regulations and standards. Emerging economies like BR/CS face unique challenges due to weaker regulatory structures, less mature financial systems, and higher levels of debt. Long-term stability of banks is crucial for the overall economic system and the incidence of financial fraud and bankruptcies affects investor confidence and economic growth.

Keywords: Audit Quality; Bank Performance; Bank Stability; Ownership Structure; foreign Ownership; BRICS Economies; Pakistan

Introduction

Financial institution is among the utmost vital financial entities in economic growth. Through a variety of means, they support the nation's economic expansion. As just an example, gathering and investing free household cash, lending to the private sector. The banking industry frequently operates extraordinarily throughout an economic downturn offering to the economic region is dropping, about is little liquidness in the chattels real market, & domestic spending capacity is diminishing. The determination of elements that affect the efficiency of the economic structure banks is among the core topics of this field of study. The long-term sustainability of financial system is dependent on a system of both informal and formal laws and regulations governing their operation (Wiek & Weber, 2014).

Financial performance is a gauge of how well a company can create money using the resources from its main line of business (Awais & Estes, 2019; Obafemi Tunde et al., 2023). Financial performance is frequently utilized as a broad indicator of a company's long-term financial stability. For subsequent policy modifications, empirical study of performance is a crucial prerequisite. Financial statements reveal performance information. The first step in measuring a company's performance should be to determine if it has been successful in achieving the goals established by its stakeholders (Ayoor, Ivungu, Anande, & Ogirah, 2019). Achievement refers to an organization that delivers substantial and favorable cash flow that expands at a quicker rate than the rest of the economy. Three accounting-based performance measures are stated: Return on Assets (ROA), Return on Investment (ROI) & Return on Equity (ROE) (Marr & Schiuma, 2003). Such metrics were extensively employed to assess a company's stability and reflect its internal efficiency. About every organization to attain efficient and reliable resource management, audit quality is critical. As a key accounting system implementation technique, it improves financial performance and assists management in monitoring the activity of each department within the company as a whole (Kyeremeh, 2017).

Auditing is considered to be one of the foremost movements that an organization or a regulator undertakes to deter the happening of fraud. According to De Angelo (1981), audit quality is the market-estimated joint chance that a certain auditor would find and disclose serious misstatements in the client's financial statements. De Angelo's (1981) definition states that the auditor's quality to recognize substantial misstatements (technical capabilities) and disclose the mistakes (auditor independence) determines the audit quality. Audit quality was described in terms of level of assurance by (Palmrose, 1988). The likelihood that financial statements are free of substantial misstatements is the audit quality since the goal of an audit is to offer confidence on financial statements.

The 2007 and 2008 financial crisis was primarily attributed to the failure of significant financial institutions such as Lehman Brothers, the Royal Bank of Scotland, and various Wall Street financial firms and institutions. The financial collapse of declared businesses can be attributed to a multitude of factors, encompassing suboptimal risk management, insufficient supervision, and the mishandling of assets. The audit committees responsible for overseeing the standards of auditing were subjected to elevated levels of accountability in response to the

stated shortcomings. The role of ensuring the precision and dependability of a firm's financial statements, as well as the identification and handling of risk, falls under the authority of audit committees. Following the financial crisis, there was a mandate for audit committees to enhance their supervision of financial institutions and verify their adherence to pertinent regulations and standards

Independent audits would help organizations reinforce robust internal control mechanisms, risk management, and corporate governance regulations, ultimately improving financial performance (Awais et al., 2020; Hassan et al., 2014). Asymmetry of information and interest conflicts between both management and shareholders, according to agency theorists, are what drive the need for audits (Mansi, Maxwell, & Miller, 2004). However, a substantial portion of the subsequent research concentrated on the consequences within developed nations, such as Europe and the United States. The literature reveals a notable void in this area, as emerging economies are frequently more susceptible to economic disturbances owing to their comparatively weaker regulatory structures, less mature financial systems, and greater quantities of debt. The worldwide financial crisis had a significant impact on developing countries, resulting in a considerable deceleration of economic growth, a surge in unemployment rates, and a rise in debt levels across multiple countries.

Every company's ownership structure is thought to be an effective and systematic approach to the difficulties with risk sharing and compensation benefits (Thomsen & Pedersen, 2000). The company ownership framework is/are regarded as one of the essential internal procedures and structures of corporate management and corporate finance, according to (Pilcher, Gilchrist, Singh, & Singh, 2013). Researchers have looked at the various ownership structures in various states and nations, focusing in particular on managerial, both foreign and domestic, organizational, and individual shareholders. In accumulation, indirect ownership is determined using all available data, which including bank shares held by numerous entities controlled by the ultimate shareholder. Furthermore, a major owner who owns at least 50% of a bank's shares directly is considered the bank's ultimate owner, even if the bank's indirect shareholding is not taken into account. Second, investor, government, family, institutional, and foreign ownership are the multiple kinds of ownership (Akhalumeh & Ogunkuade, 2021; Galab et al., 2021). The distinction of ownership of entities from their departments, according to the Chartered Institution of Internal Auditors (2017), is indeed the main reason why inspections are necessary (interior and exterior). As a conclusion, the inspections comprises & oversight process that allows to share their evaluation of the fiscal reports' quality and validity.

Brazil, Russia, India, China, and South Africa (BRICS) are the biggest developing market nations in the world. The BRICS system seeks to promote peace, stability, the economics, & cooperation. Additionally, it aspires to significantly contribute to the development of a just sphere and the advancement of mankind. Further, the fact that perhaps the collective populations of the Countries involved exceed 3 billion people more than the populations of both the US & Canada combined makes the BRICS countries worthwhile of investigation and

examination. 42% of the worldwide population consists of this group of people. As in long term, an untapped market of this scale might prove to be the greatest important shield for globalization. These are also all G20 participants, although their nominal GDP together accounts for 1/5 of the global GDP at USD 16 trillion. BRICS, in contrast hand, outperforms the G7 on average, while each of the BRICS countries has drastically distinct macroeconomic factors and some other benchmarks (Moudud-Ul-Huq, 2019). The concept of the "BRICS Plus" paradigm is "openness, inclusiveness, collaboration and economic perks," which is extremely congruent to the BRICS ethos, according to Chinese Minister of Foreign Affairs Wang Yi. The 'BRICS Plus' model aims to foster the formation of wider relationships, support collective expansion and economic growth on a greater scale, and increase communication and collaboration between BRICS nations as well as newly industrialized and emerging nations. In contrast, studies have historically devoted less attention to researching financial crises in emerging economies like BRICS. Brazil, Russia, India, China, and South Africa (BRICS) are the biggest developing market nations in the world. This study provides significant insights to the bank management, government, and regulator in BRICS and Pakistan economies. Over the recent decades, the BRICS nations have experienced a notable surge in economic significance, collectively representing a substantial share of the worldwide GDP (Sultan & Mehmood, 2020).

This paper studies the possibility that Pakistan might contribute to the broader BRICS and BRICS Plus ideas via CPEC & CPEC Plus. It is an effort to draw attention to this position, which is important given Pakistan's unique geographic location at the intersection of Central, South, and West Asia. As a result of the potential for connection with the area through the BRICS plus conference, Pakistan's CPEC project might be upgraded to CPEC Plus, enabling it to serve as a pipeline for connection and, as Andrew Kryobko refers to it, "The Silk of the Regional."

Growth in infrastructure and new channels for regional engagement will result from the merging of "CPEC Plus- BRICS Plus," enhancing overall interaction and coordination not just within the BRICS but also in each of its different hemispheres. China appeared to be indicating that additional geographic regions, notably Pakistan, may be allowed to participate in BRICS.

In a variety of areas, the current research adds to the body of literature. In the beginning, the study builds on earlier study on bank profitability stability & audit quality by investigative the moderating role of ownership structure Furthermore, whereas most earlier studies have concentrated only on Developed countries or on a specific country but current study focuses on BRICS countries along with Pakistan which is as for as its first of his typed. The current study grasps the BRICS and Pakistan audit quality effect on banks performance and stability with the moderation role of ownership structure.

The remainder of the paper is as follows: section 2 covers literature review, section 3 covers methodology, thereafter analysis and results discussion is provided and last section concludes the research findings.

Problem Statement

The study aims to explore the relationship between audit quality and bank performance and bank stability, focusing on the financial sectors of BRICS countries and Pakistan, and the moderating role of ownership structure.

Research Questions

The study seeks to answer questions regarding the relationship between audit quality and bank performance, the impact of audit quality on bank stability, and the moderating role of ownership structure in BRICS countries and Pakistan.

Objectives of the Study

The objectives include measuring the influence of audit quality on financial performance, investigating the impact of audit quality on bank stability, and examining the moderating role of ownership structure on the relationship between audit quality and bank performance and stability.

Significance of Study

The study provides insights for bank management, government, and regulators in BRICS and Pakistan economies, highlighting the importance of bank stability and performance for economic growth. It also contributes to the understanding of audit quality and its impact on bank performance in emerging economies.

Contribution of the Study

The study contributes by exploring the impact of audit quality on bank performance and stability in emerging economies, specifically in BRICS countries and Pakistan. It also examines the moderating effect of ownership structure and utilizes panel models for analysis. Further, ownership structure measured the role of foreign and public ownership on the relationship between audit quality and bank performance and stability as well. Moreover, this study utilizes both the static and dynamic panel models for analysis.

Organization of Study

The research is divided into four chapters, covering the introduction, literature review, research methodology, data analysis, and concluding with recommendations and limitations.

The Empirical Review

The empirical review mentioned below investigate the impact of audit quality on bank performance and stability. Here are the key findings from each study:

Sattar, Javeed, and Latief (2020) study found that high-quality audits positively influenced financial performance. Highly competitive firms had a positive connection with financial performance, while less competitive firms had a negative relationship. The study revealed by Monametsi (2020) Audit quality and firm performance: Evidence from Botswana and Uganda. a positive and significant association between audit quality and corporate success,

suggesting that audit quality enhances transparency and shareholder trust Al Farooque, Buachoom, and Sun (2020) emphasized the positive impact of independent directors and audit committee independence on firm performance. It also found that the size and scope of the audit committee had a beneficial impact on financial performance. The study investigated by Shaalan, et al. (2022) the differences between Islamic and conventional banks regarding the influence of audit committee quality on financial performance. The presence of an audit committee was found to improve the financial performance of banks (Fariha, Hossain, & Ghosh, 2022). Bengrich and El-Ghadouia (2020) the examined the impact of internal audit on the performance of companies in Morocco's Souses Massa sector. It found a strong positive relationship between internal audit and economic and financial performance. According to Saddam et al. (2020) focused on the quality of internal audit in Yemeni commercial banks. It found that internal audit standard obedience, neutrality, and quality governance had a significant impact on bank performance.

According to Habtoor (2022); Singh et al. (2021) and Rahman, Meah, and Chaudhory (2019) It found a strong positive correlation between audit quality and firm profitability in the studies examined the factors influencing internal auditing efficiency in firms. It found that inter-departmental cooperation, system management, and audit team audit committee attributes acceptance and encouragement were factors contributing to internal audit efficiency.

Audit Quality and Bank Performance

According to Becker et al. (1998) and Habbash and Alghamdi (2017), good audit quality is related to reduced earnings management and higher quality financial information. Bliss (2011) claims that audits can identify financial statement fraud and errors, thereby improving the quality of annual reports. DeFond, Erkens, and Zhang, (2014) state that audit quality provides greater certainty about the reliability of financial statements. Ahakiri & Lawal (2021); Ahmad (2016) suggest that audit fees and the size of auditing firms are important factors in assessing the quality of audits. Ali et al. (2018) emphasizes the importance of audit committees in enhancing the performance of financial reporting. Mushrif Rashid, Jasim, and Saleh (2021) explored the impact of audit quality determinants on the operational performance of Iraqi banking institutions. It found a direct correlation between bank size subject to auditing and financial performance. Ittonen and Peni (2012) discuss the significance of corporate governance practices in improving overall business performance. Esplin, Jamal, and Sunder (2018) mention that auditor independence is crucial for effective audits and improved bank performance. Evans (2017) finds that the timeliness and reputation of the auditor are key factors influencing audit quality. Santos et al. (2012) mention that good financial statements have a positive financial impact on organizations.

The audit committee of a corporation acts as an interface amongst the internal and external auditors. According to Okaro and Okafor (2013), an efficient audit committee has the following features: it can increase the external auditor's flexibility, add honesty to evaluated financial statements, and provide extra coverage for the greatest interest of owners and the overall community with regard to corporate initiatives. It can also strengthen internal audit

function, increase veteran top management effectiveness by enhancing their understanding, advance conflicts among both auditors and company management, as well as work collaboratively.

H_1a: Audit quality has a significant effect on bank performance.

H_2a: Foreign ownership has a significant impact on bank performance

H3a: Public ownership has a significant impact on bank performance.

Audit Quality and Bank Stability

Every firm needs audit quality to manage its operations and boost financial results. The administration must play a significant part in preserving financial sustainability over a long period of time due to the evolving business environment. Failing to preserve consistency can result in hoaxes, considerable financial controversies, damages, & theft inside the organization. With giving the administration an adequate confidence of the economic stability & efficiency of the entire business, strong internal auditing aids the management. The upkeep and creation of annual reports that are consistent with the codes and standards, norms, & policies relating to the organization are ensured by inner review and corporate governance (Dsouza & Jain, 2021).

Boubakary (2020) highlighted the favorable impact of internal audit on the financial outcomes of Cameroonian public and para-public firms. It suggested that internal audit with competent and neutral inspectors can enhance profitability. Ghosh (2021) explored the impact of panel characteristics and audit committee qualities on the stability of publicly traded commercial banks in Bangladesh. It found that independent directors and board composition had significant associations with stock return and firm performance

Hlb: Audit quality has a significant effect on bank stability.

H_{2b}: Foreign ownership has a significant impact on bank stability.

H_{3b}: Public ownership has a significant impact on bank stability.

Ownership structure and Bank Performance

Ownership concentration has been studied for its impact on corporate profitability since Karaca and Eksi (2011); Leech (1991) suggests that concentrated ownership provides greater monitoring incentives and can lead to superior performance. On the other hand, Maher (1999) argues that concentrated ownership may result in minority owners benefiting at the expense of majority stockholders.

According to the principal-agent theory, in the absence of close shareholder monitoring, management is less likely to adhere to a strict profit-maximizing strategy (Prowse, 1992). The separation of ownership and control under a concentrated ownership structure is seen as mitigating agency conflicts between shareholders and management. Kao et al. (2018)

emphasize that the influence of concentrated ownership on bank performance is an empirical topic.

Carnahan, Agarwal, and Campbell (2010); Colpan and Yoshikawa (2012) highlight how shareholders aim to structure ownership to monitor management and reduce agency conflicts. Hanafi et al. (2018) demonstrate that fixed ownership in a small number of hands, such as institutional shareholders, can positively impact firm profitability.

As per Psillaki and Mamatzakis (2017) Banks with high state ownership are negatively related to performance. Banks with high domestic private ownership are positively related to performance.

Banks with higher foreign ownership are positively related to performance. Ownership structures, particularly OC and family ownership, appear to have no significant influence on a firm performance, while managerial ownership exerts a positive effect on performance Omar et al. (2019); Singh et al. (2021). When the financial industry develops, it made it easier for businesses to acquire external financing, which they may use to finance expansion prospects. As the financial sector develops, businesses were better able to swiftly changed their capital structures, lowering the costed of drifting off course (Mugova & Sachs, 2017; Al-Issa et al., 2022).

H_4a: The relationship between audit quality and bank performance is moderated by foreign ownership lies significant.

H_{4b}: The relationship between audit quality and bank stability is moderated by foreign ownership lies significant.

H_5a: The relationship between audit quality and bank performance is moderated by public ownership lies significant.

H_{5b}: The relationship between audit quality and bank stability is moderated by public ownership lies significant.

Agency theory

Developed by Jensen and Meckling focuses on principal-agent relationship and information asymmetry and digitalization and organizational diversity impact power dynamics.

Stakeholder theory

Considers concerns of all stakeholders in decision-making and goes beyond monetary stakeholders to include labor, consumers, communities, and state officials. Emphasizes accountability and responsible financial reporting and incorporates ethical judgments and corporate responsibility

Methodology

The population of this analysis is financial sector. Assortment of Sampling and Data Sets The

data set utilized in the analysis in this research has created from a variety of sources. Annual reports as well as the DataStream database are used to produce information on the audit committee's characteristics and bank performance for the BRICS and Pakistan for the years 2010 -2020. The research dataset consisted of 273 banks from BRICS and all commercial banks in Pakistan. This research emphasis on the financial sector of designated BRICS and Pakistani economies. The study's sample includes exclusively developing markets & avoids established ones. The study comprises a group of nations that have historically received less attention from researchers. Being the fundamental component of the accord for regional unity, each of the BRICS nations have the most prosperous economies on the continents they represent. Brazil in Mercosur, Russia in the Eurasian Economic Union (EAEU), India in the South Asian Association to Regional Cooperation (SAARC), that depends on the South Asian Free Trade Area (SAFTA), and China in the ASEAN Plus plan and South Africa in the Southern African Development Community and the South African Customs Union (SACU). The majority of the prior research is accessible addressing the connections between stability and development in the United states of America or other industrialized countries such, Eickmeier, & Prieto, (2014); Jimenez et al. (2014); Aghion et al. (2014) employ the Spanish and American bank data, respectively.

Measurement of Variables

The bank performance and bank stability are examined as a dependent variable in this study. Bank performance is measured by ROA and bank stability is measured by Z-score. While audit quality is independent variable. AQ is dignified via proxies, Audit Committee Independence, Audit Committee Expertise. Audit Committee Independence is measured equivalent to the proportion of members of audit committees that are impartial (non-executive) & audit committee expertise is measured through the amount of members of audit committees having financial/accounting competence. Ownership structure is used as moderator and is measured by public ownership and private. This research also uses bank level control variable: Bank size Bank size is determined as natural log of overall capital value, Non-Interest income, Non-interest income is determined as such ratio of non-interest income to total revenue and Equity to total asset Bank solvency is measured with the ratio of equity to total asset ratio. and macro-economic level control variables: Lending interest rate, Interest is charged on the principal amount as a percentage of the amount, Inflation, consumer prices (annual%) division of the market basket's price in year t by its price in the base year and GDP growth is measured by (most recent years real GDP - the last years real GDP) / the previous year's real GDP

Data Analysis Techniques

A random-effect estimator & a system Generalized method of moment **(GMM)** estimator are both used in this work to estimate the parameters using panel data requirements. The most popular and adaptable dependency method, regression analysis is employed in every aspect of corporate decision-making (Hair, Black, & Anderson, 2013). To determine if the IV can estimate the outcome variable is the method's goal. Regression analysis serves as the basis for

testing forecasting models in business research, tend to range from econometric models that forecast the state of the economy based on various input variables (average incomes, business assets, etc.) to models that project a financial operation in a marketplace when a particular policy is implemented (Hair et al., 2013). Once more, it is crucial to determine if the framework differs from the fixed - effects model of unpredictability before using random effects. To distinguish among random and fixed effects, use the Hausman test. Hausman (1978) expands on the idea that while random and fixed effects are coherent in the absence of a link among fixed effect model and independent variable, the fixed-effect remains ineffective. In contrast, fixed effects are persistent in the presence of association whereas random-effects are not. This study uses random effect estimator to estimate the parameters. Beck et al. (2013) claim that the inclusion of lag repressors reduces the unobserved heterogeneity issue brought on by reverse causality. Whenever the economic expansion on bank stability is regressed in this research, it is also pertinent for the investigation at the county level. As if the economic system is doing well, the financial sector may also be stable.

A prominent and most often applied approach of estimating in finance is the System General method of moment (GMM) that was developed by (Hansen, 1982). Therefore, GMM is employed in a manner similar to how (Arellano & Bond, 1991) used GMM to devise a trade credits allocation model, as done by (Kwenda & Holden, 2014). Because the GMM methodology is an economical approach that collects observable economic data with the goal of generating estimates of the unknown parameters, it is used. Since the BRICS economies are all at roughly the same stage of economic development, current demographic circumstances are taken for granted. The GMM estimator is employed because it is the most effective method for utilizing data from population moment circumstances. As a result, initial differences using the GMM approach should produce more accurate estimates. There might be an endogeneity issue while creating a model for this study because factors on both sides of the equation (such as audit quality, bank performance, and ownership structure) are theorized to be jointly determined. The GMM estimator is derived from criterion that adhere to the law of large samples. Essentially, more samples result in results that are nearer the actual value of the variable that econometric model may assess, or in the model giving the population a comparable value.

Model Specification

The Econometric equations are modeled as follows. We specify the following regression model

ROAijr = o + 1AQ + 2OS_PBijt + 3OS_FNijt + 4(AQ*OS_PB) + s(AQ*OS_FN) 6BSZijt + 1CIRijt+ sETAijr+ 9Nnjr+ 10INT_Rijt+ 11INF_Rijt+ 12GDP_Gijt+µijr. Eq 1

Whereas ROA is measures of Bank performance and AQ is an audit quality and ACEXP, ACIND is proxy measures of Audit quality OS is Ownership Structure which is measured by OS_PB and OS_FN. Bank level variables are Bank Size (BSZ), Cost to Income (CIR), Equity to total assets (ETA), and Non-Interest Income (NII). Macroeconomics level variable and ijt shows the overall sample banks. Countries and time span.

The following regression model

are Inflation rate (INF_R), Interest rate (INT_R) & GDP growth (GDP_G).

$$Z\_SCORE\ ij1 = po + P1AQ + P2OS\_PBij1 + p3OS\_FNij1 + PiAQ*OS\_PB) + Ps(AQ*OS\_FN) P6BSZij1+ P1CIRij1 + PsETAijt +p9Nllij1 + P10INT\_Rij1 + P11INF\_Rijt+ P12GDP\_Gij1+ \mu ijt \quad Eq\ 2$$

Whereas Z score (Z_SCORE) is measures of bank stability and AQ is an audit quality and ACEXP, ACIND is proxy measures of Audit quality OS is Ownership Structure which is measured by OS_PB and OS_FN. Bank level variables are Bank Size (BSZ), Cost to Income (CIR), Equity to total assets (ETA), and Non-Interest Income (NII). Macroeconomics level variables are Inflation rate (INF_R), Interest rate (INT_R) & GDP growth (GDP_G) and ijt shows the overall sample banks. Countries and time series.

Findings and Discussion

Table 4.1 labels the numerical investigation of each variable. A total of 2106 observations were reported in this study. It portrays the mean, standard deviation, minimum and maximum of each variable in the sample data set. Table 4.1 displays there is a significant range of variation amongst the measured sample of the study. The mean value of Z-score is 5.23 with minimum range of 1.198 and max rang of 14.737 with a S.DEV of 3.548. It's also shown that the range of ROA is from -.99 to 4.35 with mean of 1.28 and a standard deviation of 1.25. As facts shows the range of ACEXP is from 0 to 1 and the average is .834 & a S.DEV is .373. The mean of ACIND is 55.297 with a maximum of 100 and minimum of 0 and a Standard deviation of 36.419. The average of ETA is 17.332 with the max. value of 52.72 & min. of 4.54 & a standard deviation is 12.775. The mean of CIR is 48.895 with the max. of 95.62 and a min. of 19.44 and a standard deviation is 20.476. Table 4.1 reports the descriptive figures of the controller variables for bank features. that the range of BSZ is from 6.04 to 13.402 with an average of 9.119 and a standard deviation of 2.034. The mean of Z score is 5.23 with a max. of 14.737 and a min. of 1.198 and a standard deviation of 3.548. The average of NII is 22.4 with a max. of 89.81 and a min. of -4.44 and a standard deviation of 24.63. As for the Macro level control variables, table 4.1 exhibits that the rang of INF_R is 4.35 to 27.392 with a mean of 9.003 and a standard deviation of 4.664. The average of GDP_G is 1.428 with the max. of 7.864 and a min. of -2.683 and a standard deviation of 3.496. The mean of INT_R is 4.374 with the max. of 8.739 and a min. of 2 and a standard deviation of 1.639.

Table 4.1: Overall Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
Z SCORE	2552	5.23	3.548	1.198	14.737
ROA	2537	1.28	1.25	-.99	4.35
ACEXP	2416	.834	.373	0	1
ACIND	2416	55.297	36.419	0	100
OS_PB	2416	.466	.5	0	1
BSZ	2552	9.119	2.034	6.04	13.402
OS_FN	2416	.085	.28	0	1
CIR	2457	48.895	20.476	19.44	95.62

ETA	2552	17.332	12.775	4.54	52.72
NII	2468	22.4	24.63	-4.44	89.81
INT_R	2552	9.003	4.664	4.35	27.392
IN_ R	2552	4.374	1.639	2	8.739
GDP_G	2552	1.428	3.496	-2.683	7.864

Table 4.2: Overall Impact of Audit Quality and Ownership Variables on Bank Profitability

	(1)	(2)	(3)	(4)	(5)	(6)
	ROA	ROA	ROA	ROA	ROA	ROA
AUDIT_EXP	.115***		.122***		.140***	
	(.037)		(.041)		(.043)	
AUDIT_IND		.009***		.005**		.006***
		(.003)		(.002)		(.001)
OWN_PB			-.077***	-.067***	-.062**	-.059**
			(.021)	(.025)	(.026)	(.028)
OWN_FN			.668*	.398***	.406**	.378**
			(.194)	(.154)	(.199)	(.153)
AEXPXPUB					-.011**	
					(.005)	
AEXPXFN					.003***	
					(.001)	
AINDXPUB						-.006*
						(.004)
AINDXFN						.007**
						(.003)
BSZ	.151	.174**	.166**	.021**	.192**	.121*
	(.087)	(.081)	(.085)	(.08)	(.084)	(.080)
CIR	-.008***	-.008***	-.008***	-.008***		-.008***
					.008***	
	(.003)	(.003)	(.003)	(.003)	(.003)	(.003)
ETA	-.023	-.027	-.027	-.031*	-.028	.031*
	(.021)	(.017)	(.022)	(.017)	(.022)	(.017)
NII	.002	.004*	.002	.004*	.003	.004*
	(.002)	(.002)	(.002)	(.002)	(.002)	(.002)
INT_R	.043**	.04**	.051***	.047**	.062***	.049***
	(.019)	(.017)	(.019)	(.019)	(.021)	(.018)
INF_R	-.02	-.016**	-.027**	-.024*	-.041**	-.019**
	(.014)	(.007)	(.014)	(.014)	(.019)	(.011)
GDPG	.019**	.029**	.017**	.027***	.023**	.028***
	(.008)	(.013)	(.008)	(.003)	(.009)	(.011)
_CONS	.123	.472	.143	.486	-.344	.468
	(1.134)	(1.023)	(1.078)	(.989)	(1.142)	(.978)

Robust standard errors are in parentheses

**** p<.01, ** p<.05, * p<.l*

In Regression statistics table, Model 1 shows Brazil's country results. The Model 2, displays China's country results. The Model 3, displays India's country outcomes. The Model 4, illustrate Pakistan's results. The Model 5, displays Russia's analysis and The Model 6, shows South Africa's results vice versa. In random effect table of impact of audit quality and ownership variables on bank profitability these are abbreviations are used independent variable audit quality proxy is Audit committee independence as ACIND, Audit committee expertise as ACEXP, Bank performance is measured by proxy ROA as a dependent variable, Z score, bank size as BSZ, cost to income ratio as CIR, equity to total assets as ETA, and non-interest income as NII as a bank level control variable and interest rate as INT_R, inflation rate as INF_R, and gross domestic product growth as GDP_G as a macroeconomic

The primary hypothesis examines the effect of audit quality on BRICS and Pakistani financial industry improved performance. In model 1, the impact of ACEXP on bank performance is equal to .115 which is Significant at .01% level. Findings show a favorable connection. among ACEXP and bank stability. It shows that hire ACEXP enhance stability of bank because. Any misrepresentation or inaccuracy with in bank's income statement must be immediately reported by the inspector to the investors since doing so would violate the terms of the agreement among the auditor, administration, & investors and be illegal. Audit committees are more effective when they have financial competence. A key characteristic of the audit committee's successful procedure is often its competence (Baxter & Cotter, 2009). In model 3, the relationship of ACEXP on bank performance is .122 found significant at .1% level. Outcomes designate there is a positive affiliation of ACEXP & bank stability. The findings suggest that at least one member of the audit committee should have financial expertise due to the task of the auditor to provide stakeholders with reliability report for use in making investment decisions. Any misrepresentation or inaccuracy in the income statement of the firm must be immediately reported by the auditor to the shareholders as any failure to do so will be a violation of the agreement here between auditor, administration, & investors as well as a violation of the law.

In model 5, the influence of ACEXP on bank performance is .140 which is significant at .01% level. The results show positive relationship among ACEXP and bank stability. It indicates that hiring expert auditor's boosts bank stability as theory also suggest. In model 2, the association among ACIND on bank performance is .009 which is significant at .01% level. The results demonstrate a positive relationship within ACIND and bank stability. In model 4, influence of ACIND on bank performance is 0.05 which is significant at 5% level. The outcomes display a positive effect of ACIND on bank stability. The Audit Committee's independence increases its abilities, decreases the agency problem, and lessens the danger of internal misappropriation. (Baxter & Cotter, 2009). In model 6, the impact of ACIND on bank performance is .006 which is significant at 5% level. Results show there is a positive association among ACIND and bank performance. According to agency theory, it is anticipated that a banks including an independent auditing committee will see an

improvement in performance and valuation while reducing agency expenses. In model 3, the impact of OS_PB on bank financial performance is -.077 which is negatively significant. Outcomes suggest there is a negative association among OS-PN and bank performance. In model 4, the effect of OS_PB on bank performance is -.067 which negatively significant. Results suggest there is a negative relationship among OS_PB and bank performance. In model 5, the impact of OS_PB on bank performance is -.062 which negatively significant. Results show negative relationship. In model 6, the influence of OS_PB on bank performance is -.059 which is negatively significant. In model 3, the results show the influence of OS_FN on bank profitability is .0668 which is significant at .1% level. Outcomes display there is positive association among OS_FN and bank performance. According to agency problems, concentrated ownership in the financial sector improves oversight and control of the operation through with a greater circulation of information. In model 4, the outcomes indication the influence of OS_FN on bank profitability is .398 which is significant at .01% level. In model 5, facts demonstrate the connection of OS_FN on bank performance is .406 which is significant at .05% level. In model 6, statics reveal the assembly of OS_FN on bank financial performance is .378 which is significant at .05% level. In model 5, the Audit committee expertise interaction term of public ownership (ACEXPXPB) is -.011 which is negatively significant. In model 5, result indicates that Audit committee expertise with interaction term of Foreign ownership (ACEXPXFN) is .003 which is significant at .01% level. Results indicate that foreign ownership with audit quality expertise has a positive impact on Bank performance. In model 6, facts show the audit committee independence with the interaction term of public ownership is -.006 which is negatively significant. In model 1, the impact of BSZ on bank performance is .151 which is insignificant. In model 2, the results indicate the relationship of BSZ on bank performance is .174 which is significant at .05% level. In Model 3 the outcomes show the relationship of BSZ on bank performance is .166 that is significant at .05% level. In Model 4 the outcomes show the relationship of BSZ on bank profitability is .021 that is significant at .05% level. In Model 5 the grades indication the relationship of BSZ on bank profitability is .192 which is significant at .05% level. In Model 6 the scores suggest the relationship of BSZ on bank performance is .121 that is significant at .05% level. In model 1, outcomes show the impact of CIR on bank performance is -.008 which is negatively insignificant at .01% level and the same results for model 2, model 3, model 4, model 5 and model 6.

In model 1, the impact of NII on bank performance is .002 which is insignificant. In model 2, the effect of NII on bank profitability is .004 which is significant at .1%. In model 3, the relationship of NII on bank performance is .002 which is insignificant. In model 4, the results indicate the effect of NII on bank profitability is .004 which is significant at .1% level. In model 5, outcomes show the effect of NII on bank financial performance is .003 which is significant. %. In model 6, the influence of NII on bank profitability is .004 which is significant at .1% level. For Macroeconomic control variables the results shown in Model 1, the impact of INT_R on bank profitability is .043 which is significant at .05% level which shows that interest rate of country positively effects bank stability. In Model 2, the outcomes demonstrate the influence of INT_R on bank performance is .043 that is significant at .05% level. In Model 3, the results establish the effect of INT_R on bank performance is .051

which is significant at .01% level. In Model 4, the outcomes found the effect of INT_R on bank performance is .047 which is significant at .05% level. In Model 5, the facts reveal the effect of INT_R on bank performance is .062 which is significant at .01% level. In Model 6, the evidence shows the influence of INT_R on bank performance is .049 which is significant at .01% level. Another macro-economic control variable of study is INF_R, in all 6 model is -.02, -.016, -.027, -.024, -.041 and -.019 which shows an insignificant level. In Model 1, The findings show that the effect of GDP_G on bank performance is .019 which is significant at .05% level. In Model 2, the outcomes expose the effect of GDP_G on bank performance is .029 which is substantial at .05% level. In Model 3, the relationship reveal that the influence of GDP_G on bank profitability is .017 that is significant at .05% level. In Model 4, the outcomes expose the influence of GDP_G on bank financial performance is .027 which is significant at .01% level. In Model 5, the upshots represent that the impact of GDP_G on bank performance is .023 which is Significant at .05% level. In Model 6, the results signify that the influence of GDP_G on bank performance is .288 which is significant at .01% level.

Table 4.3 Overall Impact of Audit Quality and Ownership Variable on Bank Stability

	(1)	(2)	(3)	**(4)**	**(5)**	**(6)**
	Z_SCORE	**Z_SCORE**	**Z_SCORE**	**Z_SCORE**	**Z_SCORE**	**Z_SCORE**
ACEXP	.419**		.452**		.399**	
	(.212)		(.222)		(.191)	
ACIND		.015***		.016**		.018*
		(.003)		(.003)		(.004)
OS_PB			-.059***	-.048***	-.031***	-.045***
			(.001)	(.006)	(.005)	(.004)
OS_FN			.078**	.066*	.095**	.024***
			(.039)	(.041)	(.041)	(.09)
ACEXPXPB					-.037***	
					(.037)	
ACEXPXFN					.091***	
					(.020)	
ACINDXPB						-.031**
						(.015)
ACINDXFN						.012**
						(.004)
BSZ	.124***	.115***	.123***	.112***	.125***	.113***
	(.018)	(.016)	(.019)	(.019)	(.018)	(.018)
CIR	-.008**	-0.09*	-.001	0.008***	-.005*	0.002
	(.004)	(.005)	(.003)	(.003)	(.003)	(.003)
ETA	.264***	.276***	.267***	.278***	.268***	.279***
	(.019)	(.017)	(.02)	(.017)	(.02)	(.017)
NII	.002	.003	.002	.003	.002	.003

	(.002)	(.002)	(.002)	(.002)	(.002)	(.002)
INT_R	.045**	.048***	.052***	.053***	.063***	.055***
	(.018)	(.018)	(.018)	(.02)	(.018)	(.02)
INF_R	-.046	-.046	-.05	-.052	-.065	-.046
	(.05)	(.048)	(.052)	(.048)	(.052)	(.052)
GDP_G	.032**	.049*	.03*	.046*	.033	.048*
	(.018)	(.028)	(.019)	(.028)	(.022)	(.029)
CONS	.178***	.185***	.148***	.168***	.146***	.198***
	(.091)	(.057)	(.021)	(.093)	(.006)	(.032)
Year Effects	Yes	Yes	Yes	Yes	Yes	Yes
Hausman	.506	.796	1.203	.343	.655	.298
F-value	83.629	97.669	64.824	80.922	84.173	48.14
Observations	2139	2168	2139	2168	2139	2168
R2	.395	.482	.412	.491	.436	.511

Robust standard errors are in parentheses
**** p<.01, ** p<.05, * p<.1*

In Regression statistics table, Model 1 demonstrates Brazil's country fallouts. The Model 2, spectacles China's country outcomes. The Model 3, spectacles India's country outcomes. The Model 4, explain Pakistan's outcomes. The model 5, displays Russia's analysis and The Model 6, displays South Africa's outcomes of Audit Quality and Ownership Variables on Bank Stability. In model 1, the impact of ACEXP on bank stability is .419 which is Significant at .05% flat. Results spectacle an auspicious association among ACEXP and bank stability. It shows that appoint ACEXP boost stability of bank as any misrepresentation or inaccuracy with in bank's income statement must be instantaneously conveyed by the assessor to the shareholders since doing so would disrupt the standings of the contract amongst the accountant, management, and shareholders & be illegal. In model 3, the association of ACEXP on bank stability is .452 which significant at .05% level. Estimation directs min. one member of the audit committee must be a business expert as the auditor's duty is to produce quality reports to shareholder for investment decision purpose. Expertise in Audit committee enhance the performance of bank which also smoothen the stability of bank. In a model 5, the impact of ACEXP on bank stability is .399 that is significant at .05% level. The estimation displays enthusiastic association between ACEXP & bank stability. It specifies that signing skilled auditor's lifts bank stability as theory too advise.

In model 2, the link between ACIND on bank constancy is .015 that is significant at .01% level. The outcomes determine a positive association between ACIND & bank constancy. In model 4, effect of ACIND on bank Constancy is .016 which is significant at 5% level. In a model 6, the influence of ACIND on bank stability is .018 which is significant at .1% level. Estimation display there is a positive connotation between ACIND & bank stability. In model 3, the influence of OS_PB on bank stability is -.059 that is negatively significant. Also in model 4, the impact of OS_PB on bank stability is -.048 which negatively significant. In model 5, the influence of OS_PB on bank stability is -.031 which negatively significant. In model 6, impact of OS_PB on bank stability is -.045 which is negatively significant which demonstrations an adverse association among them (Mamatzakis et al., 2017). In model 3, the

impact of OS_FN on bank stability is .078 which is significant at .05% level. In model 4, the results indicate the effect of OS_FN on bank stability is .066 which is significant at .1% level. Although ownership & control differ, concentrated ownership is thought to lessen the agency problem that both shareholders and managers encounter. In model 5, results reveal the linking of OS_FN on bank stability is .095 which is significant at .05% level. In model 6, estimations reveal the association of OS_FN on bank stability is .024 which is significant at .01% level. In model 5, the (ACEXPXPB) is -.037 which is negatively significant. In model 5, result labels that (ACEXPXFN) is .091 which is significant at .01% level. Outcomes show that foreign ownership with audit quality expertise has a positive impact on Bank stability. In model 6, results display the (ACINDXPB) is -.031 which is negatively significant. In model 6, the impact of (ACINDXFN) is .012 which is significant at .05% level. In model 1, the influence of BSZ on bank stability is .124 which is significant at .01% level. In model 2, the impact of BSZ on bank stability is .115 which is significant at .01% level. In Model 3, impact of BSZ on bank stability is .123 which is significant at .01% level. In Model 4, the impact of BSZ on bank stability is .112 which is significant at .01% level. In Model 5, the influence of BSZ on bank stability is .125 which is significant at .01% level. In Model 6, impact of BSZ on bank stability is .113 which is significant at .01% level. The results of CIR on bank stability in model 1 model 2 model 4, model 5 and model 6 is -.008, -0.09, -.001, -.005 and 0.002 which is insignificant. But in model 3, impact of CIR on bank stability is 0.008 which is significant at .01% level. In model 1, the influence of ETA on bank Stability is .264 which is significant at .01% level. In model 2, the impact of ETA on bank stability is .276 that is significant at .01%. In model 3, the association of ETA on bank stability is .267 that is significant at .01% level. In model 4, influence of ETA on bank stability is .278 that is significant at .01% level. In model 5, the impact of ETA on bank stability is .268 that is significant .01% level. In model 6, the impact of ETA on bank stability is .279 that is significant at .01% level. The results of NII on bank stability, in all 6 model is .002, .003, .002, .003, .002 and .003 which displays negatively significant level. For Macroeconomic control variables the results shown in Model **1,** the impact of **INT_R** on bank stability is .045 that is significant at .05% level. In Model 2, the impact of INT_R on bank stability is .048 which is significant at .01% level. In Model 3, the influence of INT_R on bank stability is .052 that is significant at .01% level. In Model 4, the impact of INT_R on bank stability is .053 which is significant at .01% level. In Model 5, the facts reveal the effect of INT_R on bank performance is .063 which is significant at .01% level. In Model 6, the evidence shows the influence of INT_R on bank performance is .055 that is significant at .01% level. Macro-economic control variable of study is INF_R, in all 6 model is -.046, -.046, -.05, -.052, -.065 & -.046 which displays an insignificant level. In Model 1, The results indicate that the impact of GDP_G on bank stability is .032 which is significant at .05% level. In Model 2, the influence of GDP_G on bank stability is .049 which is significant at .1% level. In Model 3, the impact of GDP_G on bank stability is .03 which is significant at .1% level. In Model 4, the effect of GDP_G on bank stability is .046 which is significant at .1% level. In Model 5, the influence of GDP_G on bank stability is .033 which is insignificant. In Model 6, the impact of GDP_G on bank stability is .048 which is significant at .1% level.

Table 4.4 Impact of Audit Quality and Ownership Variables on Bank Profitability using

System-GMM

	(1) ROA	(2) ROA	(3) Z_Score	(4) Z_Score
L.DV	.871***	.862***	1.214***	1.271***
	(.024)	(.078)	(.031)	(.069)
ACEXP	.152***		.421***	
	(.061)		(.102)	
ACIND		.014***		.031***
		(.005)		(.011)
OS_PB	-.087***	-.068**	-.051***	-.059***
	(.019)	(.031)	(.017)	(.013)
OS_FN	.782***	.653**	.237***	.194**
	(.216)	(.302)	(.079)	(.087)
ACEXPXPB	-.046**		-.081****	
	(.021)		(.027)	
ACEXPXFN	.022***		.142***	
	(.006)		(.033)	
ACINDXPB		-.078***		-.117***
		(.024)		(.041)
ACINDXFN		.031***		.072***
		(.009)		(.026)
Controls	Yes	Yes	Yes	Yes
Wald stat	102.412	94.781	87.716	81.295
AR(l)	15.478***	16.278***	21.389***	21.985***
AR(2)	1.076	1.161	1.168	1.157
Hensen	125.321	131.142	112.327	115.251
Observations	2139	2168	2139	2168

Above table show the results of system GMM for BRICS and Pakistan. In this table L.DV is the lag value of Dependent variable. ACEXP is the Audit committee expertise, ACIND is the audit committee independence, OS_PB is the Ownership structure of public banks, OS_FN is the Ownership structure of foreign banks. ACEXP X PB is the interaction term of audit committee expertise with interaction of public ownership, ACEXP X FN is the audit committee expertise with the interaction term of foreign ownership. ACIND X PB is the audit committee independence with the interaction term of public ownership, ACIND X FN is the audit committee independence with the interaction term of foreign ownership.

Table 4.4 displays the coefficient value to inspect the impact between the Audit Quality and Bank Performance & Bank stability. In model 1, the Lagged value of bank performance is .871 which is significant and positive at the .01% level, and in model 2, the lagged value of bank performance is .862, which is significant and positive at the .01% level. In model 3, the impact of L.DV on bank stability is 1.214 which is significant at .01% level. In model 4 the coefficient value of L.DV of bank stability is 1.271 which is significant at .01% level. In

addition, the outcomes of the Hausman test is in advocate of RE model contrast to the Fixed effect model. Additionally, Model **1** stated the results of the GMM model as the coefficient values of ACEXP on bank performance is .152 which is significant at the .01% level. Moreover, Model 3 validated the effect of ACEXP on bank stability is .421 that is statistically significant at the .01% level. Moreover, the Hausman test result was also significant in Model 3, which supports the Random effect model. Also, Model 2 showed the coefficient values with the GMM model. In model 2, the coefficient value of ACIND on bank performance is .014 which is positively significant at .01% level. Similarly, in model 4, the impact of ACIND on bank stability is .031 which is positive and significant at .01% level. In model 1 and 2, the impact of OS_PB on bank performance is -.087 and -.068 which is negatively significant, and in model 3 and 4, the impact of OS_PB on bank stability is -.051 and -.059 which is negatively significant. In model 1 and 2, the effect of OS_FN on bank performance is .782 and .653 which is significant at .01% and .05% level. In model 3 and 4 the influence of OS_FN on bank stability is .237 and .194 which is significantly positive at .01% and .05% level. In model 1, the impact of ACEXP X OS_PB on bank performance is -.046 which is negatively significant. In model 3, the effect of ACEXP X OS_PB on bank stability is -.081 which is insignificant. In model 3 the coefficient value stated the effect of interaction term ACEXP X OS_FN on bank performance is .022 which is significant at .01% level. In model 3, the impact of ACEXP X OS_FN on bank stability is .142 which is positively significant at .01% level. In model 2 stated that the coefficient value of interaction term ACIND X OS_PB on bank performance is -.078 which is insignificant and in model 4, shows that the coefficient value of interaction term ACIND X OS_PB on bank stability is -.117 that is insignificant (Sattar et al., 2020). In model 2, the impact of interaction term ACIND X OS_FN on bank performance is .031 which is significant at .01% level. In model 4, the coefficient value of interaction term ACIND X OS_FN on bank stability is .072 which is positively significant at .05% level. Furthermore, the post-diagnostic test's negligible value & Hansen's J test's assurance of the legitimacy of over identification limitations guarantee the validity of the instrumental variables employed to address the endogeneity problem. Although over identification constraints would not be valid in the context of heteroscedasticity, the issue of heteroscedasticity too is addressed (Baum et al., 2003). As in the previous example, serial correlation is found upon first level however omitted at second batch according to the substantial value of AR (1) & negligible value of AR (2). Additionally, the Wald test's significant value suggests that all hypotheses have been accurately defined.

Discussion

The findings of this study suggest that the relationship between audit committee expertise and performance of banks is explained by agency theory. The quality of the accounting records was improved, and the likelihood of financial errors or deceit was reduced, thanks to the audit committee's effective oversight, which was made possible by their experience. This will strengthen overall financial performance and promote investor trust in the bank. Additionally, an audit committee having a high degree of knowledge is better positioned to give administration guidance on strategy, improving making decisions and effectiveness. A highly capable audit committee can help the bank become more flexible to shifts in the business

climate by assisting m the identification of potential hazards as well as possibilities. Theoretically, confrontations of interest could put at risk a bank's stability. Yet, by promoting effective monitoring, identifying hazards, and enhancing the caliber of financial reporting, the appointment of a professional audit committee with the necessary skills can assist limit the likelihood of these problems. According to the theory of agency, the ownership structure of the bank affects the relationship among the audit committee's independence and expertise and bank performance. Specifically, the ownership type public or foreign can have a variety of effects on the link. In the event of foreign ownership, the independence and experience of the audit committee are particularly crucial for promoting effective oversight and improving bank performance. The inclusion of external oversight procedures brought about by foreign ownership increases the audit committee's capacity to advance sound governance principles and boost bank performance. Foreign shareholders could have greater standards for the accuracy of financial reporting and corporate governance. As a result, they could put more emphasis on banks to create audit committees that are powerful, independent, and well qualified. Due to this pressure, the auditing board is more likely to successfully advance good governance principles and improve bank performance.

Conclusion

The purpose of this study is to measure the influence of audit quality on the banking sector's financial performance. To also explore the impact of audit quality on the banking sector stability. Also investigate the moderating role of ownership structure on the relationship between audit quality and bank performance in BRICS and Pakistan. To examine the moderating role of ownership structure on the relationship between audit quality and bank stability in BRICS and Pakistan. The study's sample includes exclusively developing markets Bries and Pakistan & avoids established ones. An estimated total population of about 3.21 billion, or about 26.7% of the world's land surface and 41.5% of the global population. Brazil, Russia, India, and China are among the world's ten largest countries by population, area, and GDP, and the latter three are widely considered to be current or emerging superpowers. In this study we have analysis the moderating role of ownership structure on link with audit quality and bank performance. ACIND and ACEXP are positively related to bank performance and bank stability. Foreign owners could be more knowledgeable about complex supervision procedures and standards than, say, local market participants. In the situation of public banks, political meddling may occur, which might reduce the audit committee's efficacy. Members of the audit committee may come under pressure from legislators or elected officials to ignore particular concerns or treat those with political links favorably. As a result, the audit committee's competence and independence are jeopardized, which affects bank stability and performance. The outcomes of the study can help regulators and politicians create laws and regulations that support excellent auditing practices and raise the stability and effectiveness of banks in the BRICS nations. The introduction of regulations that motivate public banks and foreign investors to put money into institutions with excellent auditing practices is something that policymakers ought to think about doing. Furthermore, this research's insights are helpful to economic analysts as well as investors as they make

choices about investments. Shareholders use this data to make well-informed choices about whether to invest in banks with excellent auditing procedures. Additionally, the study's conclusions are important for banks themselves, especially those that work in sectors with high public bank ownership and foreign ownership rates. Using this data, banks may pinpoint areas where their auditing procedures and regulatory frameworks may benefit from change.

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