

QUALITY AUDIT, CORPORATE GOVERNANCE AND INVESTOR CONFIDENCE ON THE COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

Sule Ouma Warren.

Master of Business Administration Student, Department of Accounting and Finance
School of Business, Economics and Tourism, Kenyatta University, Kenya.

Dr. Moses Odhiambo Aluoch (Ph.D).

Lecturer, Department of Accounting and Finance, School of Business, Economics and
Tourism, Kenyatta University, Kenya.

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ABSTRACT

An important aspect among the prime movers in the equity trading market in the Nairobi Securities Exchange is the investor confidence. It is against this background that this research project was finding out the interplay to which an organization level corporate management practices and governance and quality audit work have on confidence of investor. The objective of this research was to determine how the audit disclosure impacts the investor confidence, how the audit independence impacts the investor confidence, how the audit fees impact the confidence of the investor, how the quality of financial reporting impacts the confidence of the investor and the moderate roles contributed to the above-mentioned effects by corporate governance. The research paper based itself on the theories of signalling effect, stake holder, and resource dependence as well as institutional theories respectively. The researcher also reviewed other research works done previously the during the time series between the year 2020 and 2024 in addition to other previously done research. It also involved descriptive research. It adopted the longitudinal research design and panel method to be in a standpoint at defining the causal relationship among the variables which informed the various assertions arrived at. The researcher confined in analysing data for the period

2020-2024 that was sourced from the published annual financial reports and analysed from targeted 65 listed companies at Nairobi Securities Exchange. The data was analysed inferentially and descriptively to establish correlation between the variables in addition regression analysis. The STATA version 13 was used in carrying out all the analysis. Additionally, several tests with regards to validation and variability to challenge validity of data collection instruments, reliability of the information and regression analysis model of linear form were utilized in analysing the study variables relationships. The research concluded that auditor independence, audit fees and quality of financial reporting had a significant effect on the confidence of the investor while various auditor disclosures were deemed of no significance. Moreover, quality audit and corporate governance were noted to be of substantial effect on the confidence of investor. The research further provides recommendations inter alia, strengthening of corporate governance structures, enhancing auditor independence and fostering high quality reporting and auditor disclosures. During the research, matters ethics was also considered.

Keywords: Quality Audit, Corporate Governance, Investor Confidence, Financial Reporting Quality, Nairobi Securities Exchange, Capital Markets Authority.

INTRODUCTION

Investor confidence sizzles equity market in Nairobi Securities Exchange (NSE), thus it dictates how investments are carried, the market position of securities, and the economic recuperation (Makau, 2021). Manjula (2013) in their research study on companies listed at the NSE that with involvement of investors, and experience of the two companies a relatively new market like that of the Nairobi Securities Exchange had become profitable optionality stock exchange and already a profitable opportunity that the rate of investor confidence and

participation was very low even with the tremendous premium risks and returns associated with the diversification involved the level of qualitative expenditure confidence by investors on any securities exchange facilitates a smooth ride and greatly influence the welfare of the securities exchange. In the research was conducted to study the interplay between corporate governance and regard by the investors on Ghanaian Banking institutions, it was found out that there existed manifestation of substantial relationship with reference to confidence of investor of analysed banks corporate reporting and employee relationship (Donnir et al.,2023). The findings in that research indicated that corporate financial reporting possessed major impact on the confidence of investors. The study found a significant and negative effect on investor confidence when regulation of quality auditing was also included.

Thairu, Eilidh and Jappe (2023) investigated the correlation between the leverage with the various disclosure qualities that banks make voluntarily. With the assistance of document review guide, information on the financial statements was collected and tabulated to enable it to be evaluated. These findings showed that leverage influenced the goodness of voluntary disclosure of commercial banks were significantly. Based on the studies above and their findings in relation to investor confidence, by the end of this work, the researcher will be able to showcase the contribution of organizations moderating aspect of corporate governance with reference to quality audit and the resultant confidence that investors have in the companies trading at the NSE

Quality Audit

Listed companies' quality audit may be affected by various elements like auditor's experience, the audit firm's capacity and the regulatory environments around. Prior studies have documented mixed relationships between quality audit and these factors. While large companies are normally expected to have higher resources and capability to conduct high quality audit, the independence could be compromised due to the varying levels of investors' confidence on the firms, R Quick (2023). According to the Basel Committee (2008), quality auditing is a matter of concern to the profession, the state and investors as well. There exists no single appraised tool of how quality audit can be measured. Nevertheless, in earlier literature, other proxies have been employed in the measurement of quality audit, Leventis & Caramanis (2005). The auditor specific characteristics are called the input-based proxies. Size of the auditor firm is the most common measure of the auditor specific characteristics.

The main objective this research was to find out how quality audit coupled with corporate governance influences the confidence that the investors may have in the Kenyan NSE listed firms. In as far as investor confidence and quality audit is concerned, quality audit aims at making sure that there is an open audit disclosure to the parties concerned such as the investors, ensuring a sense of audit independence in the auditing processes, fair and reasonable audit fees charges and ensuring a high level of quality in accounting and reporting. To evaluate the quality audit in China and its effect on the confidence of investors, Akther and Xu (2021) conducted research to ascertain the same. The information was obtained in a questionnaire survey of 254 institutional investors. Based on the sequel of the study, independence of auditors and enhanced communication among investors were assessed. The factor of auditor-client affiliation involved

in perceived independence consisted of rotated auditors and ban of freedom in mobile office services and availability of sophisticated audit committees.

Alkhataybeh (2020) explored how the provisions of audit fee, the scale of an auditing company, and an audit opinion influence the disclosure quality. The researcher relied on the second-hand data that were the manufacturing companies audited financial reports. The outcome taken by the logistic regression showed auditor fees charged had an effect of raising reported actual violations whereas audit opinions had a marked effect of reducing the number of actual violations. Nevertheless, the current study will fill out the weakness which focused on the manufacturing industry only. Environmental, social and Governance (ESG) transparency, Quality of Financial Reporting (FRQ), and investment efficiency were positive correlates where the association has a higher significance in high FRQ and underinvestment sub-samples. This was also shown in the results as to how ESG disclosure enhanced investment efficiency.

Investor Confidence

This has implications to investment decision, performance of securities market and economic growth. It is one concern that will matter beyond a shadow of a doubt in stock market and securities exchange market (World Bank, 2005). One can trace the origin of investment as a trade in the Great Britain during the end of nineteenth century when the investment trusts were the investment method in vogue (Anderson, Born and Schnusenberg, 2010). The setup of the exchange traded funds and the hedge funds were in the 1940s, and 1993 respectively (Anderson et al., 2010). The investment was later practised in other countries as the trade was circulated across the continents. The literature examining the existence of investor confidence dwells on several determinants, which include corporate governance, and financial transparency. According to the scholars, high level of investor confidence stimulates the depth of investments, and low confidence leads to market instability and low capital inflows (Dogar and 2024).

Corporate Governance

This comes under recommendation to be simplified, to restore investor confidence (Kamason, 2020). The increasing concern over the survival of a business is owed to the fact that the business has been detached from the owners. Investors fund businesses that are operated by a given group of people. Investors will always be concerned with the operating operations of the firms to be able to protect their capital. The activities of enterprises make it possible to reach prudent decisions on investments and finances. Investing is aimed at accumulating wealth, earning income, or getting a future return. The duration that an investment grows is highly valued by the investors as the earnings that will be repaid after a considerable period. Consequently, if the company ensures that it can maintain its operations, the level of investor confidence grows (Abdallah, 2018). In this respect, the focus is placed on NSE listed businesses

Investigation carried out by the BRICS countries indicates that board characteristics include the size, Independence and gender selection which positively affect the business results to an extent. Positive effects of firm performance were recorded, comprising the three-ownership structure mentioned above Neha (2024) when both the sides of leadership are filled up with

women, it will maximize the benefits and /or minimize the price of duality of CEOs, maximize the utilization of resource Pool of an organization and better contributes to the enhancement of performance. Institutionalized that duality of CEOs promoted business performance in Ghana than that of Kenya which had adverse problem of increased institutional ownership proved to have a negative influence on the functioning of the company in the two countries.

Chimakati (2024) on corporate governance and performance establishments suggests that developing effective structures of governance in the African realities was always a problem. It mandated that it had to stay true to the essence of becoming ethical and accountable and at the same time put into consideration interest and discretion of society. With the transition that occurs to the concentrated ownership arrangements, the research study demonstrated the importance of the lower hierarchy in investments. Neha (2024) highlighted the positive aspect of women in the spheres of where the corporate governance in Europe is privately governed and came up with the notion that the introduction of women in leaderships, both in and outside Europe, should be enhanced. Roles could be used to reap maximum benefits and/or minimize costs caused by duality of the CEO as well as utilization of resources of a given firm and more effectively contribute to an improvement in performance. According to research carried out by Chimakati (2024) on corporate governance study reveals that it was always difficult to come up with effective forms of governance within African settings. It required perseverance in the values of morality and responsibility on the one hand and considering the interests and privileges of society on the other hand.

Nairobi Securities Exchange

The Nairobi Securities Exchange was established in 1954, and it's headquartered in the capital city of Kenya Nairobi. NSE plays a vital role in Kenya's economy by facilitating investment and enabling companies to raise capital by issuing shares to the public and offering investors opportunities to own part of listed firms. The NSE operates under the supervision of the Capital Markets Authority and follows modern trading systems, including electronic trading. It provides a platform for investors to purchase shares or invest in the various listed companies. It is mandatory for all listed companies to publish both interim and annual financial statements. The Nairobi Securities Exchange lists companies from various sectors including but not limited to agriculture, accessories, commercial, services, construction, allied, energy and petroleum, insurance, investment, manufacturing, real estate investment, investment services and telecommunication.

Statement of the Problem

The greatest interest of the investor when investing in stocks is to maximize the profit and wealth within minimal risks (Mayo, 2006). Most of the investors in the Nairobi Security Exchange cannot understand the audit disclosures and annual financial statements released to them by the auditors (Aduda et al. (2012). Besides, change in regulations and fluctuation in the corporate governance practice has bred fear in the degree of confident investors in the corporate firms and financial institutions. Nonetheless, the paper examined the way the listed firms are managed and how they affect investor confidence. Researchers Aduda et al. (2012) researched on market developmental factors, established that the performance of the NSE was directly

associated with investor confidence. They advised that future research ought to be done on behavioral factors which might influence NSE performance. This was an information angle that had to be created in the mind of the Kenya investors to increase the perception and confidence of the Kenyan investors.

The research carried out by Mugambi and Imaita (2022) was in such a way as to establish a connection between investor confidence, consumer satisfaction and alternative plain bank channels. Quantitative research method was utilized during the research in the determination of the readiness of introducing mobile banking. It did not employ the other diversified methodologies, which are being sought in the methodology of the current study and therefore, it becomes an asset to fill the methodological gap in the study. The paper did not however give a response on the adverse impacts of automation of the trading system at NSE. It has only addressed matters related to the employees without looking at how automation will affect the investor and investor belief on the NSE. They concluded that credibility and confidence had two primary predictors, which are the independence of the auditor and the improvement of audit engagement communication (Akther. and Xu, 2021). Just like it was in the system in the banking sector and the confidence samples population shown in the study by Momanyi and Mungai (2025), there was a perfect connection between the stability of monetary resources and service of online banking. In this instance, this research paper was dedicated to determining the connection between exceptional corporate governance, high quality audit on confidence of the investors.

Objectives of the Study

Two categories of aims were used in this study: general objectives in addition to specific objectives.

General Objective

This research was geared towards determining the effect of quality audit, and corporate governance moderator on the Confidence of investor in Kenya's various companies that are listed at the Nairobi Securities Exchange.

Specific Objectives

- (i) To establish the effect of various disclosures of audit on the confidence of an investor in the listed firms at Nairobi Securities Exchange.
- (ii) To ascertain the effect of auditors' independence on the confidence of investor in firms listed at Nairobi Securities Exchange.
- (iii) To examine the effect of auditor's fees charged on confidence of the investors in the firms listed at Nairobi Securities Exchange.
- (iv) To analyse the effect of quality of financial reporting on the confidence of the investor on the firms listed Nairobi Securities Exchange.
- (v) To understand moderating effect of corporate governance on the relationship between quality audit and confidence of investor in the listed Nairobi Securities Exchange

Research Hypothesis

The study was guided the following research hypotheses:

H₀₁: Audit disclosure has no significant effect on investor confidence in the listed firms at the Nairobi Securities Exchange.

H₀₂: Auditors' Independence has no significant effect on investor confidence in the listed firms at the Nairobi Securities Exchange.

H₀₃: Auditors' Fees has no significant effect on investor confidence in the listed firms at the Nairobi Securities Exchange.

H₀₄: Quality of financial reporting has no significant effect on investor confidence in the listed firms at the Nairobi Securities Exchange.

H₀₅: Corporate governance has no significant effect on the relationship quality audit and investor confidence in the listed firms at the Nairobi Securities Exchange.

Scope of the Study

An examination of how confidence of investors is affected by quality audit with regards to listed companies analyzed was part of this research study. The research targeted Nairobi Securities Exchange listed Companies which have operated and published their results over the past 5 years between 2020-2024. This is because their financial data can be easily accessed; they are compliant with the regulating bodies, and they appeal to the interests of investors in Kenya. The companies also represent the Kenyan economy well giving information about the business environment as well as an indicator of the state of economy of that country making them an important area of reference.

LITERATURE REVIEW

Theoretical Review

Theories utilized in the study consist of the theory of signalling effect, stakeholder theory, resource dependence theory and Institutional theory.

The Theory of Signalling Effect

Main architect of the theory was Michael Spence (1973). It proposes that one part (the sender) conveys information to another party (the receiver) through signals or cues. Michael proposed this theory to explain how individuals or companies can convey information to others through signals, addressing information asymmetry. This theory focused on labor markets where education serves as a signal of productivity to potential employers. This theory has then been implemented in diverse spheres of practice like finance, marketing and corporate governance. The signalling effect theory consists of five assumptions which range from Information asymmetry on existence of imbalance of information between the sender and the receiver, signal observability by the receiver, reliability on the quality of the signal, receiver interpretation of the signal and decisions based on the signal and finally the sender motivation to send a signal that conveys favourable information.

The signaling effects theory implementation in this research paper are to close the gap between the companies and the investing party and to strengthen the investing party's confidence through giving a valid representation of higher quality audit work in addition to strengthening

the confidence of investors with reference to the quality of reporting and higher-level corporate governance in listed companies. This theory was used in establishing how investor confidence relates with the Businesses listed companies by using financial reporting quality to conclusively establish the level of investor confidence with the NSE Companies.

Stakeholder Theory

Freeman opined this theory in 1984. The audit disclosure as well as the variables of financial reporting quality will be anchored in this theory to foster the principle of transparency and accountability towards investors. The theory reflects the operation of the organization about the great amount of internal as well as external stakeholders. The customers are some of the stakeholders, the suppliers, the government, the community.

This theory was used in illustrating the correlation procedures of audits disclosures and quality of financial reporting and how it would impact the latter, confidence of the investors by way of facilitating transparency, accountability and free sharing of information and thus open decision making and trust by the various stakeholders listed in NSE.

Theory of Resource Dependence

Pfeffer and Salancik came up with the Theory of Resource Dependence in 1978. This theory is used in the study as an anchoring theory to the audit independence and the audit fees variables as it explains the level of reliance of organizations on external resources and the power that stems from their control over the resources. This theory and its assumptions are applied on the premise that organizations are open systems, and they are dependent on external resources, necessitating strategic actions to manage the dependencies and reduce the uncertainty for survival and power.

Among the key elements of corporate governance as stated is the establishment of trust among the shareholders and the management. The theory is research on the effects of the macro environment on the actions and resources of an organization. The first is the insiders, which are the former leaders and the current leaders of the company, imparting information concerning the general performance of the firm, such as the company's general direction because they used to be and they are executives of large kinds of businesses. Also, the caressing touch point group includes representatives of other firms, who also refer to the professionals, i.e. lawyers and bankers. This study therefore utilized this theory to relate the variable of audit independence on the investors' confidence as the auditors are seen to maintain their independence in the assessment of these organizational operations.

Institutional Theory

The supporters of this idea are Meyer and Rowan (1977). It will be used by the study as the moderating theory anchoring the moderating variable of corporate governance. The institutional theory determines the way organizations are created and the reason as to why the organizational structure in each business in the same industry is similar. The assumptions on which the theory rests are as follows; Institutions are structures of governance with sets of rules

that define behavior in society, groups and organizations that abide by the rules have legitimacy thus leading to their sustainability and lastly; Institutions have inertia.

The institutional theory also implies that organizations live according to the general ideas, attitude, and presumptions forming rational economic behavior and explains the response of businesses to influences of the external environment, which are normative and coercive (they concern the imposition of rules by the authorities. The study therefore utilized this theory to shape rules in corporate governance that will in turn boost the confidence of investors through highlighting the importance of institutional frameworks in the creation of transparency, accountability and fairness.

Empirical Reviews

An empirical review of literature encompasses the evaluation of previous studies that are similar to the one being proposed about acquiring the knowledge of their conceptualization, methodologies, contextualization, findings, and conclusions. This allows reproaches to determine the gaps to be filled with this study (Kothari, 2012). This study offers a comprehensive analysis of the correlation between different aspects of quality audit, corporate governance and investor confidence on the companies listed at the Nairobi Securities Exchange, Kenya

Auditor Disclosure and Investor Confidence

Maina *et al.* (2024) explored the relationship that existed between the performances of the businesses financially and the publication of the financial information of the businesses that had grown to maturity. The research was based upon the studies that made use of secondary data. It was evident that a positive relationship was manifested between disclosure of financial information and the performance of businesses financially. This research paper: however, relied on scarce sources of data such as secondary data, which reduces its validity and reliability.

Pong (2021) studied the factors that influence the corporate disclosure, focused on the consequences of the corporate disclosure as well as on interconnection between governance and trust of the employees of the bank in the banking sphere in Ghana. Donnir *et al.*, (2023) did a constituent research type that was used was that of correlation type of research that did not practically prove the existence of cause-effect within these variables except creating a very big loophole in this research as well as the research finding, With a statistic significant rate of 0.05. The stock returns experienced a positive effect on the voluntary disclosures as also on liquid assets to total deposits. The sample used to conduct the study, however, was not a huge sample thus raising questions on whether the results obtained are indeed valid and reliable.

Auditor Independence and Investor Confidence

Maingi (2024) considered impacts of the size of business on the deposit taking SACCOS in Kenya. The standard questionnaire was utilized to gather data for research. As mentioned in this paper, they found out that the size of the firms at least exhibited strong moderation effect of the prevailing independence of an internal audit and performance because it led to the

increase in the R2 value to 0.714. Such research though was limited in terms of geographical area covered which is the DT-SACCOS hence may not be generalizable in terms of general applicability of the findings to other industries and other states.

Lefebvre, Amran, and Mgamal (2023) determined the effect of auditor independence, in the Vidin transparency and accountability in Bulgaria corporate entities. Data collection was done using structured questionnaires to the various stakeholders. The results indicated that audit independence in Vidin was contributing to the level of transparency to be substantially high because it gave a positive impression about the financial statements of an organization in the sense that it was giving investor confidence and investor friendly. The main gap though in the research was on the fact that the study did fail to establish the causality of the internal audit effectiveness and the organizational responsibility.

Auditor Fees and Investor Confidence

Alrashidi, Baboukardos, and Arun (2021) had been investigating the effect of the audit and non-audit fee on the possible receipt of the loan by the companies. The research on this science was based on descriptive research methodology. The results demonstrated the fact that the type of audit and amount charged by auditors for their work were never singly forecasting how credible the audit work is, but their collinearity association was in the run with lenders because they had a positive value of magnified audit fees in the optional voluntary environment. The gap that is deficient in this research is the application of the qualitative method of research alone, which will be taken care by the application of two research study methods, qualitative and the quantitative.

Shagerdi *et al.* (2020) researched the contribution of audit fees on investment efficiency when financial stress exists. A descriptive approach was utilized. Research results showed that the correlation of auditor's remuneration and how efficient the investments were was too high and the relationship between variables analysed was also influenced by various finance challenges. The research gap that one will find to be lacking in the present study is the use qualitative method alone and this is what the present study fixed up by employing the qualitative as well as the quantitative approaches of research.

Quality of Financial Reporting and Investor Confidence

Promise and Festus (2022) in the research investigated the interplay between corporate finance reports and the confidence degree that investors have on the Nigerian firms that are listed. These findings of the researcher showed that corporate financial reporting was of enormous impact on investor confidence.

Trinh *et al.* (2022) concluded that the confidence of the investor is affected by the reporting quality as observed of 21,741 online sampled companies in Pakistan. The research employed regression analysis with fixed effects. This analysis however failed to discuss the aspect of managerial position in financial reporting which was captured as part of the corporate governance aspect by this research.

Quality Audit, Corporate Governance and confidence of Investor

Widani and Bernawati, (2020) studied of how the confidence of the investor is affected by both quality audit and corporate governance. The Indonesian manufacturing companies of this research as well used moderated regression analysis where the companies in this case were listed in Indonesia stock exchange. The study above was very weak in the element of concentration to a particular sector i.e. manufacturing sector. This emanates a gap that will be filled in the present research by cutting across the sectors of the economy in Kenya.

Owolabi and Babarinde (2020) researched on the determination of how corporate governance and quality auditing affect the confidence of investors in companies listed in the Nigerian stock exchange in Nigeria. Secondary data was obtained from 15 listed service and settlement companies in Nigeria. The shortcoming of the work related to the orientation of companies which were included to the section that already did not work anymore. The present research will thus fill this deficiency through the diversification into several other sectors including manufacturing, transport and banking sectors.

Conceptual Framework

The below figure depicts the conceptual framework constructed by the researcher of the research that was developed according to the goals of the study and in replacement of the theories according to which the study is carried out

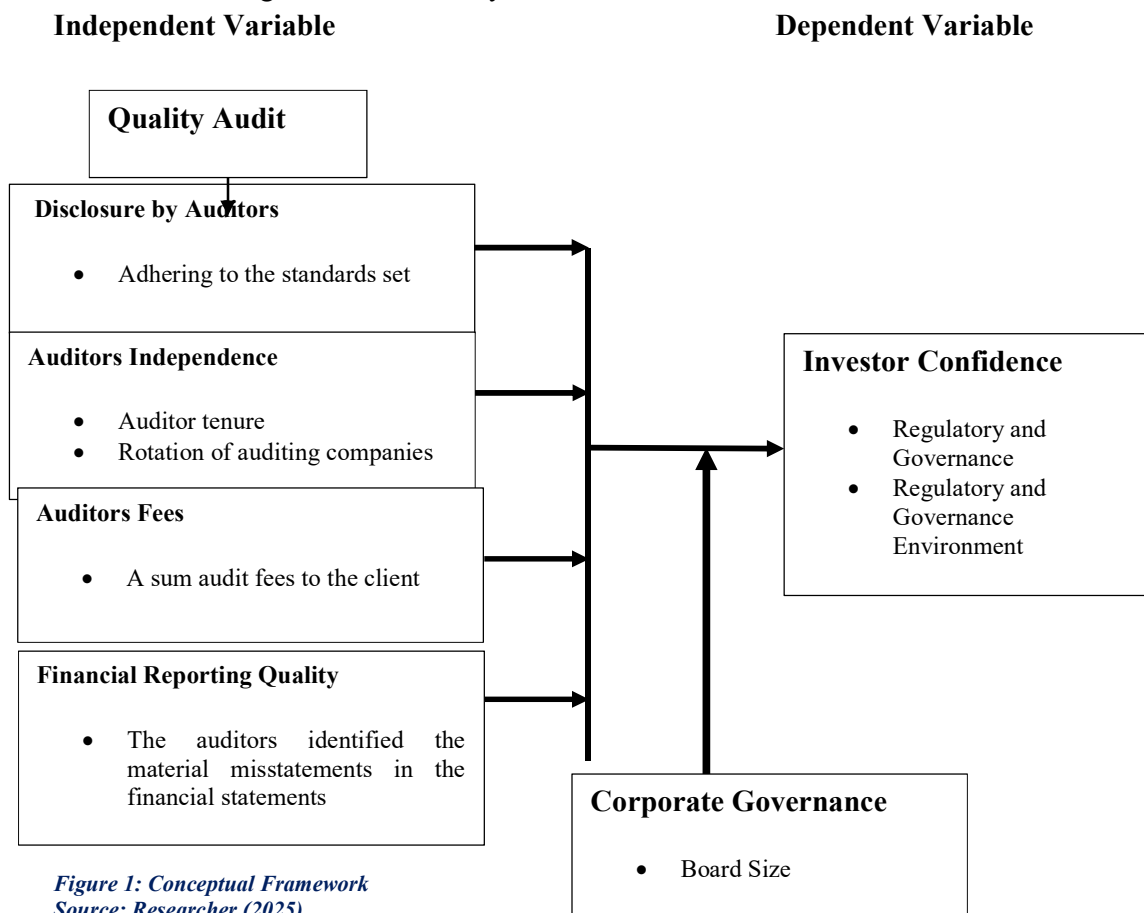


Figure 1: Conceptual Framework
Source: Researcher (2025)

RESEARCH METHODOLOGY

Research Design

The approach in the research study was of qualitative and quantitative research design method to showcase an elaborate overview of data in the variables forming the basis of the study. The study was non-experimental in the sense that manipulation of variables was not conducted and there was only one period of accumulating data thus, the design worked.

Empirical Model

According to Gao (2023), this section presents the regression model that was employed to determine the intensity as well as the sign of the and extent of correlation between the variables being analysed in the research. There was a regression equation to indicate how moderating effect of company's corporate governance influences corresponding relationships between the other two variables in the study. Quality audit is represented by the four independent variables. The dependent variable among them; investor confidence and modifying factor was corporate governance. The model consisted of the below indicated dimensions of confidence/trust of investor and quality audit. The linear simplified equation of regression supported it.

The regression equation is $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

Where Y represents Investor confidence/trust of investor

β_0 is the intercept, X_1 - X_4 = Level of disclosure of audits, dependence of audits, fees charged by and quality of financial reports), β_1 - β_4 = coefficients of factors, ε = the error term

Operationalization and Measurement of Variables

As requirement of any research is that variables should be operationalized and measured effectively because this will result in adequacy levels of how reliable they are in addition to ascertaining how valid the research results are as opined by Andrade (2021). Companies' quality audit while being moderated by the firms' level of governance and confidence/trust of investor are the main variables whose operationalization and measurement were defined as tabulated below.

Table 1: Operationalization and Variables Measurement

No.	Variables	Description	Operationalization	Measurement	Measurement Scale
1.	Confidence of investors	Dependant	Regulatory and compliance	Confidence of investors	Investor Confidence Index
2.	Audit Independence	Independent	Auditor tenure	The rate of change of audit firms within a specified period.	Ordinal Scale (1-5)
3.	Audit Fees	Independents	Amounts paid for auditing	Audit fees	Absolute Values (Kenyan Shillings)
4.	Financial Reporting Quality	Independent	Compliance with IFRS or GAAP standards	Number of restatements due to Audit Adjustments	Disclosure Indices (1-5)
5.	Corporate Governance	Moderator	Board size	Total Number of board members	Governance Indices

Source: Researcher (2025)

Target Population

The 65 NSE listed companies depicted in appendix iii were the target population within the five years period that is between 2020 and 2024 (January and December). The 65 companies are grouped into various clusters comprised of agriculture 7, accessories 3, banking 11, commercial 4, service 8, construction 3, allied 2, energy and petroleum 5, insurance 6, investment 6, manufacturing 7, real estate investment 1, investment services 1 and telecommunication 1.

RESULTS AND DISCUSSIONS

Descriptive Statistics

This area showcases key characteristics of the five components variables in the research: auditor disclosures, auditor independence, auditor fees, quality of financial reporting and corporate governance. It also investigated a range of values observed in each variable including the minimum and the maximum values, statistics of the middle (mean and standard deviation. By providing these fundamental statistical metrics, this section provides a framework for further analysis of the obtained data distribution and characteristics. Table 2 indicates the descriptive results.

Table 2: Descriptive Statistics

Element	Observed	Minimum	Maximum	Mean	Standard Deviation
Auditor Disclosures	65	.002	.750	.699	.452
Auditor Independence	65	.090	.860	.584	.309
Auditor Fees	65	.130	.503	.528	.297
Financial Reporting Quality	65	.200	.991	.725	.481
Corporate Governance	65	.240	.998	.813	.512

Source: Author 2025

Audit Disclosures

The audit disclosure indicated 0.699 as its mean and 0.452 as standard deviation, depicting above average mean with the average ration of disclosed audits to undisclosed audits being 0.699:1, which represented approximately 70 % audit disclosures. The standard deviation of 0.4523 indicated approximately 45% divergence in the audit disclosures among the 65 companies. This could be because of the internal governance structures such as the management structure and cultures.

Auditor Independence

The audit independence provided 0.584 as mean and 0.3099 standard deviation indicating an average mean with the average ratio of independent audits to dependent audits being 0.584:1. This represented approximately 58% as the independent audits. The standard deviation of 0.3099 indicated that approximately 31% was a divergence in the audit independence and the choice of auditors among the 65 companies. This could be because of various factors including but not limited to the firm sizes, performance, audit fees and corporate governance structures.

Auditor Fees

The Fees charges by auditors posted 0.528 as mean and 0.2970 as standard deviation indicating an average mean. The average ratio of arguments for audit fees to non-audits fees arguments was therefore 0.528:1. This represented approximately 53% of the companies that engaged the services of big audit firms that charged high audit fees as a way of boosting their investors' confidence. The standard deviation of 0.297 indicated that approximately a 30% divergence from the audit fees among the 65 companies. This could be because of the firm's sizes, financial performance and the firm's corporate governance structure.

Financial Reporting Quality

Based on results in table 4.1, financial reporting quality registered 0.725 as mean and 0.481 standard deviation, indicating an above average mean with the average ratio of quality financial reports to poor quality financial reports being 0.725:1, which represented approximately 73 % as quality financial reports among the 65 firms. The standard deviation of 0.481 indicated an approximately 48% divergence in the quality of the financials among the 65 companies. This could be because of using low-tier audit firms, avoidance of high auditor fees charged and the financial performance of the companies.

Corporate Governance as a Moderator

This was the moderator in the research study. Corporate governance posted 0.813 as mean and 0.512 standard deviation indicating an above average mean. The average ratio for corporate governance supports the good governance rating which was 0.813:1. This represented approximately 81% of the companies that engaged high governance standards to boost their investors' confidence. The standard deviation of 0.512 indicated that approximately a 51% divergence from the corporate governance strategies among the 65 companies. This could be because of the firm sizes, internal structures and the organization's culture.

Correlation Analysis

The research used correlation analysis of 95 per cent degree of certainty to understand relationship and the strength of research study variables which are the dependent and independent variables.

Table 3: Correlation Matrix

	Investors' confidence	Audit disclosure	Audit Independence	Audit Fees	Financial Reporting quality
Investor confidence	1.000				
Audit disclosure	0.1013* 0.0400	1.000			
Audit independence	0.3467* 0.0101	0.4317* 0.0000	1.000	1.000	
Audit Fees	0.2568* 0.0237	0.2229* 0.0121	0.6032* 0.0000	0.1959* 0.0279	1.000
Financial Reporting quality	0.1163 0.0146	0.9631* 0.0000	0.4058* 0.0000		

Source: Researcher (2025)

The Table 3 shows the correlation results between quality audit work and the confidence/trust of the investor. The first objective to be reviewed was disclosures by Auditor. The influence of disclosure by auditor on the confidence/trust of the investor (ROI) was weak, positive and significant ($r = 0.1013$, $\text{Sig} = 0.0400 < .05$). The next objective aimed at determining the impact of the audit independence where results report that the effect of audit independence on return on the investor confidence was weak, positive, and significant ($r = 0.3467$, $\text{Sig} = 0.0101 < .05$). The third aim was to ascertain the impact of audit, the findings indicated that the audit fees effect was weak and insignificantly influencing the confidence of an investor ($r = 0.2568$, $\text{Sig} = 0.0237 < .05$). The fourth goal evaluated the impact of financial reporting quality on the confidence of the investors, the outcome indicated that financial reporting quality had a weak significant positive effect on confidences among the investors ($r = 0.1163$, $\text{Sig} = 0.0146$).

Panel Regression Analysis

To establishing difference between the fixed effects and random effects model, the study has used Hausman specification tests. In the study, the random effect model was more suitable to adopt. Research hypotheses were to test whether quality audit significantly affects the investor confidence at NSE.

The panel regression model sought to ascertain how of quality audit work affects confidence of investor at the NSE.

Table 4: Regression of quality audit and Return on Investor Confidence

Variable	Coefficient	Std. Error	Z	P> z
Auditor disclosure	7.0430	1.8220	3.870	0.0400
Auditor independence	-0.4830	0.6930	0.700	0.0101
Auditor Fees	0.5840	0.9160	0.640	0.0237
Quality of Financial Reporting	0.3240	0.2130	0.7100	0.0146
Corporate Governance				
_Cons	-18.0770	14.1680	-1.280	0.2020

Weighted Statistics

R-sq:	Number of obs =	65
within = 0.15570	Number of groups =	5
between = 0.00520	Wald chi2(3) =	19.770
overall = 0.03770	Prob > chi2 =	0.0000

Source: Researcher (2025)

The Table 4 results indicated chi-square statistic which amounts to 19.770 with a p-value 0.000 on this model. The fact that the p-value was greater than 0.05 meant that at the 0.05 level of significance, the null hypothesis should not be accepted and as such, quality audit has a positive significant impact in creating trust in the hearts of the investors at the NSE. The coefficient of determination (R-sq. = 0.0377) that was determined statistically significant $\text{Prob} > \text{chi}^2 = 0.000 < 0.05$ indicated that 3.77 per cent variations in the confidence of investors in the NSE was explained by the disclosures by the auditor, independence of the Auditor, the audit fees charged and the quality of financial reporting.

In the first hypothesis, it was recommended that audit disclosures have no significant influence on the confidence of investors. The result shows that the effect of audit disclosures on investor confidence is significant hence we do not accept the null hypothesis ($P > |z| = 0.0400 < .05$).

The second of these hypotheses held the view that the independence of the auditors has a marked impact on the confidence accorded by the investors. The result has shown that the relationship of independence of audit and the assurance of confidence to the investors is positive and significant ($P > |z| = 0.0101 < .05$).

The third hypothesis believed that audit fees do not create a significant impact on the confidence of investors. It has been found that there is a positive and significant impact on the confidence of the investors (current ratio) ($P > |z| = 0.0237 < .05$).

The fourth hypothesis was a view that financial reporting quality does not impart any significant impact to the confidence of the investors. The results show that the quality of financial reporting produces the positive and significant impact on the confidence of investors) ($P > |z| = 0.0146 < .05$).

RESEARCH DISCUSSION OF THE FINDINGS

Objective one of this research study was to ascertain the impact of audit disclosure on investor confidence in the NSE listed firms in Kenya and the first hypothesis sought to establish that, there is no significant relationship between the audit disclosure and the investor confidence. The result showed that the null hypothesis analysed was rejected because of the finding that confidence significant influence on audit disclosures ($P > |z| = 0.0400 < .05$). The study hence does not uphold the null hypothesis. Backof (2022) on the relationship between audit disclosures by firms at NSE arrived at a conclusion that there is a direct relationship between audit disclosure of a company and the confidence of the investor in the companies.

The second objective was stated as determining how the independence of audit affected the investor confidence in the NSE listed firms whereas the second hypothesis stated that there was no close relationship existing between the auditor independence and investor confidence. According to the study results, it was known that independence of the audit positively and significantly influences the confidence of the investors ($P > |z| = 0.0101 < .05$). Through the study, the null hypothesis is refuted. This shows that the investor confidence in the NSE firms will increase due to a unit increase in the independence of audit, Yakubu (2020)

Third objective was to ascertain whether audit fee has any effect on investor confidence in the NSE listed firms and third hypothesis stated that there was no close relationship between audit fees and investor confidence. The results show that there is positive significant impact on the confidence (current ratio) of the investors ($P > |z| = 0.0237 < .05$). Thus, the research thus accepts the null hypothesis. This demonstrated that a one-unit change towards the growth of audit fees contributes to the enhancement of the investor confidence in the NSE firms, Dao (2023).

The fourth goal explored how quality of financial reporting affects the confidence of investor in the NSE listed firms whereas the fourth hypothesis postulated that the financial reporting quality does not make any significant impact on the investor confidence of the NSE listed firms. These results thus revealed that there was a positive and significant impact of the financial reporting quality on the confidence of investors) ($P > z = 0.0146 < 0.05$). The testing of this rejects the null hypothesis. This indicates that the greater quality of the financial report, the increased trustworthiness of investors in the NSE firms, Chen (2025).

The fifth goal explored how corporate governance moderated the application of the quality audit and investor confidence and the fifth hypothesis was that there was no moderating impact in relation to governance on quality audit and the confidence of investor/trust. Corporate governance had overall 0.813 mean and 0.512 standard deviation signifying above average mean. This was about 81 per cent of the companies that employed high governance standards to enhance the confidence of the investors. The standard deviation of 0.512 reflected that there was a variation of about 51 per cent among the 65 companies in relation to the corporate governance strategies. This indicated that the quality audit and its moderate relationship showed corporate governance contributed to investor confidence, Ngatno (2021).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The investigation ended and the conclusion was on the fact that quality audit exerts a significant optimistic impact on the investor confidence in the companies listed the NSE. The results indicated that as the independent variables in the firms positively increase, then there will be upsurges in the investor confidence levels. With reference to the results obtained from this study, a determination was arrived at that the corporate governance in the firms also led to moderate effect relation between quality audit and confidence of investors. The findings confirmed that more use of the corporate governance strategies led to higher quality audit and eventually higher confidence among the investors.

Recommendations of the Study

As per the study observations and outcomes and the conclusions that quality audit enhances the confidence of investor in the companies listed at the NSE Kenya, the research therefore provides the following recommendations: First, the NSE listed firms should prioritize high quality audit disclosures to signal their accountability and trustworthiness to the existing and the potential investors. Secondly, the firms should make more efforts to enhance the auditor independence through regulatory reforms like Sarbanes- Oxley Act that can strengthen the audit practices and restore the investor confidence in the NSE firms.

Thirdly, enhancement of the financial reporting quality should be enhanced through regular audits to encourage the companies to maintain strong internal controls and comply with the regulations, reducing the likelihood of financial misstatements and fraud.

On audit fees, the study recommended on risk – based auditing, thorough and independent auditing, development of the industry specific expertise to command premium fees and ensuring quality assurance on audits to build company reputation and justify higher audit fees.

This research study gives a recommendation on the enhancement of corporate governance through ensuring balanced boards with independent directors, provision of accurate and timely reports to stakeholders, establish clear roles and responsibilities among the board members and fostering a culture of ethics and compliance.

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