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EFFECT OF AUDIT QUALITY ON CLIENT LOYALTY
TOWARDS CHO GROUP SERVICES COMPANY
LIMITED

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EMBA II – 95

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**EFFECT OF AUDIT QUALITY ON CLIENT
LOYALTY TOWARDS CHO GROUP SERVICES
COMPANY LIMITED**

ACADEMIC YEAR (2023 - 2025)

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This thesis is submitted to the Board of Examiners in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA).

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ACCEPTANCE

This is to certify that the thesis entitled “**Effect of Audit Quality on Client Loyalty towards Cho Group Services Company Limited**” has been accepted by the Examination Board for awarding Master of Business Administration (MBA) degree.

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ABSTRACT

The objectives of this study are to examine the influencing factors on audit quality and to analyze the mediating effect of client satisfaction on the relationship between audit quality and client loyalty towards Cho Group Services Company Limited. Both primary and secondary data are applied. Primary data are collected using structured questionnaires based on a 5-point Likert scale. The sample size of 153 clients out of 253 clients are calculated by using Raosoft sample size calculator and selected through simple random sampling method. In addition, secondary data are collected from relevant text books, papers, websites, international dissertations and other research papers from the library. The analysis methods are descriptive statistics and regression analysis. Based on the regression analysis, client company size and audit tenure have a positive and significant effect on audit quality. According to the Sobel test results, client satisfaction mediates on the relationship between audit quality and client loyalty. Based on these findings, Cho Group Services Company Limited should continue to enhance audit quality while also investing in strategies that improve client satisfaction, as both directly and indirectly contribute to building long-term client loyalty.

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LIST OF ABBREVIATIONS

AGMs	Annual General Meetings
CBM	Central Bank of Myanmar
CPA	Certified Public Accountant
DICA	Directorate of Investment and Company Administration
FRC	Financial Reporting Council
HR	Human Resources
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
IT	Information Technology
MAC	Myanmar Accountancy Council
MBA	Master of Business Administration
MMK	Myanmar Kyat
MyCO	Myanmar Companies Online Registry
NGO	Non-Governmental Organization
PLS	Partial Least Squares
SMEs	Small and Medium Enterprises
SMPs	Small and Medium-sized Practices

CHAPTER 1

INTRODUCTION

The audit services industry is a critical component of financial transparency, investor confidence, and corporate governance—especially in emerging markets like Myanmar, where businesses are navigating complex economic environments and regulatory transitions. As companies face increasing scrutiny from stakeholders, the demand for reliable and high-quality audit services has grown. Audit firms, therefore, play a pivotal role not only in compliance but also in shaping business credibility and long-term sustainability.

As competition in the professional services market increases, client satisfaction and loyalty have become crucial indicators of an audit firm's success. However, client loyalty is not solely determined by brand reputation. It is also strongly influenced by the quality of the audit service delivered.

Client satisfaction and loyalty have become pivotal in evaluating the performance and competitive advantage of audit firms. Contrary to traditional marketing models where brand recognition or price competitiveness may dominate, client loyalty in audit services is primarily shaped by the perceived quality and integrity of the audit process itself. Artana et al. (2019) emphasized that in public accounting firms, loyalty is not a direct outcome of transactional interactions but emerges from a sustained perception of trust, professional conduct, and audit quality.

While client satisfaction and loyalty are undoubtedly crucial, their underlying determinants warrant deeper investigation. Among these, the concept of audit quality emerges as a central pillar, shaping client perceptions and long-term commitment to audit service providers. The nature of audit services—rooted in trust, expertise, and ethical conduct—indicates that client loyalty cannot be divorced from the auditor's ability to deliver high-quality, objective, and reliable outcomes. This reinforces the need to explore how audit quality is defined, measured, and maintained within professional audit relationships.

DeAngelo (1981) defined audit quality as the market-assessed joint probability that an auditor will both discover and report material misstatements in financial

statements. According to Prasetia et al. (2019), audit quality is often associated with four key attributes of firm size: (1) the number of clients served by the firm; (2) the variety of professional services offered; (3) the geographic scope of operations, including any international affiliations; and (4) the number of professional audit staff employed. Simunic et al. (1996) argued that client company size—measured by revenue, total assets, or employee count—affects audit quality through audit complexity. Larger companies often require more complex audits, which place higher demands on auditor competence, planning, and procedures. As a result, audit firms may need to deploy more resources and expertise to maintain audit quality.

Priyanti and Dewi (2019) extended this by stating that audit quality reflects compliance with professional standards, ethics, and regulations, and is influenced by factors such as audit tenure, audit rotation, audit firm size, and the client's company size.

According to Priyanti and Dewi (2019), audit tenure is defined as the duration of the professional relationship or the length of time an auditor is engaged in examining a client's financial statements. This tenure affects various dimensions of the client–auditor dynamic, including auditor independence, audit competence, emotional attachment, and fee structures. Extended audit engagements can enhance the auditor's familiarity with the client's operations, thereby improving audit efficiency.

Priyanti and Dewi (2019) highlighted that audit rotation is the process of replacing the auditor or the Public Accounting Firm in accordance with regulatory requirements that limit the duration of audit service engagements. According to Isaac et al. (2014), audit rotation can be categorized into two types: mandatory rotation, which is enforced by government regulations to preserve auditor independence, and voluntary rotation, which occurs for reasons unrelated to formal policy, such as strategic changes, client preference, or auditor performance concerns.

Priyanti and Dewi (2019) defined audit firm size as the overall organizational capacity and structural complexity of the firm, including its professional resources, operational breadth, and institutional reputation. Larger firms are typically regarded as having a greater ability to conduct audits with depth, accuracy, and efficiency due to their access to specialized expertise, robust quality control frameworks, and broader client exposure. According to Colbert et al. (1999), audit firm size is determined by

metrics such as the number of Certified Public Accountants (CPAs), partners, professional staff, and clients served. Larger firms often exhibit higher audit quality due to greater institutional resources.

According to Indriasih et al. (2022), client company size is defined as the extent of a company's business operations and organizational scale, including its structural, financial, and managerial complexity. Company size is a critical factor influencing audit planning and execution, as larger companies tend to present more intricate financial environments, requiring a broader and more specialized audit approach. Larger companies have more complex systems, posing greater audit challenges. Larger companies are associated with greater audit complexity, requiring more extensive procedures and higher auditor expertise. According to Brigham and Houston (2011), company size is the average net total sales for the year concerned until a few years later. If sale is greater than the variable costs and fixed costs, the amount of income before tax will be obtained. Conversely, if the sale is smaller than the variable costs and fixed costs, the company will suffer losses. Larger client firms are generally assumed to have more sophisticated organizational structures and are often subjected to stricter regulatory scrutiny. They may demand higher service quality and exhibit greater loyalty if their expectations are met (DeAngelo, 1981). Conversely, smaller firms may be more sensitive to pricing, more flexible in decision-making, and more reliant on personalized service interactions.

Oliver (1997) defined client satisfaction as the post-service evaluation comparing expectations and actual service performance. In the context of audit services, Artana et al. (2019) noted that satisfaction is influenced by timely service, technical competence, responsiveness, and professional behavior. Higher satisfaction is a strong predictor of client loyalty.

Dick and Basu (1994) described client loyalty as the favorable attitude and continued behavior of clients toward a service provider. In audit relationships, loyalty refers to clients' intention to retain the same audit firm for future engagements. Loyalty is typically driven by satisfaction, trust, and perceived audit quality. In Myanmar, the auditing sector has evolved significantly since the country's economic liberalization. Local audit firms are now expected to align with international auditing standards while adapting to the specific needs of domestic clients. Among these, Cho Group Services Company Limited stands out as one of the most respected audit firms in the country.

Established in 1994, with over 30 years of experience in audit, tax, and advisory services, the firm has developed a reputation for professionalism, integrity, and client-oriented service. With a team of energetic and skilled professionals, Cho Group Services Company Limited cultivates a culture of collaboration and continuous learning, which has helped it serve a diverse client base in both the public and private sectors.

This study is built on the understanding that audit quality not only fulfills a regulatory role but also strengthens client relationships. Therefore, the study investigates how various factors influence audit quality and how, in turn, audit quality affects client satisfaction and loyalty in Cho Goup Services Company Limited.

1.1 Rationale of the Study

In the increasingly complex and regulated financial landscape of Myanmar, the demand for high-quality audit services has never been more critical. As businesses face heightened scrutiny from government agencies, investors, and international institutions, audit quality has become an essential determinant of corporate credibility, financial transparency, and investor confidence. High-quality audits contribute not only to the accuracy of financial reporting but also to broader goals such as risk mitigation, regulatory compliance, and sustainable business governance. In this context, audit quality functions as a foundation for stakeholder assurance and market stability—especially in emerging economies such as Myanmar, where institutions are adapting to international standards.

Cho Group Services Company Limited, a professional audit firm established in 1994, has played a pivotal role in providing auditing, tax, and advisory services to a wide array of businesses across Myanmar. With over 30 years of experience, the firm has built a strong reputation for technical competence, ethical practice, and client-oriented service. However, with evolving client expectations and increasing competition, traditional benchmarks such as technical accuracy and regulatory compliance alone are no longer sufficient. Audit firms must now deliver a more comprehensive service experience that includes auditor independence, timely communication, responsiveness, and professionalism in client interactions.

In this context, client loyalty has emerged as a strategic outcome for professional service firms. It reflects the client's willingness to re-engage the audit firm in future audits and to advocate for the firm within their networks. Client loyalty reduces marketing and acquisition costs, supports brand reputation, and provides a stable source of revenue through long-term engagements. However, loyalty is not generated by audit quality alone. Increasingly, research indicates that client satisfaction serves as a vital mediating variable—bridging the relationship between technical audit quality and loyalty. Even where audit procedures meet professional standards, clients may not remain loyal unless they are satisfied with the full spectrum of the service experience.

Client satisfaction, therefore, becomes a vital performance indicator in audit engagements. It extends beyond the final audit report to include the firm's timeliness, fairness in billing, clarity in communication, responsiveness, and the ability to offer professional yet approachable service. A satisfied client perceives the engagement not only as a compliance exercise but as a collaborative process that delivers value, insight, and support. When satisfaction is high, loyalty becomes more likely—expressed through repeat engagements, positive referrals, and sustained trust in the auditor's judgment.

Additionally, structural factors such as audit firm size and client company size may shape how audit quality is perceived and how satisfaction and loyalty develop. Larger audit firms may enjoy perceived credibility and broader resources, which can appeal to institutional clients. Meanwhile, smaller firms may offer more personalized service and flexibility, which may be more attractive to small and medium enterprises (SMEs). Similarly, large client companies may require sector-specific expertise and standardized processes, while smaller clients may prioritize responsiveness and cost-effectiveness. These organizational attributes play a moderating role in shaping the interaction between audit service quality and client behavior.

Despite the growing relevance of these dynamics, limited empirical research exists within the Myanmar audit industry exploring how these variables interact in practice. As a result, this study aims to address this knowledge gap by examining how key attributes of audit quality—such as audit tenure, rotation, firm size, and client size—influence client loyalty, with client satisfaction as a vital mediating factor. By focusing on Cho Group Services Company Limited as a case study, the research seeks

to generate insights that will support the firm's efforts to refine its service strategies, elevate engagement quality, and maintain a competitive advantage in an evolving audit marketplace.

Furthermore, the study's findings are expected to contribute to the academic understanding of how professional service quality influences client satisfaction and loyalty in emerging markets. These insights may be applied not only to Cho Group Services Company Limited but also to other audit firms across Myanmar seeking to develop client-centered, transparent, and accountable service models that support long-term business success.

1.2 Objectives of the Study

There are two objectives in this study. These are:

1. To examine the influencing factors on audit quality at Cho Group Services Company Limited and
2. To analyze the mediation effect of client satisfaction on the relationship between audit quality and client loyalty towards Cho Group Services Company Limited.

1.3 Scope and Method of the Study

This study focuses on the clients who received audit services from Cho Group Services Company Limited. The company has a total of 253 active clients in 2024. Using the Raosoft sample size calculator with a 95% confidence level and 5% margin of error, a sample size of 153 clients is determined to be statistically sufficient for the study. Simple random sampling method is applied to select the respondents. The primary data are collected with online surveys by using structured questionnaires with 5-point Likert scale. Secondary data are collected from relevant text books, papers, websites, international dissertations and other research papers from the library. The data analysis is conducted using SPSS statistical software. Descriptive statistics and regression analysis are used to analyze the collected data.

1.4 Organization of the Study

This study is organized into five chapters. Chapter one presents the introduction, including the rationale of the study, objectives of the study, scope and method of the study, and organization of the study. Chapter two describes the theoretical background related to audit tenure, audit rotation, audit firm size, client's company size, audit quality, client satisfaction and client loyalty. It also includes reviews of previous studies and the conceptual framework of the study. Chapter three includes the profile and organizational structure of Cho Group Services Co., Ltd as well as the factors influencing audit quality, profile of the respondents, and reliability analysis. Chapter four describes client perception on the influencing factors, audit quality, client satisfaction, and client loyalty. It also includes an analysis on the factors influencing audit quality, and an analysis on the mediating effect of client satisfaction on the relationship between audit quality and client loyalty. Chapter five presents the conclusion with findings and discussions, suggestions and recommendations, and needs for further research.

CHAPTER 2

THEORETICAL BACKGROUND

This chapter presents the key theoretical background for understanding the factors influencing audit quality and client loyalty. It explores key concepts including audit tenure, audit rotation, audit firm size, client's company size. These elements play an important role in shaping audit quality, which in turn mediates client satisfaction. Additionally, this chapter presents the concepts of audit quality and client loyalty. The final section outlines the previous studies and conceptual framework of the study.

2.1 Influencing Factors on Audit Quality

This section describes the key variables that influence audit quality, including audit tenure, audit rotation, audit firm size, and client company size.

2.1.1 Audit Tenure

Audit tenure, defined as the duration over which an auditor continuously serves the same client, has long been a topic of academic and regulatory interest due to its dual effects on audit efficiency and auditor independence (Johnson et al., 2002). Extended tenure allows audit teams to accumulate valuable knowledge about the client's business processes, control systems, and accounting strategies, leading to a more targeted and efficient audit approach. This deep familiarity enables auditors to identify anomalies more accurately and make informed judgments based on a history of comparative financial data.

Long audit tenure may also lead to improved communication between auditors and client management, fostering cooperative working relationships and smoother audit execution. It can reduce the learning curve and time spent on understanding client-specific issues, thus lowering audit costs and enhancing responsiveness. However, as auditors become too comfortable with their clients, the risk of compromised independence and declining professional skepticism increases. According to Gul et al. (2009), auditors engaged for prolonged periods are more likely to overlook material misstatements or adopt management's views without adequate challenge.

To balance the advantages of audit familiarity with the risks of overfamiliarity, regulatory attention has focused on defining an optimal engagement period. Carey et al. (2006) argued that there exists an optimal tenure window—long enough to capture the benefits of client-specific knowledge, but short enough to avoid risks of complacency. This perspective has influenced numerous reforms, including audit partner rotation rules and mandatory firm rotation requirements. Empirical findings remain mixed: Carcello et al. (2004) mentioned short tenure with a higher risk of financial restatements, while others find no conclusive evidence that long tenure inherently undermines audit quality, particularly in environments with strong oversight mechanisms.

Therefore, audit tenure is best understood as a dynamic factor that interacts with institutional governance, audit firm characteristics, and client complexity. Its role in influencing audit quality is not linear but contextual. In particular, the effect of tenure may vary depending on whether the audit firm has robust quality control mechanisms, whether the client operates in a highly regulated industry, and whether there is sufficient oversight from audit committees or regulatory bodies. In studies examining client satisfaction and loyalty, audit tenure also emerges as a relational factor—longer tenure may enhance trust and reduce perceived risk, thereby contributing to client retention. As such, understanding audit tenure requires a holistic perspective that considers both technical audit outcomes and relational dimensions of auditor–client engagement (Knechel et al., 2015).

2.1.2 Audit Rotation

Audit rotation is defined as the periodic replacement of either the audit engagement partner or the audit firm, intended to maintain auditor independence and reduce the risk of overfamiliarity with clients (Chen et al., 2016). Audit rotation introduces fresh perspectives and reinvigorates professional skepticism, which can potentially enhance audit quality and credibility (Cameran et al., 2016). The practice is grounded in the belief that long-term auditor–client relationships can give rise to complacency, diminished objectivity, and increased susceptibility to management influence. By limiting the duration of such relationships, rotation aims to disrupt any habitual patterns that may impair auditor skepticism and judgment.

Rotation policies are typically implemented through two mechanisms: mandatory rotation and voluntary rotation. Mandatory rotation is imposed by national or supranational regulatory bodies, such as in the United States under Sarbanes-Oxley and in the European Union under the Audit Regulation (EU No. 537/2014), which generally requires rotation of audit firms after ten years, extendable to twenty years under joint audit arrangements. The intention is to institutionalize auditor independence through enforced change. In contrast, voluntary rotation is initiated at the discretion of either the client or the audit firm. This may result from strategic realignment, dissatisfaction with audit quality, or a desire to strengthen public perception of transparency and accountability.

The rationale for rotation is further supported by public interest theory, which holds that auditing is a mechanism to protect stakeholders and capital markets from financial misrepresentation. As a safeguard, rotation is expected to renew auditors' critical assessments and restore the appearance of objectivity, particularly in high-profile or regulated industries. Among the expected benefits are increased investor confidence, more rigorous audit scrutiny, and reduced risk of collusion. However, the efficacy of rotation depends on its implementation context and the capabilities of incoming auditors.

Despite its intended advantages, audit rotation is not without limitations. A recurring concern is the knowledge gap that arises when new auditors lack familiarity with a client's business operations, accounting systems, and industry-specific risks. Jackson et al. (2008) argued that this disruption can lead to inefficiencies in the audit process, especially in the early years of a new engagement, where auditors are still acclimating to the client's internal environment. Moreover, frequent changes may increase audit costs, extend planning timelines, and reduce continuity in audit strategies.

To mitigate these drawbacks, the benefits of rotation are maximized when combined with other governance mechanisms, such as strong audit committees, transparent auditor selection processes, and high audit firm competence. Where these conditions are met, rotation may serve not only as a tool for reinforcing independence, but also as a strategic driver for improved audit quality and institutional trust.

Audit rotation remains a contested yet influential mechanism in audit regulation and practice. Its dual role as both a protective and performance-enhancing measure makes it a critical variable in the broader framework of audit quality. While its effects are nuanced and dependent on contextual factors, rotation—when appropriately managed—can contribute meaningfully to the independence, credibility, and value of the audit function.

2.1.3 Audit Firm Size

Audit firm size is defined as the overall structural capacity and operational scale of an audit organization, including its workforce, professional infrastructure, global affiliations, and range of assurance services (Sirois et al., 2016). It reflects both the quantitative and qualitative resources that the firm can deploy in conducting audits, thereby serving as a key determinant of audit quality.

Audit firm size has long been regarded as a proxy for audit quality, especially in the context of complex or high-risk audits. Larger audit firms are often perceived as more competent due to their broader access to skilled professionals, advanced audit technologies, and standardized quality control systems. Lawrence et al. (2011) posited that large firms had the capacity to manage demanding audit tasks more efficiently, particularly for listed corporations or multinational entities operating under diverse regulatory frameworks.

These firms were also less dependent on individual clients for revenue, a condition that reinforced their ability to maintain objectivity and independence throughout the audit process. Their economic scale allowed them to absorb reputational risk and apply stricter engagement standards. Francis and Yu (2009) highlighted that audit quality was generally higher among large audit firms, attributing this to superior internal review mechanisms, staff training investments, and the availability of cross-functional expertise.

The relationship between audit firm size and perceived audit quality has also been explained through reputational capital theory, which suggested that larger firms had greater incentives to avoid audit failures in order to protect their brand image. Simunic and Stein (1987) argued that such firms were likely to adopt conservative audit strategies to mitigate litigation and reputational risks. Their international networks, standardized methodologies, and peer reviews further enhanced the credibility and

consistency of audit outputs across jurisdictions.

Despite these strengths, small and medium-sized audit practices (SMPs) also contributed meaningfully to the profession, particularly in local markets and among small and medium-sized enterprises (SMEs). These firms often provided more personalized service, greater responsiveness, and cultural proximity to their clients. However, they faced challenges such as limited staff specialization, resource constraints, and heightened vulnerability to fee dependence. Al-Thuneibat et al. (2011) noted that such limitations could affect the thoroughness and scope of audit procedures, particularly in engagements involving complex financial transactions or rapidly growing firms.

It is important to recognize that the influence of audit firm size on audit performance is not uniform. Factors such as regulatory oversight, industry complexity, and the internal governance of the audit firm can moderate this relationship. In some contexts, smaller firms may achieve quality outcomes comparable to larger firms when supported by strong ethical cultures and continuous training systems.

Overall, audit firm size functions as a structural foundation upon which audit capacity, independence, and credibility are built. Its effect on audit quality, client trust, and engagement outcomes makes it a central construct in the theoretical examination of auditor performance and institutional reliability.

2.1.4 Client Company Size

According to Sundgren et al. (2013), client company size is defined as the extent of a company's operational scale and structural complexity, including its financial resources, geographic presence, number of employees, and transactional volume. It reflects how large or intricate a client's organizational and financial systems are, and it plays a pivotal role in shaping audit scope, complexity, and risk.

Client company size influences audit complexity, engagement risk, and the level of resources auditors must allocate during the audit process. According to Knechel et al. (2015), larger clients typically operate across multiple industries or geographic regions, maintain more extensive internal control systems, and process high volumes of complex transactions. These structural characteristics contribute to a higher degree of audit difficulty, requiring auditors to deploy greater technical expertise and perform more sophisticated audit procedures.

Audit engagements with large firms often involve specialized audit techniques, including the use of experts such as IT specialists, forensic accountants, or valuation professionals. They may also require multi-location coordination, increased levels of audit documentation, and more frequent communication with governance bodies such as audit committees. Moreover, financial statements of large companies are subject to greater scrutiny from external stakeholders, including investors, creditors, analysts, and regulatory agencies. As a result, auditors are expected to apply heightened levels of professional judgment and conduct more rigorous risk assessments to meet elevated expectations for transparency, accountability, and compliance.

From a risk-based auditing perspective, the size of the client is closely related to the inherent and control risk components of audit risk. Large entities may face more complex regulatory environments, international operations, and diverse revenue streams, all of which require detailed planning and substantive testing strategies. Bell et al. (2001) indicated that auditors must adapt audit approaches to client characteristics, particularly in large organizations where systems integration, financial engineering, and internal reporting processes can mask irregularities if not properly examined.

On the other hand, smaller client firms may appear to pose less audit risk due to their limited operational scope and straightforward business models. However, they present distinct challenges that require careful attention. Smaller firms are often characterized by weak internal controls, a reliance on manual accounting systems, and informal governance structures. These factors can lead to inconsistent recordkeeping and increase the risk of undetected errors or irregularities. According to Sundgren and Svanström (2013), auditing small entities may demand more flexible audit procedures, interpersonal communication, and hands-on involvement, rather than reliance on automated systems or large-scale sampling.

Additionally, smaller clients may expect the audit relationship to extend beyond assurance into advisory roles. They may request guidance on internal controls, regulatory compliance, or operational efficiency, thereby blending traditional audit services with value-added consultation. While such expectations can enhance client satisfaction, they also raise questions about auditor independence and the scope of the auditor's role. In practice, the size of the client influences not only audit effort but also the nature of the auditor–client interaction and the perception of service value.

Client company size thus acts as a significant contextual variable shaping the scope, design, and delivery of audit services. Whether large or small, the client's organizational characteristics directly affect audit planning, auditor workload, reporting decisions, and ultimately, the quality and credibility of the audit outcome.

2.1 Audit Quality

According to DeFond and Zhang (2014), audit quality is defined as the degree to which an audit provides reasonable assurance that financial statements are free from material misstatement and are prepared in accordance with applicable financial reporting frameworks. It reflects the extent to which auditors comply with professional standards and exercise professional judgment in detecting and reporting irregularities. The concept encompasses both technical precision and the integrity of the audit process, and is influenced by institutional, organizational, and individual-level factors.

The Financial Reporting Council (FRC, 2008) identified several core elements that constitute audit quality, including audit planning, risk assessment, the sufficiency and appropriateness of audit evidence, documentation, clarity of reporting, and the exercise of professional skepticism. High-quality audits are not only a matter of procedural compliance, but also involve sound judgment, independence of mind, and ethical conduct. These attributes contribute to reliable financial reporting, stakeholder assurance, and market stability.

Well-trained personnel, robust internal firm controls, and adherence to global audit standards such as the International Standards on Auditing (ISA) were considered essential to achieving consistent audit quality. Knechel et al. (2013) argued that quality was also shaped by engagement-level decisions, including the setting of materiality thresholds, sampling strategies, substantive testing depth, and the use of analytical review procedures. These engagement-specific decisions interacted with auditor competence and audit firm culture to determine the effectiveness of audit outcomes.

Despite its theoretical significance, audit quality remained difficult to observe and measure directly. As a result, researchers and practitioners frequently relied on empirical proxies such as audit fees, incidence of financial restatements, frequency of litigation or regulatory sanctions, issuance of going concern opinions, and the timeliness of audit reporting (Francis, 2011). Each of these indicators provided indirect

insight into auditor behavior, professional rigor, and the degree of assurance delivered.

Beyond technical and regulatory dimensions, the market's perception of audit quality played a critical role. High-quality audits enhanced investor confidence, improved creditworthiness, and strengthened the firm's reputation in capital markets. Conversely, poor-quality audits could undermine stakeholder trust, increase information asymmetry, and lead to adverse market reactions. The notion of perceived audit quality thus extended the effect of auditing from mere compliance to a strategic component of corporate governance and accountability.

2.3 Client Satisfaction

Client satisfaction is defined as the client's post-engagement evaluation of whether the audit service process and outcomes fulfilled or surpassed their expectations (Behn et al., 1997). In the context of audit services, satisfaction represented not only the fulfillment of contractual obligations but also the overall experience of service quality, communication, and professional interaction throughout the engagement.

Parasuraman et al. (1985) introduced the SERVQUAL model, which identified five key dimensions of service quality—reliability, responsiveness, assurance, empathy, and tangibles—as determinants of satisfaction. These dimensions, when applied to audit services, translated into specific attributes such as technical competence, clear reporting, ethical conduct, timely responsiveness, and the ability of auditors to build professional rapport with clients.

Client satisfaction in auditing was influenced by both technical and relational factors. On the technical side, auditor expertise, compliance with standards, and the delivery of accurate and timely reports played a fundamental role. On the relational side, responsiveness to client concerns, transparency in communication, and the trustworthiness of the audit team contributed significantly to perceived service quality. Behn et al. (1997) highlighted that clients placed a high value on the auditor's ability to provide value-added insights, going beyond mere compliance to offer interpretive feedback and strategic recommendations.

In addition, the nature of the auditor–client relationship affected satisfaction outcomes. Factors such as fee fairness, accessibility of the audit team, and continuity of personnel across engagements helped shape the client’s overall experience. Low satisfaction was often linked to delayed reporting, lack of auditor engagement, or mechanical service delivery lacking interpersonal consideration. Conversely, high satisfaction was associated with an audit process that felt collaborative, transparent, and professionally enriching.

Client satisfaction has been recognized as a key driver of firm competitiveness in the professional services sector. High satisfaction levels were shown to correlate with increased client retention, long-term engagements, and favorable word-of-mouth referrals. In audit settings, this translated into enhanced reputational capital and more stable revenue streams for audit firms. Firms that consistently maintained high client satisfaction often outperformed competitors by converting satisfied clients into loyal advocates, even in highly regulated and price-sensitive markets (Al-Matari et al., 2017).

From a strategic perspective, client satisfaction served as a mediating variable between service quality and client loyalty. In professional audit relationships, where trust, credibility, and expertise were central to value creation, satisfaction functioned as the mechanism through which clients evaluated the intangible benefits of the audit. It shaped perceptions not only of service efficiency, but also of auditor reliability and organizational alignment.

2.4 Client Loyalty

Client loyalty is defined as the client’s intention to continue engaging the same audit firm for future services and to recommend those services to others, even when alternatives are available (Oliver, 1999). In auditing, loyalty extended beyond simple satisfaction; it reflected a sustained relationship built on trust, perceived competence, and consistent service performance. Within the framework of relationship marketing, loyalty encompassed both attitudinal commitment and behavioral consistency, which were particularly important in long-term professional service engagements.

Oliver (1999) described loyalty as a deeply held commitment to re-purchase or re-engage a preferred service consistently in the future, despite situational influences or marketing efforts by competitors. Applied to audit services, this implied that loyal

clients continued their engagement with the same firm due to a strong belief in the firm's reliability, ethical standards, and understanding of their unique operational context. In this sense, loyalty was not transactional, but relational, grounded in accumulated experience and mutual trust.

Reichheld and Sasser (1990) argued that client loyalty significantly enhanced firm profitability by reducing marketing expenses, onboarding time, and the cost of acquiring new clients. In the audit industry, the benefits of loyalty were magnified. Loyal clients facilitated more efficient audits by providing consistent access to internal records, maintaining open communication, and reducing the time needed for familiarization. Continuity in the auditor–client relationship allowed auditors to build institutional knowledge, which in turn improved audit efficiency, reduced risk, and enhanced the precision of professional judgments.

Client loyalty was also linked to psychological and reputational dimensions. It was shaped by prior satisfaction, perceived audit quality, and trust in the auditor's professional integrity. Lam and Burton (2006) highlighted that in professional service contexts, loyalty was more strongly associated with trust and service interaction than with pricing or brand image. This finding underscored the interpersonal and ethical foundation of loyalty in auditing, where technical expertise alone was insufficient to sustain long-term engagements.

Moreover, loyalty was often reinforced through repeated positive interactions, especially those involving personalized service, responsive communication, and a demonstrated commitment to client needs. In audit relationships, clients valued auditors who provided clarity, transparency, and value-added insights. Over time, such attributes cultivated a sense of reliability and assurance, making clients less likely to switch firms unless prompted by regulatory requirements or strategic restructuring.

The determinants of loyalty in audit services were thus multifaceted, involving satisfaction, perceived value, service consistency, and relational trust. These dimensions collectively shaped the client's willingness to renew engagements and act as a reference for prospective clients. As a result, client loyalty functioned not only as an outcome of service quality but also as a strategic asset that enhanced reputation, revenue stability, and competitive advantage within the audit industry.

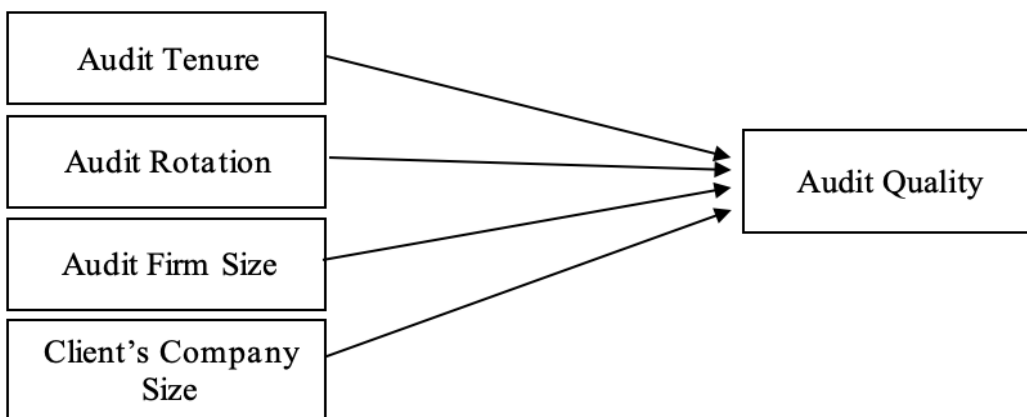
2.5 Previous Studies

Numerous studies have examined the determinants of audit quality and their implications for client satisfaction and loyalty. Two relevant studies serve as the basis for developing the conceptual framework of the present research.

The first study was conducted by Priyanti and Dewi (2019). They examined how structural factors such as audit tenure, audit rotation, audit firm size, and client company size influence audit quality among public companies in Indonesia. The objective was to evaluate the extent to which these four variables contribute to audit quality within the context of listed firms. The researchers employed a quantitative approach, collecting secondary data from 107 company-year observations on the Indonesia Stock Exchange spanning the years 2012 to 2017.

The framework developed in this study identified structural audit factors as key predictors of audit quality, without extending into the behavioral or relational dimensions such as satisfaction or loyalty. The conceptual framework of Priyanti and Dewi (2019) is shown in Figure (2.1).

Figure (2.1) Conceptual Framework of Priyanti & Dewi



Source : Priyanti & Dewi (2019)

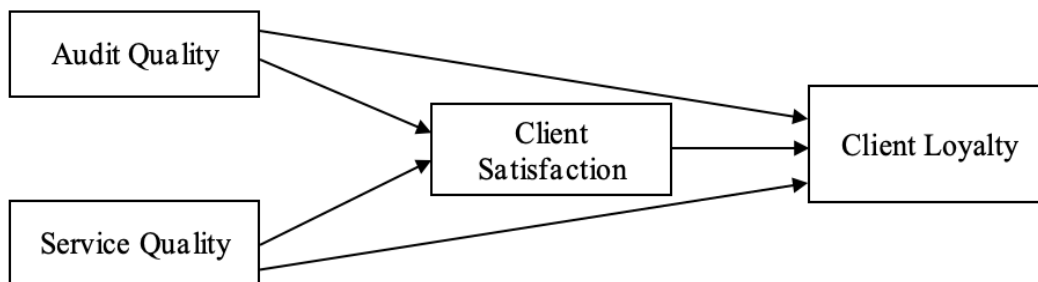
Figure (2.1) showed that audit quality is determined by structural audit factors—tenure, rotation, firm size, and client size. This model was particularly focused on identifying objective, firm-level predictors of audit quality without extending into client satisfaction or behavioral outcomes. The insights from this framework offered foundational guidance for analyzing technical quality within the auditing profession.

Using multiple linear regression, they highlighted that audit rotation had a significant negative effect on audit quality, while client company size exhibited a

significant positive effect. In contrast, audit tenure and audit firm size were not observed to significantly influence audit quality. These findings suggested that changes in audit teams may disrupt continuity and reduce quality, while larger clients tend to receive higher-quality audits due to their complexity and visibility.

The second previous study was conducted by Artana et al. (2019). They investigated the relationships among audit quality, service quality, client satisfaction, and client loyalty. The objective of the study to determine how audit quality and service quality influence satisfaction, and how that satisfaction, in turn, affects client loyalty within audit engagements. The research was based on data collected from 64 companies in Bali, Indonesia, that received audit services from public accounting firms. The study employed a quantitative approach using structured questionnaires and applied path analysis through the Partial Least Squares (PLS) method. The conceptual framework developed in this study captures both the technical and relational aspects of audit services and highlights satisfaction as a critical link between quality and behavioral outcomes. The conceptual framework of Artana et al. (2019) is presented in Figure (2.2).

Figure (2.2) Conceptual Framework of Artana et al.



Source: Artana et al. (2019)

The Figure showed that audit quality is determined by structural audit factors—tenure, rotation, firm size, and client size. This model is particularly focused on identifying objective, firm-level predictors of audit quality without extending into client satisfaction or behavioral outcomes. The insights from this framework offered foundational guidance for analyzing technical quality within the auditing profession.

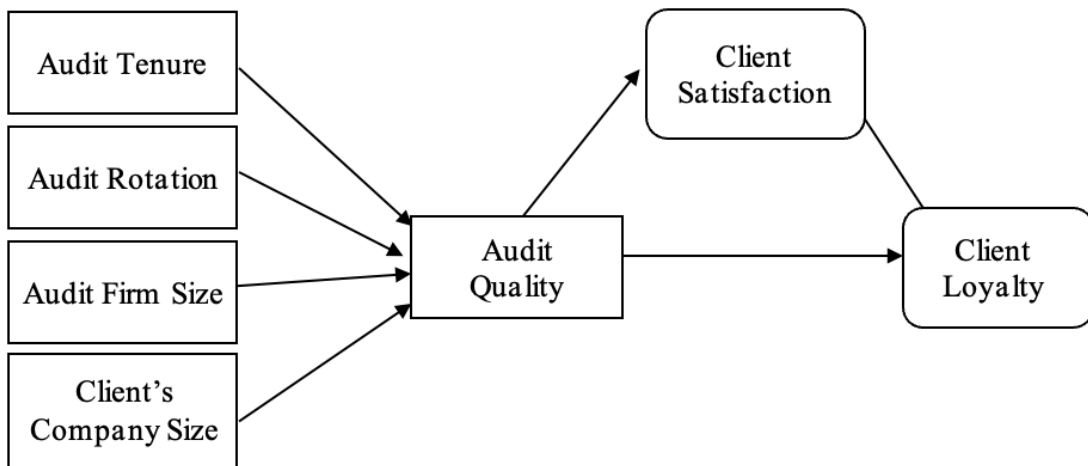
The results indicated that both audit quality and service quality a significant and positive effects on client satisfaction, and that satisfaction strongly influenced loyalty.

Importantly, satisfaction served as a full mediator between both service-related variables and loyalty, demonstrating its pivotal role in establishing and sustaining long-term professional relationships.

2.6 Conceptual Framework of the Study

A conceptual framework for this study is developed from Priyanti and Dewi (2019) and Artana et al. (2019). The framework of the study is shown in Figure (2.3).

Figure (2.3) Conceptual Framework of the Study



Source: Own Compilation (2025)

First, based on the research of Priyanti and Dewi (2019), the influencing factors such as audit tenure, audit rotation, audit firm size, and client's company size affect audit quality. Next, based on the research of Artana et al. (2019), audit quality significantly affects client satisfaction, which in turn strengthens client loyalty.

The initial part of the framework examines several influencing factors namely, audit tenure, audit rotation, audit firm size, and client's company size as independent variable, while audit quality is dependent variable. In the final component of the study considers audit quality as the independent variable, client satisfaction as the mediating variable, and client loyalty as the dependent variable.

CHAPTER 3

PROFILE, FACTORS INFLUENCING AUDIT QUALITY TOWARDS CHO GROUP SERVICES COMPANY LIMITED

This chapter presents profile of Cho Group Services Company Limited, its corporate background, organizational structure, and the scope of professional services including vision and mission. In addition, it presents influencing factors on audit quality on Cho Group Services Company Limited. Afterward, the demographic profile of respondents and reliability analysis are followed.

3.1 Profile of Cho Group Services Company Limited

Cho Group Services Company Limited is one of Myanmar's prominent professional services firms, offering auditing, accounting, taxation, corporate secretarial, and advisory services since its founding in 1994. With over 30 years of experience, the firm has earned a strong reputation for its integrity, reliability, and client-oriented solutions. Its head office is located in Kyauktada Township, Yangon, and it operates under the slogan "Your Trusted Partner," reflecting its commitment to ethical practices and long-term value creation.

The company's vision is to be a market leader in providing professional advisory, assurance, and corporate services that enhance transparency and corporate governance in Myanmar. The missions of the Cho Group Services Company Limited are to deliver reliable & ethical professional services that address both existing and emerging client needs, to support Myanmar's financial and business development through expert assurance, advisory & legal compliance services and to maintain international standards while adapting to the local context, ensuring relevance and regulatory compliance. It aims to deliver reliable and ethical services that support national financial development while maintaining global standards tailored to local conditions. The firm adheres to a set of core values encapsulated in the acronym G.A.O.I.C.E—Growth, Adaptability, Ownership, Integrity, Communication, and

Equity. These values guide both strategic decisions and day-to-day operations, ensuring that services are delivered with professionalism and fairness.

3.2 Organizational Structure of Cho Group Services Company Limited

The organizational structure of Cho Group Services Company Limited is deliberately designed to promote operational efficiency, ensure high service quality, and facilitate specialization across its diverse professional offerings. The firm adopts a functional organizational model, with distinct lines of authority and responsibilities allocated according to professional domains. This structure enables focused oversight of each department while promoting seamless coordination across service lines.

At the helm of the organization is the Managing Partner, who bears overall responsibility for strategic leadership, regulatory compliance, quality control, and key client relationship management. The Managing Partner serves as both the visionary leader and the ethical custodian of the firm, ensuring that all engagements are aligned with professional standards, local regulations, and client expectations.

The core of the organization is made up of several well-defined departments that operate with both autonomy and interdependence. The audit and assurance department is responsible for executing statutory audits, donor audits, and special-purpose reviews. Staffed by qualified auditors—including audit managers, senior auditors, and assistants—this department adheres to a structured methodology grounded in risk-based auditing and data-driven analysis.

The accounting and taxation department is tasked with providing end-to-end financial reporting services, including bookkeeping, financial statement preparation, and tax compliance. This team also advises clients on tax efficiency, transfer pricing, and regulatory filings under Myanmar's Income Tax Law. Their role is vital in helping clients maintain clean books and avoid legal or financial penalties.

Complementing these functions is the internal audit and risk advisory department, which offers internal control evaluations, fraud detection, enterprise risk assessments, and operational audits. This team provides independent insights to help organizations improve governance and mitigate financial and operational risks. It also

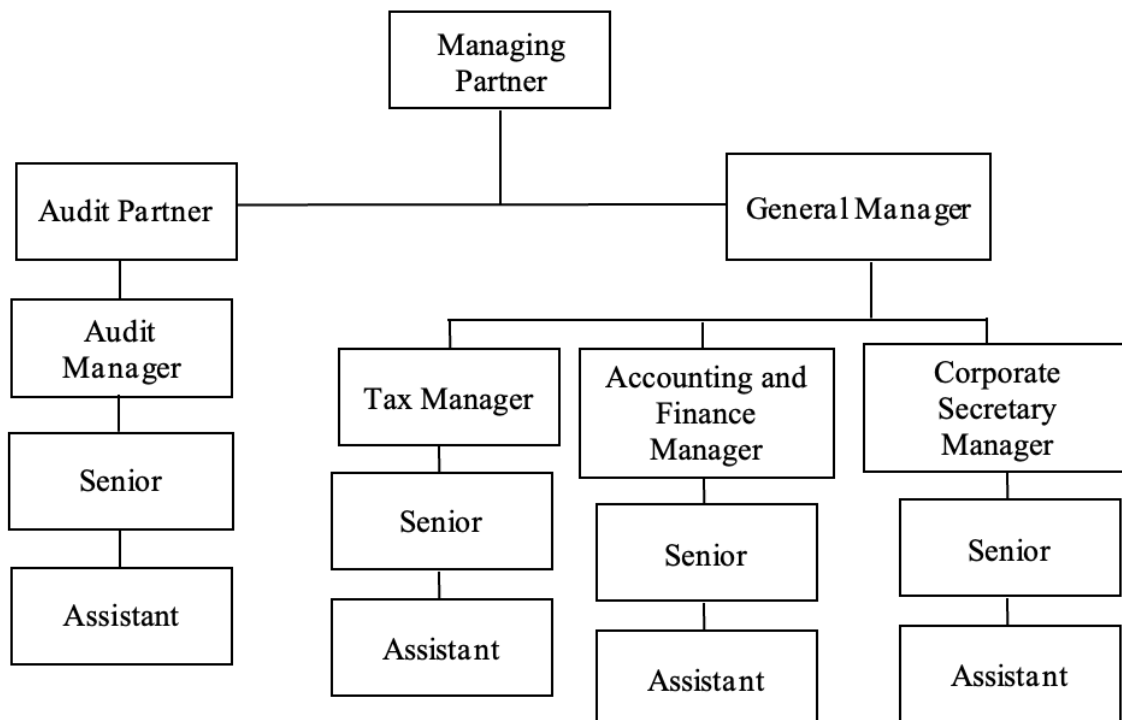
supports clients preparing for external reviews, including ISO certification or donor reporting.

In addition to these client-facing divisions, the firm maintains robust administrative and support functions, including human resources, finance, it, and office management. These units facilitate talent acquisition, staff training, budget control, system security, and general administrative operations.

Overall, the structure of Cho Group Services Company Limited. is characterized by clear hierarchy, professional specialization, and functional synergy. This configuration not only enhances accountability and efficiency but also fosters a culture of expertise and continuous learning. Through its well-defined and collaborative organizational design, the firm maintains a high level of responsiveness to both market demands and client-specific needs, solidifying its role as a trusted professional services provider in Myanmar.

This structure is clearly illustrated in Figure (3.1), which shows the hierarchical and functional organization of Cho Group Services Company Limited.

Figure (3.1) Organizational Chart of Cho Group Services Company Limited.



Source: Cho Group Services Company Limited (2025)

The organizational chart illustrates the hierarchical and functional structure of Cho Group Services Company Limited. At the top of the structure is the Managing Partner, followed by three major service divisions—Audit and Assurance, Accounting and Taxation, and Internal Audit and Risk Advisory—each supported by specialized professionals. These departments are further reinforced by essential administrative units, such as HR, Finance, IT, and Office Management, which ensure smooth internal operations. The chart reflects the firm’s emphasis on clear lines of accountability, cross-functional collaboration, and professional specialization across all levels of the organization.

3.3 Factors Influencing Audit Quality in Cho Group Services Company Limited

In the context of Myanmar’s evolving regulatory landscape and increasing demand for transparency, understanding the internal and external factors that influence audit quality has become essential. At Cho Group Services Company Limited, audit quality is not treated as an abstract benchmark but as a practical outcome shaped by structural, procedural, and relational elements within the firm’s service model. This section explores the key factors—grounded in theoretical constructs and practical applications—that contribute to the firm’s ability to deliver reliable and independent audit services. These include audit tenure, audit rotation, audit firm size, client’s company size, as well as the resulting dimensions of audit quality, client satisfaction, and client loyalty.

(a) Audit Tenure

Audit tenure plays a significant role in enhancing audit efficiency and client understanding at Cho Group Services Company Limited. In the Myanmar context, most private and public limited companies maintain the same auditor for multiple years due to the limited pool of registered practitioners licensed by the Myanmar Accountancy Council (MAC). Cho Group commonly serves clients for more than five consecutive years, especially those in manufacturing, trading, and non-profit sectors. Longer tenure allows the audit team to gain in-depth knowledge of the client’s operations, internal controls, and industry-specific risks, which contributes to more accurate and efficient audits. However, to mitigate the risk of overfamiliarity, the firm periodically reviews

long-term engagements and ensures partner-level oversight and documentation refreshment as per internal quality control procedures.

(b) Audit Rotation

Audit rotation is implemented at Cho Group Services Company Limited in line with the guidelines of the Myanmar Accountancy Council (MAC), which recommend rotation of audit partners every five years for public interest entities. Although the MAC does not mandate audit firm rotation for all private companies, the firm voluntarily rotates engagement partners or senior auditors every few years for long-standing clients to introduce fresh perspectives and reduce bias. This practice helps maintain professional skepticism while balancing continuity and client familiarity. In some donor-funded projects and international NGOs operating under IFRS and donor compliance frameworks, audit partner rotation is a specific requirement, which the firm adheres to accordingly.

(c) Audit Firm Size

As a medium-sized professional services firm in Myanmar, Cho Group Services Company Limited combines both scale and specialization. With over 30 years of experience and a multi-disciplinary team, the firm operates with more than 40 professionals across its audit, accounting, tax, and advisory divisions. Compared to small audit practices operating locally, Cho Group possesses the infrastructure and manpower to manage complex audits for organizations with multiple locations, donor reporting obligations, and IFRS conversion needs. The firm's internal structure includes dedicated departments for assurance, taxation, and compliance, which ensures quality control and timely review processes. While not a member of a global network, Cho Group maintains close working relationships with foreign consultants for international assignments, allowing it to deliver reliable service for both local and foreign-invested enterprises.

(d) Client's Company Size

Client company size is a critical determinant of audit strategy and resource planning. According to the Myanmar Companies Law (2017), companies in Myanmar are broadly classified into small, medium, and large based on annual revenue, number of employees, and total assets. Specifically, a "small company" is defined as one with fewer than 30 employees and less than 50 million MMK in annual revenue. Cho Group

serves a wide variety of clients, from small businesses and NGOs to large corporate clients and microfinance institutions. For large clients—such as development organizations or public limited companies—the firm assigns more experienced auditors and implements expanded audit procedures such as analytical reviews, site visits, and component audits. For small and medium-sized companies, the focus is on efficiency, cost-effectiveness, and practical control reviews. This size-based differentiation ensures that the audit approach remains risk-sensitive and aligned with client operations, while complying with MAC auditing standards and legal obligations under Myanmar law.

3.4 Professional Services Offered by Cho Group Services Company Limited.

Cho Group Services Company Limited provides a comprehensive portfolio of professional services designed to meet the diverse regulatory and operational needs of businesses in Myanmar. These include audit and assurance, accounting, taxation, corporate secretarial, internal audit, and insolvency services.

(a) Auditing and Assurance Services

Auditing is a cornerstone of the firm’s offerings. Cho Group applies a risk-based audit methodology that is customized to each client’s specific business environment. Statutory audits are conducted for entities legally required to submit audited financial statements, including public and foreign-invested companies. These audits contribute to transparency and accountability, both of which are critical to stakeholder confidence and corporate governance.

Non-statutory audits, requested by internal management or shareholders, are also offered to evaluate internal performance and operational soundness. The firm’s special purpose audits include those required by international development partners, ensuring compliance with donor reporting standards. Agreed-upon procedures are commonly applied in inventory verification, procurement, and grant spending reviews, which are tailored to client-specific control needs. Review engagements provide limited assurance using analytical procedures for smaller organizations or interim reporting periods. Across all audit assignments, Cho Group emphasizes audit quality, documentation integrity, and timely deliverables in accordance with ISA standards.

(b) Accounting Services

The accounting function at Cho Group supports clients in maintaining accurate and reliable financial data. For SMEs, full-cycle bookkeeping is conducted using digital tools that comply with IFRS and Myanmar's financial reporting framework. These services ensure the availability of accurate transaction records, bank reconciliations, and general ledger maintenance, all of which serve as the foundation for audits.

For larger companies, including multinational enterprises, the firm prepares periodic financial statements and assists in IFRS conversion. Budgeting and forecasting support enable clients to compare actuals against projections, enhancing financial planning and control. In group reporting situations, Cho Group consolidates financials from subsidiaries into unified group-level reports. These accounting services are crucial for clients seeking internal control, management visibility, and compliance with tax and audit obligations.

(c) Tax Compliance and Advisory Services

Tax compliance is a central concern for businesses in Myanmar's evolving fiscal landscape. Cho Group's taxation professionals assist with routine tax filings and also offer advanced advisory to optimize tax strategy. Clients are guided through the proper filing of commercial tax, corporate income tax, and personal income tax, ensuring deadlines are met and penalties avoided.

The firm provides end-to-end tax audit support, preparing defense files, liaising with auditors, and handling objections. Tax planning focuses on legally minimizing liabilities through optimal structuring of business operations, especially for clients with foreign shareholders or complex ownership. Withholding tax consultations ensure that remittances to overseas vendors comply with double taxation agreements and local law. These services are essential to maintaining both compliance and efficiency in business operations.

(d) Corporate Secretarial Service

With frequent regulatory changes, corporate secretarial compliance is vital to business continuity. Cho Group assists with company incorporations, changes to director or shareholder structures, and ongoing compliance filings with MyCO. For clients operating across multiple industries or with complex shareholder arrangements,

the firm ensures statutory obligations are met, including the holding of Annual General Meetings and submission of Annual Returns.

Support is also provided in drafting resolutions, managing share transfers, and updating Memorandums of Association. These services ensure clients maintain good standing with DICA and relevant authorities, thereby preventing administrative penalties and facilitating uninterrupted operations.

(e) Internal Audit and Risk Advisory Services

Cho Group's internal audit services provide value beyond compliance by helping organizations improve operational effectiveness. Internal audit assignments are planned and executed based on the client's risk profile, business processes, and internal control maturity. Auditors assess control weaknesses, suggest improvements, and monitor implementation through periodic reviews.

For financial institutions, compliance with CBM's internal audit expectations is addressed through targeted testing of loan processes, asset quality, and financial controls. For NGOs, the firm assesses procurement processes, donor compliance, and grant expenditure. Internal audits also include fraud investigations, forensic audits, and performance reviews, helping organizations identify inefficiencies and reduce risks.

(f) Insolvency and Liquidation Services

Insolvency services at Cho Group are governed by the Myanmar Insolvency Law (2020), enabling companies facing financial difficulty to undergo orderly dissolution. The firm handles voluntary winding-up procedures for clients closing operations due to strategic shifts, foreign exits, or partner disputes.

Court-supervised liquidations are also supported, with Cho Group serving as the liquidator or professional administrator to realize assets, settle debts, and report to stakeholders. Advisory services include financial restructuring, debt renegotiation, and pre-insolvency consulting.

3.5 Demographic Profile of Respondents

The study is conducted among 153 audit clients of Cho Group Services Company Limited, selected using purposive sampling based on recent engagement history. Respondent demographics include gender, age, income level, employment

sector, and the method through which they became aware of the firm’s services. The demographic profiles of the respondents are presented in Table (3.1).

Table (3.1) Demographic Profile of Respondents

Sr. No.	Demographic Factors		No. of Respondents	Percentage
	Total		153	100.0
1	Type of Industry	Service	60	39.2
		Trading	31	20.3
		Manufacturing	21	13.7
		Microfinance	3	2.0
		Others	38	24.8
2	Position	Finance/Accounting	90	58.8
		Operations/Production	19	12.4
		Human Resources (HR)	3	2.0
		Sales/Marketing	3	2.0
		Others	38	24.8
3	Relationship with Audit Firm	1-5 Years	98	64.1
		6-10 Years	40	26.1
		11-15 Years	11	7.2
		Over 15 yrsrs	4	2.6
4	Company Size	Small	78	51.0
		Medium	65	42.5
		Large	8	5.2
		Prefer not to say	2	1.3

Source: Survey Data (2025)

To explore the influence of audit quality on client satisfaction and loyalty in the context of Cho Group Services Company Limited, data are collected from 153 audit clients across different industries and roles. This demographic breakdown provides valuable insights into the backgrounds of the respondents, which in turn aids in interpreting the study’s findings more effectively.

With regard to industry distribution, the largest segment of respondents (39.2%) come from the service sector, highlighting the firm's strong presence in Myanmar's growing services economy. The next significant group (24.8%) is classified under "Other" industries, followed by trading (20.3%), manufacturing (13.7%), and financial services including banks and microfinance institutions (2.0%). This reflects the firm's diversified client base, particularly among service-oriented and trading businesses.

In terms of job position, a majority of respondents (58.8%) are from the finance or accounting departments, indicating that the participants were well-positioned to evaluate audit-related factors. Respondents from operations and production roles accounted for (12.4%), while those in human resources and marketing departments each made up (2.0%) of the total. A sizable (24.8%) fall under the "Other" category, possibly reflecting administrative, legal, or executive-level roles. This distribution indicates that the feedback received is grounded in financial and managerial perspectives, which are central to audit evaluations.

When considering tenure with the audit firm, the majority of respondents (64.1%) have between 1 to 5 years of working experience with Cho Group Services Company Limited. A further (26.1%) have between 6 to 10 years of experience, and (7.2%) reported 11 to 15 years of collaboration with the firm. Only (2.6%) of respondents have more than 20 years of association. This pattern indicates that most clients are relatively new or mid-term partners of the firm, potentially offering insights into how early and sustained audit service experiences influence satisfaction and loyalty.

In terms of company size, slightly more than half of the respondents (51.0%) come from small enterprises, while (42.5%) are from medium-sized businesses. Only (5.2%) represent large enterprises, and a small fraction (1.3%) prefer not to disclose this information. This composition aligns with the SME-focused nature of the Myanmar economy and illustrates Cho Group's accessibility and service adaptability to small and mid-sized enterprises.

These demographic insights are instrumental in providing a nuanced understanding of how clients from various organizational and experiential backgrounds perceive audit quality and its influence on their satisfaction and loyalty. The broad range of industries, positions, and tenure levels enhances the credibility and generalizability

of the study, while the concentration among SMEs and finance professionals ensures targeted and relevant feedback for the audit service context in Myanmar.

3.6 Reliability Analysis

Reliability analysis measures the internal consistency of the variables used in this study. Cronbach's Alpha is applied to determine the extent to which items within each factor consistently reflect the construct being measured. Table (3.2) outlines the value interpretation scale.

Table (3.2) Value Level of Reliability Cronbach's Alpha

Sr. No.	Cronbach's Alpha Value Range	Level of Reliability
1	0.0 - 0.20	Less Reliable
2	0.21 - 0.40	Rather Reliable
3	0.41 - .060	Quite Reliable
4	0.61 - 0.80	Reliable
5	0.81 - 1.00	Very Reliable

Source: George & Mallery (2003)

As illustrated in Table (3.2), Gorge and Mallery (2003) categorized five score ranges for assessing the level of reliability. In this study, the reliability value levels outlined by Gorge and Mallery (2003) are utilized. The results of the Cronbach's Alpha reliability test are shown in Table (3.3).

Table (3.3) Reliability Test

Sr. No.	Variables	No. of Items	Cronbach's Alpha	Reliability Level
1	Audit Tenure	5	.874	Very Reliable
2	Audit Rotation	5	.826	Very Reliable
3	Audit Firm Size	5	.724	Reliable
4	Client's Company Size	5	.815	Very Reliable
5	Audit Quality	5	.907	Very Reliable
6	Client Satisfaction	5	.926	Very Reliable
7	Client Loyalty	5	.852	Very Reliable

Source: Survey Data (2025)

Based on the reliability classification provided by George & Mallery (2003), the internal consistency of the constructs used in this study is evaluated using Cronbach's Alpha values. As shown in the table, a value ranging from 0.81 to 1.00 indicates a very reliable level; 0.61 to 0.80 is classified as reliable; 0.41 to 0.60 is quite reliable; 0.21 to 0.40 is rather reliable; and 0.00 to 0.20 is considered less reliable.

Applying this scale to the present study, all constructs demonstrate a high level of internal consistency. Specifically, the Cronbach's Alpha values for audit tenure (0.874), audit rotation (0.826), client's company size (0.815), audit quality (0.907), client satisfaction (0.926), and client loyalty (0.852) all fall within the range of 0.81–1.00, indicating that these scales are very reliable. The only exception is Audit Firm Size (0.724), which falls within the range of 0.61–0.80 and is therefore classified as reliable.

These results indicate that the questionnaire items used to measure each variable are both dependable and internally consistent. This high degree of reliability enhances the credibility of the research findings, ensuring that the responses reflect stable and accurate measurements of the constructs under investigation. Consequently, the data collected can be confidently used for further analysis in exploring the relationships among audit quality, client satisfaction, and client loyalty within Cho Group Services Company Limited

CHAPTER 4

ANALYSIS ON THE EFFECT OF AUDIT QUALITY ON CLIENT LOYALTY TOWARDS CHO GROUP SERVICES COMPANY LIMITED

This chapter has two sections. The first section presents the client perception on influencing factors, audit quality, client satisfaction and client loyalty. The second section presents the mediating effect of client satisfaction on the relationship between audit quality and client loyalty towards Cho Group Services Company Limited.

4.1 Client Perception on Influencing Factors, Audit Quality, Client Satisfaction and Client Loyalty

This section presents the influencing factors (audit tenure, audit rotation, audit firm size, client's company size), audit quality, client satisfaction, and client loyalty. For primary data, structured questions with five-point Likert scale (1: strongly disagree, 2: disagree, 3: neutral, 4: agree, 5: strongly agree) is used to collect primary data. Descriptive statistics is used in this study. Table (4.1) presents the mean rating scale of Best (1977).

Table (4.1) Mean Rating Scale

Sr. No.	Score Range	Mean Rating
1	1.00 – 1.80	Strongly Disagree
2	1.81 – 2.60	Disagree
3	2.61 – 3.40	Neutral
4	3.41 – 4.20	Agree
5	4.21 – 5.00	Strongly Agree

To evaluate the survey results, Best (1977) established five mean rating scales, as shown in Table (4.1). In this study, these mean rating scales are referred to in interpreting the mean scores.

4.1.1 Client Perception on Audit Quality

This section provides a descriptive analysis of the influencing factors that can affect audit quality. Those influencing factors include audit tenure, audit rotation, audit firm size, client's company size, audit quality, client satisfaction, and client loyalty.

(a) Audit Tenure

Client perception on audit tenure is determined by five statements. These statements include various factors such as duration of audit service, confidence in long-term relationships, efficiency in audit execution, and understanding of the client's business operations. The mean scores, overall mean, and standard deviations of audit tenure are presented in Table (4.2).

Table (4.2) Audit Tenure

Sr. No.	Description	Mean	SD
1	Length of service of current auditor	3.97	0.43
2	Quality of service from long-term audit relationships	3.97	0.40
3	Confidence in long-term auditor engagements	3.95	0.40
4	Audit process efficiency from long auditor tenure	3.98	0.37
5	Auditor's understanding of the business due to longer tenure	4.00	0.35
	Overall Mean	3.98	

Source: Survey Data (2025)

According to Table (4.2), the mean scores including the overall mean range between 3.41 and 4.20, which is at the agree level. The majority of clients agree that Cho Group Services Company Limited has served them for multiple years, reflecting a stable and ongoing professional relationship. Most clients believed that long-term audit relationships lead to better service quality. Respondents also agreed that they feel more confident in long-term engagements with the same audit firm. Clients perceive that long auditor tenure contributes to more efficient audit processes, due to familiarity and reduced learning time. In addition, they agree that longer tenure enhances the auditor's understanding of their business, resulting in a more effective and tailored audit approach.

(b) Audit Rotation

Client perception on audit rotation is determined by five statements. These statements include various factors such as maintaining auditor objectivity, enhancing independence, avoiding long-term bias, quality improvements through new auditor engagement, and managing changes in auditor without diminishing audit quality. The mean scores, overall mean, and standard deviations of audit rotation are presented in Table (4.3).

Table (4.3) Audit Rotation

Sr. No.	Description	Mean	SD
1	Maintaining objectivity through audit partner rotation	3.97	0.83
2	Auditor independence from partner rotation	4.09	0.46
3	Avoidance of long-term bias through firm rotation	3.96	0.44
4	Quality improvement after audit partner changes	3.91	0.43
5	Managing auditor changes without reducing quality	3.98	0.44
	Overall Mean	3.98	

Source: Survey Data (2025)

According to Table (4.3), the mean scores including the overall mean range between 3.41 and 4.20, which is at the agree level. The majority of audit clients agree that rotating audit partners helps maintain objectivity in the audit process. Most respondents view partner rotation as a way to enhance auditor independence. Clients also agree that rotation helps avoid long-term bias, particularly when the same audit firm serves over an extended period. The data further shows that audit quality improves when new partners are introduced, and that changes in auditors are well-managed by Cho Group Services Company Limited without reducing the quality of the audit service.

(c) Audit Firm Size

Client perception on audit firm size is determined by five statements. These statements include various factors such as service quality delivered by larger firms, ability to manage complex issues, availability of resources, trust associated with firm

size, and the influence of firm reputation in auditor selection. The mean scores, overall mean, and standard deviations of audit firm size are presented in Table (4.4).

Table (4.4) Audit Firm Size

Sr. No.	Description	Mean	SD
1	Higher service quality from larger audit firms	3.65	0.52
2	Capability of large firms to handle complex issues	3.75	0.51
3	Availability of resources in large audit firms	3.84	0.44
4	Trust in reports due to firm size	3.88	0.48
5	Auditor selection based on size and reputation	3.99	0.31
	Overall Mean		3.82

Source: Survey Data (2025)

According to Table (4.4), the mean scores including the overall mean range between 3.41 and 4.20, which is at the agree level. The majority of audit clients agree that larger audit firms provide higher quality services, and that they are capable of handling complex issues effectively. Clients also acknowledge the availability of more resources in larger firms, which contributes to better audit performance. Trust in audit reports is observed to be influenced by the size of the audit firm, and many clients indicated that they selected Cho Group Services Company Limited based partly on its size and reputation.

(d) Client Company Size

Client perception on client company size is determined by five structured statements. These statements reflect how clients view their own company's size and complexity in shaping audit expectations. The items examine whether larger organizations demand more tailored procedures, experienced auditors, and deeper audit engagement. The mean scores, overall mean, and standard deviations of client company size are presented in Table (4.5).

Table (4.5) Client Company Size

Sr. No.	Description	Mean	SD
1	Demand for higher audit quality due to company size	4.01	0.34
2	Adjustment of audit procedures to match company complexity	4.02	0.30
3	Requirement of experienced auditors for complex operations	4.07	0.33
4	Effect of company size on audit scope and duration	4.01	0.38
5	Need for specialized audit work due to business structure	4.07	0.32
	Overall Mean	4.04	

Source: Survey Data (2025)

According to Table (4.5), the mean scores including the overall mean range between 3.41 and 4.20, which is at the agree level. The majority of audit clients agree that their company size demands higher-quality audit services and requires auditors to adapt their procedures to organizational complexity. Most respondents emphasize the need for experienced auditors when dealing with complex operations. Clients also acknowledge that their company size influences the duration and depth of audit activities, and that the business structure necessitates specialized audit work. These responses reflect a shared perception that Cho Group Services Company Limited is expected to tailor its audit approach to meet the demands of large and structurally complex clients.

(e) Audit Quality

Client perception on audit quality is determined by five structured statements. These statements reflect various dimensions of audit performance, including the accuracy of financial opinions, timeliness of reporting, technical competence, communication clarity, and the added value of audit beyond basic compliance. The mean scores, overall mean, and standard deviations of audit quality are presented in Table (4.6).

Table (4.6) Audit Quality

Sr. No.	Description	Mean	SD
1	Accuracy and reliability of financial opinions	4.10	0.35
2	Timeliness of audit reports	4.12	0.34
3	Technical competence of the audit team	4.10	0.31
4	Clarity and effectiveness of audit communication	4.11	0.35
5	Value of audit beyond basic compliance	4.06	0.31
	Overall Mean	4.10	

Source: Survey Data (2025)

According to Table (4.6), the mean scores including the overall mean range between 3.41 and 4.20, which is at the agree level. The majority of audit clients agree that the audit services provided by Cho Group Services Company Limited are accurate, timely, and professionally executed. Clients also acknowledge that the audit team demonstrated strong technical skills and maintained clear communication throughout the engagement process. These responses reflect a shared perception that Cho Group Services Company Limited consistently delivers high-quality audit services that go beyond regulatory compliance expectations.

(f) Client Satisfaction

Client perception on client satisfaction is determined by five structured statements. These statements include various aspects such as satisfaction with audit performance, responsiveness to client concerns, fulfillment of expectations, and the audit team's understanding of business operations. The mean scores, overall mean, and standard deviations of client satisfaction are presented in Table (4.7).

Table (4.7) Client Satisfaction

Sr. No.	Description	Mean	SD
1	Satisfaction with current auditor performance	4.12	0.34
2	Auditor responsiveness to client needs	4.07	0.34
3	Consistency in meeting audit quality expectations	4.06	0.29
4	Overall satisfaction with the audit process	4.07	0.33
5	Audit team's understanding of client operations	4.07	0.32
	Overall Mean	4.08	

Source: Survey Data (2025)

According to Table (4.7), the mean scores including the overall mean range between 3.41 and 4.20, which is at the agree level. The majority of audit clients agree that they are satisfied with the overall performance of Cho Group Services Company Limited. Clients also acknowledge that the audit team is responsive to their needs and consistently meets quality expectations. Satisfaction with the audit process is supported by positive perceptions of how well the team understands client operations. The responses indicate that clients viewed the audit process as effective and aligned with their expectations, reinforcing a positive evaluation of service delivery.

(g) Client Loyalty

Client perception on client loyalty is determined by five structured statements. These statements cover various aspects such as the intention to continue using the current audit firm, trust in the firm's advice, resistance to switching auditors, and willingness to recommend the firm to others. The mean scores, overall mean, and standard deviations of client loyalty are presented in Table (4.8).

Table (4.8) Client Loyalty

Sr. No.	Description	Mean	SD
1	Intention to continue using the current audit firm	4.10	0.42
2	Willingness to recommend the audit firm to others	4.13	0.38
3	Low tendency to switch auditors	3.97	0.45
4	Trust in auditor's advice and recommendations	4.07	0.27
5	Strength of partnership with the audit firm	4.06	0.33
	Overall Mean	4.07	

Source: Survey Data (2025)

According to Table (4.8), the mean scores including the overall mean range between 3.41 and 4.20, which is at the agree level. The majority of audit clients agree that they intend to continue using the services of Cho Group Services Company Limited. Respondents also agree that they are unlikely to switch audit firms easily. Clients perceive that the trust they place in their auditor's professional advice contributes to a strong working relationship. In addition, they agree that the strength of the partnership between the audit firm and client enhances overall client loyalty, fostering a continued collaboration.

4.2 Analysis on the Factors Influencing Audit Quality in Cho Group Services Co., Ltd.

This section presents the effect of four independent variables—audit tenure, audit rotation, audit firm size, and client company size—on the dependent variable, audit quality. The linear regression method is used to analyze how each factor contributes to the level of perceived audit quality. The regression results are summarized in Table (4.9)

Table (4.9) Factors Influencing Audit Quality

Variable	Unstandardized Coefficients		Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	0.481	0.335		1.434	0.154	
Audit Tenure	0.109*	0.056	0.121	1.931	0.055	1.119
Audit Rotation	0.006	0.047	0.008	0.123	0.902	1.324
Audit Firm Size	0.089	0.057	0.098	1.561	0.121	1.116
Client Company Size	0.698***	0.075	0.619	9.271	.001	1.269
R	0.693					
R Square	0.48					
Adjusted R Square	0.466					
Durbin-Watson	1.887					
F Value	34.113*					

Source: Survey Data (2025)

Notes: ***Significant at 1% level, ** Significant at 5% level, * Significant at 10% level

The regression results in Table (4.9) reveal the effect of four independent variables—audit tenure, audit rotation, audit firm size, and client company size—on audit quality. The adjusted R square of 0.466 indicates that approximately 46.6% of the variance in audit quality is explained by the model. The F-value of 34.113, which is statistically significant at the 1 percent significant level, shows that the overall model is statistically significant.

Among the independent variables, client company size has a positive and significant effect on audit quality at the 1 percent significance level. This indicates that as clients become larger and more complex, they tend to demand more rigorous, specialized, and high-quality of audit services. Larger firms are likely to implement more comprehensive internal controls and maintain detailed financial records,

prompting auditors to adopt advanced audit techniques. Thus, Cho Group Services Co., Ltd. is perceived to deliver higher audit quality when serving larger clients.

Audit tenure also has a positive and significant effect on audit quality at the 10 percent significant level. This indicates that longer auditor-client relationships contribute to improved audit quality, likely due to better understanding of the client's operations, systems, and risks. Extended engagement periods may foster more effective planning and efficient audit execution.

However, audit firm size and audit rotation did not show statistically significant effects on audit quality in this model. While audit firm size has a positive coefficient, it did not reach conventional levels of significance, indicating that the perceived audit quality delivered by Cho Group Services Co., Ltd. may not be solely driven by its size. Similarly, audit rotation yielded an insignificant effect, indicating that rotation of audit partners or firms is not perceived to strongly affect audit quality among clients in this context.

To summarize, based on the standardized coefficients, client company size emerges as the most influential factor determining audit quality, followed by audit tenure. These findings imply that Cho Group Services Co., Ltd. is more likely to be perceived as delivering higher quality audits when working with larger and more complex clients and when maintaining longer-term engagements. Therefore, focusing on relationship continuity and adapting to client scale may further enhance the firm's audit quality outcomes.

4.3 Analysis on the Mediating Effect of Client Satisfaction on the Relationship between Audit Quality and Client Loyalty

To test the mediation Effect of client satisfaction on the relationship between audit quality and customer loyalty, the following steps are followed.

1. Regression analysis on the effect of the independent variable on the dependent variable.
2. Regression analysis on the effect of the independent variable on the mediating variable.

3. Regression analysis on the effect of the independent variable and the mediating variable on the dependent variable.
4. Sobel Test for significance of mediating variable.
5. Finding indirect effect, direct effect, and total effect.

To analyze the mediating effect, the first step is to analyze the audit quality (independent variable) on client loyalty (dependent variable). The result are show in table (4.10)

Table (4.10) Effect of Audit Quality on Client Loyalty

Variable	Unstandardized Coefficients		Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	0.941	0.233		4.037	.001	
Audit Quality	0.763***	0.057	0.738	13.435	.001	1
R	0.738					
R Square	0.544					
Adjusted R Square	0.541					
Durbin-Watson	2.067					
F Value	180.49***					

Source: Survey Data (2025)

Notes: ***Significant at 1% level, ** Significant at 5% level, * Significant at 10% level

According to the analysis result shown in Table (4.10), the effect of audit quality on client loyalty is 0.738 and is significant at the 1% level. The R square value is 0.544, indicating that approximately 54.4% of the variance in client loyalty can be explained by audit quality. The analysis confirms that audit quality has a significant and positive effect on client loyalty. This result indicates that improved audit quality contributes substantially to enhancing client loyalty.

Then, the effect of audit quality (independent variable) on client satisfaction (mediation variable) is analyzed and the result is show in table (4.11).

Table (4.11) Effect of Audit Quality on Client Satisfaction

Variable	Unstandardized Coefficients		Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	1.343	0.244		5.495	.001	
Audit Quality	0.667***	0.060	0.674	11.212	.001	1
R	0.674					
R Square	0.454					
Adjusted R Square	0.451					
Durbin-Watson	2.105					
F Value	125.718***					

Source: Survey Data (2025)

Notes: ***Significant at 1% level, ** Significant at 5% level, * Significant at 10% level

According to the analysis result shown in Table (4.11), the effect of audit quality on client satisfaction is 0.674 and is significant at the 1% level. The R square value is 0.454, meaning that approximately 45.4% of the variance in client satisfaction can be explained by audit quality. The analysis indicates that audit quality has a significant and positive effect on client satisfaction. This result highlights the important role of audit quality in enhancing client satisfaction with auditing services.

In this step, the independent variables are audit quality and client satisfaction, the dependent variable is client loyalty. The result is shown in Table (4.12)

Table (4.12) Effect of Audit Quality and Customer Satisfaction on Client Loyalty

Variable	Unstandardized Coefficients		Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	0.361	0.228		1.581	0.116	
Audit Quality	0.475***	0.069	0.459	6.902	.001	1.833
Client Satisfaction	0.432***	0.069	0.414	6.218	.001	1.833
R	0.799					
R Square	0.638					
Adjusted R Square	0.633					
Durbin-Watson	1.796					
F Value	132.088***					

Source: Survey Data (2025)

Notes: ***Significant at 1% level, ** Significant at 5% level, * Significant at 10% level

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According to Table (4.12), the coefficient value of audit quality to client loyalty is 0.475 with a standard error value of 0.069, and the coefficient value of client satisfaction to client loyalty is 0.432 with a standard error value of 0.690. The R Square value of 0.638 indicates that approximately 63.8% of the variance in client loyalty can be explained by audit quality and client satisfaction.

This analysis indicates that both audit quality and client satisfaction have positive and significant effect on client loyalty. The model explains a substantial portion of the variance in client loyalty, and the combination effect of predictors such as audit quality and client satisfaction is significant.

Sobel Test is conducted to test the mediating effect of client satisfaction between audit quality and client loyalty. The result is shown in Table (4.13).

Table (4.13) Sobel Test Result for Mediating Effect of Client Satisfaction on the Relationship between Audit Quality and Client Loyalty

Input		Test Statistics	St. Error	P-value	
a	0.667	Sobel Test	5.45519607	0.0528201	0.00000005
b	0.432	Arion Test	5.43851641	0.0529821	0.00000005
S _a	0.060	Goodman Test	5.47203014	0.0526576	0.00000004
S _b	0.069	Reset all	Calculate		

Source: Survey Data (2025)

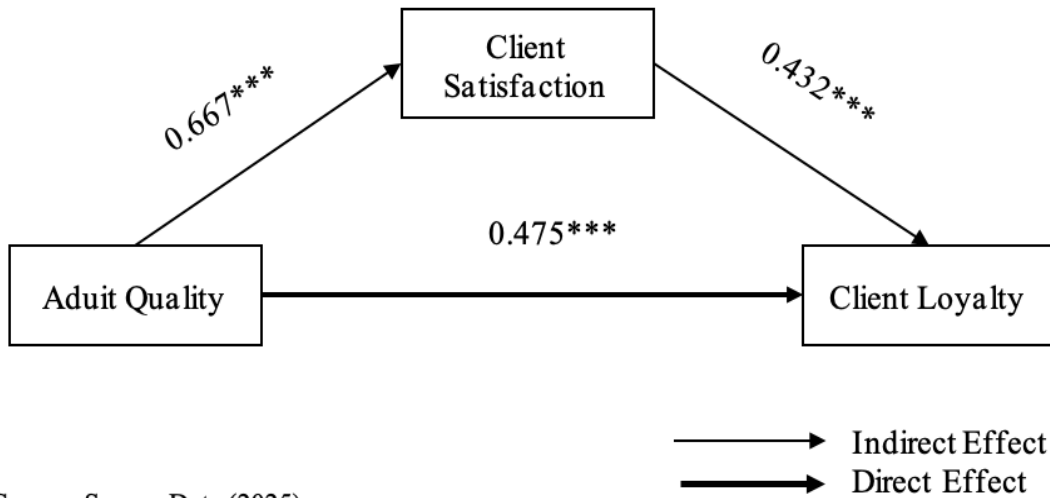
Notes: ***Significant at 1% level, ** Significant at 5% level, * Significant at 10% level

According to the results of Table (4.13), the p-values are less than 0.10. Thus, there is a mediating effect of client satisfaction on the relationship between audit quality and client loyalty at any conventional level of significance. The total effect, direct effect, and indirect effect are shown below.

$$\begin{aligned}
 \text{Total Effect} &= 0.763 \\
 \text{Direct Effect} &= 0.475 \\
 \text{Indirect Effect} &= 0.667 \times 0.432 = 0.288 \\
 \text{Direct Effect} + \text{Indirect Effect} &= \text{Total Effect} \\
 0.475 + 0.288 &= 0.763
 \end{aligned}$$

The mediating effect of client satisfaction on the relationship between audit quality and client loyalty is presented in Figure (4.1). The direct effect and indirect effect can be seen in Figure (4.1).

Figure (4.1) Mediating Effect of Client Satisfaction on the Relationship between Audit Quality and Client Loyalty



Source: Survey Data (2025)

Notes: ***Significant at 1% level, **Significant at 5% level, * Significant at 10% level

Figure (4.1) presents the mediating effect of client satisfaction on the relationship between audit quality and client loyalty. The results show that audit quality has a positive and significant effect on both client satisfaction and client loyalty. In addition, client satisfaction also has a significant effect on client loyalty. The Sobel test confirms that client satisfaction significantly mediates the relationship between audit quality and client loyalty. This means that better audit quality improves satisfaction, which in turn leads to stronger loyalty from clients.

CHAPTER 5

CONCLUSION

This chapter is the conclusion of the study that includes the findings and discussions of the previous chapters, the suggestions and recommendations of the study, and the needs for further research for those who are interested in a better understanding of audit quality, client satisfaction and client loyalty.

5.1 Finding and Discussions

The main objectives of this study are to examine the factors influencing audit quality and to analyze the mediating effect of client satisfaction on the relationship between audit quality and client loyalty at Cho Group Services Company Limited. This research employed both primary and secondary data sources. Primary data were collected using structured questionnaires with a 5-point Likert scale from a total of 153 clients of the firm, selected through a simple random sampling method. Secondary data were gathered from scholarly journals, previous studies, regulatory reports, and audit firm websites.

The demographic profile of the respondents reflects a diverse composition. The majority were finance and accounting professionals from small and medium-sized enterprises, with notable representation from service-based industries. Many respondents reported long-term engagement histories with Cho Group Services Company Limited, indicates a stable and recurring client base. This demographic pattern underscores the firm's strong market presence and trusted relationships across various industries, particularly among SMEs, which constitute a substantial portion of Myanmar's economic landscape.

The descriptive statistics reveals that respondents generally rated all constructs—audit tenure, audit rotation, audit firm size, client company size, audit quality, client satisfaction, and client loyalty—within the agree level. This uniformity in perception indicates a high level of consistency and satisfaction among clients toward the firm's overall audit performance.

For audit tenure, clients agree that long-term auditor engagement leads to more efficient audits, stronger understanding of business operations, and increased confidence in the relationship. This familiarity allows auditors to better tailor their work to client needs and minimize redundancies in future audits. Clients view extended tenure not as a threat to independence, but as a pathway to service effectiveness and relevance.

With respect to audit rotation, most respondents agree the importance of changing audit partners or team members periodically to maintain objectivity and professional skepticism. Audit rotation is positively associated with renewed perspectives and quality reinforcement, although it is not viewed as a decisive factor in the overall quality outcome. Nonetheless, the practice is appreciated as a governance mechanism that adds credibility to the audit process.

In terms of audit firm size, majority of the respondents agrees with Cho Group Services Company Limited is perceived to offer advantages in terms of available resources, professional capacity, and trustworthiness. Respondents generally agree that the firm's size supports its ability to manage complex audit tasks and deliver reliable outputs. However, while the firm's reputation and infrastructure are acknowledged, these aspects alone do not guarantee perceived audit quality in the absence of effective service delivery.

When considering client company size, majority of the respondents agree with it is evident that larger and more complex organizations expect more customized audit procedures, deeper expertise, and greater audit diligence. Respondents from such organizations believe that their audit needs are well met when auditors apply more rigorous methods and assign experienced professionals. This expectation drives demand for differentiated audit execution and stronger quality indicators.

Client perceptions of audit quality are agree level. Clients agree that the audit services provided are accurate, timely, and conducted with technical competence and professionalism. Respondents also indicate that communication throughout the engagement is clear and responsive, and that audit engagements deliver value beyond basic statutory compliance. The highest-rated factor is the timeliness of reporting, indicate that meeting deadlines remains a core expectation among clients.

Client satisfaction on audit firm is at agree level. Clients are satisfied with the performance of the audit team, their responsiveness to concerns, and the team's understanding of client operations. These aspects collectively shape the perception that audit engagements are not only compliant but also collaborative and efficient. Satisfaction arises from a combination of technical precision and relational responsiveness.

Client loyalty is confirmed through agree level with statements regarding intent to continue using Cho Group Services Company Limited, willingness to recommend the firm to others, and perceived strength of the client–auditor relationship. The responses indicate that clients value the consistency and reliability of service delivery, which contributes to an enduring relationship with the firm.

The regression analysis reveals that among the influencing factors, client company size and audit tenure have positive and significant effect on audit quality. As client company size exerts the positive and significant effect on audit quality, this indicates that larger clients tend to perceive higher audit quality, likely because they demand more rigorous procedures and receive more comprehensive service. Audit tenure also shows a significant positive effect, indicate that sustained relationships contribute to enhanced audit outcomes. In contrast, audit firm size and audit rotation do not show significant effects on audit quality, even though they are viewed positively in descriptive terms. This implies that clients may recognize these factors conceptually, but do not attribute improvements in audit quality to them in a measurable way.

Further analysis confirms that audit quality significantly and positively influences both client satisfaction and client loyalty. The model explains a substantial portion of the variance in client loyalty, and both direct and indirect effects are confirmed in the regression results.

Additionally, the Sobel test reveals that client satisfaction significantly mediates on the relationship between audit quality and client loyalty. This indicates that improving audit quality not only directly enhances loyalty but also boosts satisfaction, which further reinforces loyalty.

5.2 Suggestions and Recommendations

Several valuable suggestions and recommendations can be made in accordance with the comprehensive analysis of respondent perceptions on audit quality, client satisfaction, and client loyalty towards Cho Group Services Company Limited. This study focuses on two objectives. The first objective is to examine the factors influencing audit quality at Cho Group Services Company Limited. The second objective is to analyze the mediating effect of client satisfaction on the relationship between audit quality and client loyalty towards Cho Group Services Company Limited.

According to the results, client company size and audit tenure are observed to positively affect perceived audit quality. To maintain and improve this aspect, Cho Group Services Company Limited should continue to tailor its audit approach according to the size and complexity of client organizations. Larger clients require more specialized procedures, cross-functional expertise, and experienced audit personnel. To address this, the firm should invest in capacity development for complex audit environments by training staff in sector-specific risks and regulatory frameworks.

To enhance the benefits of audit tenure, Cho Group Services Company Limited should ensure that long-term engagements continue to deliver value while preserving auditor independence. Regular internal reviews of long-standing client accounts should be conducted to refresh audit strategies, challenge assumptions, and maintain professional skepticism. At the same time, documenting institutional knowledge can help new audit team members onboard efficiently during rotations without loss of service quality.

Although audit firm size and audit rotation do not show significant effects on perceived audit quality, they remain important components in shaping client trust. The firm should continue to uphold professional standards through periodic audit team rotation to reinforce objectivity and reduce familiarity bias. A structured succession plan for audit partners and team members should be implemented to ensure smooth transitions without affecting audit continuity or client relationships. Moreover, the firm's existing size and reputation should be leveraged by showcasing successful engagements and reinforcing brand visibility in professional networks.

The study also reveals that audit quality significantly influences both client satisfaction and client loyalty. Clients are highly satisfied when audits are delivered

with technical accuracy, timeliness, responsiveness, and clarity. To sustain this satisfaction, Cho Group Services Company Limited should actively seek feedback from clients after each audit engagement. Post-engagement evaluations and feedback sessions can help the firm identify areas for improvement and align service delivery with evolving client expectations.

To maintain high levels of client satisfaction, the firm should further strengthen its client communication strategies. Clear explanations of audit findings, timely follow-ups, and transparent discussions about issues of concern contribute to a collaborative engagement experience. By enhancing auditor–client dialogue, the firm can improve service perception and reinforce the professional value it brings to clients.

The second objective is to analyze the mediating effect of client satisfaction on the relationship between audit quality and client loyalty towards Cho Group Services Company Limited, the results show that audit quality significantly influences client satisfaction, which in turn enhances client loyalty. When clients perceive audits as accurate, timely, and professionally delivered, they not only feel satisfied but also develop a stronger inclination to continue the relationship with the audit firm. To cultivate this satisfaction, Cho Group Services Company Limited should proactively collect and respond to client feedback. Tools such as post-engagement surveys and structured follow-up meetings should be utilized to assess service expectations, identify gaps, and personalize future audit engagements.

To foster stronger client loyalty, the firm may consider developing engagement programs that recognize long-term clients through personalized attention, value-added advisory services, and industry-specific insights. Regular communication, client-specific updates, and timely responsiveness are key to maintaining trust and reinforcing satisfaction.

Overall, the firm should adopt a client-centric strategy that blends audit service excellence with relationship management. This includes continuous professional development for staff, investment in digital tools to improve efficiency, and data-driven service refinement based on client preferences. Regular tracking of satisfaction and loyalty metrics will allow the firm to remain agile and responsive to changing market needs.

5.3 Needs for Further Research

Firstly, this study is limited in scope due to a relatively modest sample size of 153 respondents, focusing exclusively on existing clients of Cho Group Services Company Limited. While the data provided valuable insights into client perceptions, it may not fully reflect the diversity of the firm's entire client portfolio. Future research should expand the sample size to include a broader range of clients across different industries, organization sizes, and audit engagement durations. Broader sampling will allow for more generalizable and robust conclusions regarding audit service quality, satisfaction, and loyalty.

Secondly, while this research primarily relied on quantitative data collected through structured questionnaires, future studies should consider integrating qualitative research methods such as in-depth interviews or focus group discussions. These methods can uncover deeper insights into client experiences, expectations, and perceptions that are not easily captured through survey instruments alone. A qualitative approach would allow researchers to explore the nuances of auditor–client relationships and the subjective elements of service evaluation in greater detail.

Moreover, this study examined the mediating effect of client satisfaction on the relationship between audit quality and client loyalty. However, it did not explore the effect of digital service interactions, such as client access to online audit portals, automated reporting systems, or digital communication channels. As digital engagement becomes an increasingly integral part of audit service delivery, future research should investigate how technology adoption, user interface quality, and online responsiveness influence client satisfaction and loyalty.

Additionally, this study focused solely on Cho Group Services Company Limited. While this single-firm approach allowed for a focused analysis, it also limits comparative understanding across the audit industry. Future research could adopt a multi-firm approach, comparing audit quality perceptions, client satisfaction, and loyalty across several professional service firms in Myanmar. Such comparative studies would offer broader benchmarking insights and highlight best practices that can guide service improvement strategies across the sector.

Finally, future research could also examine the moderating roles of variables such as industry type, audit fee sensitivity, and frequency of engagement on the

relationship between audit quality and client loyalty. These contextual factors may influence client perceptions and behavior in meaningful ways and provide a more comprehensive understanding of the audit service experience.

In conclusion, by addressing these limitations and expanding the methodological and contextual scope of future research, scholars and practitioners can gain a more nuanced understanding of audit quality and client relationship dynamics in the professional services industry. Such insights will be vital for shaping effective engagement strategies, enhancing service quality, and sustaining long-term client loyalty in an increasingly competitive audit market.

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APPENDIX A
QUESTIONNAIRE SURVEY

**Effect of Audit Quality on Client Loyalty towards “Cho Group
Services Company Limited”**

Dear respondents, the purpose of the study is to explore the factors influencing on audit quality at Cho Group Services Company Limited. This survey is purposed to conduct the effect of audit quality on client loyalty through client satisfaction as a mediating variable for academic paper of Executive Master of Business Administration graduation. The information of respondents and data is confidentially used for academic purpose only. Please kindly answer the following questions.

Please kindly answer the following questions. I need your valuable cooperation. Thank you.

Pyae Phyo Zaw
EMBA II - 95
EMBA 20th Batch Online (2023-2025)
Yangon University of Economics

Section A: General Information

1. Name of Company

2. Type of Industry

- Trading Service Manufacturing Banking/ Finance Other

3. Position in the Company

- Finance / Account Operation Sale & Marketing Human Resources Other

4. Years working with current external audit firm

5. Company size

- Micro Small Medium Large Prefer not to say

Section B: Audit Tenure

Instruction: Based on the scale below, Please Pick tick (✓) the number of your choice to indicate the extent you agree or disagree with the statement.

1= Strongly Disagree, 2= Disagree, 3= Neutral,

4=Agree, 5= Strongly Agree

Audit Tenure

No.	Description	1	2	3	4	5
1	Our current auditor has served our company for multiple years.					
2	Auditors with longer relationships tend to provide better quality service.					
3	We feel more confident in long-term audit relationships.					
4	Long auditor tenure contributes to more efficient audit processes.					
5	Longer tenure improves the auditor's understanding of our business.					

Audit Rotation

No.	Description	1	2	3	4	5
1	Rotation of audit partners helps maintain objectivity.					
2	Partner rotation improves audit independence.					
3	Audit firm rotation helps avoid long-term bias.					
4	We notice improvement in quality when new audit partners take over.					
5	Changes in auditor are well-managed and do not reduce quality.					

Audit Firm Size

No.	Description	1	2	3	4	5
1	Larger audit firms provide higher quality services.					
2	Big audit firms are better equipped to identify complex issues.					
3	Large firms have more resources to meet our expectations.					
4	Firm size contributes to our trust in their reports.					
5	We chose our auditor partly based on their size and reputation.					

Client's Company Size

No.	Description	1	2	3	4	5
1	Our company's size demands higher-quality audit services.					
2	We expect auditors to adjust their procedures based on our organizational complexity.					
3	The complexity of our operations requires experienced auditors.					
4	Our company size influences the duration and depth of audit activities.					
5	Our business structure necessitates detailed and specialized audit work.					

Audit Quality

No.	Description	1	2	3	4	5
1	The auditor provides accurate and reliable financial opinions.					
2	We receive timely audit reports.					
3	The audit team is technically competent.					
4	Our auditor communicates clearly and effectively.					
5	The audit provides value beyond just compliance.					

Client Satisfaction

No.	Description	1	2	3	4	5
1	We are satisfied with our current auditor's performance.					
2	The audit team listens to and understands our needs.					
3	Our expectations of audit quality are consistently met.					
4	We are satisfied with the overall audit process.					
5	The audit team demonstrates a good understanding of our business.					

Client Loyalty

No.	Description	1	2	3	4	5
1	We plan to continue using this audit firm.					
2	We would recommend this audit firm to other businesses.					
3	We rarely consider switching to another auditor.					
4	We trust the audit firm's advice and recommendations.					
5	We feel a strong partnership with our auditor.					

Thanks you for your kind participation.

APPENDIX B
STATISTICAL OUTPUT

Analysis on Mediation Effect of Client Satisfaction on the Relation Between Audit Quality and Client Loyalty

(i) Regression Analysis Result for Effect of Audit Quality and Client Loyalty

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Wastson
1	.738 ^a	.544	.541	.20065	2.067

a. Predictors: (Constant), Audit Quality Mean

b. Dependent Variable: Client Loyalty

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.267	1	7.267	180.490	.001
	Residual	6.080	151	.040		
	Total	13.346	152			

a. Dependent Variable: Client Loyalty Mean

b. Predictors: (Constant), Audit Quality Mean

Model	Unstandardized Coefficients		Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	.941	.233		4.037	.001	
Audit Quality (Mean)	.763	.057	.738	13.435	.001	1

a. Dependent Variable: Client Loyalty Mean

(ii) **Regression Analysis Result for Effect of Audit Quality and Client Satisfaction**

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Wastson
1	.674 ^a	.454	.451	.21032	2.105

a. : (Constant), Audit Quality Mean

b. Dependent Variable: Client Satisfaction Mean

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.561	1	5.561	125.718	.001 ^b
	Residual	6.679	151	.044		
	Total	12.241	152			

a. Dependent Variable: Client Satisfaction Mean

b. Predictors: (Constant), Audit Quality Mean

Model	Unstandardized Coefficients		Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	1.343	.244		5.495	.001	
Audit Quality (Mean)	.667	.060	.674	11.212	.001	1

a. Dependent Variable: Client Satisfaction Mean

(iii) **Regression Analysis Result for Mediating Effect of Client Satisfaction on the Relationship between Audit Quality and Client Loyalty**

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Wastson
1	.799 ^a	.638	.633	.17951	1.796

a. Predictors: (Constant), Audit Quality Mean, Client Satisfaction Mean,

b. Dependent Variable: Client Loyalty Mean

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.513	2	4.256	132.088	.001 ^b
	Residual	4.834	150	.032		
	Total	13.346	152			

a. Dependent Variable: Client Loyalty Mean

b. Predictors: (Constant), Audit Quality Mean, Client Satisfaction Mean

Model	Unstandardized Coefficients		Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	.361	0.228		1.581	.116	
Audit Quality (Mean)	.475	.069	.459	6.902	.001	1.833
Client Satisfacion (Mean)	.432	.069	0.414	6.218	.001	1.833

a. Dependent Variable: Client Loyalty Mean

Sobel Test Result for Mediating Test of Client Satisfaction on the Relationship between Audit Quality and Client Loyalty

Input			Test Statistics	St. Error	P-value
a	0.667	Sobel Test	5.45519607	0.0528201	0.00000005
b	0.432	Arion Test	5.43851641	0.0529821	0.00000005
S _a	0.060	Goodman Test	5.47203014	0.0526576	0.00000004
S _b	0.069	Reset all	Calculate		

Analysis on the Factors Influencing Audit Quality

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Wastson
1	.693 ^a	.480	.466	.20952	1.887

a. Predictors: (Constant), Audit Tenure Mean, Audit Rotation Mean, Audit Firm Size Mena, Client Company Size Mean

b. Dependent Variable: Audit Quality Mean

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.990	4	1.497	34.113	.001 ^b
	Residual	6.497	148	.044		
	Total	12.487	152			

a. Dependent Variable: Audit Quality Mean

b. Predictors: (Constant), Audit Tenure Mean, Audit Rotation Mean, Audit Firm Size Mena, Client Company Size Mean

Model	Unstandardized Coefficients		Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	.481	0.335		1.434	.154	
Audit Tenure(Mean)	.109	.056	.121	1.931	.055	1.119
Audit Rotation (Mean)	.006	.047	.008	6.218	.902	1.324
Audit Firm Size (Mean)	.089	.057	.098	1.561	.121	1.116
Client Company Size (Mean)	.698	.075	.619	9.271	.001	1.269

a. Dependent Variable: Audit Quality Mean