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# THE EFFECT OF AUDIT QUALITY AND SERVICE QUALITY ON CLIENT SATISFATION AND CLIENT LOYALTY: AN EMPIRICAL RESEARCH OF THAI-LISTED COMPANIES

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## ABSTRACT

*The objective of this research is to examine the effect of both audit quality and service quality on client satisfaction in perceive of Thai-listed firms. Moreover, the relationships between client satisfaction and client loyalty via the moderator effect of auditor-client relationships are also investigated. The research model and hypotheses are built on resource-based view (RBV) of the firm, and relevance literature of both auditing and marketing research. Thai-listed companies are samples of the research by using questionnaire as an instrument. The results indicate that both audit quality and service quality has a significant effect on client satisfaction. Moreover, client satisfaction has a positive significant on client loyalty via the moderating effect of auditor-client relationships. Overall, the results of this research contribute to motivate audit firms to emphasize on building audit quality and service quality in order to enhance client satisfaction and loyalty in the more competitive environment. Moreover, this research suggests venues for future in audit firm.*

**Keywords:** *Audit Quality, Service Quality, Client Satisfaction, Client Loyalty*

## 1. INTRODUCTION

In the current time, markets of audit service are increasingly characterized by intense world-wide competition, more pressure, complex services, technological innovations, and long-term growth trend (Francis, 2011; Kirsch et al., 2000). Thus, audit firms have expanded greatly in term of worldwide revenue for example audit firms is broadly scope service such as consulting service, taxation, secretarial practice, review engagement and other related non-assurance service (Daniels and Booker, 2011; GAO, 2003; Read and Tomczyk, 1992). Moreover, audit client is highly expectation more than the previous (Adeyemi et al., 2012; Branson and Breesch, 2004; Humphrey et al., 1993; Chandler et al. 1993).

Successful audit firm must continually strive to exceed client expectation and maximize client satisfaction (Ismail et al, 2006; Behn et al., 1997; Read and Tomczyk, 1992). Thus, the new trend of audit firm seems inclined to meet these demands by expanding their scope of services. The challenge of audit firm is to understand the determinant of client satisfaction that high quality service is essential for audit firm success (Daugherty and Tervo, 2008; Ismail et al., 2006; Samelson et al., 2006). Many marketing researches have concluded that there is a significant relationship between customer satisfaction and loyalty (Bowden, 2009; Cater and Zabkar, 2008; Caruana et al., 2000; Bloemer et al., 1999). With regard to auditing research also found that client satisfaction is associated with client loyalty (Ruyter et al., 1999; Ismail et al., 2006; Behn, 1997, 1999).

A lot of marketing researches were study client satisfaction in many service firms such as clients of advertising agency, marketing research providers, consults firms, health care service, restaurants and financial service (Cater, 2008). However, client satisfaction in audit firm context has remained a little empirical evidence (DeFond and Lennox, 2011; Ismail et al., 2006; Ruyter and Welzel, 1998; Behn et al., 1997; Carcello, 1992). Thus, this research is concentrate with to investigate the association among service quality, audit quality, client satisfaction, and loyalty of audit client in Thailand.

The main objectives of this research are as follows: (1) To investigate the factors that effects on client satisfaction of audit client in Thailand, and (2) To investigate the association among audit quality, service quality, client satisfaction, and loyalty of audit client in Thailand. Moreover, the key research question are as follows: (1) What is the dimension of both audit quality and service quality that are associated with client satisfaction of audit client in Thailand?, and (2) How is the association among audit quality, service quality, client satisfaction, and loyalty of audit client in Thailand?

This research generates both theoretical and managerial contributions. In the theoretical contribution, this research provides important extension on previous knowledge and relevant literature both audit quality and service quality. Moreover, this research focuses on the key dimensions of both audit quality and service quality that can enhance client satisfaction, and client loyalty. Moreover, for this research focus on the moderator effect of audit-client relationships on the relationship between client satisfaction and client loyalty. In managerial contribution, this research provide information for audit firm that improves both audit quality and service quality giving correspond with the requirement of client in order to gain sustainability and success in the more competitive environment.

The remainder of the research is organized as follows. The second section provides the theoretical framework, resource-based view of the firm. The third section provides a brief literature review and hypothesis development. The fourth section provides research methods. The fifth section provides results and discussion. The sixth provides implication of research. The last section provides the conclusion.

## **2. THEORETICAL FOUNDATION AND RESEARCH MODEL**

### **Resource-Based View: Internal Resource and Capability**

The resource-based view (RBV) of the firm refers to bundles of resources heterogeneously distributed across firms, and that resource differences persist over time (Barney, 1991; Russo and Fouts, 1997). Resources include various elements that can be used to implement value-creating strategies such as specific physical assets, intangible assets, human resources, and competencies (Henri, 2006). The RBV emphasizes on the firm-specific resources that are the sources of competitive advantage. The more valuable resources will create sustainable competitive advantage and bring better performance (Barney, 1991; Russo and Fouts, 1997). The key of resource-based approach strategy formulation is to understand the relationships among internal resources, capabilities, competitive advantage, and performance (Preutthipan, 2000).

Firm's resource and capabilities are strengths that firm can use to conceive and implement its strategies for enhanced performance (Porter, 1981). Moreover, internal resources may be both tangible and intangible assets such as financial and capital assets, resources, technical competencies, experience, and research and development capabilities that are the factors affecting successful in project management (Isik et al., 2008). With regard to the RBV, firms attempt to exploit valuable, heterogeneous, rare, and inimitable resources to develop and sustain competitive advantages (Russo and Fouts, 1997; Henri, 2006).

For this research employs the RBV to explain both audit quality and service quality that influence on client satisfaction and through to client loyalty (Bharadwaj et al., 1993). For this research, internal resources and capabilities including both audit quality (industry expertise, client experience, audit manager involvement, audit committee involvement, and skepticism), and service quality (readily responsibility, highly reliability, assurance, fully empathy, and complete equipment) are setting as the antecedents of the research model.

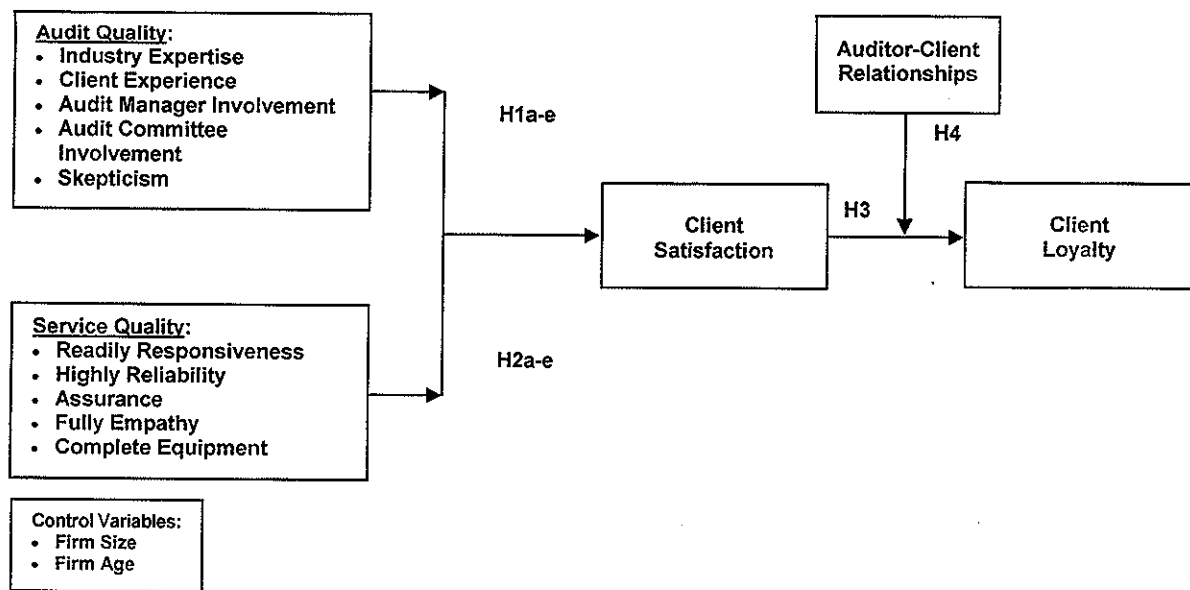
In the research model show that both audit quality and service quality is associated with client satisfaction. Moreover, client satisfaction is hypothesized to be positively associated with client loyalty which has moderating effect of audit-client relationships. Overall, this research has developed the research model and hypotheses as shown in Figure 1 which builds on resource-based view of the firm and relevant literature as follows.

## **3. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **3.1. Audit Quality and Client Satisfaction**

Audit quality is defined as audit firm focus on quality-control procedures in order to maintain and strictly high standards by following GASS (Wooten, 2003). For, this research is identifying audit quality in five dimension including industry expertise, client experience, audit manager involvement, audit committee involvement, and skepticism (Samelson et al., 2006; Francis, 2004; Wooten, 2003; Behn et al., 1997; Sutton, 1993; Carcello et al., 1992).

**FIGURE 1: RESEARCH MODEL OF AUDIT QUALITY, SERVICE QUALITY AND ITS CONSEQUENCE**



Client satisfaction is defined as total client satisfaction which is determined by the confirmation or disconfirmation of expectation with perception of performance on various service items. A positive disconfirmation leads to client satisfaction and a negative disconfirmation leads to client dissatisfaction. For this research was categorized dimension of audit client satisfaction following. (1) Satisfaction with the firm is a broader construct and may reflect the audit firm's reputation, audit approach, and other attribute of audit quality, and (2) Satisfaction with the team is a narrower construct that may reflect the nature of the day-to-day interaction between the client and the audit team member (Kohn and Woo, 2001; Chebat et al., 1998).

Audit quality attribute is important in rendering of audit services. Audit firm are higher concentration of client's industry expertise, client experience, audit manager involvement, audit committee involvement, and skepticism will have higher audit quality (Wooten, 2003; Behn et al., 1997; Carcello et al., 1992). Auditing research found that audit quality attributes are also associated with client satisfaction. Hence, the hypothesis is proposed as follows:

**Hypothesis 1: The higher audit quality: a) industry expertise, b) client experience, c) audit manager involvement, d) audit committee involvement, and e) skepticism is, the more likely that the firms will gain greater client satisfaction.**

### 3.2. Service Quality and Client Satisfaction

Service quality is defined as customer's impression of the service provided or the consumer's overall impression of the relative inferiority/superiority of firm and its services (Ismail et al., 2006; Ruyter et al., 1998; Graham, 1995). Service quality is a critical component of customer perception because it is an antecedent to client satisfaction. Thus, most of researchers have measured service quality of a firm by comparing the service users' expectation with actual performance (Ismail et al, 2006; Kohli and Jaworski, 1990). The prior research also found that service quality including readily responsiveness, highly reliability, assurance, fully empathy, and complete equipment has positive relationship with client satisfaction (Ismail et al, 2006; Wooten, 2003; Ruyter and Wetzels, 1999). Hence, the hypothesis is proposed as follows:

**Hypothesis 2: The higher service quality: a) readily responsiveness, b) highly reliability, c) assurance, d) fully empathy, and e) complete equipment is, the more likely that the firms will gain greater client satisfaction.**

### **3.3. Client Satisfaction and Client Loyalty**

Prior research in auditing reveals that researchers measure client satisfaction by surveyed controllers and CFOs regarding audit firm performance, reputation, and excellence in various areas. According to marketing research also use overall impression about service firm by survey audit client satisfaction (Cater and Zabkar, 2008; Bowden, 2009; Caruana et al., 2000; Bloemer et al., 1999). Most of prior research shows that client satisfaction has a positive relationship with client loyalty (Cater, 2008; Ismail et al., 2006; Bongso, 2004; Ruyter and Wetzels, 1999; Behn, 1999; Andreassen and Lindestad, 1998). Hence, the hypothesis is proposed as follows:

***Hypothesis 3: The higher client satisfaction is, the more likely that the firms will gain greater client loyalty.***

### **3.4. The Moderator Effect of Audit-Client Relationships on the Relationship between Client Satisfaction and Client Loyalty**

The marketing literature now abounds with numerous research papers emphasizing the pay-off from buyer-seller relationships in terms of profitability. In recent auditing literature as in the broader context of all social science dealing with relationships, it has been recognized that commitment is a central element in establishing and maintaining long-term relationships (Ruyter and Wetzels, 1999). Prior research found that has moderator effect of audit-client relationships on the relationships between client satisfaction and client loyalty (Cater and Zabker, 2008; Behn et al., 1997; Ruyter and Wetzels, 1999). Hence, the hypothesis is proposed as follows:

***Hypothesis 4: Audit-client relationships will positively moderate of client satisfaction and client loyalty.***

## **4. RESEARCH METHODS**

### **4.1 Sample and Data Collection Procedure**

Sample of this research is the companies in the Stock Exchange of Thailand (SET). The main reason to choose them for investigation is that they are large firms with hierarchical structure, a lot of authorized capital, and process standardization (Pavabutr and Prangwattananon, 2009). An accounting controllers or chief accountant officers are chosen as a key participant because they have an important direct and indirect effect on audit service quality from audit firm (Andreassen and Lindestad, 1998). [www.sec.or.th](http://www.sec.or.th) is used for identifying a number of Thai-listed companies. A mail survey procedure via the questionnaire was used for data collection and returned by the respondents directly to the researcher to ensure confidentiality.

All 579 Thai-listed companies were selected as the sample size. With regard to the questionnaire mailing, 10 questionnaires were undeliverable because some firms were no longer in business or had moved to unknown locations. Deducting the undeliverable from the list of database, the valid mailing was 569 questionnaires, from which 125 responses were received. The questionnaires were completed and returned only 114 were usable. The effective response rate was approximately 20.03%. According to Aaker et al. (2001) the response rate for a mail survey, without an appropriate follow-up procedure, is less than 20%. Thus, the response rate of this research is considered acceptable.

For non-response bias testing, this research was concerned to detect a possible problem with non-response errors, the assessment and investigation of non-response-biased was centered on two different procedures. Firstly, a comparison of sample statistics knows values of population such as the amount of capital, the number of employees, and the age of company. Secondly, a comparison of first wave and second wave data was recommended by Armstrong and Overton (1977). This research found that there was no difference in t-test with comparable-samples of early versus late responses indicating that non response bias was not a major problem in this research.

## **4.2 Questionnaire Development and Variable Measurement**

### **4.2.1 Questionnaire Development**

In this research, a questionnaire consists of six parts. Part one asks for personal information. Part two is for general information of Thai-listed Company. Part three through five are related to evaluating each of constructs in the conceptual model designed by a five-point Likert scales, ranging from 1 (strong disagree) to 5 (strongly agree). Part three is the measurement of audit quality attribute including industry expertise, client experience, audit manager involvement, audit committee involvement, and skepticism. Part four is the measurement of service quality attribute including readily responsiveness, highly reliability, assurance, fully empathy and complete equipment. Part five is the consequences of both audit quality and service quality including client satisfaction, auditor-client relationships and client loyalty. Finally, an open-ended question for accounting controller's suggestions and opinions is included in part six.

### **4.2.2 Variable Measurement**

The measure development procedures involve the multiple items development for measuring each construct in the conceptual model. All constructs are the abstractions that cannot be directly measured or observed and should be measured by multiple items (Churchill, 1979). These constructs are transformed to the operational variables for truly measuring by adapting relevance literature. To measure each construct in the conceptual model, all of variables are gained from the survey and are measured by a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

#### **4.2.2.1 Dependent Variable**

##### **Client Loyalty and Client Satisfaction**

Client loyalty can be measurement via word of mouth, complaining, behavior and purchase intention of client (Ismail et al, 2006; Andressen and Lindestad, 1998). Thus, client loyalty refer to the probability that client will return and is ready to perform partnering activity. This behavior intention includes renewing the contract, making recommendations and increasing patronage (Cater and Zabkar, 2008; Ismail et al., 2006; Ruyter and Wetzels, 1999). Client satisfaction can be measurement via perceived overall impression of client about service from CPA, audit team and audit firm by regarding service quality, reputation, and excellence in various areas (Cater and Zabkar, 2008; Bowden, 2009; Caruana et al., 2000; Bloemer et al., 1999). Client loyalty and client satisfaction is measured using three-item scale modified from Cater, 2008; Ismail et al., 2006; Bongsu, 2004; Ruyter and Wetzels, 1999; Andressen and Lindestad, 1998; Behn, 1997; and Behn, 1999.

#### **4.2.2.2 Independent Variables**

##### **Audit Quality and Service Quality**

This research consists of two independent variables; audit quality and service quality. For this research is identifying audit quality in five dimension including industry expertise, client experience, audit manager involvement, audit committee involvement, and skepticism (Samelson et al., 2006; Francis, 2004; Wooten, 2003; Behn et al., 1997; Sutton, 1993; Carcello et al., 1992). Industry expertise refers to CPA and audit teams are a more specialization in a particular industry. Client experience refers to CPA and audit teams are a more in-depth understanding about particular client. Audit manager involvement refers to executive (partner/manager) of audit firm are attention in auditing process and actively involved in the engagement. Audit committee involvement refers to CPA and audit teams interacted effectively with the audit committee before, during and after the audit engagement. Finally, skepticism refers to CPA and audit teams are more personal maintain and develop skeptical attitude (Samelson et al., 2006; Francis, 2004; Wooten, 2003; Behn et al., 1997; Sutton, 1993).

For this research is identifying service quality in five dimensions including readily responsibility, highly reliability, assurance, fully empathy, and complete equipment (Ismail et al., 2006; Homburg et al., 2002; Ruyter et al., 1998; Behn et al., 1997; Graham, 1995). Readily responsiveness refers to the willingness of CPA and audit teams assist client and provide prompt service. Highly reliability refers to the ability to perform the promised service dependably and accurately. Assurance refers to of CPA and audit teams' knowledge and courtesy, and their ability to inspire trust and confidence. Fully empathy is the caring, individualized attention the employees of teams provide to clients. Finally, complete equipment refers to the appearance of physical facilities, equipment personal and written materials (Ismail et al., 2006; Ruyter et al., 1998; Behn et al., 1997; Graham, 1995). All dimensions of audit quality and service quality attribute are measured using three-item scale modified from prior literature.

#### 4.2.2.3 Moderator Variables

The research model shows that client satisfaction is hypothesized to be positively associated with client loyalty which has moderating effect of audit-client relationships. The auditor-client relationship refers to the situation of two parties' work together (auditor and client) to achieve mutual objective. The long term relationship of auditor and client present from intention to engagement with current audit firm (Ruyter and Wetzels, 1999; Carcello et al. 1998; Read and Tomczyk, 1992).

#### 4.2.2.4 Control Variable

Two control variables are included to account for firm characteristics that may influence the hypothesized relationships which are firm age and size. Firm age is measured by the number of years that company has been in operation, and size is measured by total assets of the company. Firm performance may be influenced by firm age and firm size because it may be able to achieve superior performance (Tontiset and Sirilak, 2013).

### 4.3 Reliability and Validity

Factor analysis was firstly utilized to investigate the underlying relationships of a large number of items and to determine whether they can be reduced to a smaller set of factors. The factor analyses conducted were done separately on each set of the items representing a particular scale due to limited observations. With respect to the confirmatory factor analysis (CFA), this analysis has a high potential to inflate the component loadings based on a higher rule-of-thumb at a cut-off value of 0.40 (Hair et al., 2006). All factor loadings are greater than the 0.40 cut-off (0.86-0.99) and are statistically significant. The reliability of the measurements was evaluated by Cronbach alpha coefficients (0.89-0.98) which are greater than 0.70 (Hair et al., 2006). The scales of all measures appear to produce internally consistent results. Table 1 presents the results both factor loadings and Cronbach alpha for multiple-item scales. Thus, this research expresses an accepted validity and reliability as shown below.

### 4.4 Statistic Test

The Ordinary Least Squares (OLS) regression analysis is used to test all hypotheses of research model. For this research, both dependent and independent variables are categorical and interval data. Thus, OLS is an appropriate method for examining the hypothesized relationships of this research model (Aulakh et al., 2000). The relationship among independent, dependent and control variable of this research model was initially assessed using regression analysis (Frazier et al., 2004). The models of the aforementioned relationships are shown as follows:

$$\text{Equation 1: } CS = \alpha_1 + \beta_1 IE + \beta_2 CE + \beta_3 AMI + \beta_4 ACI + \beta_5 SK + \beta_6 FS + \beta_7 FA + \varepsilon$$

$$\text{Equation 2: } CS = \alpha_2 + \beta_8 RR + \beta_9 HR + \beta_{10} AS + \beta_{11} FE + \beta_{12} CE + \beta_{13} FS + \beta_{14} FA + \varepsilon$$

$$\text{Equation 3: } CL = \alpha_3 + \beta_{15} CS + \beta_{16} ACR + \beta_{17} (CS \times ACR) + \beta_{18} FS + \beta_{19} FA + \varepsilon$$

**TABLE 1**  
**RESULTS OF FACTOR LOADINGS AND CRONBACH ALPHA COEFFICIENTS**

Variables	Factor Loadings	Cronbach Alpha
Client Loyalty (CL)	0.96-0.97	0.96
Client Satisfaction (CS)	0.94-0.98	0.96
Auditor-Client Relationships (ACR)	0.93-0.99	0.96
Industry Expertise (IE)	0.90-0.94	0.91
Client Experience (CE)	0.92-0.94	0.92
Audit Manager Involvement (AMI)	0.87-0.93	0.89
Audit Committee Involvement (ACI)	0.86-0.95	0.89
Skepticism (SK)	0.96-0.99	0.98
Readily Responsiveness (RR)	0.94-0.96	0.95
Highly Reliability (HR)	0.97-0.99	0.97
Assurance (AS)	0.91-0.94	0.92
Fully Empathy (FE)	0.89-0.94	0.90
Complete Equipment (CE)	0.98-0.99	0.90

## 5. RESULTS AND DISCUSSION

The descriptive statistics and correlation matrix for all variables are as shown in Table 2. Checking for significant of the relationships between each independent variable is tested by variance inflation factor (VIF) technique. The results show that VIFs ranging from 1.45 to 6.10, well below the cut-off value of 10 recommended by Neter et al., 1985, indicating that the independent variables are not correlated with each other. Thus, there are no substantial multicollinearity problems encountered for this research.

**TABLE 2**  
**DESCRIPTIVE STATISTICS AND CORRELATION MATRIX**

Variables	CL	ACR	CS	IE	CE	AMI	ACI	SK	RR	HR	AS	FE	CE	FS	FA
Mean	4.02	4.12	4.07	4.16	4.10	4.03	3.96	4.08	4.10	4.07	3.96	4.09	4.02	2.21	3.21
SD	0.89	0.65	0.65	0.51	0.51	0.59	0.56	0.53	0.63	0.63	0.62	0.52	0.71	1.16	0.89
CL															
ACR	.818**														
CS	.722**	.746**													
IE	.823**	.803**	.729**												
CE	.564**	.651**	.549**	.746**											
AMI	.730**	.731**	.695**	.630**	.522**										
ACI	.850**	.765**	.783**	.733**	.711**	.847**									
SK	.688**	.581**	.548**	.728**	.511**	.676**	.721**								
RR	.750**	.666**	.758**	.818**	.531**	.643**	.803**	.867**							
HR	.933**	.854**	.740**	.786**	.583**	.860**	.889**	.777**	.780**						
AS	.933**	.793**	.781**	.847**	.606**	.814**	.887**	.724**	.816**	.924**					
FE	.818**	.820**	.788**	.788**	.589**	.846**	.777**	.679**	.671**	.848**	.867**				
CE	.687**	.684**	.769**	.532**	.671**	.485**	.812**	.756**	.797**	.811**	.831**	.764**			
FS	.935**	.796**	.781**	.847**	.606**	.816**	.889**	.726**	.817**	.927**	.927**	.867**	.765**		
FA	.818**	.820**	.789**	.788**	-.09**	.589**	.846**	.777**	.679**	.671**	.847**	.867**	.782**	.867**	

\*\*Correlation is significant at the 0.01 level (2-tailed),

\* Correlation is significant at the 0.05 level (2-tailed)

Table 3 presents the results of OLS regression analysis of audit quality attribute (industry expertise, client experience, audit manager involvement, audit committee involvement, and skepticism) on client satisfaction (hypotheses 1a-e). The results show that dimension of audit quality attribute including, industry expertise (H1a,  $b_1 = 0.497$ ,  $p < 0.01$ ) client experience (H1b,  $b_2 = 0.220$ ,  $p < 0.01$ ) and audit committee involvement (H1d,  $b_4 = 0.678$ ,  $p < 0.01$ ) have significant positive effects on client satisfaction. Moreover, skepticism (H1e,  $b_5 = -0.169$ ,  $p < 0.10$ ) have significant negative effects on client satisfaction. However, the results show that audit manager involvement (H1c,  $b_3 = 0.001$ ,  $p > 0.05$ ) have insignificant effect on client satisfaction. Overall, the results indicate that audit quality can enhance client satisfaction that consistent with audit quality attribute have a significant influence on client satisfaction (Samelson et al., 2006; Wooten, 2003; Behn et al., 1997; Carcello et al., 1992). **Thus, hypotheses 1a, 1b, 1d and 1e are supported but hypothesis 1c is not supported.**

To examine the effects of service quality attribute (readily responsiveness, highly reliability, assurance, fully empathy, and complete equipment) on client satisfaction (hypotheses 2a-e) are also demonstrated in Table 3. The results show that readily responsiveness (H2a,  $b_3 = 0.533$ ,  $p$



< 0.01), fully empathy (H2d,  $b_{11} = 0.253$ ,  $p < 0.05$ ) and complete equipment (H2e,  $b_{12} = 0.206$ ,  $p < 0.05$ ) have significant positive effects on client satisfaction. However, the results show that highly reliability (H2b,  $b_9 = -0.110$ ,  $p > 0.05$ ) and assurance (H2c,  $b_{10} = -0.011$ ,  $p > 0.05$ ) have insignificant effect on client satisfaction. Overall, the results indicate that service quality can enhance client satisfaction (Ismail et al, 2006; Wooten, 2003; Ruyter and Wetzels, 1999). Thus, **hypothesis 2a, 2d, and 2e are supported but hypothesis 2b and 2c are not supported.**

**TABLE 3**  
**RESULTS OF OLS REGRESSION ANALYSIS<sup>a</sup>**

Independent variables	Dependent variables		
	CS	CS	CL
	1	2	3
Industry Expertise (IE)	.497*** (.089)		
Client Experience (CE)	.220*** (.078)		
Audit Manager Involvement (AMI)	.001 (.088)		
Audit Committee Involvement (ACI)	.676*** (.109)		
Skepticism (SK)	-.169* (.091)		
Readily Responsiveness (RR)		.533*** (.095)	
Highly Reliability (HR)		-.110 (.128)	
Assurance (AS)		-.011 (.162)	
Fully Empathy (FE)		.252** (.101)	
Complete Equipment (CE)		.206** (.095)	
Client Satisfaction (CS)			.317*** (.076)
Auditor-Client Relationships (ACR)			.649*** (.074)
CS x ACR			.123** (.051)
Firm Size (FS)	.528*** (.094)	.456*** (.088)	-.297*** (.103)
Firm Age (FA)	-.270** (.118)	-.613*** (.092)	.239** (.103)
Adjusted R <sup>2</sup>	.779	.833	.735

<sup>a</sup>P < 0.10, \*\*P < 0.05, \*\*\*P < 0.01, <sup>b</sup>Beta coefficients with standard errors in parenthesis

In Table 3, show that the impacts of client satisfaction on client loyalty (hypothesis 3) and the results of the interaction of client satisfaction and audit-client relationships (hypothesis 4). The results show that client satisfaction have significant positive effects on client loyalty (H3,  $b_{15} = 0.317$ ,  $p < 0.01$ ). Moreover, the results show that the interaction of client satisfaction and client loyalty (H4,  $b_{17} = 0.123$ ,  $p > 0.05$ ) have significant positive effects on client loyalty. Thus, **hypothesis 3 and 4 are supported.** Overall the results consistent with previous research show that client satisfaction can enhance client loyalty (Cater, 2008; Ismail et al., 2006; Bongsu, 2004; Ruyter and Wetzels, 1999; Behn, 1999; Andreassen and Lindestad, 1998). Moreover, the results imply that best auditor-client relationships will enhance client loyalty (Cater and Zabker, 2008; Behn et al., 1997; Ruyter and Wetzels, 1999).

## **6. IMPLICATIONS OF RESEARCH**

### **6.1 Theoretical Implications**

This research provides important extension on previous knowledge and relevant literature both audit quality and service quality. Moreover, this research focuses on the key dimensions of both audit quality and service quality attribute that can enhance client satisfaction and client loyalty which can explain by resource-based view (RBV) of the firm. Moreover, this research focuses on the moderator effect of audit-client relationships on the relationship between client satisfaction and client loyalty. The results indicate that both audit quality attribute (industry expertise, client experience, audit committee involvement, and skepticism) and service quality attribute (readily responsiveness, fully empathy, and complete equipment) which explained by RBV of the firm can enhanced both client satisfaction and client loyalty.

### **6.2 Managerial Implications**

This research attempts identifying audit quality attributes and service quality attributes by prior research in auditing and marketing. The researcher believes that the research results should help audit practitioners such as partner or manager of audit firm, CPA and audit teams to be better understand the market for audit services in order to gain client satisfaction and loyalty in the more competitive environment. Thus, they should maintenance and development both auditing skill and service mines.

## **7. LIMITATIONS AND SUGGESTION FOR FUTURE RESEARCH**

According to the results, constructs of this research are developed and measured by using only previous research. Thus, the future research should explore the scale by different approaches such as in-depth interview or focus group, in order to fuller understanding of construct. Moreover, this research uses only questionnaire for collecting data. Since then, future research may be developing longitudinal data and/or mixed methods designed to observe the research model. Finally, the results of this research are derived from Thai-listed Company. Furthermore, future research may be collecting data from another population in order to widen the perspective and generalization.

## **8. CONCLUSION**

Increasing in completion of audit market has been a critical issue in auditing research. The topic of audit quality and service quality is very important for audit firm. Based on auditing research, found that not covered explains its dimension and consequence of both audit quality and service quality. Thus, this research attempts to investigate and identify the key factors both audit quality and service quality and its consequences. This research proposes a research model and hypothesis that build on resource-based view (RBV) of the firm, and relevance literature of auditing and marketing research.

The results shows that both audit quality attribute including industry expertise, client experience, audit committee involvement, and skepticism; and service quality attribute including readily responsiveness, fully empathy, and complete equipment; have a significant influence on client satisfaction. However, one dimension of audit quality attribute, audit manager involvement, have an insignificant influence on client satisfaction, and two dimension of service quality attribute, highly reliability and assurance, have an insignificant influence on client satisfaction. Furthermore, that client satisfaction is a significant positive influence on client loyalty which has moderating effect of audit-client relationships. Moreover, this research also provides both theoretical and managerial contributions to expanding on previous literature of both auditing and marketing and suggests critical point for auditing researches.

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