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The impact of quality of audit services on client loyalty

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Abstract

The purpose of this study is to test and examine the proposed hypotheses regarding the effect of audit service quality on client loyalty. The intense competition causes the public accounting firm to be oriented towards client satisfaction. With the satisfaction received by clients, it is expected to maintain client loyalty. The method used in this research is qualitative. Qualitative methods are descriptive research and

tend to use analysis. Process and meaning are emphasized more in qualitative research. The theoretical basis is used as a guide so that the focus of the research is in accordance with the facts in the field. The results of the study explain the relationship between audit service quality and client loyalty. Based on the results of data analysis, the quality of audit services affects client loyalty.

Keywords: audit quality, client loyalty

1. Introduction

High-quality services are the main driver of the success of an organization in today's competitive market. Along with the times, the need for audit services is increasing. It has led to the rapid development of organizations engaged in audit services, such as public accounting firms.

In the context of auditing, a public accounting firm is an organization that has a license and consists of several independent auditors who provide professional services to assess the fairness of a company's financial statements. Public accounting firms play a substantial role in improving the quality of information on a financial report because the results of their work are used by the general public, especially users of financial report information as one of the considerations in decision making.

The intense competition causes the public accounting firm to be oriented towards client satisfaction. With the satisfaction received by clients, it is expected to maintain client loyalty. Client loyalty is related to the quality of audit services provided by a public accounting firm (Sutton, 1993) ^[10]. One effort to create satisfaction with clients is by providing good quality and transparent audit services. To fulfill good audit quality, an auditor must be competent and experienced in the field of auditing. With the amount of experience, the ability and confidence to carry out the audit process will increase. Besides, an auditor must have independence, maintain integrity and objectivity to act equitably without being influenced by certain parties, and be guided by the applicable code of ethics and accounting standards. An audit that is carried out effectively will produce quality, relevant, and reliable financial reports (Halim, 2003) ^[5].

2. Literature Review

2.1. Quality of Audit Services

Service quality is an indication or marker for a client whether the auditor is doing his job well or not. This is very important as one of the considerations of a prospective client because of course, the client does not want to choose the wrong auditor in auditing his company to gain public trust in the company he manages. Apart from being important to clients, an auditor also needs to ensure that the services provided are satisfactory for his clients. Satisfaction is an assessment of the characteristics (features) of a product/service, which provides a level of customer pleasure associated with meeting needs. A service is said to be satisfactory if it can meet customer needs and expectations. Consumer satisfaction can be created through quality. In the service industry sector, especially public accounting firms, audit quality and service quality open opportunities for clients to forge close relationships with companies (Suindari, *et al.*, 2017) ^[9]. Good service quality, of course, besides increasing the satisfaction of clients, also increases the trust in the auditors and the public accounting firm.

Several things are considered by clients in seeing the quality of audit services provided to their clients, namely the existence of reliability and assurance. Reliability means that its auditors can ensure the accuracy and accuracy of the promised audit results. Meanwhile, assurance means that the auditor can guarantee the results of the audit provided.

The factors or indications of a client's satisfaction vary, depending on things that the prospective client thinks are what they expect and want. So, it is not necessarily a public accounting firm or an auditor to equalize a client satisfaction index.

2.2. Client loyalty

The growing number of public accounting firms has resulted in increased competitiveness. It causes every public accounting firm to prepare a strategy to continue developing and innovating to keep up with the current developments in the surrounding environment. One of the strategies that can be carried out by a public accounting firm is to pay attention to and get around its market share and potential clients. After researching the target market and prospective clients, it is necessary to pay close attention to the behavior of the targeted clients to find out what our prospective clients need. Knowing what a prospective client needs, is a successful step for a public accounting firm to be successful.

According to Griffin (2002)^[4], marketing that uses programs that provide added value to the public accounting firm and its products in the eyes of customers include:

- a) Relationship marketing, namely marketing that aims to build good and long-term relationships with new customers.
- b) Frequency marketing, namely marketing that aims to build communication with customers.
- c) Membership marketing, which is organizing customers into membership groups or clubs, which can encourage them to make repeat purchases and increase their loyalty.

3. Method

The method used in this research is qualitative research methods. Bogdan and Taylor (1975)^[2] define qualitative research as a methodology that is used for research procedures that produce descriptive data. Descriptive data is data written using detailed words.

4. Discussion

The theory of audit service quality develops because of a suitable and mutually beneficial relationship between the public accounting firm and its direct service users (clients) and indirect service users (investors, creditors, government). Customer-oriented audit service quality does not mean that it is on the side of the client, but public accounting firms can extract information on the quality of audit services from clients. According to Parasuraman (1998)^[1], in assessing service quality, five dimensions that need to consider, namely:

1. Physical form (tangible), namely the ability of a company to show existence to external parties. Appearance and capabilities of facilities and infrastructure reliable company physical condition of the surrounding environment is tangible evidence of the services provided by the service provider, including physical facilities (example: building, warehouse, etc.), equipment and tools used (technology), and the appearance of the employees.
2. Reliability, to be specific the organization's capacity to offer types of assistance as guaranteed precisely and dependably. Performance must match with customer expectations which means punctuality, the same service for all customers error-free, sympathetic demeanor, and

with great accuracy high.

3. Responsiveness, which is a policy to help and provide fast (responsive) and appropriate service to customers, with clear information delivery.
4. Assurance, which includes knowledge, ability, courtesy, and the trustworthiness of the staff (free from danger, risk, and indecision) to foster customer trust in the company. These include communication, credibility, security, competence, and courtesy.
5. Empathy, namely giving sincere and individual attention or personal information provided to customers by seeking to understand consumer desires. Companies are expected to have understanding and knowledge about customers, understand specific customer needs, and have convenient operating times for customers.

The results of previous research indicate that the quality of audit services is absolutely necessary to create client loyalty. Loyalty is a sustainable harmonious relationship between the public accounting firm and clients which is able to create clients who dare to convey various complaints and expectations regarding the audit services offered. Loyalty looks at the factors that influence clients to be loyal and do not want to move from the previous public accounting firm. The indicators used are trustworthy, reuse public accounting firm services, and provide recommendations to other companies. The results of this study are in accordance with the hypothesis which states that good quality audit services will influence clients to reuse the services of the public accounting firm. This hypothesis has also been proven empirically by Kotler (1997)^[7]. He stated that there is a positive relationship between service quality, customer satisfaction, and loyal behavior. Then the hypothesis is also reaffirmed by Cronin and Taylor (1992)^[3] which states that high service quality can create high customer satisfaction as well as in the end will have a direct impact on the creation of consumer loyalty. Client satisfaction is the level of satisfaction felt by clients based on the results of the evaluation of the audit work as a whole.

6. Conclusion

The results of previous research prove that the quality of audit services does affect customer loyalty. This is also supported by facts and previous studies. In subsequent developments, the condition faced by public accounting firms is sharp competition among public accounting firms. This sharp competition triggers a conflict of interest between the client and the auditor. Conflicts of interest between clients and auditors can undermine the quality of audit services. Service quality is the client's overall impression of the services offered. In this case, the public accounting firm must be able to detect the dimensions of audit service quality from the client's perspective. By looking at the client's perspective can create a competitive advantage.

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