



Determinants of Auditor Choice in Emerging Markets: Evidence from Egypt

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Abstract

The study aims to examine the various factors that affect the selection of auditors in Egypt's developing market. Eight characteristics of the audit firm has been examined as independent variables, Audit firm fees, audit firm reputation with investors, audit firm reputation with corporate broker, audit firm reputation with external advisor, industrial specialization, geographic proximity, management preference for specific auditor, long-term relationship with current auditor. A quantitative research method was employed to achieve this objective, utilizing a survey questionnaire to gather primary and secondary data. The survey was distributed to the audit committees of selected firms in the Egyptian market, and the data collected was analyzed to fulfill the study's objectives. According to the research results, three of the eight variables analyzed were found to have an impact on the selection of auditors in Egypt's emerging market. These variables include the fees charged by the audit firm and the firm's reputation with corporate brokers and external advisors. Conversely, the remaining five factors were not observed to significantly affect auditor selection.

Keywords: Audit Market, Auditor choice, Emerging Market, audit committee.

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1. Introduction

Over the past few years, there has been an increasing interest in studying the process of selecting an auditor for a firm. This is because auditors in the market do not provide uniform services, and therefore, the selection of an auditor by a company may affect the quality of the auditing process. As a result, the audit market is differentiated, allowing companies to choose their levels concerning the quality of audit process based on the auditor selection, which can, in turn, affect the financial reporting credibility. Given the significance of auditing party selection in this market, it is crucial to investigate how businesses indicate their auditors and the subsequent impact of the selection on financial reporting. Such research can improve our comprehension of the role of auditing services in this context (Noda, 2018).

The selection of an auditor is critical in a company's financial reporting. Previous research contends that management incentives and client-specific features influence auditor selection. Studies in this field consistently assume that auditor selection decisions are undertaken at the individual firm level. However, when a company is linked to other companies, the company's auditor selection is likely to be influenced by the incentives of other companies and, ultimately, common owners and aims. As a result, it is critical to comprehend the auditors' choice interests in relation to investee auditor selection and how auditor selection affects financial reporting outcomes (Kim, 2020).

The importance of auditors in enhancing the reliability and quality of financial statements is well established. Their presence in the financial reporting process reduces information asymmetry and financing costs. Additionally, the choice of the auditor can provide additional information to stakeholders, apart from the value derived from the accuracy of financial disclosures. Research has extensively studied the factors that influence auditor selection. Risk and audit fees, government structure, political communication and earnings management, political link, CEO influence, and corporate governance are some of the most significant factors that affect an organization's decision when selecting an auditor (Behbahaninia, 2022).

The power dynamics between the auditor and client can be influenced by the initial years of engagement, with the auditor having relatively less negotiating power compared to the rest of the collaboration. This is because of the possible advantages that auditors can gain in future audits, as well as

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the transaction and selection costs that clients may incur if they choose to switch auditors. Therefore, selecting an auditor can have notable consequences for the efficiency of auditing procedures (Rezaei and Saleh, 2017).

The process of maintaining financial reporting integrity relies on agency theory and corporate governance frameworks, with the selection of an independent auditor being a critical component. Choosing the most suitable auditing services allows an organization to achieve its desired auditing objectives in a thorough and structured manner. In spite of the global significance of the audit market and the extensive research conducted on the selection of auditors, there has been a lack of focus on the factors that affect auditor selection in less tightly regulated environments (El-Dyasty and Elamer, 2021).

Literature Review

Banimahd and Vafaei (2012) examined the factors influencing auditor selection in Iran. The authors used logistic regression to analyze data from 236 Iranian firms between 2010 and 2015. The results suggested that larger firms, those with clean audit reports, and those with higher levels of profitability select a Big Four auditor. In contrast, state-owned firms and those with higher financial leverage are less likely to choose a Big Four auditor. The findings of this study provided important insights into the determinants of auditor selection in Iran and have implications for auditors, regulators, and policymakers.

Karim and Zijl (2013) investigated whether efficiency or opportunism was more crucial when making the choice of auditors in a currently emerging market for audit processes. The researchers used multivariate analysis with binary logit regression. The study found that opportunistic considerations were more important than efficiency concerns in driving the selection of auditors. While two of the four efficiency justifications (foreign shareholdings held by a global parent and institutional ownership) supported efficiency as the primary factor behind auditor selection, one justification (clients from the banking industry) did not. Conversely, three of the four opportunism justifications (which include: government shareholding, CEO chair duality, in addition to auditing risk) indicated that opportunism was the primary factor behind auditor selection. Foreign ownership had an effect only when the foreign shareholder was the majority owner.

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Moreover, Karim et al. (2013) carried out an investigation to assess how corporate governance influences auditors designed to provide high quality by IPO businesses operating in emerging markets. The researchers analyzed all IPOs carried out between 1990 and 2005 for which financial statements were available using multivariate analysis. They used logistic regression to determine how corporate governance variables affected the choice of auditing systems. The findings revealed that the amount of boarding ownership did not significantly influence auditor selection. Nonetheless, the CEO Chair division and the level of foreign equity involvement were major elements in the auditor deciding process. The size of the issuer and whether the issuer was a greenfield company were both found as factors influencing auditor selection.

James and Izien (2014) apply their study on Nigeria to examine the effect of audit firm characteristics on audit quality. Using a sample of 48 audit firms, findings suggested that audit firms with greater resources and specialized knowledge are better able to provide high-quality audits, while older firms may become complacent or less effective over time. The study provides important insights for regulators, auditors, and other stakeholders concerned with improving financial reporting quality in Nigeria.

El Madbouly and Khairy (2015) examined the factors that influence the selection of audit firms by Egyptian listed companies. The results indicated that company size is a significant determinant of the selection of audit firms, with larger companies being more likely to choose Big Four audit firms. The study also found that industry type and ownership structure had a significant impact on audit firm selection, with companies in regulated industries and those with higher levels of institutional ownership is more likely to choose Big Four audit firms. Overall, the study provided important insights into the factors that influence the selection of audit firms in the Egyptian context.

Some of the key factors that are taken into account when choosing external auditors are discussed in Olowookere and Inneh (2016). Technical accounting knowledge, industry-specific competence, global reach, management preferences for certain auditors, long-term relationships with the current auditors, and the audit firm's reputation with investors are only a few of these drivers. The study employed Oxera's (2006) questionnaire on the factors influencing auditor selection. 500 shareholders of the listed manufacturing enterprises in the southwest of Nigeria were purposefully chosen as responders, and they each received 500 copies of the questionnaire.

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The 308 questionnaires that were returned were examined. According to the research, the response rate was 62%. The investigation supported the impact of these variables on autistic person selection.

Togbolo (2016) aimed to investigate the factors affecting auditor choice in Nigeria. The results showed a positive and significant relationship between a firm's financial performance, size, industry type, size of audit firm, and auditor's choice. The study also found that board gender mix does not influence the auditor's choice of a firm, and there was no significant difference between industry types and auditor's choice. The study recommended that firms should be mindful of the audit firm they engage and calls for regulatory intervention to ensure high-quality and sufficient disclosure. The study suggested that relying solely on voluntary disclosure is unlikely to result in a high level of disclosure.

In this context, Rezaei and Saleh (2017) investigated how audit price reductions influenced auditor shifting in Iran when the audit market was liberalized in 2001. Intense rivalry in the Iranian audit market has led to an enormous rise in auditor shifting, diminishing auditor bargaining leverage with their customers. To test their theory, the researchers examined 1,022 firm-year records between 2001 and 2010. According to the findings, switching auditors resulted in a 14% decrease in audit fees. Furthermore, the survey found that shifting from state auditors to private auditors and shifting from one private auditor to another accounted for 18% and 13% of fee reductions in the first year of employment, respectively.

Aggreh (2017) investigated the effect of audit market concentration and auditors' attributes on audit quality in Nigeria. Using a sample of 97 public companies audited by 28 audit firms, the author examines the relationship between audit market concentration, measured by the Herfindahl-Hirschman Index (HHI), and audit quality, as well as the impact of auditors' attributes such as experience, industry specialization, and size on audit quality. The findings suggested that audit market concentration had a negative effect on audit quality, with higher levels of concentration associated with lower audit quality. In addition, auditors' experience and industry specialization were positively associated with audit quality, while auditor size has no significant effect. These results highlight the importance of promoting competition in the audit market and the need for auditors to possess specialized knowledge and experience to deliver high-quality audits.

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The objective of Fadaly (2018) study was to examine the factors that influence the choice of auditor in Saudi Arabian firms. The Oxera (2006) questionnaire was adopted, and a representative sample of 124 out of 183 listed firms on the Saudi stock market was selected. The questionnaire was distributed to members of the audit committee to ensure reliable responses. The study found that several firm characteristics are significant factors in the selection decision. Due to the unique economic, political, educational, and cultural environment of Saudi Arabia, it may be difficult to generalize the findings. The study has practical implications for auditors operating in Saudi Arabia, helping them identify their competitive advantage in the market, which is becoming increasingly competitive.

Noda (2018) conducted research to investigate how companies choose their auditors in situations where insiders have more information than outsiders about the firm's economic performance, leading to knowledge asymmetry. About the unpredictability of reporting errors, the study discovered that the management's option of auditor is influenced by investor attention to earnings reports and administrative motivations for financial performance. The study also revealed that hiring a higher-quality auditor was associated with aggressive earnings management, which contradicts widespread belief about the best auditor to hire.

Huang and Kang (2018) aimed to examine how a company's reputation impacts the auditors they choose. The reputation scores from Fortune's list of "America's Most Admired Companies" are used in this study to gauge corporate reputation. To determine how corporate reputation affects public corporations' choice of auditor, multivariate analysis is used. Performing Heckman techniques and instrumental-variable two-stage least square regressions to account for self-selection bias as well as employing alternative variables to stand in for firm reputation and auditor industry competence are examples of robustness assessments. This study reveals that organizations with better reputations hire auditors with industry-specific expertise more frequently than their competitors. According to the findings, high-reputation organizations are strongly motivated to maintain and signal the quality of their financial reporting due to reputational concerns, which in turn increases demand.

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Alareeni (2019) presented a meta-analysis of the associations between audit firm attributes and audit quality-specific indicators. The author synthesized findings from 71 empirical studies published between 1992 and 2017 that examine the impact of various audit firm characteristics on audit quality. The analysis focused on four key audit quality indicators: audit fees, audit report lag, going concern opinions, and financial restatements. The results showed that several audit firm attributes, including size, industry specialization, reputation, and tenure, are significantly associated with audit quality across these indicators. Specifically, larger audit firms, specialized firms, those with good reputation, and those with shorter tenure are found to be associated with higher audit quality. The study provides important insights for regulators, auditors, and other stakeholders concerned with improving audit quality and enhancing public trust in financial reporting.

Bhattacharya and Banerjee (2020) examined audit pricing and auditor selection in India. The authors of this study analyze a sample of 1,366 Indian firms over a 25-year period from 1990 to 2015, comprising a total of 22,644 firm-years. Through their analysis, the authors aim to understand the relationship between these factors and audit pricing and auditor selection in the Indian context. The study's findings have important implications for auditors, regulators, and clients in India. They also investigated the impact of auditor reputation and tenure on audit fees. The study found that audit fees were positively associated with firm size and complexity, but not with risk. Additionally, the study found that firms are willing to pay higher audit fees to auditors with better reputations, and that auditor tenure had a negative impact on audit fees. Overall, the findings suggested that both client and auditor characteristics influence audit pricing and auditor selection in India. The study's results had important implications for regulators, auditors, and clients in the Indian context.

Akçay (2020) investigated the impact of audit committee chairman characteristics on the choice of auditor in the ACE market of Malaysia. Using a sample of 583 companies listed on the ACE market from 2015 to 2018, the authors examine the relationship between audit committee chairman characteristics (including gender, age, tenure, education, and expertise) and the choice of auditor (Big Four or non-Big Four auditors). The results indicated that audit committee chairman characteristics significantly influence the choice of auditor in the ACE market of Malaysia. The study

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contributed to the literature on auditor choice by highlighting the importance of audit committee chairman characteristics in shaping auditor selection decisions in emerging markets. The findings had implications for policymakers and regulators in Malaysia, who may consider incorporating these factors into corporate governance guidelines for listed companies.

Cheng et al. (2021) examined the impact of geographic proximity on the choice of audit committee chairs. For A-share companies registered on the Shanghai and Shenzhen Stock Exchanges, it manually collects the location data of ACCs. Between 2008 and 2016, it obtained financial information for A-share companies from CSMAR. Between 2008 and 2016, the CSMAR database contains 9,399 firm-year observations with information on the audit committee. It does not include the 8,589 firm-year observations that make up our final sample. The findings demonstrated the importance of the influence of proximity on the selection of audit committee chairmen.

In contrast, Khalil (2022) conducted a study on the consequence of auditor selection, specifically the Big-Four Associates and the Non-Big-Four Associates, that affect the quality of financial reporting in the banking industry of Pakistan during the period from 2011 to 2018. The study aimed to address two concerns in the Pakistani audit market: the higher audit fees paid by banks to Big-4 Affiliates and the smaller market share of non-Big-4 Affiliates. The study used discretionary accruals approximated by the Cross-sectional Modified Jones Model (1995) to assess financial reporting quality, and Multivariate Regression was employed to examine financial reporting quality. There was no substantial difference in quality of financial reporting process between banks reviewed by Big-4 Affiliates and those audited by non-Big-4 Affiliates, according to the data. As a result of the study, the banking sector in Pakistan may be able to acquire excellent audit services at cheaper costs, and NonBig-4 Affiliates should have a fair chance to compete in the local audit sector.

Guizani and Abdalkrim (2022) investigated the impact of ownership structure and board independence on the choice of auditors in Gulf Cooperation Council (GCC) countries. Using a sample of 131 non-financial listed firms from Saudi Arabia, Kuwait, Qatar, Oman, Bahrain, and United Arab Emirates, the authors examined the relationship between the percentage of shares held by the largest shareholder, the percentage of independent directors on the board, and the choice of auditor. The results showed that the

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percentage of shares held by the largest shareholder has a significant positive effect on the choice of auditor, indicating that companies with higher levels of ownership concentration are more likely to choose reputable auditors. In contrast, the percentage of independent directors on the board has a significant negative effect on the choice of auditor, suggesting that firms with a greater degree of board independence are less likely to choose reputable auditors. These findings suggested that ownership structure and board independence are important factors that influence the choice of auditors in GCC countries. The study provided useful insights for policymakers and regulators in the region on how to improve corporate governance practices and ensure the quality of financial reporting.

Alade et al. (2022) examined the effect of corporate governance characteristics on audit quality of listed insurance firms in Nigeria. The study adopted a positivist research philosophy and employs a survey research design to collect data from 16 listed insurance firms on the Nigerian Stock Exchange. The data was analyzed using multiple regression analysis. The study found that board size, board independence, audit committee independence, and frequency of audit committee meetings were positively and significantly related to audit quality. The study concluded that the presence of effective corporate governance mechanisms enhances the quality of the audit process. The study recommended that insurance firms in Nigeria should maintain a sufficiently large and independent board, establish an independent and effective audit committee, and ensure the committee meets frequently to promote effective monitoring of the audit process.

Alsayani et al. (2023) investigated the impact of audit committee chairman characteristics on the choice of auditor in the ACE market of Malaysia. Using a sample of 120 companies listed on the ACE market from 2017 to 2019, the authors examined the relationship between audit committee chairman characteristics (including gender, age, tenure, education, and expertise) and the choice of auditor (Big Four or non-Big Four auditors). The results indicated that audit committee chairman characteristics significantly influence the choice of auditor in the ACE market of Malaysia. Specifically, companies with a female audit committee chairman are more likely to choose Big Four auditors, while companies with an older, more experienced, or more educated audit committee chairman are more likely to choose non-Big Four auditors. The study also found that companies with audit committee chairmen

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who have accounting expertise are more likely to choose non-Big Four auditors, indicating that these companies may prioritize auditor quality over auditor reputation. The study contributed to the literature on auditor choice by highlighting the importance of audit committee chairman characteristics in shaping auditor selection decisions in emerging markets. The findings had implications for policymakers and regulators in Malaysia, who may consider incorporating these factors into corporate governance guidelines for listed companies.

Jiang et al. (2023) investigated the effect of the Shanghai-Hong Kong Stock Connect scheme on auditing process and price reports in China, specifically the effectiveness of capital market liberalization. This scheme was viewed as a potential impediment to capital market reform. To analyze the difference in changes in audit fees and amended audit opinions between the conducting and controlling groups, the researchers used a difference-in-differences approach. It was found that capital market liberalization led to an increase in auditors' reputational and lawsuit concerns, resulting in more careful audit findings. Additionally, the study revealed that capital market liberalization promotes company management's efforts to enhance the information environment, reduces information asymmetry, and lowers audit fees.

According to the previous studies, the study can develop the hypothesis of the current research, as the following:

H₁: There is a significant impact of audit firm characteristics on auditor choice.

2. Research Methodology

The essential goal of the research is to observe the consequence of audit firm characteristics on auditor choice in emerging markets of Egypt. In terms of methodology, the current research employs a quantitative approach using a questionnaire form. Accordingly, primary data and secondary data were obtained to achieve the research aim and objectives. Primary data were collected by establishing a questionnaire distributed to the auditing committees of the selected firms in the Egyptian market.

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The research variables and framework are considered in Figure 1 as follows:

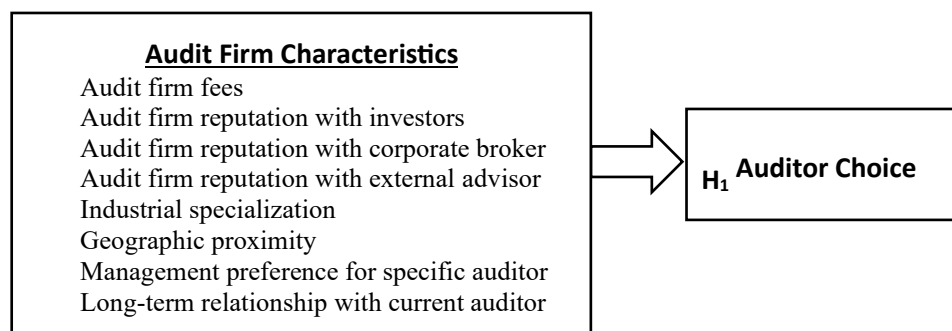


Figure 1: Research Variables

Where the independent variable is Audit Firm Characteristics, and the dependent variable is Auditor Choice.

Therefore, the research hypothesis could be as follows:

H1: There is a significant relationship between audit firm characteristics and auditor choice.

H1a: There is a significant impact of audit firm fees on auditor choice.

H1b: There is a significant impact of audit firm reputation with investors on auditor choice.

H1c: There is a significant impact of audit firm reputation with corporate broker on auditor choice.

H1d: There is a significant impact of audit firm reputation with external advisor on auditor choice.

H1e: There is a significant impact of industrial specialization on auditor choice.

H1f: There is a significant impact of geographic proximity on auditor choice.

H1g: There is a significant impact of management preference for specific auditor on auditor choice.

H1h: There is a significant impact of long-term relationship with current auditor on auditor choice.

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The study collected data from 2020 to 2022 and utilized both descriptive and inferential statistics for analysis. The data obtained from the study sample were analyzed using various techniques and the SPSS program. The Primary data was collected with a questionnaire that asked one question for every variable, the question about if the companies used this variable in their strategies. The answer was zero or one. The zero indicated that the company didn't use this variable in its strategies. The one indicated the opposite, that the company used this variable in its strategies, the same technique that followed in Fadaly (2018).

3. Results and Findings

This section introduces the empirical inquiry for the relationship between the research variables. Furthermore, given are the key findings and outcomes of the data analysis, including data testing, descriptive analysis, correlations, and regression.

Analysis of Firms

An entire group of people is referred to as a population, and practically all the people in a population do not normally have data readily available. An individual in a sample usually has data available, as they are a subset of the population. A sample refers to a smaller set of individuals, objects, or data points that are selected from a larger population or group to represent it. Samples serve various purposes, including testing, analysis, quality control, and decision-making (Hanlon and Larget, 2011). Table 1 showed the number of firms chosen as a sample from each industry.

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Table 1: Sample Selection

No.	Sector	No. of companies in the Sector	Survey Sample
1	Basic Resources	16	10
2	Banks	14	9
3	Contracting & Construction Engineering	11	7
4	Food, Beverages, and Tobacco	28	18
5	Textile & Durables	9	3
6	Non-bank financial services	32	23
7	Shipping & Transportation Services	4	1
8	Health Care & Pharmaceuticals	17	10
9	Reported Estate	32	18
10	Building Materials	13	5
11	Travel & Leisure	16	9
12	Education Services	3	1
13	IT, Media & Communication Services	5	1
14	Paper & Packaging	5	1
15	Industrial Goods, Services and Automobiles	6	2
16	Trade & Distributors	4	1
17	Utilities	1	0
18	Energy and Support Services	3	0
Total		219	119

Source: Monthly Bulletin of Egyptian Exchange
(<https://www.egx.com.eg/en/listedstocks.aspx>, Last retrieved on
August 28th, 2022)

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Descriptive analysis for variables

The descriptive statistics were utilized to analyze the research variables. The data was summarized using mean, standard deviation, and frequency distributions. Table 2 shows the descriptive analysis for the research variables, including their minimum, maximum values as well as the mean and standard deviation.

Table 2: Descriptive analysis for variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Audit firm fees	119	.00	1.00	.7731	.42059
Audit firm reputation with investors	119	.00	1.00	.8403	.36784
Audit firm reputation with corporate broker	119	.00	1.00	.8655	.34258
Audit firm reputation with external advisor	119	.00	1.00	.8908	.31326
Industrial specialization	119	.00	1.00	.9076	.29087
Geographic proximity	119	.00	1.00	.8151	.38984
Management preference for specific auditor	119	.00	1.00	.8487	.35982
Long-term relationship with current auditor	119	.00	1.00	.8739	.33331
Auditor Choice	119	.00	1.00	.6975	.46129

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Correlation Matrix of Variables

The study's findings revealed a significant association between audit firm fees and auditing decision, with a P-value of 0.000, which is a lesser amount than the significance rate of 0.05. The study additionally revealed that audit company reputation among investors had a major impact on auditor decision, with a P-value of 0.004, which was less than the critical limit of 0.05. Similarly, with a P-value of 0.002, below the statistical meaning of 0.05, audit firm reputation with corporate brokers had a massive effect on Auditing choice decision.

The study's findings indicate that audit company reputation with external advisors had no major impact on auditor choosing, with a P-value of 0.189, which is above the threshold for significance of 0.05. Furthermore, with a P-value of 0.823, which is above the threshold for significance of 0.05, industrial specialty was found to have no significant link with Auditor Choice. In contrast, the study found a statistically significant association between geographical location and auditor choice, with a P-value of 0.000, that is below the significance rate of 0.05. Furthermore, with a P-value of 0.002, which falls short of the significance level of 0.05, management preference for a certain auditor was found to have a significant association on Auditor Choice. Finally, with a P-value of 0.038, that is lower than the significance rate of 0.05, the Long-term relationship with the existing auditor was determined to have an important impact on Auditor Choice.

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Table 3: Correlation Matrix between Firm Characteristics and Auditor's Choice

Variables		1	2	3	4	5	6	7	8	9
1. Audit firm fees	R	1								
	P-value									
	N	119								
2. Audit firm reputation with investors	R	-.181*	1							
	P-value	.048								
	N	119	119							
3. Audit firm reputation with corporate broker	R	.081	-.105	1						
	P-value	.384	.258							
	N	119	119	119						
4. Audit firm reputation with external advisor	R	-.061	-.153	.257**	1					
	P-value	.509	.097	.005						
	N	119	119	119	119					
5. Industrial specialization	R	-.034	.019	.044	-.112	1				
	P-value	.711	.835	.632	.226					
	N	119	119	119	119	119				
6. Geographic proximity	R	.827**	-.208*	.130	-.167	-.077	1			
	P-value	.000	.023	.160	.070	.404				
	N	119	119	119	119	119	119			
7. Management preference for specific auditor	R	-.229*	.904**	-.029	-.073	.027	-.201*	1		
	P-value	.012	.000	.755	.432	.769	.028			
	N	119	119	119	119	119	119	119		
8. Long-term relationship with current auditor	R	.097	-.027	.296**	.110	-.121	.080	-.090	1	
	P-value	.296	.768	.001	.232	.189	.387	.332		
	N	119	119	119	119	119	119	119	119	
9. Auditor Choice	R	.560**	.262**	.277**	.121	-.021	.440**	.284**	.191*	1
	P-value	.000	.004	.002	.189	.823	.000	.002	.038	
	N	119	119	119	119	119	119	119	119	119

Correlation Matix

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Testing the Hypothesis

Using logistic regression, it was observed that the variables Audit firm costs, reputation with corporate brokers, and reputation with external consultants all had a serious influence on auditor deciding process. The results are shown in Table 2. The computed logistic model follows economic logic, and the coefficients show the expected rise or reduction in the dependent variable when the independent factors change. When all variables are evaluated, the determination coefficient (R squared) shows that the model can only explain 51% of the variation in the factor of external auditor choice process in recorded firms.

To account for the significance of only four out of eight variables, the second metric was utilized. The Hosmer-Lemeshow test validated the logistic regression results by demonstrating that the measured and anticipated incidences of the dependent variable were comparable. The chi-square value of 0.000 ($p < 0.01$) indicated that the overall model fit was significant. Moreover, the sample was correctly classified into the two groups (0, 1) with 100% accuracy, which highlights the high.

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Table 4: Logistic Regression Results

Variable	B coef.	S.E.	Wald	df	Sig		Exp(B)
Audit firm fees (X1)	6.418	1.783	12.949	1	.000	Accepted	612.624
Audit firm reputation with investors (X2)	1.693	4.710	.129	1	.719	Rejected	5.438
Audit firm reputation with corporate broker (X3)	3.075	1.417	4.706	1	.030	Accepted	21.647
Audit firm reputation with external advisor (X4)	3.245	1.534	4.473	1	.034	Accepted	25.656
Industrial specialization (X5)	.442	1.110	.159	1	.690	Rejected	1.556
Geographic proximity (X6)	.126	1.329	.009	1	.924	Rejected	1.134
Management preference for specific auditor (X7)	4.243	4.698	.816	1	.366	Rejected	69.649
Long-term relationship with current auditor (X8)	1.365	1.136	1.443	1	.230	Rejected	3.916
Constant	14.809	4.173	12.595	1	.000	Accepted	.000

Cox & Snell R Square = .510,

Nagelkerke R Square= .772

Chi-Square (8) = 84.887

sig. = 0.00

Log

likelihood = 61.004

The following are the outcomes, as revealed in the table above:

$$Y = (6.418) * X1 + (1.693) * X2 + (3.075) * X3 + (3.245) * X4 + (.442) * X5 + (.126) * X6 + (4.243) * X7 + (1.365) * X8 + 14.809$$

$$Wald = (12.949) X1, (.129) X2, (4.706) X3, (4.473) X4, (0.159) X5, (.009) X6, (.816) X7, (1.443) X8, (12.595) \text{ constant}$$

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4. Discussion and Conclusion

The essential goal of this research is concluded in inspecting the features that affect the choice of auditor in the emerging market of Egypt. To achieve this quest, a quantitative method was used, employing an examination questionnaire to gather both primary and secondary data. The questionnaire was distributed to selected firms' audit committees in the Egyptian market, and the resulting data was analyzed to meet the research's goals and objectives.

According to the results of this investigation, only three of the eight variables evaluated had a major impact on auditor selection in Egypt's developing market: audit partner fees, audit business reputation with business broker, and audit firm reputation with external consultant. In contrast, the remaining five factors do not seem to have any influence on auditor choice.

In contrast to our findings, Gatumia (2012) found in their study conducted in Kenya that the audit fees did not have a significant impact on the choice of audit firms by companies. In contrast Togbolo (2016) got the same result for the audit fees have a significant impact on the choice of audit firms by companies.

Moreover, while testing this framework in Saudi Arabia in Fadaly (2018), the results agreed with this study in that the relationship between audit firm fees and the choice of auditors was accepted, while the relationship between industrial specialization, management preference for specific auditor and the choice of auditors was rejected. While the results did not agree between the two studies in the relationship between audit firm reputation with investors and the selection of auditors, as this study did not prove the relationship between them, while the study in Saudi Arabia accepted it, as well as in the relationship of choosing auditors with Geographic proximity and Long-term relationship with current auditor. On the contrary, this study proved the relationship of selecting auditors with Audit firm reputation with corporate broker, and Audit firm reputation with external advisor, while the study in Saudi Arabia could not prove these relationships.

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5. Research Recommendations and Limitations

Here are some recommendations for future researchers:

First, expand the sample size: Using a bigger sample size in a study can boost the generalizability of the results and provide a more comprehensive knowledge of the factors influencing auditor choice in Egypt.

Second, regarding incorporate additional factors: While this study focused on the financial and non-financial factors influencing auditor choice in Egypt, it would be worthwhile to consider other factors such as cultural and social factors, political factors, and market characteristics that may also have an impact on auditor choice.

Third, employ a mixed-methodologies strategy: A mixed-methods approach that combines quantitative and qualitative methods can aid in offering a broader knowledge of the phenomenon under inquiry.

Fourth, expand the scope: To provide a more comprehensive view of auditor choice in emerging markets, similar studies could be conducted in other countries within the region.

In the next points, some limitations faced the researcher in this research is explained:

First, data availability: The information utilized by this investigation came from a small variety of sources and may not be totally representative of Egypt's overall business population.

Second, subjectivity: The study relied on the subjective opinions of decision-makers in companies to determine their reasons for choosing a particular auditor. These opinions may be influenced by personal biases and may not accurately reflect the true factors influencing auditor choice.

Third, causality: The study's findings only establish correlations between variables and do not establish causality. Therefore, it is important to exercise caution when interpreting the results and drawing conclusions.

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Appendix

Table 5: Questionnaire Statements

Question	Answer	
	1 (If the company use this variable in its strategies)	0 (If not)
1- The company applies audit firm fees in its strategy.		
2- The company applies audit firm reputation with investors in its strategy.		
3- The company applies audit firm reputation with corporate broker in its strategy.		
4- The company applies audit firm reputation with external advisor in its strategy.		
5- The company applies industrial specialization in its strategy.		
6- The company applies geographic proximity in its strategy.		
7- The company applies management preference for specific auditor in its strategy.		
8- The company applies long-term relationship with current auditor in its strategy.		

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محددات اختيار المدقق في الأسواق الناشئة: شواهد من مصر

د. دينا سيد فضالي

الملخص

تهدف الدراسة إلى فحص العوامل المختلفة التي تؤثر على اختيار المراجعين في السوق المصري النامي. تم فحص ثماني خصائص لشركة المراجعة كمتغيرات مستقلة، أتعاب شركة المراجعة، سمعة شركة المراجعة مع المستثمرين، سمعة شركة المراجعة مع وسيط الشركات، سمعة شركة المراجعة مع مستشار خارجي، التخصص الصناعي، القرب الجغرافي، تفضيل الإدارة لمراجع حسابات معين، علاقة المدى مع المراجع الحالي. وتم تحليل البيانات التي تم جمعها لتحقيق أهداف الدراسة. وفقًا لنتائج البحث، وجد أن ثلاثة من المتغيرات الثمانية التي تم تحليلها لها تأثير على اختيار المراجعين في السوق المصرية الناشئة. تشمل هذه المتغيرات الرسوم التي تتقاضاها شركة المراجعة وسمعة الشركة لدى وسطاء الشركات والمستشارين الخارجيين. على العكس من ذلك، لم يتم ملاحظة العوامل الخمسة المتبقية لتؤثر بشكل كبير على اختيار المراجع.

الكلمات المفتاحية: سوق المراجعة، اختيار المراجع، الأسواق الناشئة، لجنة المراجعة.