The Demand for External Audit Quality:

The Contribution of Agency Theory in the Context of Cameroon

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Abstract

This study examines the effect of agency theory on the demand for external audit quality in Cameroon. Specifically, it looks at the impact of shareholder/manager agency cost, shareholders/creditors agency cost, and majority/minority shareholders agency cost on external audit quality demand in Cameroon. The focus is on a sample of 171 companies drawn from the regions of Littoral, Centre and North-West using questionnaires. We assess the explanatory power of agency theory on the demand for a better quality of audit in the Cameroonian context by modelling external audit quality as a function of agency costs. The logistic regression analysis allows us to study the nature of any possible interaction. The analysis shows that while an increase in shareholder/creditor agency cost and an increase in shareholder/manager agency cost negatively affect the demand for audit quality, the majority/minority agency cost and the size of the audited client positively and significantly affect the demand for audit quality.

Keywords: audit quality, agency theory, agency cost, Cameroon

1. Introduction

Under the base of the agency theory of Jensen & Meckling (1976), the managers and shareholders relationship is such a conflictive relation. Therefore, the separation of property and control functions engenders agency conflicts that are materialised in the context of asymmetric information by an opportunistic manager's behaviour (Kouaib & Jarboui, 2014). Consequently, the demand for better audit quality in response to agency conflicts continuously comes under the spotlight. Previous have extensively examined the demand for audit quality at different degrees of agency problems and the cost of equity capital (Lai & Liu, 2018). These studies provided evidence that external audit quality improves the quality of financial reporting, information asymmetry, lower the cost of capital equity (Houqe et al., 2017) and, above all, reduce agency costs (Watts and Zimmerman, 1986; Corten et al., 2017). However, the financial scandals that occurred in the world (Enron, Parmalat, Batam) discredited audit firms that guaranteed their integrity (Mballa & Feudjo, 2016; Kueda & Feudjo, 2019; Kueda & Ngassa, 2019). In Cameroon, the scandals of FIFA, CONFINEST, Camair-Co, SODECOTON and recently, in the case of BICEC in 2016, explain the conflicts of interest among various stakeholders. Based on the paper of Growth and Employment Strategy of 2009, the Cameroonian companies' bankruptcy rate is greater than 32% (Fossung and Margang, 2019).

Faced with the conflict of interest that characterises the manager-shareholder relationship, Arrow (1985) insists that two solutions exist in the literature. The first consists of remunerating the manager (the agent) based on the result of his production. The second mentions the use of an auditor to obtain his opinion on the sincerity and clarity of the information presented in the financial statements (Jensen & Meckling, 1976). However, a careful analysis of the first solution made it possible to understand that, since it is the manager who is responsible for the production of the financial statements, there is a possibility that he may use the accounting options (accounting choices) that contribute to increasing the result. Moreover, this presents an advantageous financial situation to the shareholders and, consequently, its remuneration (Omri et al., 2009). Therefore, the best solution was to have recourse to a competent and independent auditor. Based on the fundamentals of agency theory, external auditing is an effective mechanism to reduce the agent's opportunistic behaviour and ensure the reliability of corporate disclosure. The resolution of conflicts of interest legitimates his intervention (Soumaya et al., 2019).

According to Tondeur & Coulombe (2001), a contract based on reliable and valid information is a definite asset to reduce the costs related to conflicts between stakeholders. A system characterised by reliable information helps to reduce information asymmetry (Sangue-Fotso, 2015).

Some audit regulations have been enacted in response to financial scandals. This is particularly the case with the Sarbanes-Oxley law (2002) in the USA, the law on New Economic Regulations (2001) and the law on financial security (2003) in the case of France. These ensure better audit quality, strengthen investors' confidence, and reduce potential agency conflicts. It is worth noting that Cameroon has not remained on the sidelines of this movement. This is evidenced by Law No. 2003/008 of July 10, 2003, relating to the suppression of offences contained in certain OHADA Uniform Acts. To discourage delinquent behaviour. The latter Uniform Act provides in its article 16 sanctions ranging from two to five years imprisonment "and/or" a fine of 200 thousand to 5 million francs CFA to sanction any act likely to bring an attack on the independence and incompatibilities of external auditors.

All the above-listed measures taken are to give corporate governance its place in the accounting cycles and improve audit quality and others control mechanisms. The ownership structure is, above all, one effective measure to reduce information asymmetry between shareholders and managers (Mohammed, 2018).

Cameroon is characterised by a financial market in an embryonic state and economic fabric dominated by Small and Medium Enterprises (99.8% according to the National Institute of Statistics of 2016). Consequently, a financial statement audit needs to ensure reliable and high-quality financial information from these small and medium firms that can not impose an audit on their own, especially where no regulations are subjecting them to do so. Moreover, even those subjected to an audit sometimes attempt to influence the outcome.

Therefore this study examines the effect of the agency theory on demand for external audit quality. Specifically, the impact of shareholder/manager agency cost, shareholders/creditors agency cost, and majority/minority shareholders agency cost on external audit quality demand.

2. Prior Literature and Hypotheses

2.1 The agency Cost and External Audit Quality Demand

2.1.1 Shareholder/Manager Agency Cost and the Demand for External Audit Quality

According to agency theory, in a company where ownership and decision-making are separate, managers and shareholders enter into an agency relationship, shareholders being 'the principals' and the managers 'the agents'. The use of contractual mechanisms, such as external audit Jensen & Meckling, (1976) aims to control and mitigate the opportunistic behaviour of managers. This has prompted several authors to present the demand for external audit quality as the response to contractual relations between the different economic partners, particularly between shareholders and managers. However, the results of previous empirical research are relatively mixed. To this end, in the context of the United Kingdom, Lennox (2005) shows that a low level of managerial ownership negatively affects the demand for better audit quality. Its results are consistent with the divergence of interest effect proposed by agency theory, such that a decrease in managerial ownership increases the demand for better audit quality. These results corroborated Nikkinen & Sahlstöm (2010).

In the United Kingdom, O'Sullivan (2000) also supports this result based on a sample of 402 companies listed in the United Kingdom. In addition, Francis and Wilson (1988) conclude that there is no association between the managers share capital and the demand for external audit quality. This study validates the predictions of agency theory in the context of listed Tunisian companies, where a clear separation between the functions of ownership and decision-making is expected—increasing managerial ownership results in fewer agency conflicts. Increasing managerial ownership is expected to negatively influence the likelihood of employing a better-quality external auditor. It has been demonstrated that generally, in a context marked by a preponderance of family companies and weak legal protection of the rights of smallholders, the traditional conflict between shareholders and managers turns into a conflict between majority shareholders and minority shareholders (Piot, 2001) in the context French.

2.1.2 External Audit Quality: The Role of Shareholder/Creditor Agency Cost

Analysis of shareholder/creditors agency relation presupposes a convergence of shareholders/management objectives. The latter is considered to favour the interests of their principals rather than those of the lenders. Therefore, we could argue that the shareholders act through the directors. The use of debt establishes a contractual relationship between shareholders and creditors Pong & Kita, (2006). The risk for the latter is that the shareholders take advantage of their management autonomy to make transfers of wealth to their detriment. According to Jensen and Meckling (1976), the existence of debts (especially those with long maturities) alter the motivations of shareholders and managers who will not allocate resources in such a way as to maximise the value of the firm of funds owned to the detriment of debts, thus creating debt agency costs (Piot, 2001). Aware of these behaviours, creditors will demand a guarantee of the reliability of the financial information provided through a qualified and reputable professional appointment. In this regard, Pong and Kita (2006) show that bankers exercise authority over Japanese companies to select their external auditors. The results of previous empirical studies concerning the relationship between indebtedness and audit quality are mixed. Indeed, some researchers (Francis & Wilson, 1988) support the predictions of agency theory, such as a high level of indebtedness (therefore, risk) of the firm increases the probability of the request for better audit quality to reduce agency costs.

However, Niemi & Sundgren (2003) show that no relationship exists between the level of indebtedness and the demand for better audit quality by Finnish Small and Medium-sized Enterprises. The results of this study are similar to those of Piot (2001) in the French context. Within the framework of this study, we are interested in validating the predictions of the agency theory. Thus, the creditors of companies with a high level of indebtedness influence the decisions of the general assembly to choose a better quality of audit. However, we recognise a peculiarity of the Tunisian context. The granting of (granting of loans or) debt is carried out either by requiring material guarantees or based on personal relations between the lenders and the borrowers. One cannot consider the nature of the possible connection between the level of indebtedness and the demand for the quality of the audit. Only the level of debt is expected to influence the probability of calling on a better-quality external auditor.

2.1.3 Majority/Minority Agency Cost and External Audit Quality

When capital is concentrated, majority shareholders can threaten expropriation to minority shareholders and are therefore reluctant to publish financial information. Wong (2001) shows that agency costs in firms, where capital is concentrated in the hands of a small number of shareholders, result from conflicts of interest between majority shareholders and minority shareholders. The former will seek to appropriate private benefits to the latter's detriment and reduce the quality of their financial publication. In addition, the conflict between majority and minority shareholders can generate benefits to the majority shareholders more than proportional to their contribution to the capital. To this end, the external auditor's role is to allow small investors to access reliable information and thereby guarantee them a fair distribution of the wealth generated in the company.

The results of previous empirical research dealing with the link between the requested audit quality and block holders' presence are mixed. While no relationship could be identified within the framework of the study by O'Sullivan (2000) of 402 listed companies in the United Kingdom, Fan & Wong (2005) establish a positive association between these two variables - justifying the fact that the external, independent, and highly qualified auditor plays an immutable role in the resolution of agency conflicts between dominant shareholders and minority shareholders. However, most companies in Cameroon control is in the hands of the minority high capital contributors who prefer to control their entities personally and who dominate the decisions of the general meeting of shareholders. In such a context, it is expected that the presence of dominant shareholders will harm the choice of a highly reputable external auditor. Thus, the degree of capital concentration is predicted to negatively influence the likelihood of calling on a better-quality external auditor.

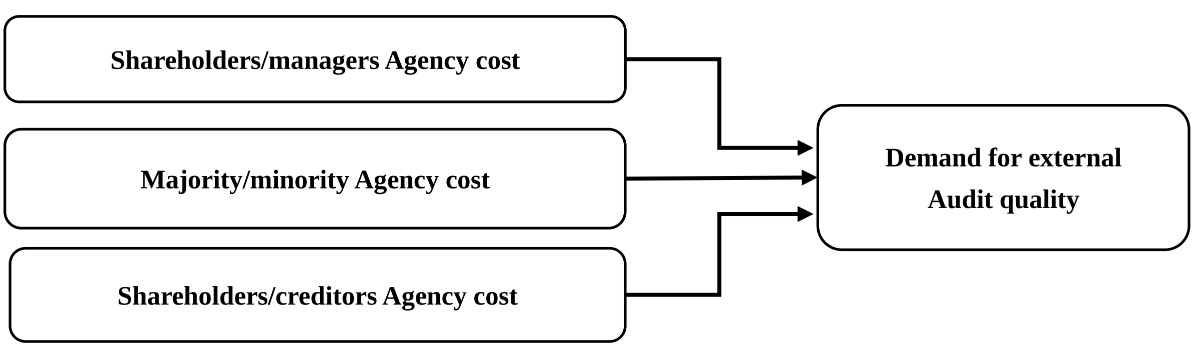

Figure 1. Figure conceptual framework

Source: Authors

2.2 Empirical Literature Review

Mustafa et al. (2018) carried out a study on Turkey's ownership structure and audit quality. The sample consists of 100 listed firms on the Borsa Istanbul (BIST) for 2014 and 2015. The study investigated the influence of minority shareholders' rights on clients' demand for audit quality, looking at those shareholders holding at least 10%on clients' demand for audit quality. His results were that minority shareholders' rights positively influence audit quality. He aligned with the suggestions of the agency theory that shareholders with at least 10% holdings increase clients' involvement with audit quality. He used an R^2 logistic regression of 0.24. The authors recommend policymakers issue new rules and regulations that should enhance minority shareholders' control to mitigate agency conflicts by involving high-quality auditors.

Akinwunmi et al. (2020) examined the impact of focused ownership on audit quality as measured by auditors of 36 manufacturing companies quoted on the Nigerian Stock Exchange. The sample was selected using a non-probability method of sampling. The study adopted an experimental research design, and secondary data extracted from the audited annual reports of companies under consideration covering 2007 to 2017 was used. The study found that ownership concentration has no statistically significant impact on audit quality. Based on the finding, the authors recommend that ownership concentration should "be maintained at a controllable level; the negligible impact of focused ownership on auditors". As evident in the study, the auditors' tenure may result from inefficient monitoring by large owners. But when ownership concentration by large ownership is maintained at a controlling level, firm values and other performance parameters become positive, resulting from an effective internal control system against the expropriation of resources and exploitation of minority shareholders by large shareholders.

Mahdi et al. (2013) study the relationship between audit quality and agency costs in available firms in Tehran Stock Exchange. The multiple linear regression with random effects method and panel data approach was used to analyse the data. The relationship between size and agency costs with auditor tenure is not significantly negative and the increased tenure period of 3 to 5 years strengthens the auditor's role in reducing agency costs.

Nor Hafizah (2021) research on internal audit quality and disclosure on Malaysia's risk management and internal control. He examines the impact of internal audit quality on disclosure on risk management and internal control. The empirical evidence was gathered using data extracted from the annual report of 200 listed companies in 2017. The findings indicate that higher internal audit quality significantly and positively enhances more effective risk management and internal control disclosure. A further analysis was carried out on firm size, firm liquidity, and audit firm size characteristics. They found that those characteristics were not significantly related to risk management and internal control disclosure. Con study provides empirical evidence on the likelihood of internal audit quality in facilitating the oversight duties of the audit committee and the board with regards to greater disclosure on risk management and internal control.

This study has some limitations that should be considered when interpreting the results. First, the determination of internal audit quality in this study is based on the externally available information (annual report). There is a possibility that the items presented in the disclosure do not reflect actual practices. Besides, other governance mechanisms may also affect internal audit quality since internal audit does not operate alone in an organisation. Second, the internal audit quality index development is based on critical factors that were internal audit quality index development based on crucial elements highlighted by the framework as suggested by prior literature and internal auditing.

In their study "Do audited firms have lower cost of debt?" in Sweden, Asif et al. (2018) investigate if audited financial statements add value for firms in the private debt market. Using an instrumental variable method, they found that firms with audited financial statements, on average, save 1.26 percentage points on the cost of debt compared to firms with unaudited financial statements. They also found that using the big, well-known auditing firms does not yield an additional cost of debt benefits. Lastly, they found that the effect of audit on the cost of debt varies between industries. As such, they found that firms in industries identified in previous studies have a more complex information structure. Therefore, a more complex auditing process also saves more on the cost of debt than other industries when audited.

Ameneh et al. (2021) carried out research on the benefits of shareholder participation in general meetings, evidence in the context of audit quality. They measured shareholder participation in general meetings (SPGM) as the percentage of the ownership represented by the shareholders who attend the general meeting. They measured audit quality by auditor industry specialisation, audit firm size, and auditor fees. To examine the relationship between SPGM and audit quality, they used a sample of 576 firm-years from the Iranian capital market between 2012 and 2018 and employed multivariate regression analysis. Their findings show that, in general, there is an insignificant relationship between SPGM and audit quality. However, they revealed a significant positive relationship between institutional shareholders' general meetings and audit quality.

Also, for the companies with a high presence of institutional shareholders in their general meetings, there is a significant positive relationship between the participation of other shareholders in the general meetings and audit quality. Their findings were robust in regards to a variety of additional tests. Originality/value: collectively, the results revealed that the impact of shareholders' participation in general meetings on audit quality is conditional to the presence of institutional shareholders in general meetings. The findings recommend further insights among the mixed evidence on the beneficial effects of SPGM.

2.3 Research Hypothesis

Based on the existing literature, we stated these hypotheses in the context of Cameroon.

***H_1**: Shareholder/Manager agency costs has a significantly positive effect on the demand for external audit quality*

***H_2**: Majority/Minority Shareholder Agency Costs has a significantly positive effect on the demand for external Audit Quality*

***H_3**: Shareholder/Creditors agency costs has a significantly positive effect on the demand for external audit quality*

3. Research Methodology

3.1 Research Design and Sample

This study made use of the causal research design. The technique is vital in answering investigative questions and making clear hypotheses. The instrument used for data collection was a structured questionnaire that was designed for clients' firms. The study's target population was mainly clients' firms subjected to audit in Cameroon. This research was carried out in three regions of Cameroon: The Littoral, the North-West and the Centre regions. These regions were chosen because they host most audit firms and client firms in Cameroon. According to the national institute of statistics, in 2016, the Littoral region had 37% of the companies in Cameroon, the Centre region had 27.1%, and the North-West region 6.3%.

3.2 Model Specification

The paper's objective is to assess the explanatory power of agency theory on the demand for a better quality of audit in the Cameroonian context. To do this, we modelled external audit quality as a function of agency costs. The logistic regression analysis results in primary data allow us to study the nature of any possible interaction.

$$\boldsymbol{DEM\_A\_Q = \beta 0 + \beta 1 \sum_{t=0}^{n} xi} + \varepsilon \quad (1)$$

The econometric specification is as follows:

$$\mathbf{DEM\_A\_Q = \beta_0 + \beta_1\, SH/MAN + \beta_2\, SH/CRE + \beta_3\, MAJ/MIN + \beta_4 SIZ.A + \varepsilon_i} \quad (2)$$

Where: **SH/MAN =** Shareholders/Manager Agency Cost; **SH/CRE =** Shareholders/Creditors Agency Cost; **MAJ/MIN =** Majority/Minority Shareholders Cost; **SIZ.A=** size of the auditee.

Table 1. Measurement of Variables

Variables	label	Measurement	Authors
The demand for Audit quality	DEM.AQ	Big four auditor taking into cognisance 1 if the audit firm is big four and 0 otherwise.	Khan *et al.* (2015) Dwekat *et al.* (2018) De Angelo (1981)
Shareholders/managers agency cost	SH/MAN	Percentage of capital held by directors (CEO)	Djoutsa et al. (2015) Lenox (2005) Dwekat *et al.* (2010)
Majority/Minority agency cost	MAJ/MIN	Shareholders' voting right, taking 1 if shares are concentrated in the hands of a group of shareholders and 0 otherwise.	Lenox (2005) Mustafa et al. (2018)
Shareholders/creditor agency cost	SH/CRE	Level of indebtedness taking into consideration if the company is in debt.	Mustafa et al. (2018) Pavel (2018)
Size of the Auditee	SIZ.A	Size of the auditee taking cognisance of the number of employees.	Yahia (2015) Piot (2001) Dwekat *et al.* (2018)

Source: Authors compilation

4. Result and Discussion

The Table below is an asymmetrical matrix that presents the correlation values between the study variables. The diagonal cells having value 1 represents the correlation between variables themselves. The sample is based on observations of 171 companies where the significance is at 1% and significance at 0.5.

4.1 Correlation Statistics

Table 2. Correlation Statistics for Variables used in the Analyses

	DEMAQ	MAJ/MIN	SIZ. A	SH/MAN	SH/CRE
DEMAQ	**1.000**				
MAJ/MIN	0.4166*	**1.0000**			
SIZ. A	0.1457***	0.2116*	**1.0000**		
SH/MAN	-0.2807*	0,0291*	0.0027	**1.0000**	
SH/CRE	0.0337	0.2133***	0.3270***	0.0747**	**1.0000**

Source: Authors

From table 2, it can be noticed that some coefficients are above the 0.5 level significance indicating strong correlation, whereas some are below the 0.5 level of significance, showing weak correlation. The value of 0.4166 indicates that capital concentration (MAJ/MIN) is weakly and positively correlated with the demand for audit quality. Also, the number of employees that is "SIZ.A" in the companies has a weak positive correlation with the demand for audit quality and a weak correlation with capital concentration. Still, the percentage of capital held by the CEO (SH/MAN) is negatively weak and correlated with the demand for audit quality and very weakly correlated capital concentration and the number of employees. Furthermore, the debt level is very weakly correlated with the demand for audit quality and moderately correlated with concentrated capital with 0.2133 and should be considered. Still, the debt level is weakly positive with the demand for audit quality but strongly and positively correlated with the number of employees with a significant value of 0.3270 and moderately correlated with the percentage of capital held by the CEO. Thus, there is a strong and positive correlation between auditee size (big four affiliations) and the demand for audit quality.

4.2 Test for Multi-Collinearity

From the above correlation analysis, we suspected that there might be no multicollinearity problem if all the variables were included in the model. To confirm it, we proceed with calculating the Variance Inflation Factor (VIF). The values obtained are presented in Table 3 below.

Table 3. Multicollinearity test

Variables	**VIF**	**1/VIF**
MAJ/MIN	1.07	0.931722
SIZ. A	1.15	0.871465
SH/MAN	1.01	0.993603
SH/CR	1.15	0.866534
Mean VIF	1.10	

Source: Authors

From table 3, Variance Inflation Factor (VIF) is less than 10, implying all the variables are correlated with low-level multicollinearity. Specifically, SH/CR has VIF =1.15 greater than 1 showing it is with low-level multicollinearity. And, following Neter et al. (1989) and Hair et al. (1995), the VIF of value less than 10 indicates that multicollinearity is not a severe concern in interpreting the findings. According to the Variance Inflation Factor test (VIF), computed to diagnose a multicollinearity problem between predictors, no predictor is correlated with other variables (Gana & Lajmi, 2012). Therefore, it can be safely concluded that there is no collinearity problem within the data.

4.3 Analysis of Binary Logistic Regression Results

We use the logit panel regression to test the model, given that the dependent variable is binary. Therefore, we perform a Hausman specification test to choose between the fixed effects and random-effects models. This test indicates that a random effect was suitable to the data collected, and there is no relationship between the unique errors and the regressors in the model. Table 4 summarises the results of the logistic regression.

Table 4. binary logistic regression results

Variable		**Coefficient**	**Odds ratios**
SH/MAN			
	5%-10%	-0.9949**	0.3697**
	above 20%	-1.4925*	0.2248*
MAJ/MIN			
	Yes	2.3932*	10.9487*
SH/CRE			
	Medium	-1.8356*	0.1595*
	Lows	-0.3814	0.6828
SIZ. A			
	101 -500	0.153	1.1654
constant		0.5669*	1.7629*
Number of Observation = 171			
LR chi2 (6) = 39.59			
Prob >chi2 = 0.0000			
Log likelihood = -70.123857			
Pseudo R2 = 0.2201			

Source: Authors

According to the survey result, **MAJ/MIN** has a positive and statistically significant effect on the demand for external audit quality at 1% level of significance with an odds ratio of 10.9487. This indicates that **MAJ/MIN** is 10.9487 times more likely to affect the demand for external audits. This suggests that when the share capital is concentrated in the hands of a group of shareholders, the demand for audit quality is high. Based on the above, our second hypothesis, indicating that Majority/Minority Shareholder Agency Costs positively influences the demand for Audit Quality, is validated.

Also, when the level of indebtedness is medium, SH/CRE has a negative and statistically significant influence on the demand for external audit quality at 1% level of significance with an odds ratio of 0.1595. This indicates that **SH/CRE** is less likely to affect the demand for external audit quality. Based on this result, the third hypothesis stated that Shareholder/creditors agency costs positively impact the demand for audit quality is rejected. Similarly, **SH/MAN** has a negative and statistically significant influence on the demand on audit quality when the share capital held by the CEO is at least 5%. This situation leads us to reject our first hypothesis, which states that Shareholder/manager agency costs positively influence audit quality. The variable size of the auditee has a positive and statistically insignificant effect on the demand for audit quality with an odds ratio of 1.1654, indicating the size of the auditee is 1.1654 times more likely to affect the demand for audit quality. The study result is evidence that firm size is less sensitive to the demand for audit quality.

4.4 Discussion

The managerial property variable used to measure shareholders/manager agency cost negatively influences audit quality demand. Indeed, based on the agency theory, the manager behaves opportunistically when he holds a low share capital. The consequent is the desire to hire a better audit quality to control their behaviour. This result corroborates the predictions of agency theory and Gana and Lajmi (2012) in the Belgian context despite their differences. This result is also consistent with Piot (2001), Francis & Wilson (1988). This result could also be because the relationship between managerial property and audit quality is not linear, as Lenox (2005) demonstrated.

As expected, majority/minority agency cost has a positive and significant influence on the demand for external audit quality. This result aligns with our second hypothesis*: Majority/ Minority Shareholder Agency Costs positively influences the demand for Audit Quality*. The capital concentration increases the need for higher audit quality to protect their interests and, therefore, the Minority. The Cameroon context is recognised by offering a weak legal system that protects the interests of minority shareholders (Fossung & Magang, 2019). Our result is in the range of those obtained by Darmadi (2016), Gana and Lajmi (2012), Mustafa et al. (2018) and Ameneh (2021). Also, there is a negative influence of **SH/CRE** on demand for external audit quality. Asif et al. (2018) study is not corroborating our result. Indeed, these authors found out that **MAJ/MIN** have a positive and significant influence on the demand for external audit quality. In addition, our model includes the size of the audited firm as a control variable. As expected, **SIZ.A** (when the employees range between 100-500) has a positive but insignificant influence on the demand for a high level of audit quality.

5. Conclusions

This research aimed to highlight the explanatory power of agency theory in explaining the call for a high level of audit quality. The findings realised that **MAJ/MIN** has a positive and statistically significant influence on Cameroon's demand for external audit quality. This indicates that when capital is concentrated, majority shareholders can present a threat. When capital is concentrated, majority shareholders can threaten expropriation to minority shareholders and are therefore reluctant to publish financial information. This is how Ho and Wong (2001) showed that agency costs in firms, where capital is concentrated in the hands of a small number of shareholders, result in conflicts of interest between majority shareholders and minority shareholders. The former will seek to appropriate private benefits to the latter's detriment and will therefore have to reduce the demand for audit quality (Ameneh et al., 2021). In addition, the conflict between majority and minority shareholders can generate benefits to the majority shareholders in a manner more than proportional to their contribution to the capital. To this end, the external auditor's role is to allow small investors to access reliable information and thereby guarantee them a fair distribution of the wealth generated in the company.

Also, **SH/CRE** has a negative and statistically significant impact on the demand for external audit quality in the context of Cameroon. Therefore, we could argue that it is the shareholders who act through the directors. In fact, the use of debt establishes a contractual relationship between shareholders and creditors (Pong and Kita, 2006). According to Jensen & Meckling (1976), the existence of debts alters the motivations of shareholders and managers who will not allocate resources in such a way as to maximise the value of the firm but that of funds. But in the context of these findings, it is seen that **SH/CRE** does not turn out to exert an effect on the explanatory power for the demand for audit quality in Cameroon. As far as **SH/MAN** is concerned, there is a negative and statistically significant relationship with the demand for external audit quality.

Based on the findings, we recommend that the Cameroon policymakers support ongoing strategies, encourage companies to carry out audit activities and adopt new instructions that encourage institutional investments to maintain audit quality reflected in high-quality financial statements. It will be helpful if the instruments in Cameroon, such as "operation sparrow hawk", are reinforced so that the Country's financial scandals can reduce. This will give quality to the financial statements because it is through quality financial numbers that the world is governed.

This study has some limitations, which give room for future research. For instance, we only examined whether high-quality auditors are demanded to mitigate agency conflicts, while we did not examine their effectiveness in doing this.

The sample size seems to be a restriction of the current study, but such sample size does not inevitably decrease the power of the statistical tests used. This study, nonetheless, contributes insights into the demand for external audit quality and agency conflict literature by empirically investigating the demand for audit quality in the context of Cameroon. Therefore, the audit scholars can benefit from the findings of this study in the development of future research in Cameroon.

Again, while the Big4 proxy for audit quality is often used in audit demand studies, it will be good to measure the demand for audit quality by integrating national audit firms, as stated in the study of Kueda et al. (2020, 2021). Indeed, in this study, the authors argued that not only big four carry out a good audit mission, but some indigenous audit firms also carry out good audit missions.

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