



Vol. 17 No.4 2023

## THE INFLUENCE OF FINANCIAL DISTRESS, CHANGE OF MANAGEMENT, COMPANY GROWTH, CAP SIZE AND AUDIT OPINION ON VOLUNTARY SWITCHING AUDITORS IN MANUFACTURING COMPANIES

Loisa Yosepina Marpaung<sup>1</sup>, Nina Purnasari\*<sup>2</sup>, Nixon Elyanto  
Hutagol<sup>3</sup>, Haryani Pratiwi Sitompul<sup>4</sup>

<sup>1,2,3</sup>Universitas Prima Indonesia - Indonesia

<sup>4</sup>Universitas Meda Area

Email : [ninaunpri@gmail.com](mailto:ninaunpri@gmail.com)

### Submit :

19/09/2023

### Accept :

15/12/2023

### Publish :

31/12/2023

### Abstract

The aim of this research is to examine the effect of financial distress on Management Change, growth company, Size HOOD, And opinion audit of voluntary auditor switching changes in manufacturing companies listed on the Indonesian Stock Exchange (BEI) for the 2019-2022 period. Secondary data comes from financial reports Which published by market capital in Indonesia stock exchange. The type of research used in this research is testing hypotheses, using a purposive sampling method. There are 44 data samples used as research objects. This research uses regression analysis logistics for testing hypotheses. The research results show that financial distress, management changes, company growth, KAP size, have no effect on Voluntary Auditor Switching while Audit Opinion has an effect on Auditor Switching Voluntary. It is known from the SPSS test that the value is  $0.000 < 0.05$ . Meanwhile, simultaneously, the variables Financial Distress, Management Change, Company Growth, KAP Size, and Auditor Opinion influence Voluntary Auditor Switching.

**Keywords:** Financial Distress, Management Change, Company Growth, KAP Size, and Auditor Opinion influence Auditor Switching Voluntary

<http://publikasi.lldikti10.id/index.php/jit>

DOI : <https://doi.org/10.22216/jit.v17i4>

PAGES : 1101-1108



## INTRODUCTION

Company recorded Which the shares registered in Exchange Securities Indonesia (BEI) must publish company financial reports online broad, because published company financial reports can be used as a basis for external decision making. Hence, report finances must be presented fairly and reliably. All companies listed on the Indonesian Stock Exchange (BEI) must prepare financial reports. The aim is to convey company information through financial reports to users and investors can make that judgment Correct. Therefore, financial statements should be adjusted to reflect how the entity responds to related financial statements when making decisions (primary & Shanti 2021).

Financial difficulties (financial distress), namely the company cannot fulfill its financial obligations or may face the threat of bankruptcy, in which case the company will increase the auditor's judgment and caution. Companies that are threatened with changing auditors. To avoid bankruptcy, the factor of financial difficulties needs to be added, and the company's financial situation must be understood as early as maybe so Companies can prevent and predict bankruptcy. Financial difficulties are when current cash operation company No sufficient to meet current obligations and the company is forced to take action corrective (Arifin 2018:189)

Changes in management in a company are often accompanied by changes in company policy. Management changes public accountants or KAPs more often because of the element of trust. Because

management Which new Certain that accountant public new Can invited to work together and able to provide opinions as expected by management accompanied by their own preferences regarding the auditor they will use, changes in public accountants and public accounting firms can occur within the company (Wahyuningsih and Suryanawa, in Kurniaty, Hasan and Anisma, 2014).

The growth of a company is the growth of total assets, and past asset growth will describe profitability in the coming year. Growth is an increase or decrease in the total assets owned by a company. Company assets are assets that are used in the company's business activities, which is expected to improve the company's operating results, thereby increasing trust and providing positive signals to people and external parties within the company (Syardiana et al , 2015). The size of the KAP can influence companies to carry out auditor switching. According to Riyatno (in Kurniaty, 2014) Big four KAPs are indicated to have better audit credibility than small KAPs. Several KAPs have a large and international reputation. These KAPs often affiliate themselves in various countries with local KAPs. Large KAP that applies universally known with the Big Four World Wide, Accounting Firm or Big Four. Investors tend more believe credibility of the report financials that have been audited by the KAP that owns them reputation (Ni Kadek, in Mas Ruroh and Rahmawati, 2016). An audit opinion is given by the auditor through several audit stages so that the auditor can provide a conclusion on the opinion that must be given above audited financial reports. Companies certainly expect auditors to





provide an unqualified opinion on their financial reports because usually opinions outside of this are less expected by management and are not very useful for users of financial reports (Charemichael and Willingham, in Kurniaty, Hasan and Anisma, 2014). However, these expectations are not always met because auditors must remain independent in carrying out their audits. Management will dismiss its auditors for opinions that the company does not expect on its financial reports (Damayanti and Sudarma, in Kurniaty, Hasan and Anisma, 2014).

According to Financial Distress Researchers, Management Change, Company Growth, KAP Size and Audit Opinion Influence Auditor Voluntary Switching. The more a company experiences financial distress, the more it can create conditions that encourage the company to For do auditors switching voluntarily. Then, if the company changes the board of directors, both directors and commissioners, this will lead to changes in company policy. If management considers the auditors to be incompetent in carrying out their duties, this will certainly make management think about carrying out voluntary auditor switching. As companies grow, they require more qualified auditors. This growth affects voluntary auditor switching. The size of the KAP also matters if the client company is of scale small have trend more Tall For change auditors . Likewise with audit opinions if opinions are given by auditors This makes the manager or company management feel dissatisfied, then the company

management may decide to replace it the auditor.

## RESEARCH METHODS

The type of research used in this research is quantitative research, namely research conducted on a certain population or sample to test the applied hypothesis. Sugiyono (2020:16) believes that quantitative research methods can be interpreted as research methods that are based on the philosophy of positivism, conducting research on a group of people or certain samples, using research tools to collect data, and analyzing data with a quantitative/statistical nature. The goal of testing a stated hypothesis. According to Sugiyono (2020), population is areas general Which consists of objects or subject with quality And characteristics certain set by researchers for the purpose of studying and drawing conclusions. Sugiyono (2020:127) considers samples to be part of the number and characteristics of a population. While sample size is one of the steps in determining the size of the sample to be taken when conducting research, the following is an overview of the sample selection criteria used in this research.

No	Criteria	Total
1	Company Manufacture Subsector industryand chemistry Yang Registered on BEI 2019-2022	22
2	Industrial and chemical subsector manufacturing companies that do not present financial reports consecutively during 2019-2022	(9)
<b>Amount sample</b>		<b>11</b>
<b>Amount sample study ( 11 x4 )</b>		<b>44</b>

Table 1. Criteria Sample Study





Technique analysis data Which used in study This logistic regression. (Ghozali, 2018; 325). with a quantitative approach because the dependent variable is dichotomous data or the measurement scale is nominal and the independent variable form data scale number And category. This means that explanatory variables do not have to have a linear, normal distribution, or have the same variance in each group.

According to Ghozali (2018) descriptive statistics provide an overview of the characteristics of variables Which observed or description something data Which seen from average (mean), maximum, sum, variance, minimum, range, randomness (skewness of distribution), curtailment and standard deviation values. Descriptive statistics have a purpose to know the characteristics of the sample used and describe the variables in it study.

Overall model fit is measurement For determine whole model, is model Which hypothesized fit with data. Hypothesis which is used for look at the model fit is as follows: H0 : Model Which hypothesized fit with data. Ha : Model Which hypothesized No fit with data. Testing is carried out with compare mark between -2 LogLikelihood (-2LL) on initial (Block Numbers = 0)with mark -2 Likelihood Log (-2LL) on end (Block Number=1). Subtraction value between-2LL start with mark - 2LL end show that model regression Which better or in other words the model is hypothesized to fit data.

## RESULT

	N	Minim um	Maxim um	Me an	Std. Deviation
Financial distress	4	.0074279	6.0569325	.9177556	1.23495059
Substitution	4	0	1	.07	.255
Management	4				
Growth	4	-.9991425	3.4869345	.0995990	.701551477
Company	4			26	5
KAP size	4	0	1	.02	.151
Audit opinion	4	0	1	.98	.151
Auditors	4	0	1	.16	.370
switchingVolu nta ry	4				
Valid N (listwise)	4				

Table 2. Descriptive Statistics

Data from each variable described Formerly so that can The minimum, maximum, mean and std deviation values are known as follows:

1. Financial distress has a minimum value of 0.0074279 in OPMS companies in 2021, a maximum of 6.0569325 in HERE companies in 2019, mean (average) 0.917755667 and std.deviation 1.2349505916.
2. Management changes have a minimum result of 0, a maximum of 1, a mean of 0.07 and a standard deviation of 0.225.
3. Company growth has a minimum value of -0.9991425 in CCSI companies in 2019, a maximum of 3.4869345 is found in





WOOD companies in 2022, mean 0.099599026, std.deviation 0.7015514775.

4. Variable Size HOOD produce mark minimum 0, maximum 1, mean 0.02 with deviation 0.151.

5. Opinion auditing have mark minimum 0, maximum 1, mean 0.98 and standard deviation 0.151.

6. Auditors switching voluntary produce mark at least 0, max 1, mean 0.16 And also std.deviation 0.370.

Using the Hosmer and Lemeshow Test, if the resulting significant value is above 0.05, the model is said to be acceptable because it matches the observation data. From the data above the value Chi-square of 7.832 and sig 0.450 can be concluded from the regression model in the research this is acceptable because it matches data.

Step	Chi-square	Df	Sig.
1	7,832	8	,450

Table 3. Logistics Hosmer and Lemeshow Test

Using the Hosmer and Lemeshow Test, if the resulting significant value is above 0.05, the model is said to be acceptable because it matches the observation data. From the data above the value Chi-square of 7.832 and sig 0.450 can be concluded from the regression model in the research this is acceptable because it matches data.

Iteration	-2
Likelihood	Log Coefficients Constant
1	39.130 -1.364
Step 0 2	38.562 -1.638

3	38.558 -1.665
4	38.558 -1.665

This test uses an inter-correlation matrix test variable free to see the magnitude of the correlation between independent variables, the test results show that there is no correlation coefficient value between variables whose value is greater than 0.9, so it can be concluded that in the observation data there are no symptoms of multicollinearity.

	B	S.E.	Wald	df	Sig.	Exp(B)
the Equa <sub>X1</sub> on	.110	.317	.120	1	.729	1.116
X2	1.104	1.331	.689	1	.407	3.017
Step 1 <sup>a</sup> X3	.101	.581	.330	1	.862	1.106
X4	-3.953	2.970	.473	1	.675	4.050
X5	7.399	.091	.359	1	.000	3.185
Constant	-21.234	92.991	.000	1	.040	.950

Table 4. Regression Coefficient Analysis

a. Variable(s) entered on step 1: X1, X2, X3, X4, X5.

$$Y = -21,234 + 0.110 (X1) + 1.104 (X2) + 0.101 (X3) - 3.953 (X4) + 7,399(X5) + e$$

1. Constant worth -21,234 say will happen change as big as - 21,234 on Auditor switching if it is assumed that DER, management changes, sales growth, KAP size, auditor opinion do not change constantly.

2. Mark coefficient regression on variable x1 as big as 0.110 matter This show If the company experiences an increase in DER, the decision to carry out voluntary auditor







switching will increase by an amount 0.110.

3. The coefficient value for the x2 variable is 1.104 state If every change in management increases, the decision to conduct voluntary switching auditors will increase by 1,104.

	B	S.E	Wald	Df	Sig.	Exp(B)
X1	,110	,317	,120	1	,729	1,116
X2	1,104	1,331	,689	1	,407	3,017
Step 1 <sup>a</sup> X3	,101	,581	,330	1	,862	1,106
X4	-3,953	2,970	,473	1	,675	4,050
X5	7,399	,091	,359	1	,000	3,185
Constant	-21,234	92,991	,000	1	,040	,950

Table 5. Variables in the Equation

Is known from test on as following:

1. Financial distress (x1) is known mark sig from statistical data as big as  $0.729 > 0.05$  which means that financial distress has no partial effect against Auditors witching voluntary.
2. Management change (x2) has a sig value of  $0.407 > 0.05$ . It can be stated that management change has no partial effect on auditor voluntary switching.
3. Company growth (x3) sig value  $0.862 > 0.05$ , it can be said that company growth has no partial effect on auditor voluntary switching. The size of the KAP (x4) can be seen as a value of sig  $0.729 > 0.05$ , it can be concluded that the size of the KAP has no partial effect on auditor voluntary switching.

4. Audit opinion (x5) is known to be sig  $0.000 < 0.05$  where it can be concluded that opinion auditing influential in a way Partial to Switching auditors voluntary.

In partial testing it is known that sig is  $0.792 > 0.05$  which is means that Financial distress has no influence on Auditor voluntary switching. The results of this research are in line with the results of (Faradina Zikra, Efrizal Syofian 2019) which state that Financial distress has no influence on Auditor voluntary switching, on the contrary this research is not in line with the results of (July is Manto, Manda Lesmana Manda 2018) which states that financial distress has an influence on auditor voluntary switching.

The SPSS T test, it is known that the sig value is  $0.407 > 0.05$ , it can be concluded that Management Change has no influence on Auditor voluntary switching. Hypothesis testing This in line with researcher previous ( Syarifahnadya Adli, Elly Suryani 2019) who said that management changes have no effect on voluntary auditor switching, and this research is not in line with (Juli is Manto, Manda Lesmana Manda 2018) who said that management changes have an influence on voluntary auditor switching.

It can be seen from the SPSS test results that the T test produces a sig value of  $0.862 > 0.05$  Which means Growth company No own influence towards voluntary switching auditors. This test is also in line with previous researchers (Siska Aprianti and Sri Hartanty 2016)





who said that company growth has no influence on voluntary switching auditors and conversely this research is not in line with the results (Yuka Faradila, M. RizalYahya 2016) who said that growth The company has influence on auditor voluntary switching.

It can be concluded by looking at the results of the T sig test  $0.675 > 0.05$  that KAP size has no effect on voluntary switching auditors. This is in line with the test results (Faradina Zikra, Efrizal Syofian 2019) which say KAP size has no influence on voluntary switching auditors and vice versa in this research not in line with (Siska Aprianti Dansri treasury 2016) which states that KAP size has an influence on auditor voluntary switching.

It is known that the SPSS test worth  $0.000 < 0.05$  concludes that Audit Opinion has an influence on Voluntary Switching Auditors. This result is in accordance with researchers (R. Enough Bakhtiar & Utari Bakhti Somantri 2021) who stated that Audit Opinion has an influence on Voluntary Switching Auditors. On the contrary, this conclusion is not in line with the researcher (Fariska Yonsa Ronikusuma & Paul Th. Basuki Hadiprajidno 2018) who said that Audit Opinions do not have the influence of Voluntary Switching Auditors.

Obtained mark sig  $0.004 < 0.05$  can withdrawn conclusion that  $H_0$  is rejected and  $H_a$  is accepted. The results of observations (this research) conclude that Financial Distress, Turnover Management, Growth Company, Size HOOD, And The Auditor's Opinion

simultaneously influences Auditor Voluntary Switching in Industrial and Chemical Subsector Manufacturing companies listed on the IDX for 2019-2022.

### CONCLUSION

From results study Which has done, so concluded that :

- 1: Financial Distress has no influence on Voluntary Auditor Switching in Industrial and Chemical Subsector Manufacturing companies listed on the IDX in 2019-2022.
- 2: Management Changes have no influence on Voluntary Switching Auditors in Industrial and Chemical Subsector Manufacturing companies listed on the IDX for 2019-2022.
- 3: Company growth has no influence on Voluntary Switching Auditors in Industrial and Chemical Subsector Manufacturing companies listed on the IDX in 2019-2022.
- 4: KAP size has no influence on Voluntary Switching Auditors in Industrial and Chemical Subsector Manufacturing companies listed on the IDX in 2019-2022
- 5: Audit Opinion has an influence on Voluntary Switching Auditors in Industrial and Chemical Subsector Manufacturing companies listed on the IDX in 2019-2022
- 6: From the research conducted, it was concluded that Financial Distress, Management Change, Company Growth, KAP Size, and Auditor Opinion simultaneously influence Voluntary Auditor Switching in Industrial and Chemical Subsector Manufacturing companies listed on the BEI in 2019-2022





## BIBLIOGRAPHY

- Adli, SN, & Suryani, E. (2019). The Influence of Leverage, Management Changes, and Audit Fees on Auditor Switching. *ASET (Accounting Research) Journal* , 11 (2), 288–300
- Aprianti, S. & Sri, H. (2016). Influence of KAP Size, Size Client Companies, and Growth Rates of Client Companies Against Auditor Switching . *Journal Accountancy Polytechnic Sekayu (ACSY)*, 4(1) May 2016, p. 45-56.
- Widhiarso. (2010). *Logistic Regression Analysis*. Yogyakarta Widhiarso. (2010). *Logistic Regression Analysis*. Yogyakarta
- Machdar, NM(2018). *PERFORMANCE FINANCE, STOCK PERFORMANCE AND STRUCTURE CAPITAL IN INDONESIA*. Media Research Accountancy, Auditing & Information , 18 (2), 135–152
- Manto, J I., & Manda, D, L. (2018). The Effect of Financial Distress , Management Change and Cap Size on Auditor Switching *Accounting, Auditing & Information Research Media* 18(2) September 2018 : 205-224.
- Yanto, Y., & Almunawaroh, SW (2019). Analysis of Voluntary Auditor Switching which is influenced by Audit Opinions, Management Changes, Financial Distress, Audit Delay in Manufacturing Companies Listed on the Indonesia Stock Exchange (BEI) in 2015-2017. *Journal of Accounting Recognition* , 3 (1),65-79.
- Zikra, F., & Efrizal, S. (2019). Influence Financial Distress, Client Company Growth, KAP Size, and Audit Delay on Auditor Switching. *Journal of Exploratory Accounting*, 1(3), Series F, 1556-1568.
- Fianti, P. I., & Badjuri, A. (2023). Financial Distress as a Moderating Effect of Management Turnover, KAP Size, and Audit Fees on Auditor Switching in the Indonesian Stock Exchange. *Jurnal Akuntansi dan Bisnis: Jurnal Program Studi Akuntansi*, 9(2), 142-154.
- Putra, V. A., & Wilopo, R. (2017). The effect of company size, accounting firm size, solvency, auditor switching, and audit opinion on audit delay. *The Indonesian Accounting Review*, 7(1), 119-130.
- Hayati, K., Sihotang, J., Lubis, A., & Halawa, D. (2021). The effect of institutional ownership, audit opinion, kap reputation, management changes and audit delay on auditor switching. *Journal Research of Social Science, Economics, and Management*, 1(2), 130-147.

