

THE EFFECT OF OPINION SHOPPING, COMPANY SIZE, AND FINANCIAL PERFORMANCE ON GOING CONCERN AUDIT OPINION IN BANKING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (EMPIRICAL STUDY ON BANKING COMPANIES LISTED ON THE IDX PERIOD 2021-2023)



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Abstract

This research investigates the impact of opinion shopping, firm size, and financial performance on the issuance of going concern audit opinions. A quantitative method is employed, utilizing secondary data derived from annual financial reports published on the official website of the Indonesia Stock Exchange. The study population comprises all banking institutions listed on the Indonesia Stock Exchange between 2021 and 2023, totaling 45 companies. The sample was selected using a purposive sampling technique, resulting in 99 company observations included in the analysis. The data were analyzed using logistic regression, with statistical processing conducted through SPSS (Statistical Product and Service Solutions) version 22. The findings indicate that opinion shopping, firm size, and financial performance have a negative effect on the likelihood of receiving a going concern audit opinion.

Keywords: Opinion Audit, Going Concern, Opinion Shopping, Company Size, Financial Performance

INTRODUCTION

Banks serve as financial institutions responsible for collecting public funds in the form of savings and redistributing them through credit disbursement. This study identifies a phenomenon where several companies in Indonesia received going concern audit opinions yet still faced liquidation. In some instances, banks were liquidated even after receiving unqualified opinions. This situation highlights the necessity for auditors to reassess the audit opinions they issue. There have been cases where firms were granted unqualified opinions in one year, only to be liquidated the following year due to failure to repay BLBI debt. Notable examples include Bank Prasadah Utama (IDR 206.24 billion in debt), Bank Dagang Bali (IDR 832.55 billion), Bank Asiatic (IDR 797.04 billion), and Bank Ratu (IDR 71.82 billion), although Bank Ratu had fulfilled its guarantee obligations. Some observers argue that auditors share responsibility for these business failures, citing their inability to detect potential risks at an early stage. Additionally, the 2020 annual report of PT Bank Nationalnoba Tbk expressed uncertainty regarding the company's business continuity due to the impact of the COVID-19 pandemic.

REVIEW OF LITERATURE

1) Agency Theory

Agency theory explains the relationship between the principal (shareholders) and the agent (management). In this framework, shareholders delegate authority to management to operate the company on their behalf. As such, management is entrusted with decision making power intended to serve the best interests of the shareholders (Jensen & Meckling, 1976). Since shareholders typically have less access to internal company information and long-term strategic goals compared to management, it becomes the responsibility of management to disclose relevant information through financial reports. In this dynamic, the presence of an independent third party often plays a crucial role as a mediator, ensuring transparency and fairness between the agent and the principal.

2) Opinion Shopping

According to the Securities and Exchange Commission (SEC) as cited in Saputra and Kustina (2018), opinion shopping refers to the practice of seeking auditors who are willing to accommodate accounting treatments proposed by management in order to achieve specific financial reporting objectives. Companies may engage in auditor switching for two main reasons: dismissing auditors likely to issue going concern opinions, or appointing those who are more inclined to provide unqualified audit opinions.

3) Company Size

Company size refers to a measurable scale used to categorize firms based on various criteria, such as total assets, market capitalization, and other financial indicators (Hery, 2017). The size of a firm also influences its capacity to manage and withstand potential risks; larger companies are generally perceived as being better equipped to address these challenges. An increase in total assets often reflects business expansion, which in turn can enhance investor confidence and attract investment. Conversely, companies that experience inconsistent or declining growth may cause investors to hesitate or reconsider their investment decisions.

4) Financial Performance

Financial performance refers to the company's condition as evaluated against predefined objectives, benchmarks, and performance standards. It is typically communicated by management through a set of financial reports, which include the income statement, balance sheet, statement of changes in equity, cash flow statement, and accompanying notes (Fahmi, 2017). Profitability serves as a key metric in evaluating how efficiently a company operates, as it reflects the profits generated from its business activities. A higher level of profitability generally indicates better asset management and stronger financial health. This evaluation commonly utilizes financial ratios to determine whether a company is operating in a sound financial condition (Darwis & Fatmawati, 2022).

5) Opini Audit Going Concern

A going concern audit opinion is issued by an auditor when there is significant doubt about an entity's ability to continue its operations for at least twelve months from the audit date. This type of opinion addresses uncertainties that could jeopardize the company's future operations (Widiatmika *et al.*, 2021).

Several factors may contribute to concerns about an entity's going concern status, including:

1. Persistent and substantial operational losses, which form a negative trend, or a lack of sufficient working capital.
2. Inability to fulfill financial obligations as they come due, delays in dividend payments, or the need to liquidate significant assets.
3. The loss of major customers due to catastrophic events such as earthquakes, particularly those not covered by insurance.
4. Legal disputes, lawsuits, or other proceedings that may impair the company's ability to sustain its business operations (Vernando & Yuniarto, 2018).

RESEARCH METHOD

This research adopts a quantitative approach utilizing secondary data. The population comprises banking institutions listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 observation period, totaling 45 companies. The sampling technique employed in this study is purposive sampling, a method of selecting samples based on specific criteria established by the researcher to ensure alignment with the research objectives. The sample selection criteria applied in this study are as follows:

1. Companies that remained listed on the IDX throughout the 2021–2023 period.
2. Companies that experienced delisting but were subsequently re-listed during the 2021–2023 timeframe.
3. Banking institutions that published both annual and financial reports consistently for the years 2021 to 2023.
4. Companies that did not record losses in at least one of the financial reporting periods within the 2021–2023 observation window.

The analytical method utilized in this study is logistic regression, with data processing conducted using SPSS (Statistical Package for the Social Sciences) software version 22.

RESULTS AND DISCUSSION

Statistics Descriptive

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non-Opinion Shopping	49	49.5	49.5	49.5
	Opinion Shopping	50	50.5	50.5	100.0
	Total	99	100.0	100.0	

Source : SPSS Output Results Version 22

The analysis results presented in the table indicate that the opinion shopping variable reveals 49 companies (49.5%) did not switch auditors, while 50 companies (50.5%) did change their auditors, based on a total sample of 99 companies. These findings suggest that auditor changes in some companies may be influenced by managerial decisions. Companies might seek new auditors due to the perception that new audit firms could offer greater attention or be more receptive to client preferences, perspectives, and expectations, particularly for new engagements.

Table 4.4
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std.Deviation
Company size	99	13.48	32.52	21.0535	4.60054
Financial Performance	99	0.01	6.21	1.3687	1.29582
Valid N (listwise)	99				

Source : SPSS Output Results Version 22

Based on the descriptive analysis of the total sample of 99 companies, the researcher identified the minimum, maximum, and mean values of each variable.

- a. For the company size variable, the lowest value was 13.48, recorded by PT Bank Panin Dubai Syariah Tbk (PNBS) in 2021, while the highest value was 32.52, observed in PT Bank Mandiri Tbk (BMRI) in 2023. The mean value was 21.0535 with a standard deviation of 4.60054. The relatively low standard deviation suggests that the mean accurately reflects the overall dataset and indicates a relatively uniform distribution.
- b. For the financial performance variable, measured by Return on Assets (ROA), the minimum value was 0.01, recorded by PT Bank Jago Tbk (ARTO) in 2022. The highest ROA value was 21.0535, achieved by PT Bank Rakyat Indonesia Tbk (BBRI) in the same year. The mean ROA was 1.3687, with a standard deviation of 1.29582, indicating a well-represented mean and a fairly consistent data distribution.

Model Feasibility Test (Hosmer and Lemeshow’s Goodness of Fit)

Hosmer and Lemeshow Test

Step	Chi-square	Df	Itself.
1	8.575	8	379

Based on the results of the model feasibility test presented in the table, the Chi-Square statistic was 8.575, which is lower than the critical Chi-Square value. Furthermore, the significance level exceeds 0.05, indicating that the null hypothesis (H₀) is accepted. This suggests that there is no significant difference between the observed and predicted values, and therefore, the logistic regression model fits the data appropriately.

Test Model Fit

Iteration History ^{a,b,c}

	Iteration	-2 Log likelihood	Coefficients Constant
Step 0	1	65.058	1.783
	2	55.295	2.511
	3	54.423	2.811
	4	54.408	2.857
	5	54.408	2.858

Source : SPSS Output Results Version 22

Iteration History ^{a,b,c,d}

Iteration		-2 Log likelihood	Coefficients			
			Constant	Opinion Shopping	Company Size	Financial Performance
Step 0	1	63.482	.083	.343	.225	.072
	2	51.655	-1.721	.846	.557	.182
	3	49.492	-4.06 4	1.369	1.076	.303
	4	49.300	-5.107	1.595	1.101	.355
	5	49.298	-5.237	1.624	1.101	.361
	6	49.298	-5.239	1.625	1.101	.361
		49.298	-5.239	1.625	1.101	.361

Source : SPSS Output Results Version 22

Based on the output presented in Table 4.6, a reduction in the -2 Log Likelihood value is observed. The initial -2 Log Likelihood was recorded at 54.408 and decreased to 49.298 in the final iteration. This decline indicates an improvement in the model's fit, suggesting that the proposed regression model is appropriate and aligns well with the observed data.

Cohesion Determination Test

Nagelkerke R Square

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	49.298a	.039	.113

Source: SPSS Output Version 22

Table 4.7 is a summary table. In this table, the value of Nagelker R Square shows a value of 0.113. This indicates that the dependent variable that can be explained by the independent variable in this study is 11%. The remaining 89%.

Regression Model Formed

Variables in the Equation

		B	S.E.	Forest	Df	Itself.	Exp(B)
Step 1	THE	1.625	1.701	.912	1	.340	5.077
	UP	1.101	1.484	.550	1	.458	3.007
	LENGTH	.361	.182	3.934	1	.047	1.435
	Constant	-5.239	4.117	1.620	1	.203	.005

Source : SPSS Output Results Version 22

$$OAGC = -5.239 + 1.625 OS + 1.101 UP - 0.361 ROA + e$$

The logistic regression equation can be described through the following statement:

1. The constant value obtained from the regression analysis is -5.239. This value suggests that when the variables of opinion shopping, company size, and financial performance are held constant, the baseline probability of a company receiving a going concern audit opinion is approximately 0.05. This implies a relatively low likelihood of a going concern opinion being issued in the absence of influence from the independent variables.
2. Opinion shopping results in a coefficient value of 1.625.
 This result shows that if opinion shopping increases by 1 unit with other independent variable conditions constant, then opinion shopping will increase the audit opinion going concern.
3. The company size variable has a coefficient of 1.101, which indicates that every one unit increase in the variable has the potential to increase the likelihood of the company receiving an audit opinion going concern. company of 1,101 units by considering other variables to be of constant value.
4. Financial performance produces a coefficient value of 0.361 which means that every 1 unit added to the financial performance variable, it is possible to result in an increase in the audit opinion going concern in the company by 0.361 units by considering other variables to be of constant value.

CONCLUSION

Based on the results of data analysis and the discussions presented, it can be concluded that:

- 1) Opinion shopping has a negative effect on going concern audit opinions. This suggests that auditors, in performing their duties, consistently maintain professional independence and adhere to established auditing standards, regardless of management's efforts to influence outcomes through auditor switching.
- 2) Company size also demonstrates a negative relationship with going concern audit opinions. However, this does not imply that either large or small companies are certain to receive such opinions. Each company implements its own risk management strategies, and auditors primarily base their assessments on the actual financial condition of the company rather than its scale.
- 3) Financial performance, as measured by profitability (Return on Assets), negatively influences the issuance of going concern opinions. This indicates that profitability alone should not be considered a sole determinant of going concern status, as auditors evaluate a broader range of financial and operational factors.

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