International Journal of Research on Finance & Business (IJRFB) ISSN: 3046-4609 (Online)
Vol. 9, No. 1, July 2026, pp. 147–163 ISSN: 3032-7806 (Print)

THE EFFECTS OF AUDIT OPINIONS, FINANCIAL DISTRESS, AND COMPANY GROWTH ON AUDITOR SWITCHING

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Abstract. This study examines the effects of audit opinion, financial distress, and company growth on auditor switching. The population for this study consisted of companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. The sample was selected using purposive sampling based on several predetermined criteria, resulting in a total of 34 companies and 136 data observations. The study utilizes secondary data obtained from the companies' annual reports. The analysis employs panel data logistic regression using E-Views 13. The results indicate that audit opinion has a significant positive effect on auditor switching, company growth has a significant negative effect on auditor switching, while financial distress has no effect on auditor switching.

Keywords: Audit Opinion, Financial Distress, Company Growth, Auditor Switching, Profitability, Company Size

I. INTRODUCTION

Financial statements serve as the primary medium for companies to convey information regarding their financial position and performance to stakeholders as a form of accountability for the management of resources entrusted to management. Therefore, financial statements must be audited by independent auditors to enhance the credibility of the information presented through the issuance of an objective audit opinion. Auditor independence is a fundamental aspect in maintaining the reliability of financial statements; however, long-term relationships between auditors and clients have the potential to compromise that independence. This situation underscores the importance of auditor rotation (auditor switching) as a measure to maintain the objectivity and quality of the audit process (Indonesian Institute of Certified Public Accountants (201:07) in Manto & Manda, 2018; Auditing Standard 200, 2021; Fenadi & A, 2019).

The importance of auditor independence is reflected in the case of financial statement manipulation at PT Hanson International Tbk, which was uncovered through an investigation by the Financial Services Authority (OJK). The company was found to have manipulated its accounting presentation regarding fictitious sales of ready-to-build lots (Kasiba) valued at Rp732 billion, resulting in an unreasonable increase in revenue. The case also involved auditors from the public accounting firm Purwantono, Sungkoro, and Surja, who received a one-year suspension of their Certificate of Registration (STTD) due to violations of the professional code of ethics. This incident underscores the importance of implementing auditor rotation as a mechanism to maintain auditors' independence and objectivity in providing assurance regarding the fairness of financial statements (Kompas.com, 2020).

Auditor switching is a corporate governance mechanism that plays a role in maintaining the transparency and credibility of financial information. Auditor changes can occur either mandatorily or voluntarily. Mandatory auditor rotation is conducted to comply with regulatory requirements regarding limits on the duration of an auditor's engagement, while voluntary auditor rotation is carried out at the company's discretion, influenced by various internal and external factors. From an agency theory perspective, an independent auditor functions as a third party that bridges the interests of management and shareholders, thereby minimizing agency conflicts. However, in practice, the decision to switch auditors is also influenced by the company's conditions and auditor characteristics, such as the audit opinion, the company's financial condition, company growth, audit fees, and audit quality (Aini & Yahya, 2019; Jensen & Meckling, 1976; Djamalilleil, 2015 in Wati, 2020).

Various studies have identified a number of factors that influence a company's decision to switch auditors, including audit opinions, company growth, and financial distress. However, empirical findings regarding the influence of these three factors still show mixed results, necessitating further testing.

The audit opinion is one factor believed to influence a company's decision to change auditors. An opinion that does not meet management's expectations—such as a qualified opinion—has the potential to trigger an auditor change because it can create a conflict between management (as the agent) and shareholders (as the principal). Research by Vidianti & Yohanes (2023) and Safira et al. (2023) indicates that companies tend to switch auditors after receiving an unexpected opinion in the hope of obtaining a better opinion in the following period. Conversely, Wati (2020) and Tjahjono & Khairunissa (2021) found that audit opinions do not influence the decision to switch auditors because public companies tend to avoid "opinion shopping" to maintain their reputation and investor confidence.

In addition to audit opinions, firm growth is also viewed as influencing auditor-switching decisions. Firm growth drives an increased need for auditors with better reputations and quality to support business expansion and enhance the trust of investors and creditors (Tjahjono & Khairunissa, 2021). Arkan & Triyono (2024) found that increased sales growth prompts companies to switch to auditors deemed better able to meet the needs of a growing firm. However, Prihandoko & Supriyati (2020) and Dharmasari & Suardana (2021) presented differing findings, stating that companies with positive growth tend to retain their existing auditors as long as the quality of audit services remains adequate.

This phenomenon is particularly relevant to companies in the property, real estate, and construction sectors, which have demonstrated dynamic growth in recent years. The contribution of these sectors to the national Gross Domestic Product (GDP) continues to rise, supported by infrastructure development and national strategic projects—including the New Capital City (IKN)—although growth in the property and real estate subsectors remains volatile. These changing industry conditions have the potential to influence companies' needs regarding the quality of audit services, making the decision to switch auditors increasingly important (Kompas.id, 2023; Dana Reksa Institute, 2022; CNBC Indonesia, 2024).

Another factor believed to influence auditor switching is financial distress. Companies experiencing financial difficulties tend to face limitations in meeting their obligations, including audit fees, and may therefore switch to auditors with lower service fees (Kusuma & Farida, 2019). This situation is reflected in the increasing number of real estate companies experiencing declining financial performance, bankruptcy, or filing for Debt Payment Obligation Deferral

(PKPU) in recent years (Katadata.co.id; CNBC Indonesia, 2023). In line with these conditions, Prihandoko & Supriyati (2020), Dharmasari & Suardana (2021), and Narolita et al. (2024) demonstrate that financial distress has a positive effect on auditor switching. Conversely, Wati (2020) and Setyoastuti et al. (2020) state that companies experiencing financial distress actually tend to retain their auditors to maintain the company's image in the public eye.

These findings indicate that the effects of audit opinions, company growth, and financial distress on auditor switching still yield inconsistent empirical evidence. This research gap forms the basis for this study to re-examine the effects of these three variables on auditor switching in companies in the property, real estate, and construction sectors, building upon the research by Zulaika (2022).

This study uses the 2020–2023 observation period to capture the dynamics of auditor switching during the COVID-19 pandemic through the economic recovery period. The year 2020 was selected as it marked the onset of economic pressures that led to a decline in corporate performance and financial conditions, particularly in the property, real estate, and construction sectors. Meanwhile, the 2022–2023 period reflects the recovery phase, supported by increased national construction activity—including the New Capital City (IKN) project—thereby providing representative conditions for analyzing companies' decisions regarding auditor switching. Additionally, this study includes profitability and firm size as control variables to minimize the influence of other factors that may affect auditor switching decisions. Profitability reflects a firm's ability to maintain financial stability and cover audit costs, while firm size is related to operational complexity, corporate reputation, and a preference for higher-quality auditors.

This study offers several novel aspects compared to previous research. First, it incorporates company growth as a determinant of auditor switching in the property, real estate, and construction sectors. Second, audit opinions are measured using an ordinal scale (1–5), providing more detailed information than the commonly used dummy variable approach. Third, financial distress is measured using the Altman Z-Score method, which is considered more comprehensive than the Debt-to-Equity Ratio (DER) used in previous studies. Fourth, this study extends the observation period to four years (2020–2023), thereby capturing company conditions from the pandemic through the economic recovery period.

Based on these phenomena, the differences in previous research findings, and the novelty offered, this study aims to analyze the effects of audit opinions, financial distress, and company growth on auditor switching among companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange during the 2020–2023 period.

II. LITERATURE REVIEW

A. Agency Theory

The agency theory proposed by Jensen & Meckling (1976) explains that an agency relationship is formed through a contract between a principal and an agent, in which the principal grants the agent the authority to manage the company's resources and holds the agent accountable for the results of that management. In a corporate context, shareholders act as the principal, while management serves as the agent (Setyoastuti et al., 2020). This relationship is expected to function efficiently; however, in practice, differences in interests between the principal and the agent often give rise to agency conflicts. Management tends to act in its own self-interest, thereby generating agency costs and information asymmetry due to the imbalance in information held by both parties (Zulaika, 2022).

The presence of independent auditors serves as a third party that can minimize agency conflicts by providing objective and reliable information to stakeholders (Herawaty & Ovami, 2021). Independent auditors are tasked with impartially assessing the fairness of financial statements, thereby limiting management's ability to manipulate financial information (Nikmah & Rahardjo, 2014). Therefore, auditor independence must be maintained, in part through auditor rotation to avoid overly prolonged relationships between auditors and clients. The appointment of an independent auditor is based on a decision by the Board of Commissioners, which is ratified at the General Meeting of Shareholders (GMS); thus, the decision to change auditors does not fall entirely under management's authority. Consequently, agency theory serves as the foundation for explaining that auditor switching is a mechanism to reduce conflicts of interest between the agent and the principal and to maintain auditor independence (Zulaika, 2022).

B. Compliance Theory

Compliance theory explains that individuals and organizations are motivated to act in accordance with rules, regulations, or norms established by authorities. According to Kelman (1958), compliance consists of three forms: compliance, identification, and internalization. Compliance refers to adherence driven by incentives or the threat of sanctions; identification is based on the desire to maintain good relations with authorities; while internalization arises because individuals or organizations view the rules as aligned with their own values and principles.

In the context of auditor switching, compliance theory serves as the foundation for companies and independent auditors to adhere to provisions regarding auditor rotation as part of implementing good corporate governance and maintaining the credibility of financial statements. These provisions are set forth in Financial Services Authority Regulation No. 9 of 2023 regarding adjustments and restrictions on the use of audit services for commercial banks, issuers, and public companies, which limits the cumulative duration of audit service engagement to a maximum of seven years with a cooling-off period adjusted based on the public accountant's role in the engagement. In addition, Ministry of Finance Regulation No. 186/PMK.01/2021 on the Supervision and Oversight of Public Accountants also sets limits on the duration of audit engagements with the same company, as well as a mandatory cooling-off period before an auditor can resume providing audit services to the same company. These regulations are also intended to safeguard auditor independence; consequently, violations of auditor rotation provisions may result in administrative sanctions, such as license suspension or written warnings.

C. Auditor Switching

The phenomenon of auditor switching began to attract attention following the revelation of financial statement manipulation scandals at Enron and WorldCom in the United States in 2001, which involved the public accounting firm Arthur Andersen as the external auditor. These cases raised doubts about the independence and objectivity of auditors, as overly prolonged working relationships between auditors and clients have the potential to create undue closeness. This situation demonstrates that long-term audit engagements can increase the risk of collusion between auditors and management, thereby underscoring the importance of auditor rotation mechanisms to maintain auditor independence (Dwiphayana & Dharma Suputra, 2019).

Auditor switching can occur either mandatorily or voluntarily. Mandatory auditor switching refers to the replacement of an auditor carried out in accordance with government regulations (Aini & Yahya, 2019). These regulations are set forth in Financial Services Authority Regulation No. 9 of 2023 regarding restrictions on the use of audit services for commercial banks, issuers, and public companies, with a maximum cumulative audit engagement period of seven years, accompanied by a cooling-off period in accordance with the public accountant's role in the engagement. These restrictions aim to maintain auditor independence and prevent dependency between auditors and clients, thereby ensuring audit quality is preserved (Wati, 2020). Meanwhile, voluntary auditor switching refers to the replacement of an auditor conducted outside regulatory requirements and influenced by various factors originating from either the company or the auditor (Aini & Yahya, 2019). Company-related factors include financial difficulties, management failures, changes in ownership, Initial Public Offerings (IPOs), company size, and company growth, while auditor-related factors include audit opinions, audit fees, and audit quality (Djamalilleil, 2015, as cited in Wati, 2020).

D. Audit Opinion

An audit opinion is a statement issued by an independent auditor regarding the fairness of a company's financial statement presentation based on all material aspects. In accordance with the Standards of Professional Practice for Public Accountants (SPAP), the objective of an audit of financial statements is to express an opinion on the fairness of the financial position, results of operations, changes in equity, and cash flows in accordance with generally accepted accounting principles in Indonesia. Based on Audit Standard Section 508 of the SPAP, there are five types of audit opinions: an unqualified opinion, an unqualified opinion with explanatory language, a qualified opinion, an adverse opinion, and a disclaimer of opinion.

An unqualified opinion is issued when the financial statements have been presented in accordance with applicable standards without any material misstatements. An unqualified opinion with explanatory language is issued under certain conditions that do not affect the fairness of the financial statements, such as inconsistencies in the application of accounting principles or the involvement of other auditors in the audit process. Meanwhile, a qualified opinion is issued when there are deviations or limitations in specific items that do not affect the financial statements as a whole. An adverse opinion is issued when the financial statements are not presented in accordance with applicable accounting principles, thereby having a material impact on the financial statements as a whole, while a disclaimer of opinion is issued when the auditor is unable to obtain sufficient audit evidence due to limitations on the scope of the audit.

Audit opinions serve as critical information for companies and stakeholders in assessing the fairness of financial statements and supporting the decision-making process. Through the opinions issued by independent auditors, conflicts of interest between agents and principals can be minimized because the financial statements have been evaluated by an independent party (Darmayanti, 2017). Therefore, companies generally aim to obtain an unqualified opinion, as it enhances the credibility of financial statements and investor confidence. Conversely, if a company fails to obtain such an opinion, management may consider switching auditors in the hope of securing a more favorable audit opinion in the subsequent period (Setyoastuti et al., 2020).

E. Financial Distress

Financial distress is a condition in which a company experiences financial difficulties that can hinder the fulfillment of financial obligations and potentially lead to bankruptcy. According to Kasmir (2013:68), financial distress occurs when a company faces a cash crunch, rendering it unable to meet its obligations or resolve liquidity issues. This condition can also affect the company's ability to fulfill its obligations to the independent auditor, including payment for audit services already rendered (Kusuma & Farida, 2019).

Companies experiencing financial distress tend to seek to reduce operating costs—including audit fees—by seeking auditors or public accounting firms that offer lower audit fees than their previous auditors. This situation can create a mismatch between the company and the auditor, thereby driving auditor switching. Furthermore, the higher the level of financial distress, the greater the risk of damage to the company's reputation in the eyes of shareholders and the public; consequently, such companies are more likely to switch auditors than companies in better financial condition (Dharmasari & Suardana, 2021). Auditors handling companies with financial difficulties also tend to have shorter engagement periods compared to auditors at companies with sound financial conditions (Prihandoko & Supriyati, 2020).

F. Company Growth

Company growth refers to a company's ability to sustain and expand its economic activities, thereby reflecting the evolution of the company's performance over time (Prihandoko & Supriyati, 2020). Company growth can be achieved through two approaches: growth from within and growth through mergers and acquisitions (Pride et al., 2014). "Growth from within" is achieved by expanding the " " of operational activities, such as developing new products, expanding into new markets, or reaching new consumer groups. Meanwhile, "growth through mergers and acquisitions" is achieved by merging with or acquiring other companies to expand the scale of operations and enhance the company's competitiveness.

Increasing corporate growth drives a rising need for independent auditors with greater credibility and higher audit quality. Shareholders (principals) tend to expect auditors who can reduce agency costs and provide services that support the company's development (Tjahjono & Khairunissa, 2021). A company's growth also reflects management's success in achieving corporate objectives; therefore, auditors are needed who can keep pace with the increasing complexity of operations and business risks. If the current auditor is deemed no longer capable of meeting the needs of the continuously evolving company, management may decide to switch auditors by selecting a more experienced one to enhance the credibility of financial statements and strengthen stakeholder confidence (Arkan & Triyono, 2024).

G. Profitability

Profitability refers to a company's ability to generate profits through its operational activities and reflects the company's efficiency in managing its resources (Kasmir, 2013). The level of profitability also illustrates a company's ability to sustain its business operations in the future. One of the most commonly used indicators to measure profitability is Return on Assets (ROA), which is the ratio of net income after taxes to the company's total assets. This ratio indicates the effectiveness of management in utilizing all of the company's assets to generate profits.

Companies with high profitability levels generally have more stable financial conditions, so they lack a strong incentive to switch auditors, as their current auditor is deemed capable of supporting the credibility of the company's financial statements. Conversely, companies with low profitability levels tend to face pressure to improve the quality of their financial reporting or obtain a more favorable audit opinion, making them more likely to switch auditors (Setyoastuti et al., 2020).

H. Company Size

Company size is a parameter used to describe the size of a company (Wati, 2020). Company size can be measured using several approaches, such as total assets, total sales, number of employees, or market capitalization. Among these measures, the natural logarithm of total assets is the most commonly used indicator because it is more objective and relatively stable in the face of market fluctuations (Weston & Copeland, 1992). The larger the company, the higher its operational complexity, level of risk exposure, and need for external oversight through audits.

Large companies generally face stricter oversight from regulators, investors, and the public, so they tend to retain highly reputable external auditors to maintain the credibility of their financial statements. Additionally, large companies have stronger bargaining power in establishing long-term relationships with independent auditors. Conversely, small companies tend to be more flexible in switching auditors due to cost efficiency considerations or incompatibility with their previous auditor (Wati, 2020). Therefore, company size is often used as a control variable in research on auditor switching because it has the potential to influence a company's decision to select or replace an external auditor.

I. Research Framework

The research framework provides an overview of the patterns or models for solving the research problem. Drawing on theories and previous research findings regarding the variables that influence auditor switching (Y), this research framework will examine the effects of audit opinions, financial distress, and company growth on auditor switching among companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023.

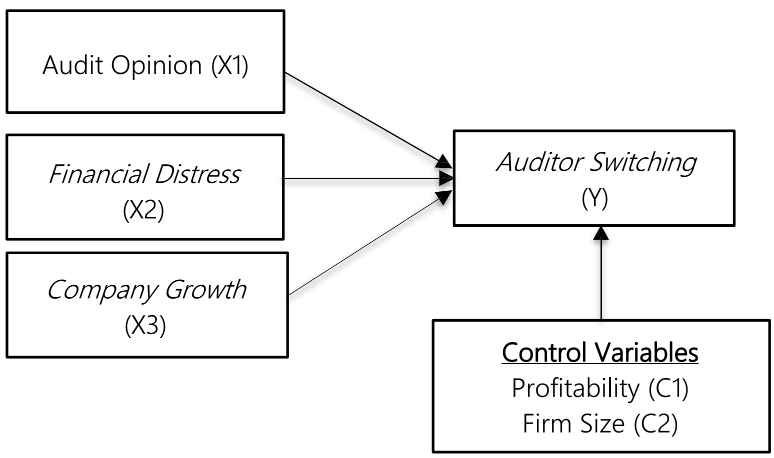

Figure 1 Research Framework

J. Hypothesis Development

The Effect of Audit Opinions on Auditor Switching

Agency theory explains that management, as the agent, has a responsibility to account for the company's management to shareholders, as the principal, through the presentation of financial statements. In this process, the audit opinion issued by an independent auditor serves as the basis for investors to assess the credibility of the company's financial statements (Safira et al., 2023). Companies that receive an unqualified audit opinion are generally satisfied with the audit results and thus tend to retain the same auditor. Conversely, companies that receive an audit opinion other than unqualified tend to be motivated to switch auditors in the hope of obtaining a better opinion in the following period (Vidianti & Yohanes, 2023).

This relationship is supported by the research of Vidianti & Yohanes (2023) and Safira et al. (2023), which shows that audit opinions have a negative effect on auditor switching. Companies that receive audit opinions that do not meet management's expectations tend to switch auditors, whereas companies that have received an unqualified opinion prefer to retain their current auditor. Based on the above discussion, the hypotheses proposed in this study are as follows.

H1: Audit opinions have a significant negative effect on auditor switching

The Effect of Financial Distress on Auditor Switching

Financial distress reflects a condition in which a company experiences financial difficulties and is therefore unable to optimally meet its financial obligations. This condition can lead to the company facing limitations in paying the audit fees set by the Public Accounting Firm (PAF), thereby prompting the company to choose an auditor with lower audit fees (Narolita et al., 2024). From a compliance theory perspective, the decision to switch auditors still demonstrates the company's effort to fulfill its audit obligations in accordance with applicable regulations while avoiding sanctions or negative perceptions from shareholders and the public.

Research by Prihandoko & Supriyati (2020), Dharmasari & Suardana (2021), and Narolita et al. (2024) indicates that financial distress has a positive effect on auditor switching. Companies experiencing financial difficulties tend to switch to auditors offering lower audit fees as a means of improving operational cost efficiency. Based on the above discussion, the hypotheses proposed in this study are as follows.

H2: Financial distress has a significant positive effect on auditor switching

The Effect of Company Growth on Auditor Switching

Growing companies face increased operational complexity, such as market expansion, new project development, and product diversification. From the perspective of agency theory, corporate growth increases the principal's difficulty in monitoring the agent's actions, leading management to tend to select auditors with higher reputations and quality to meet the needs of all stakeholders (Soraya & Haridhi, 2017).

This relationship is supported by research by Safira et al. (2023) and Arkan & Triyono (2024), which states that company growth has a significant positive effect on auditor switching. The higher a company's growth, the greater its tendency to switch auditors in order to secure an auditor capable of supporting the company's development, enhancing its reputation, strengthening shareholder confidence, and attracting investor interest. Based on the above discussion, the hypotheses proposed in this study are as follows.

International Journal of Research on Finance & Business (IJRFB) ISSN: 3046-4609 (Online)
Vol. 9, No. 1, July 2026, pp. 147–163 ISSN: 3032-7806 (Print)

H3: Company growth has a significant positive effect on auditor switching.

III. RESEARCH METHODOLOGY

A. Type of Research

This study employs a quantitative approach with a causal research design to analyze the effects of audit opinions, financial distress, and company growth on auditor switching. Hypothesis testing is conducted using statistical analysis based on numeric " " data so that the research results can be generalized according to the characteristics of the sample (Cooper & Schindler, 2014; Sekaran & Bougie, 2016).

B. Population and Sample

The study population consists of companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. The sample was selected using purposive sampling with specific criteria to align with the research objectives (Sugiyono, 2017; Hermawan & Amirullah, 2016; Sekaran & Bougie, 2016).

Table 1. Sample Criteria

No	Criteria
1	Companies in the property, real estate, and construction sectors listed on the IDX during the 2020–2023 period.
2	Companies that published complete annual reports during the study period.
3	Changed auditors at least once during the 2020–2023 period.

C. Data Source and Collection Method

This study uses quantitative data sourced from secondary data in the form of companies' annual financial reports for the 2020–2023 period. The data were obtained from the official website of the Indonesia Stock Exchange (IDX) and the websites of the respective companies. Data were collected using a documentation method by reviewing financial statements, *annual reports*, sustainability reports, *company profiles*, and other supporting documents relevant to the study.

D. Operational Definitions and Variable Measurement

This study uses one dependent variable, three independent variables, and two control variables. The operational definitions, measurements, and references for each variable are presented in Table 2.

Table 2. Operational Definitions of Variables

Variable	Operational Definition	Measurement
Auditor Switching (Y)	A company's change of independent auditor.	Dummy variable: 1 = performs *auditor switching*; 0 = does not perform *auditor switching*.
Audit Opinion (X1)	The independent auditor's opinion on the fairness of the company's financial statements.	Scale 1–5: 5 = Unqualified Opinion; 4 = Unqualified Opinion with an explanatory paragraph; 3 = Qualified Opinion; 2 = Adverse Opinion; 1 = Disclaimer of Opinion.
Financial Distress (X2)	The company's financial distress, measured using the Altman Z-Score.	($Z = 3.25 + 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$). A lower Z-score indicates a worsening financial condition.

Variable	Operational Definition	Measurement
Company Growth (X3)	Company growth, proxied by sales growth.	((Sales_t - Sales_{t-1}) / Sales_{t-1})
Profitability (Control)	The company's ability to generate profit from its assets.	Return on Assets (ROA) = Net Income / Total Assets × 100%.
Company Size (Control)	The size of the company.	Ln(Total Assets).

E. Data Analysis Method

Data analysis was performed using Microsoft Excel and EViews 13. The analysis stages included descriptive statistics, model goodness-of-fit testing (Hosmer and Lemeshow's Goodness of Fit Test), the percentage of correctly predicted values (Percent Correctly Predicted), multicollinearity testing, logistic regression analysis of panel data, and hypothesis testing.

IV. RESULTS AND DISCUSSION

A. Description of the Research Subjects

The research subjects used in this study were companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. The method used for sample selection and collection was purposive sampling, which involves determining the sample based on specific considerations according to predetermined criteria to align with the research objectives. The research sample was selected based on the criteria set forth in Table 3.

Table 3. Determination of the Research Sample

No.	Criteria	Sample Size
1	Companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023	63
2	Property, real estate, and construction companies that did not consistently publish complete financial reports from 2020 to 2023	(4)
3	Property, real estate, and construction companies that did not change their auditor at least once during the 2020–2023 period	(25)
4	Sample companies	34
5	Sample multiplied by 4 years of observation	136

Source: www.idx.co.id (2025)

B. Descriptive Statistics

Descriptive statistics describe the characteristics of each variable. This analysis reveals the maximum value, minimum value, mean (average), and standard deviation of the independent variables in the study. The following are the results of the descriptive statistical analysis:

Table 4. Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Y	136	0.000000	1.000000	0.500000	0.501848
X1	136	1.000000	5.000000	4.058824	1.2693281
X2	136	0.303602	6.858763	1.565957	0.925261
X3	136	-58.80537	1.912227	-0.896244	6.060688
C1	136	-2.19000	0.335000	0.020833	0.067882
C2	136	12.67330	33.21836	27.10852	4.144395

Source: Data Processing Results (2025)

C. Regression Model Goodness-of-Fit Test

Model fit was evaluated using the Hosmer and Lemeshow Goodness-of-Fit Test. The test results showed a Hosmer and Lemeshow statistic of 5.1156 with a probability of 0.7452 (> 0.05), indicating that the model fits well and is capable of representing the observed data. Furthermore, the Andrews Statistic value of 11.3707 with a probability of 0.3294 (> 0.05) also indicates that the model does not exhibit any misfit. Thus, the logistic regression model used is suitable for hypothesis testing (Ghozali & Ratmono, 2017).

Table 5. Model Suitability Test Results

Test	Statistical Value	Probability	Description
Hosmer and Lemeshow Statistic	5.1156	0.7452	Model Fit
Andrews Statistic	11.3707	0.3294	No misfit

Source: Data Processing Results (2025)

D. Prediction Accuracy Percentage

The test results show that the model has a prediction accuracy rate of 71.32%, meaning the model was able to correctly classify 97 out of 136 observations. This accuracy rate indicates that the model has a fairly good ability to predict auditor switching (Ghozali & Ratmono, 2017). Specifically, the classification accuracy rate for companies that did not switch auditors was 72.06%, while for companies that did switch auditors, it was 70.59%.

Table 6. Model Prediction Accuracy Results

Criteria	Value
Total Observations	136
Correctly Predicted Observations	97
Overall accuracy	71.32%
Accuracy for the "no auditor switching " category	72.06
Accuracy for the category with *auditor switching*	70.59%

Source: Data Processing Results (2025)

E. Multicollinearity Test

A multicollinearity test was conducted to determine the presence of high correlations among the independent variables in the regression model. The test results show that all correlation values between variables are below the 0.80 threshold, with the highest correlation of −0.1671 between financial distress and company growth. These results indicate that the model does not exhibit multicollinearity, so all independent variables and control variables can be used simultaneously in the regression analysis (Ghozali & Ratmono, 2017).

Table 7. Multicollinearity Test Results

Description	Value
Highest correlation among variables	−0.1671
Multicollinearity threshold	0.80
Conclusion	No multicollinearity

Source: Data Processing Results (2025)

F. Logistic Regression Analysis of Panel Data

The analysis was conducted using panel data logistic regression with the common logit approach. Model selection was based on the results of the Chow test, which showed a cross-sectional chi-square value of 31.8329 with a probability of 0.5251 (>0.05). These results indicate that the common-effects model is the most appropriate model for use in this study (Ghozali & Ratmono, 2017).

Table 8. Chow Test Results

Effect Test	Statistic	Prob.
Cross-section F	0.7912	0.7753
Cross-section Chi-square	31.8329	0.5251

Source: Data Analysis Results (2025)

Next, logistic regression estimates were conducted to test the effects of audit opinion, financial distress, and company growth on auditor switching, with profitability and firm size included as control variables. The model estimation results are presented in Table 9.

Table 9. Logistic Regression Estimation Results

Variable	Coefficient	z-Statistic	p-value	Odds Ratio
Constant	0.2451	0.1463	0.8837	-
Audit Opinion	0.4245	2.4031	0.0163	1.5289
Financial Distress	0.5049	1.6901	0.0910	1.6568
Company Growth	-1.6269	-3.2267	0.0013	0.1965
Profitability	8.9471	2.7506	0.0061	7,685.3562
Company Size	-0.1144	-2.1374	0.0326	0.8919

Source: Data Analysis Results (2025)

The estimation results indicate that audit opinion, company growth, profitability, and firm size have a significant effect on auditor switching, whereas financial distress does not show a significant effect at the 5% significance level. The interpretation of each coefficient is discussed further in the hypothesis testing section.

G. Hypothesis Testing

Coefficient of Determination (McFadden R-squared)

The McFadden R-squared value of 0.2461 indicates that the variables audit opinion, financial distress, and company growth—with profitability and firm size as control variables—can explain 24.60% of the variation in auditor switching, while the remaining 75.40% is influenced by other factors outside the research model (Ghozali & Ratmono, 2017).

Table 10. Coefficient of Determination

Indicator	Value
McFadden R-squared	0.2461

Source: Data Analysis Results (2025)

Simultaneous Test

The results of the simultaneous test show a Likelihood Ratio (LR) statistic of 46.3985 with a p-value of 0.0000 (<0.05). These results indicate that the independent variables simultaneously have a significant effect on auditor switching, so the regression model is appropriate for use in this study (Ghozali & Ratmono, 2017).

Table 11. Results of the Simultaneous Test

Indicator	Value
LR Statistic	46.3985
p-value	0.0000

Source: Data Analysis Results (2025)

Partial Tests

The results of the partial tests indicate that audit opinion has a significant positive effect on auditor switching (p = 0.0163), while company growth has a significant negative effect (p = 0.0013). Conversely, financial distress does not have a significant effect on auditor switching, as it has a p-value of 0.0910 (>0.05). The control variables of profitability and firm size also show a significant effect on auditor switching. (Ghozali & Ratmono, 2017).

Table 12. Summary of Hypothesis Testing Results

Hypothesis	Relationship	Coefficient	p-value	Decision
H1	Audit Opinion → Auditor Switching	0.4245	0.0163	Rejected
H2	Financial Distress → Auditor Switching	0.5049	0.0910	Rejected
H3	Company Growth → Auditor Switching	-1.6269	0.0013	Rejected

Source: Data Analysis Results (2025)

H. Discussion

The Effect of Audit Opinions on Auditor Switching

The results of the study indicate that audit opinions have a significant positive effect on auditor switching; therefore, the first hypothesis (H1) is rejected. This finding suggests that the higher the audit opinion a company receives, the greater its tendency to switch auditors. These results differ from the studies by Vidianti & Yohanes (2023) and Safira et al. (2023), which state that companies receiving an unqualified audit opinion tend to retain their auditors because they have obtained audit results that meet expectations.

In the property, real estate, and construction sectors, a favorable audit opinion does not always encourage companies to retain their auditors. Instead, companies may switch auditors to gain a new perspective, enhance the auditor's reputation, or comply with applicable regulations. Additionally, companies may engage in "opinion shopping"—that is, switching auditors in the hope of obtaining a more favorable audit opinion in the subsequent period (Vidianti & Yohanes, 2023; Wati, 2020).

This finding aligns with the research by Tjahjono & Khairunissa (2021), which shows that audit opinions influence companies' decisions to switch auditors. From an agency theory perspective, the conflict of interests between management (as the agent) and shareholders (as the principal) can prompt a company to switch auditors if the opinion issued does not align with management's expectations. Thus, auditor switching becomes one of the strategies companies employ to obtain the desired audit opinion in the subsequent period.

The Effect of Financial Distress on Auditor Switching

The research results indicate that financial distress does not have a significant effect on auditor switching; therefore, the second hypothesis (H2) is rejected. This finding suggests that a company's financial distress is not a primary factor driving it to change auditors.

Based on the research results, most companies fall into the "gray area" category according to the Altman Z-Score model. This condition indicates that companies face potential financial difficulties but have not yet reached a state requiring an auditor change. Under such circumstances, companies tend to adhere to existing auditor-switching regulations rather than voluntarily switching auditors. This suggests that the decision to switch auditors is not entirely influenced by the company's financial condition.

This finding aligns with the research by Tjahjono & Khairunissa (2021) and Arkan & Triyono (2024), which states that companies experiencing financial distress tend to retain their existing auditor. An auditor who already understands the company's conditions is considered capable of maintaining the credibility of financial statements, providing relevant recommendations, and reducing the risk of audit process delays resulting from the adjustment period with a new auditor. This situation can also minimize potential information asymmetry between management and shareholders.

The Effect of Company Growth on Auditor Switching

The research results show that company growth has a significant negative effect on auditor switching; therefore, the third hypothesis (H3) is rejected. This finding indicates that the higher a company's growth, the less likely it is to switch auditors. These results contradict the studies by Safira et al. (2023) and Arkan & Triyono (2024), which state that companies with high growth rates tend to switch auditors to support business expansion.

In the property, real estate, and construction sectors, company growth actually encourages management to retain auditors who already understand the company's business characteristics. Changing auditors during the growth phase is considered to incur additional costs, require an adaptation process, and potentially disrupt operational stability when the company is focused on business development.

This finding remains consistent with agency theory, as the decision to retain an auditor represents management's effort to minimize potential conflicts of interest and maintain the credibility of financial reporting. An auditor who already understands the company's conditions is considered capable of supporting the audit process more efficiently, thereby sparing the company from bearing the risks arising from an auditor change. These research results are also supported by Wati (2020) and Dharmasari & Suardana (2021), who state that companies with higher growth rates tend to retain their independent auditors due to considerations of efficiency, stability, and trust in auditors with whom they have previously collaborated.

V. CONCLUSION

This study aims to analyze the influence of audit opinions, financial distress, and company growth on auditor switching among companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange for the period 2020–2023. The results indicate that audit opinions have a significant positive effect on auditor switching, suggesting that companies tend to switch auditors to secure one with a better reputation or an audit opinion that aligns with their expectations. Conversely, financial distress does not have a significant effect on auditor switching; thus, financial difficulties are not a primary factor influencing companies' decisions to change auditors. Meanwhile, company growth has a significant negative effect on auditor switching, suggesting that companies with high growth rates tend to retain auditors who already understand the company's business characteristics and operations.

These findings indicate that decisions regarding auditor switching in the property, real estate, and construction sectors are more influenced by strategic considerations—such as maintaining audit quality and cooperative relationships with auditors—than by a company's financial distress.

ACKNOWLEDGMENT

The author would like to express gratitude to all the people who have helped in the completion of this study.

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