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THE INFLUENCE OF PUBLIC OWNERSHIP, LEVERAGE AND COMPANY GROWTH ON AUDITOR SWITCHING IN CONSUMER GOODS INDUSTRY SECTOR COMPANIES LISTED ON THE BEI 2019-2022

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Abstract. Auditor switching in companies is required to maintain auditor independence and prevent from any emotional relationship between Public Accounting Firm and clients. As such, many Indonesian companies conduct voluntary auditor switching, including those in the consumer goods industry sector. This study aims to analyze the effect of public ownership, leverage, and company growth on the auditor switching of consumer goods companies. The population includes 271 consumer goods companies listed on the Indonesia Stock Exchange for the 2019-2022 period, from which the samples of 44 companies were selected through purposive sampling. Secondary data derived from the companies' annual reports published on the official website of the Indonesia Stock Exchange are collected through literature and documentation, and are analyzed quantitatively utilizing descriptive statistical analysis and binary logistic regression. The results of the study suggest that public ownership and leverage do not affect auditor switching, but company growth affects auditor switching. This study recommends that companies make careful considerations before deciding to switch auditors to achieve quality and reliable audit results.

Keywords: Auditor Switching, Public Ownership, Leverage, and Company Growth

I. INTRODUCTION

According to the Financial Services Authority Regulation Number 14 /POJK.04/2022 Article 2 paragraph 1 concerning Submission of Periodic Financial Statements of Issuers or Public Companies, companies that have gone public have an obligation to present financial reports and are required to submit these reports to the Financial Services Authority. According to Hery (2021) financial statements act as an information tool that is able to describe the condition and evaluate the performance of a company and provide financial information to interested parties. Hery (2021: 4) explains that financial reports are used as a reference for shareholders and creditors for decision making and are material for evaluating management performance. Thus, the preparation of financial reports can trigger agency problems related to conflicts of interest between company management as agents and shareholders as principals as a result of management's tendency to take advantage for personal gain (Jensen & Meckling, 1976).

One of the conflicts of interest between company management and shareholders that can affect future company performance is information asymmetry (Scott, 2015). Information asymmetry according to Scott (2015) is a condition when the management that prepares financial statements has a lot of information compared to shareholders, thus the excess information will be utilized for personal gain by management. With this conflict arising, an

independent auditor is needed as a third party who can monitor and assess the company's financial activities by reviewing the information provided by management based on financial statements (Tandiontong, 2015).

Tandiontong (2015) states that the results of the auditor's assessment are in the form of an audit report along with an opinion on the financial statements. One of the general auditing standards authorized by the Indonesian Institute of Accountants is that auditors must maintain an independent attitude or mental attitude that is not influenced by other parties in all matters relating to the audit engagement (Koerniawan, 2021). In his book, Koerniawan (2021) explains that auditors are not only obliged to maintain an independent attitude, but auditors must avoid situations that make the public doubt their independence. In this case, auditor independence plays an important role in producing objective and reliable audit results. Effendi and Ulhaq (2021) in their book state that one of the several aspects that affect auditor independence is the length of the relationship or period of cooperation connected between the Public Accounting Firm and the auditee. Effendi and Ulhaq (2021) explain that the length of the audit engagement period will lead to a decrease in audit quality due to an emotional relationship with the auditee. To maintain an independent attitude as an auditor, companies need to carry out auditor switching (Syofyan, 2022). Auditor switching according to Syofyan (2022) is an action carried out by the client company of the Public Accounting Firm to replace the auditor and the Public Accounting Firm that audits the company.

Auditor Switching can occur because there are mandatory regulations from the government (mandatory) or because of the will of the company's own management (voluntary) (Najwa & Syofyan, 2020). Based on the Regulation of the Minister of Finance of Indonesia Number 17 / PMK.01 / 2008 concerning Public Accountant Services of the Minister of Finance, the Public Accounting Firm is only allowed to carry out audits in comparable companies for a maximum of 6 years on an ongoing basis and the Public Accountant at this KAP is allowed to conduct audits for a maximum of 3 years on an ongoing basis. However, since the existence of new regulations by the government, namely Government Regulation Number 20 of 2015 concerning Public Accountant Practices article 11 paragraph 1, the Public Accounting Firm is no longer limited to conducting audits of a company. Restrictions are only applied to Public Accountants, namely a maximum of 5 years of continuous service. Therefore, this study focuses on Auditor Switching that occurs voluntarily. According to Najwa & Syofyan (2020) voluntary Auditor Switching can be caused by financial distress, management failure, company size and ownership changes.

Based on a survey obtained from the Indonesia Stock Exchange website attached in Figure 1.1, it shows that the phenomenon of auditor switching is still rampant in companies in Indonesia, especially in the consumer goods industry sector which has the highest number during the period 2019 to 2022. One of the cases of companies in the consumer goods industry sector that carried out auditor switching was PT Tiga Pilar Sejahtera Food Tbk which occurred in 2019 (cnbcindonesia.com, 2019). Citing cnbcindonesia.com (2019), PT TPS Food Tbk is suspected of overstatement in the 2017 financial statements audited by KAP Amir Abadi Jusuf, Aryanto, Mawar & Rekan. This case began when 61% of shareholders did not approve the ratification of the 2017 financial statements. On March 12, 2019, KAP Ernst & Young issued an investigative audit report stating that there had been an overstatement of up to Rp 4 trillion in accounts receivable, constant assets and inventories and the flow of funds of Rp 1.78 trillion through various AISA Group schemes to various parties affiliated with the old management (cnbcindonesia.com, 2019). Based on information obtained from the cnbcindonesia.com page

(2019), KAP Amir Abadi Jusuf, Aryanto, Mawar & Rekan has conducted audits at PT Tiga Pilar Food Sejahtera Tbk since 2004. With this phenomenon, researchers chose the consumer goods industry sector as the object of research and researchers also expanded the research time period to 2022 based on suggestions from Anisa & Christy's research (2019) and Hakim and Saputra's research (2022) to get more representative results. Thus this study has a population gap, namely expanding the range of the research population by examining companies in the consumer goods industry sector and increasing the research time span to 2022.

In this study, various factors are indicated that can have an impact on the occurrence of auditor switching, including public ownership, leverage and company growth. Previous studies have proven that there is no consistency regarding the influence of these factors on auditor switching. The inconsistency comes from the insignificant results of previous studies, so this study is intended to re-examine several aspects that have an impact on auditor switching. Researchers use the same measurements as Anisa & Christy (2019) and Zuriansyah, Andreas, & Nurmayanti (2022) for public ownership variables and company growth in different sectors and time periods. In addition, research conducted by Hakim & Saputra (2022) and Janah, Zulpahmi, & Heriansyah (2021) utilized the debt to asset ratio (DAR) to measure the value of leverage, while in this study a change in leverage measurement was made utilizing the debt to equity ratio (DER) to obtain more varied results. This study aims to analyze and obtain empirical evidence regarding the impact of public ownership, leverage, and company growth on auditor switching in consumer goods industry sector companies listed on the IDX in the 2019-2022 period. Theoretically, this research can broaden insights in the field of auditing, especially regarding factors that influence auditor switching in public companies. Practically, the results of this study are expected to provide insight for public accounting firms, companies, and other researchers in increasing understanding of the practice of auditor switching and the factors that influence it.

II. LITERATURE REVIEW

A. Agency Theory

Agency theory proposed by Jensen & Meckling (1976) is a theory that describes the agency relationship that arises when one or more shareholders connect management in performing a task on their behalf relating to delegation of authority and decision making by management. In the relationship between agent and principal, the agent is assessed based on its performance in maximizing company profits. Jensen & Meckling (1976) explain that in the relationship between agent and principal in maximizing utility, there is a tendency for management to take additional benefits from the company for personal gain which results in agency conflicts. One of the agency conflicts that arise in the relationship between the agency and the principal is the existence of information asymmetry which will affect the company's future performance (Scott, 2015).

Information asymmetry according to Scott (2015) can occur because there is an unequal distribution of information between company management and shareholders, where management (agent) has more information regarding the company's real conditions and business prospects than shareholders (principal). Scott (2015) explains that information asymmetry is divided into two types, namely adverse selection and moral hazard.

Scott (2015) defines adverse selection as a condition when there is information that can influence investors in making decisions that are not disclosed by company management regarding the company's business conditions and prospects, while moral hazard is defined by

Scott (2015: 23) as a condition when managers carry out activities outside the knowledge of investors and investors.

B. Auditor Switching

According to Syofyan (2022) auditor switching is an action taken by a client company to replace the auditor and KAP who audits the company. Najwa & Syofyan (2020) explain that auditor switching can occur because there are regulations that are mandatory for companies to carry out auditor switching within a certain period (mandatory) or because of the will of the client or KAP itself (voluntary). Mandatory auditor switching in Indonesia is based on government regulations, namely Government Regulation Number 20 of 2015 concerning Public Accountant Practices Article 11 paragraph 1 which states that Public Accounting Firms are no longer limited in carrying out audits of a company and restrictions are only imposed on Public Accountants, namely a maximum of 5 years on an ongoing basis. The regulation replaces the regulation of the Indonesian Minister of Finance Number 17 / PMK.01 / 2008 concerning Public Accountant Services of the Minister of Finance which allows KAP to carry out audits of the same company for a maximum of 6 years on an ongoing basis and Public Accountants for a maximum of 3 years on an ongoing basis.

In addition, the Financial Services Authority also put forward regulations related to the utilization of Public Accountant and KAP services in financial services activities which are regulated in the Financial Services Authority Regulation Number 13 of 2017 concerning the Use of Public Accountant Services and Public Accounting Firms in Financial Services Activities in order to improve monitoring of public accountants in carrying out financial statement audits. This regulation states that
KAP can provide audit services with a maximum period of 3 consecutive financial years and restrictions on the utilization of Public Accounting Firm services according to the results of the Audit Committee evaluation. According to Najwa & Syofyan (2020) voluntary Auditor Switching can be caused by financial distress, management failure, company size and ownership changes. Syofyan (2022: 20) states that companies need to do auditor switching to protect the auditor's independence and maintain audit quality.

C. Public Ownership

Public ownership according to Franita (2018) is the percentage of ownership of share capital by the public or funding from external parties, namely the public, which is needed to increase company value. These shareholders need financial statement information provided by company management to consider an investment decision (Mardiani, Suryandari, & Putra, 2021). Franita (2018) states that the greater the percentage of public ownership, the stricter the supervision of company operations and the company must disclose all information required by shareholders. This condition proves that the company has a big responsibility to shareholders, so that company management is required to submit credible, quality and reliable financial reports (Hakim & Saputra, 2022).

D. Leverage

According to Fakhruddin (2008) leverage is a benchmark for assessing the management of capital loans from external parties used by companies to finance company assets or use various financial instruments to increase potential investment returns. Meanwhile, Hery (2021) defines the leverage ratio as a ratio used to measure the company's expertise in meeting financial obligations that must be borne with the intention of fulfilling assets. The greater the value of

the company's leverage ratio, the greater the risk of the company going bankrupt due to default, unless it is offset by the increased profitability achieved by the company (Janah, Zulpahmi, & Heriansyah, 2021). Hery (2021) states that the high leverage value of a company has an impact on the company's high financial risk. The high value of leverage is a consideration for shareholders during the decision-making process to invest because the high use of debt by companies is feared to increase investment risk and reduce the level of return obtained (Darmawan & Susila, 2022). According to Hery (2021) the leverage ratio can be measured by debt to asset ratio, debt to equity ratio (DER), long-term debt to equity ratio, times interest earned ratio, and operating income to liabilities ratio.

E. Company Growth

Cashmere (2019: 107) defines the company's growth ratio as a benchmark to see that a company is able to maintain its economic activity and industrial quality in the midst of economic growth. The greater the value of company growth, the higher the level of complexity of the company's operating activities (Fauzi, Hasan, & Oktari, 2020). According to Cashmere (2019: 107) company growth can be identified from the ratio of sales growth, dividend per share growth, net profit growth and earnings per share growth. The company growth process triggers a higher demand for independence from users of financial information such as investors, lenders, and other interested parties (Zuriansyah, Andreas, & Nurmayanti, 2022). Thus, a company needs a quality auditor to minimize agency costs and increase the trust of information users in the company's credibility (Tjahjono & Khairunissa, 2021). The company's growth ratio is used by investors, company management, stakeholders, and other users of financial statements to assess the company's growth periodically and make predictions regarding the company's survival and business prospects in the future (Widiyanegara & Triani, 2020).

F. Research Framework

This research conceptual framework explains the systematic conceptual framework related to the influence of public ownership, *leverage,* and company growth on *auditor switching* in consumer goods industry sector companies listed on the Indonesia Stock Exchange in 2019-2022.

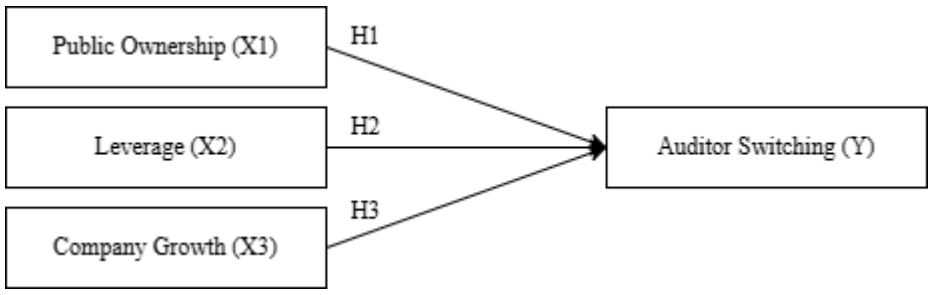

Figure 1 Research Framework

G. Hypothesis Development

The Effect of Public Ownership on Auditor Switching

Public ownership according to Franita (2018) is the percentage of share ownership by the public, the higher the percentage of public ownership, the higher the demand for supervision

and the demand for transparency of financial statements. Franita (2018) reveals that a high percentage of ownership will make management more careful in making decisions because disclosure of information from the company will have an impact on company value. In connection with agency theory, the high supervision of shareholders encourages company management to carry out auditor switching with auditors or KAPs that have positive quality and reputation in order to increase shareholder confidence in the credibility of the company's financial statements (Aprilia & Effendi, 2019). In line with this, research by Anisa & Christy (2019) and Hakim & Saputra (2022) proves that public ownership has a positive impact on auditor switching. However, there are studies by Dewi, Yadnyana, & Wirama (2020) and Klarasati, Inayati, Hariyanto, & Setyadi (2021) which say the opposite that public ownership has no impact on auditor switching. Therefore the first hypothesis is:
H1: Public ownership has a positive influence on auditor switching.

Effect of Leverage on Auditor Switching

Cashmere (2019) states that a high leverage value indicates the use of borrowed funds from creditors to finance company assets. The use of very large debt can put the company in an extreme position and allow the company to experience financial difficulties due to the high obligations that must be borne to creditors (Weni & Nengzih, 2021). According to Cashmere (2019), high leverage will be a consideration for shareholders and creditors in making decisions because the high use of debt allows the risk of company failure in fulfilling its obligations. Therefore, in line with agency theory explained by Jensen & Meckling (1976), companies need auditors with good quality and reputation to increase trust in investors and provide confidence that the company's financial statements avoid information asymmetry by management from shareholders. From this explanation, it can be concluded that the higher the leverage value, it will encourage companies to do auditor switching to increase investor confidence to invest in the company (Tjahjono & Khairunissa, 2021). In line with this, research by Janah, Zulpahmi, & Heriansyah (2021) and Hakim & Saputra (2022) proves that leverage has a positive impact on auditor switching. However, the results of Supriyanto (2022) and Zuriansyah, Andreas, & Nurmayanti (2022) state the opposite, namely leverage has no impact on auditor switching. With the inconsistencies in the results of these studies, the hypothesis that can be taken is:
H2: Leverage has a positive influence on auditor switching.

The Effect of Company Growth on Auditor Switching

Companies that experience growth tend to have an increase in the volume of transactions and the complexity of operational activities, thus companies need auditors who have the expertise and competence that can keep pace with the development of the company (Fauzi, Hasan, & Oktari, 2020). By doing auditor switching with independent auditors who have better quality and reputation, it is hoped that it can increase the company's prestige and attract investors to invest (Tjahjono & Khairunissa, 2021). Company growth also triggers an increase in demand for independence and company owners will find it more difficult to monitor the actions of company management (Zuriansyah, Andreas, & Nurmayanti, 2022). In line with agency theory, companies can choose auditors with better quality and reputation to reduce agency costs and increase trust for users of financial statements by limiting deviant activities by management as agents that will harm shareholders (Jensen & Meckling, 1976). Research by Fauzi, Hasan, & Oktari (2020) and Ernayanti (2020) successfully proved that company development has an influence on auditor switching. However, the results of research

conducted by Wibowo & Rahmawati (2019) and Raswati & Triyanto (2021) state the opposite that company development has no impact on auditor switching. With the inconsistencies in the results of previous studies, the hypotheses that can be taken are:
H3: Company growth has a positive influence on auditor switching.

III. RESEARCH METHODOLOGY

A. Type of Research

This research is a type of quantitative research that aims to test hypotheses regarding the relationship between the independent variable and the dependent variable. Based on the depth of analysis, this research is included in the inferential research category, namely research that analyzes the relationship between variables through hypothesis testing and draws conclusions from the test results (Sudaryana and Agusiady, 2022).

B. Research Object

The objects in this study are companies engaged in the consumer goods industry sector and listed on the Indonesia Stock Exchange (IDX) within a period of four years, namely from 2019 to 2022. This sector was chosen because the consumer goods sector has a major contribution to the national economy and faces high demands for transparency and accountability from stakeholders.

C. Data Source and Collection Method

The data used in this study were obtained through purposive sampling method, which is a sampling technique based on certain criteria set by the researcher. The initial population consisted of 271 consumer goods industry sector companies listed on the IDX in the period 2019 to 2022. Researchers then set sample criteria, namely manufacturing companies in the consumer goods industry subsector that routinely publish audited annual financial reports and make auditor switching during the study period. Based on these criteria, 161 observations were obtained which were used as samples in this study.

Table 1. Research Sample

No.	Criteria	Total
1	Manufacturing companies in the consumer goods industry subsector listed on the IDX in 2019-2022.	271
2	The company did not regularly publish annual financial reports after being audited and the data was incomplete during 2019-2022.	(74)
3	The company did not conduct *voluntary auditor switching* in the period 2019 to 2022.	(153)
Companies that meet the criteria		44
Total samples obtained during 2019-2022 (4 years)		176
Data indicated as *outliers*		(15)
Total research sample		161

Source: Indonesia Stock Exchange (2023)

D. Type of Data

The type of data in this study is quantitative data. According to Amruddin et al. (2022: 117) quantitative data is data that describes each variable with numbers. Based on how it was

obtained, this study used secondary data described in his book, Amruddin et al. (2022: 119-120) is data obtained is data that already exists and has been collected by other parties. The data in this study are categorized as secondary data obtained through the official website of the Indonesia Stock Exchange (idx.co.id, 2023) and the official website of the research sample company. The method used by the author to collect research data is the documentation method. The data used is the annual financial statements of consumer goods industry sector companies listed on the IDX for the period 2019 to 2022.

E. Operational Definition and Measurement of Variables

Dependent Variable

The dependent variable that will be studied is *auditor switching* which is measured using *dummy* variables. Issuers that implement *auditor switching* receive a value of 1 and issuers that do not do so receive a value of 0.

Independent Variable

1. Public Ownership
   According to Franita (2018: 15) this public ownership can be measured using the formula:

   KP = Total Public Shares/Total Outstanding Shares x 100%

2. Leverage
   According to Fakhruddin (2008: 48) this ratio is calculated by the formula:

   DER = Total Liabilities/Total Equity

3. Company Growth
   Cashmere (2019: 107) states that the company's growth ratio can be calculated using the formula:

   $$\text{Sales Growth} = (S_{(t)} - S_{(t-1)})/(S_{t-1})$$

   Description:
   S_t = Sales for the current year
   S_{t-1} = Sales for the previous year

F. Data Analysis Method

Data processing and analysis for this study was carried out by utilizing *SPSS* 25 *software*.

Descriptive Statistical Analysis

George & Mallery (2016) explain that the descriptive statistical analysis method is a method that contains the maximum, minimum, mean, and standard deviation values and this analysis is intended so that researchers are able to obtain an overview and description of the research variables based on a series of data. This analysis is carried out to provide a description of the research variables, so that contextually it is easy to understand.

Logistic Regression Analysis

The logistic regression analysis method is utilized in this study to test the correlation between the dependent variable (auditor switching) and the independent variables (public ownership, leverage, and company growth). George & Mallery (2016) explain that the logistic regression method is a regression method used to test the effect on the dependent variable using dummy variables. Logistic regression analysis testing includes overall model fit,

goodnesss of fit test, coefficient of determination and classification matrix (George & Mallery, 2016).

Overall Model Fit

This model is carried out to ascertain how the influence of all independent variables on the dependent variable using statistics derived from the Likelihood function L. This test is carried out by comparing the initial and final -2 Log Likelihood values (Janah, Zulpahmi, & Heriansyah, 2021). A decrease in the Likelihood value indicates that the hypothesized model is assumed to fit the data. The hypotheses underlying this analysis method are:
Ho: The regression model fits the observed data
Ha: The regression model does not fit the observed data

Goodness of Fit

The goodness of fit test in this study is based on Hosmer and Lemeshow's chi square to test the feasibility of the model with empirical data. The hypothesis underlying this analysis method is:

1. If the probability value (P-Value) <0.05 (significance value), then H0 is not accepted because there is a significant difference between the model and the empirical data,
2. If the probability value (P-Value) > 0.05 (significance value), then H0 is accepted because the model fits the observation data, thus indicating the model is able to predict the observation data.

Determination Coefficient Test

Testing the coefficient of determination is done using Nagelkerke R Square which includes a modification of the Cox and Snell coefficient. The test ensures that the value will range between 0 and 1. A score close to the value 0 indicates that the independent variable has a limited capacity to provide information about the dependent variable, while a score close to the value 1 indicates that the independent variable is able to provide all relevant information to explain the dependent variable (Zikra & Syofyan, 2019).

Classification Matrix Test

The classification matrix test proves the ability of the regression model to predict the phenomenon of auditor switching in the company. The classification matrix contains a table with the estimated value of the auditor switching variable. A value of 0 indicates that there is no auditor switching phenomenon in the company, while a value of 1 indicates that there is an auditor switching phenomenon in the company.

Hypothesis Testing Model

The logistic regression equation to test the hypothesis in this study is:

$$AS = \alpha + \beta 1\ KP + \beta 2\ LV + \beta 3\ PP + e$$

Description:
US : Auditor Switching
α : Constant
β1 - β3 : Regression Coefficient
KP : Public Ownership

LV : Leverage
PP : Company Growth
e : Error

Omnibus Test

The omnibus test is a test of all independent variables (public ownership, leverage and company growth) simultaneously on the dependent variable (auditor switching). The omnibus test is carried out by comparing the significance value (p-value) with a probability value of 0.05 (Stephanie et al., 2020). If the value of the chi-square calculation result is higher than the chi-square table value and the significance value is less than 0.05, then the regression model is accepted or it can be concluded that all independent variables can be stated to simultaneously affect the dependent variable.

IV. RESULT AND DISCUSSION

A. Descriptive Statistical Analysis

The results of descriptive statistical testing in Table 4.1 provide an overview of the research variables of the 44 companies to be analyzed. From this test, the minimum value of the public ownership variable is 0.00 and the maximum value is 0.82 and the mean obtained is 0.25 which is greater than the standard deviation of 0.17, thus indicating that the data does not vary. The leverage variable obtained a minimum value of -17.95 and a maximum value of 92.50. The mean value of the leverage variable is 1.80 which is smaller than the standard deviation of 8.01, which means that the research data varies. Company growth obtained a minimum value of -0.87 and a maximum value of 1.13. The mean value of the company growth variable obtained is -0.04 lower than the standard deviation value of 0.33, thus indicating that the data studied varies.

Table 2. Results of Ratio-Scaled Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Public Ownership	161	0.00	0.82	0.25	0.17
Leverage	161	-17.95	92.50	1.80	8.01
Company Growth	161	-0.87	1.13	-0.04	0.33
Valid N (listwise)	161				

Source: Statistical Processing Results (2023)

The results of descriptive statistical testing in Table 2 provide an overview of the research variables of the 44 companies to be analyzed. From this test, the minimum value of the public ownership variable is 0.00 and the maximum value is 0.82 and *the mean* obtained is 0.25 which is greater than the standard deviation of 0.17, thus indicating that the data does not vary. The *leverage* variable obtained a minimum value of -17.95 and a maximum value of 92.50. The *mean* value of the *leverage* variable is 1.80 which is smaller than the standard deviation of 8.01, which means that the research data varies. Company growth obtained a minimum value of -0.87 and a maximum value of 1.13. *The mean* value of the company growth variable obtained is -0.04 lower than the standard deviation value of 0.33, thus indicating that the data studied varies.

Table 3. Results of Nominal Scaled Descriptive Statistical Analysis

Description		Frequency	Percent	Cumulative Percent
Auditor Switching	Not doing auditor switching	97	60.2	60.2
	Performing auditor switching	64	39.8	100.0
	Total	161	100.0	100.0

Source: Statistical Processing Results (2023)

Based on table 3 proves that of the 161 research sample data there are 64 (39.8%) samples that do *auditor switching*, while the other 97 (60.2%) do not occur *auditor switching* phenomenon.

B. Logistic Regression Analysis

Analysis of the relationship between the dependent variable with a nominal scale, or between two or more independent variables with a predetermined number, was carried out by researchers using binary logistic regression data analysis. Observation data was processed using SPSS 25 software.

C. Overall Model Fit

Based on Table 4, the overall model fit test obtained the initial -2 LL value of 216.381 and the final -2 LL of 205.305. From the results of these comparison results, the -2 Log Likelihood value has decreased by 11.076. Thus, it can be concluded that the regression model is getting better or the model fits the observation data.

Table 4. Overall Model Fit Testing

Description	-2 Log Likelihood
-2LogL at baseline (*Block* 0)	216.381
-2LogL at the end (*Block* 1)	205.305

Source: Statistical Processing Results (2023)

D. Goodness of Fit Test

In Table 5, the Hosmes and Lemeshow test obtained a probability value (P-Value) of 0.052 which is more than the significance value of 0.05. From these results it can be said that H0 is accepted because the model is in accordance with the observation data, thus indicating that the model is able to predict the observation data.

Table 5. Hosmer and Lemmeshow Test

Step	Chi-square	Df	Sig.
1	15.391	8	0.052

Source: Statistical Processing Results (2023)

E. Determination Coefficient Test

Table 6 shows Nagelkerke R Square with a value of 0.090. In other words, it can be concluded that the independent variables, namely public ownership, leverage and company growth, affect the dependent variable auditor switching by 9%, while 91% is influenced by other aspects that are not test variables in this study.

Table 6. Test Results of the Coefficient of Determination

	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	205.305[a]	0.066	0.090

Source: Statistical Processing Results (2023)

F. Classification Matrix Test

Table 7. Classification Matrix

Observed			Predicted		
			US		Percentage Correct
			Dummy 0	Dummy 1	
Step 1	US	Not doing auditor switching	81	16	83.5
		Performing auditor switching	46	18	28.1
Overall Percentage					61,5

Source: Statistical Processing Results (2023)

Table 7 shows the ability of the regression model in predicting the opportunity for the phenomenon of auditor switching that occurs in client companies is 61.5 percent. From this test, the number of samples that do not do auditor switching is 97 samples. The sample includes 81 research data really does not have the phenomenon of auditor switching, while 16 research data that has the phenomenon of auditor switching should not experience the phenomenon. Then the number of research samples that do auditor switching is 64 research data. Of the 64 samples include 46 research data that really do auditor switching, while 18 research data that does not have the phenomenon of auditor switching should experience the phenomenon.

G. Hypothesis Testing

Table 8. Hypothesis Model Testing Results

		B	S.E.	Wald	Df	Sig.	Exp(B)	Hypothesis Testing
Step 1[a]	Public Ownership	1.839	0.981	3.516	1	0.061	6.290	H1 Rejected
	Leverage	0.025	0.024	1.092	1	0.296	1.025	H2 Rejected
	Company Growth	1.322	0.529	6.240	1	0.012	3.750	H3 Accepted
	Constant	-0.898	0.308	8.503	1	0.004	0.407	

Source: Statistical Processing Results (2023)

In Table 8, the logistic regression equation obtained in testing the hypothesis model of this study is as follows:

$$AS = -0{,}898 + 1{,}839\,KP + 0{,}025\,LV + 1{,}322\,PP + e$$

Description:
US : Auditor Switching
KP : Public Ownership
LV : Leverage
PP : Company Growth
e : Error

From testing the variables in the equation in Table 4.7, the results include:

1. The constant value of -0.898 indicates that if it is assumed that public ownership, leverage and company growth probability are 0, there will be a change of -0.898 in auditor switching.
2. The Exp(B) value of the public ownership variable (X1) is obtained at 6.290, this indicates that companies that experience a change in the percentage of public ownership tend to experience an increase in the auditor switching index by 6.290 times more than companies that do not experience a change in the percentage of ownership. Then the regression coefficient of public ownership (X1) is 1.839 which indicates a positive relationship with auditor switching. Public ownership has a significance value of 0.061 which is more than 0.05, so the first hypothesis is rejected because variable X1 has no partial impact on auditor switching.
3. The Exp(B) value of the leverage variable (X2) is obtained at 1.025, this value reflects that companies that experience changes in leverage value tend to experience an increase in the auditor switching index by 1.025 times more than companies that do not experience changes in leverage value. Then the leverage coefficient (X2) is obtained in the amount of 0.025 which indicates a positive correlation with auditor switching. Leverage obtained a significance value of 0.296 which is more than 0.05, then the second hypothesis is not accepted because the X2 variable has no partial impact on auditor switching.
4. The Exp(B) value of the company growth variable (X3) is obtained at 3.750, this value indicates that companies that experience growth tend to experience an increase in the auditor switching index by 3.750 times more than companies that do not experience growth. Then the regression coefficient of company growth (X3) is 1.332 which indicates a positive relationship with auditor switching. Company growth has a significance value of 0.012 or less than 0.05, so the third hypothesis is accepted because variable X3 has a partial positive effect on auditor switching.

H. Omnibus Test

Based on the omnimbus test results presented in Table 4.8, the chi-square value is 11.077 which is greater than the chi-square table value with df 3, namely 7.814728. In addition, the significance value obtained is 0.011 or less than 0.05. This proves that simultaneously public ownership, leverage, and company growth have a significant effect on auditor switching.

Table 9. Omnibus Test Results

		Chi-square	Df	Sig.
Step 1	Step	11.077	3	0.011
	Block	11.077	3	0.011
	Model	11.077	3	0.011

Source: Primary Data Processing (2024)

I. Discussion

1. The Effect of Public Ownership on Auditor Switching

The significance value for the public ownership variable obtained from hypothesis testing is 0.061 or more than 0.05. This value indicates that public ownership has no influence on the taking of auditor switching actions by the company, so the first hypothesis is rejected. In connection with agency theory, the high supervision of shareholders encourages company management to carry out auditor switching for audit quality and public trust in the company's financial statements (Aprilia & Effendi, 2019). However, the results of this study fail to support the agency theory, because the majority of companies in the consumer goods industry sector have a relatively small percentage of public ownership of the company's shares and do not experience significant changes each year. The results showed that of the 161 data studied, there were only 16 data samples that had a percentage of public ownership of more than 50% and the average public ownership of companies in the consumer goods industry sector was only 25.62%.

In addition, some companies assume that frequent auditor switching will lead to negative assumptions and vigilance from shareholders (Najwa & Syofyan, 2020). Thus, companies will tend to retain the previous auditor to maintain the company's reputation and maintain the trust of investors. The results of this analysis indicate that public ownership has no impact on taking auditor switching actions by companies. These results are in line with research by Dewi, Yadnyana, & Wirama (2020) and Klarasati, Inayati, Hariyanto, & Setyadi (2021) who say that public ownership has no impact on auditor switching. However, it is not in accordance with the results of research by Anisa & Christy (2019) and Hakim & Saputra (2022) which state that public ownership has a positive impact on auditor switching.

2. The Effect of Leverage on Auditor Switching

Leverage obtained a significance value of 0.296 or more than 0.05. This indicates that the high or low value of leverage has no impact on the occurrence of auditor switching in client companies, so the second hypothesis is rejected. Theoretically, the high value of leverage is a consideration for shareholders during the decision-making process to invest because the high use of debt by companies is feared to increase investment risk and reduce the level of return obtained (Darmawan & Susila, 2022). Therefore, in connection with the agency theory described by Jensen & Meckling (1976), companies need auditors with good quality and reputation to increase trust in investors and provide confidence that the company's financial statements avoid information asymmetry by management from shareholders. From this explanation, it can be concluded that the higher the leverage value, it will encourage companies to do auditor switching to increase investor confidence to invest in the company (Tjahjono & Khairunissa, 2021).

However, the results of this study failed to prove the agency theory. Based on the research data, of the 64 data samples that do auditor switching include 28 companies with leverage above 100% and 36 companies with low leverage or below 100%. This shows that companies with high leverage tend not to do auditor switching. According to research conducted by Zuriansyah, Andreas, & Nurmayanti (2022), companies with high leverage values will retain old auditors who already understand and know the conditions and internal controls of client companies, so this makes it easier for auditors to audit the company's financial statements despite the company's high leverage value. Supriyanto (2022) states that auditor switching will

increase audit costs so that companies experiencing financial difficulties tend not to do auditor switching to minimize expenses.

Thus it can be concluded that companies with high leverage tend to maintain the same auditor as the previous year who already understands the company's condition, so that the company also does not need to add more time to adapt to the new auditor's work pattern because this will make audit costs higher coupled with the cost of engaging a new auditor in the company's poor financial condition. This is in line with the results of Supriyanto's research (2022) and Zuriansyah, Andreas, & Nurmayanti (2022) which state that leverage has no impact on auditor switching. However, these results are not in line with the research of Janah, Zulpahmi, & Heriansyah (2021) and Hakim & Saputra (2022) which state that leverage has a positive impact on auditor switching.

3. The Effect of Company Growth on Auditor Switching

The significance value obtained for the company growth variable is 0.012 or smaller than 0.05. This indicates that the level of company growth based on the measurement of the growth sales ratio has a positive influence on the occurrence of auditor switching in the company, so the third hypothesis is accepted. Based on the results of data analysis, companies in the consumer goods industry sector experienced a decrease in revenue in 2020 due to a decrease in the level of people's purchasing power in the Covid 19 pandemic era (kompas.com, 2020). However, 29 of the 44 companies studied were able to maintain the company's financial performance and achieve sales growth in 2021. The increase in sales will lead to an increase in transaction volume and the complexity of operational activities (Fauzi, Hasan, & Oktari, 2020).

In research by Zuriansyah, Andreas, & Nurmayanti (2022) states that company growth triggers an increase in demand for independence and company owners will find it more difficult to monitor the actions of company management. Therefore, in line with agency theory, companies will carry out auditor switching with auditors who have better quality and reputation in order to reduce agency costs and increase trust for users of financial statements by limiting deviant activities by management as agents that will harm shareholders (Jensen & Meckling, 1976). From this explanation, it can be concluded that the results of this study are in line with agency theory, companies that experience growth will conduct auditor switching to reduce agency costs, and increase trust for users of financial statements with quality monitoring from higher quality auditors.

This is evident from all research samples in 2021, there was an auditor switching phenomenon in 24 out of 29 companies that experienced an increase in sales. These results are in line with the research of Fauzi, Amir, & Oktari (2020) and Ernayanti (2020) which state that company development has an influence on auditor switching. However, it is not in line with the research of Wibowo & Rahmawati (2019) and Raswati & Triyanto (2021) which state the opposite that company development has no effect on auditor switching.

V. CONCLUSION

This study aims to test and obtain empirical evidence related to the effect of public ownership, leverage, and company growth on auditor switching in consumer goods industry sector companies listed on the IDX for the 2019-2022 period. The results showed that partially public ownership and leverage have no influence on taking auditor switching actions by companies so that the first and second hypotheses are rejected, while company growth has a positive influence on the occurrence of auditor switching in companies, which means that the

third hypothesis is accepted. In addition, public ownership, leverage, and company growth simultaneously have a significant effect on auditor switching.

The limitations obtained during this research were in the data collection process, where there were several financial reports that were not available on the ww.idx.co.id website for 2019, so researchers had to search for financial reports through annual reports from the company's official website. Only a small sample of companies was obtained, namely from 271 populations, only 44 issuers contained the phenomenon of auditor switching. . In addition, the results of data analysis during the research period were fluctuating due to the covid-19 pandemic that occurred in 2020. This causes some data with extreme values and affects the relationship pattern of the research variables.

For future research it is recommended to consider adding other variables that are expected to affect auditor switching in companies to increase the Nagelkerke R-Square value and expand the research sector to get more diverse results such as foreign ownership, timeliness of financial reporting and going concern opinion. Researchers advise companies to make careful considerations before deciding to do auditor switching to get quality and reliable audit results because the fairness of financial statements will affect the survival of the company.

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