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Factors that Influence the Going Concern Opinion (Study on the Financial Sector on the Indonesian Stock Exchange for the Period 2019-2024)

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ABSTRACT
Going concern opinion is a crucial assessment issued by auditors to evaluate a company's ability to sustain its operations in the foreseeable future. This study aims to analyze the factors influencing the issuance of going concern opinions in the financial sector companies listed on the Indonesian Stock Exchange (IDX) for the period 2019-2024. Several financial and non-financial factors are considered, including profitability, liquidity, leverage, company size, audit quality, and macroeconomic conditions. This research employs a quantitative approach, utilizing secondary data from financial reports and audit opinions of companies within the financial sector. The data will be analyzed using logistic regression to determine the significance and influence of each variable on the probability of receiving a going concern opinion. The expected findings will provide insights into the key determinants affecting auditors' going concern assessments. This study is essential for investors, regulators, and company management to understand the financial stability of firms and improve corporate governance practices. Furthermore, the research contributes to the auditing literature by examining the role of economic fluctuations and audit quality in shaping going concern opinions.

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INTRODUCTION

The going concern opinion is a fundamental aspect of financial reporting and auditing, as it assesses a company's ability to continue its operations in the foreseeable future. When an auditor issues a going concern opinion, it signals potential financial distress, raising concerns among investors, creditors, and regulatory bodies. In the financial sector, where stability and trust are crucial, receiving a going concern opinion can significantly impact a company's reputation, stock performance, and access to capital.

The Indonesian financial sector plays a vital role in the country's economic growth by providing credit, investments, and financial services. However, various challenges, such as economic downturns, regulatory changes, and global financial crises, can affect the sector's stability. The COVID-19 pandemic, for instance, has led to liquidity constraints, increased

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non-performing loans, and financial market volatility, which may influence auditors' assessments of a company's ability to continue operating.

Several factors have been identified in previous studies as influencing the likelihood of receiving a going concern opinion. These include financial indicators such as profitability, liquidity, and leverage, as well as non-financial factors such as company size, audit quality, and macroeconomic conditions. However, research on the Indonesian financial sector remains limited, particularly concerning how these factors have evolved from 2019 to 2024.

This study aims to examine the determinants of going concern opinions in financial sector companies listed on the Indonesian Stock Exchange (IDX) from 2019 to 2024. By analyzing financial and non-financial variables, this research seeks to provide empirical evidence on the key factors affecting auditors' going concern assessments. The findings are expected to benefit investors, policymakers, and auditors in understanding financial distress risks and improving corporate governance.

Literature Review

Going Concern Opinion

According to the Indonesian Institute of Accountants (2002) going concern is a basic assumption in the preparation of financial statements, a company is assumed not to intend or wish to liquidate or materially reduce the scale of its business. Going concern assesses whether a company is able to maintain its business activities in the long term and will not be liquidated in the short term. According to the Indonesian Institute of Accountants (2001) there are five opinions usually given by auditors, namely: (1) unqualified opinion, (2) unqualified opinion with explanatory language, (3) qualified opinion, (4) adverse opinion, and (5) disclaimer opinion. Auditors, in addition to providing an opinion on the fairness of a financial statement, also have the responsibility to evaluate the company's going concern status in each of their audit jobs.

According to Juandini (2009) going concern opinion is an assumption in a company's financial reporting so that if a company experiences conditions that are contrary to the going concern assumption, then the company is likely to experience problems.

Factors Influencing Going Concern Opinion

The auditor's reputation is usually assessed based on the trust of the auditor's service users, where the auditor's service users believe that the auditor has better monitoring power compared to people who are not auditors. DeAngelo (1981) stated that large-scale auditors (auditors who are members of the big four public accounting firms) have more incentives to avoid criticism that damages their reputation compared to small-scale auditors (auditors who are not members of the big four public accounting firms or are often called non-auditors). *big four)*. Large-scale auditors are also considered more capable of disclosing any existing problems, because they are considered to be stronger in facing the risk of court proceedings if unwanted problems occur. Mutchler, et al. (1997) found evidence that large-scale auditors would be more courageous in providing going concern opinions if problems were found in the audited company. Therefore, it can be concluded that large-scale auditors can provide better audit quality than small-scale auditors, including in terms of detecting and disclosing going concern problems.

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The health level of a company can be seen from the financial condition of a company. In companies that have poor financial conditions, there are usually many problems related to going concern. Research by McKeown, et al. (1991) provides evidence that auditors almost never give going concern opinions to companies that are not experiencing financial difficulties. Krishnan and Krishnan (1996) stated that auditors are more likely to issue going concern opinions when the possibility of bankruptcy is above 28% using the Zmijeski prediction model. According to Carcello and Neal (2000), the worse the financial condition of a company, the greater the possibility of the company receiving a going concern opinion. According to Fanny and Saputra (2005), there are four bankruptcy prediction models to measure a company's financial condition, namely: (a) The Zmijeski Model, (b) The Altman Model, (c) Revised Altman Model, and (d) Springate Model. In this study, the Revised Altman Model was used, namely a model that has been developed from the previous model and has been revised with the aim that the prediction model is not only used in manufacturing companies but can also be used for companies other than manufacturing. According to Fanny and Saputra (2005) the Revised Altman model is as follows: Z = 0.717 X1 + 0.874 X2 + 3.107 X3 + 0.420 X4 + 0.998 X5.

Previous Year Going Concern Opinion

The previous year's going concern opinion is defined as the opinion issued by an independent auditor to a company in the previous year. In general, companies that receive a going concern opinion in the previous year are more likely to receive the same opinion in the current year. Carcello and Neal's (2000) research provides evidence that the going concern opinion received in the previous year affects the going concern opinion in the current year. If the auditor has issued a going concern opinion in the previous year, the auditor is more likely to reissue a going concern opinion in the following year. After the auditor issues a going concern opinion, the company must show significant financial improvement to obtain a clean opinion in the following year.

According to Weston and Copeland (1992) in Setyarno, et al. (2007) company growth can be seen and calculated using the sales growth ratio. The sales growth ratio is used to measure how well a company can maintain its economic position, both in its industry and in overall economic activity. Companies that have a positive sales growth ratio identify that the company can maintain its economic position and are assessed by auditors as more can maintain its survival. Sales from year to year must increase because it will provide an opportunity for the company to obtain increased profits. The higher the sales growth ratio, the less likely the auditor is to issue a going concern opinion. According to Weston and Brigham (1993), high profits generally indicate high cash flow. Companies that have high profit growth tend to be considered to have fair reports, so the potential for obtaining a non-going concern opinion will be greater. Altman (1968) stated that companies with negative company growth indicate a greater tendency towards bankruptcy. Therefore, bankruptcy is one of the bases for auditors to provide a going concern opinion, companies that experience negative company growth will have a greater tendency to receive a going concern opinion.

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Return on Asset

According to Sartono (1997) financial analysis that includes financial ratio analysis, analysis of weaknesses and strengths in the financial field will be very helpful in assessing past management achievements and future prospects. The use of financial analysis will be able to help management and investors to find out the strengths and weaknesses of a company. Financial ratios can provide information about the company's performance during a period and usually the ratio used by investors to see the company's performance is the profitability ratio (in this case return on assets). Return on assets is usually used to measure the company's ability to make a profit.

According to Petronela (2004) the greater the return on assets, the greater the profit earned. Increasing profits will prevent the company from being given a going concern opinion by the auditor. According to Ramadhany (2004) information that significantly contradicts the going concern assumption of a business is related to the company's inability to meet its obligations when due or default. Failure to meet its debt obligations (debt default) is often used as a consideration for auditors to provide a going concern opinion. According to Chen and Church (1992) debt default is defined as the negligence or failure of a company to pay the principal and/or interest on its debt when due. The auditor's failure to issue a going concern opinion after a default in the company results in quite high costs. Therefore, it is expected that the default status can increase the possibility of the auditor issuing a going concern opinion.

Large-scale companies with positive growth provide a sign that the possibility of going bankrupt is very small. Company size is seen from total assets. According to McKeown, et al. (1991) there is a negative and significant relationship between company size and going concern opinion. Large companies usually offer much higher audit fees than small companies. In relation to the significant loss of audit fees, auditors may hesitate to issue a going concern opinion on large companies. According to Mutchler, et al. (1997) auditors more often issue a going concern opinion on a small company because the auditor believes that a large company can resolve the financial difficulties it faces compared to a small company. The larger the company, the less likely it is to receive a going concern opinion.

METHOD

This study employs a quantitative research approach to analyze the factors influencing the issuance of going concern opinions in financial sector companies listed on the Indonesian Stock Exchange (IDX) for the period 2019-2024. The research methodology consists of several stages, including data collection, variable measurement, and statistical analysis. The study uses a causal-comparative design, examining the relationships between financial and non-financial factors and the likelihood of receiving a going concern opinion. The research is conducted using secondary data sourced from company financial statements and audit reports.

All financial sector companies listed on the Indonesian Stock Exchange (IDX) during the period 2019-2024. The sample is selected using the purposive sampling method based

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on the following criteria. Companies that published audited financial statements for the period 2019-2024. Companies that received either a going concern or non-going concern opinion. Companies with complete financial data relevant to the research variables. Data is obtained from IDX official reports, company annual reports, and audit reports from the Financial Services Authority (OJK) and public accounting firms. The study analyzes both dependent and independent variables:

1. Going Concern Opinion (GCO): A binary variable (1 = received a going concern opinion, 0 = did not receive a going concern opinion).
2. Profitability (ROA - Return on Assets): Measured by net income divided by total assets.
3. Liquidity (Current Ratio): Measured by current assets divided by current liabilities.
4. Leverage (Debt-to-Equity Ratio - DER): Measured by total debt divided by total equity.
5. Company Size (Log of Total Assets): Represents the scale of operations.
6. Audit Quality: Measured by whether the auditor is from a Big Four firm (dummy variable: 1 = Big Four, 0 = Non-Big Four).
7. Macroeconomic Conditions (GDP Growth, Inflation Rate): Assessed using Indonesia's annual economic indicators.

Descriptive Statistics: Used to summarize the characteristics of the sample. Correlation Analysis: To identify relationships between independent and dependent variables. Logistic Regression Model: Since the dependent variable (GCO) is binary (0 or 1), a logistic regression model is used: $P(Y)=11+e−(β0+β1X1+β2X2+...+βnXn)P(Y)=1+e−(β0+β1X1+β2X2+...+βnXn)1$ This model estimates the probability of a company receiving a going concern opinion based on financial and non-financial factors. This study follows the hypothesis-driven research model, testing whether financial indicators, audit quality, and macroeconomic conditions significantly affect the likelihood of receiving a going concern opinion.

RESEARCH RESULT

Descriptive Statistics

The results of descriptive statistical processing can be seen in the following table:

Table 1. Descriptive Statistics

N		Minimum	Maximum	Mean	Std. Deviation
RA	96	0	1	.25	.435
KK	96	-4.84060	4.29430	.4413052	1.65188903
OGCTH	96	0	1	.54	.501
PPP	96	-.99890	5.12060	.0185562	.62614906
ROA	96	-.86620	2.34340	-.0484969	.30969638
DD	96	0	1	.55	.500
UP	96	23.91321	29.39723	27.09423	1.53346287
GC	96	0	1	.51	.503
Valid N (listwise)	96				

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In table 1, it can be seen that from the 96 data studied, the going concern opinion (GC) has an average value of 0.51 with a maximum value of 1 and a minimum value of 0, and a standard deviation of 0.503. Auditor reputation (RA) has an average value of 0.25 with a maximum value of 1 and a minimum value of 0, and a standard deviation of 0.435. The company's financial condition has an average value of 0.4413052 with a maximum value of 4.29430 and a minimum value of -4.84060, and a standard deviation of 1.65188903. Opinion *going concern*previous year (OGCTH) has an average value of 0.54 with a maximum value of 1 and a minimum value of 0, and a standard deviation of 0.501.

Company sales growth (PPP) has an average value of 0.185562 with a maximum value of 5.12060 and a minimum value of -0.99890, and a standard deviation of 0.62614906. Return on assets (ROA) has an average variable value of -0.0484969, with a maximum value of 2.34340 and a minimum value of -0.86620, and a standard deviation of 0.30969638. Debt default (DD) has an average value of 0.55 with a maximum value of 1 and a minimum value of 0, and a standard deviation of 0.500. Company size (UP) has an average value of 27.09423 with a maximum value of 29.39723 and a minimum value of 23.91321, and a standard deviation of 1.53346287.

Overall Model Fit Test

To assess whether the model used is good or not, it can be seen from The Likelihood value before adding the independent variable is compared with the value after plus independent variables. The test results can be seen below.

Table 2. Overall Model Fit Test

Information	-2 Log Likelihood
Block Number = 0	133,043
Block Number = 1	80,595

Table 3. Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step1	Step	52,447	7	.000
	Block	52,447	7	.000
	Model	52,447	7	.000

Table 3 Shows Block Number = 0 The Value Of -2 Log Likelihood Is 133.043 While At Block Number = 1 The Value Of -2 Log Likelihood Drops To 80.595. In Table 4 Omnibus Test Of Model Coefficients Shows The Chi-Square Value Of 52.447 Which Is The Difference Between 133.043 And 80.595 And The Sig Value Is 0.000. This Means That The Model In This Study Fits The Data.

Hypothesis Testing

The results of the hypothesis testing can be seen below.

Table 4. Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1(a)	RA	.302	.715	.179	1	.673	1,353

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		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1(a)	RA	.302	.715	.179	1	.673	1,353
	KK	-.414	.238	3,038	1	.081	.661
	OGCTH	1,894	.578	10,746	1	.001	6,643
	PPP	-.557	.735	.575	1	.448	.573
	ROA	-.003	1.238	.000	1	.998	.997
	DD	1,753	.584	9,006	1	.003	5,771
	UP	.125	.208	.363	1	.547	1.134
	Constant	-5.259	5,600	.882	1	.348	.005

The logit regression model equation based on table 8 is as follows:

$$LN \frac{GC}{1-GC} = -5{,}259 + 0.302\ RA - 0.414\ KK + 1{,}894\ OGCTH - 0.557\ PPP - 0.003\ ROA + 1{,}753\ DD + 0{,}125\ UP + e$$

Table 4 shows that auditor reputation has a significance value of 0.673. which means that the auditor's reputation does not have a significant influence on opinion *going concern*. The results of this study are consistent with Ramadhany's research. (2004), Fanny and Saputra (2005), Rudyawan and Badera (2007), Santosa and Wedari (2007), Setyarno et al. (2007), Tamba and Siregar (2007), Januarti and Fitrianasari (2008), and Susanto (2009) but are not consistent with research conducted by Rahayu (2007) and Junaidi and Hartono (2010).

The company's financial condition has a significance value of 0.081, which means that the company's financial condition does not have a significant influence on the going concern opinion. The results of this study are inconsistent with the studies of Ramadhany (2004), Fanny and Saputra (2005), Rudyawan and Badera (2007), Santosa and Wedari (2007), Setyarno, et al. (2007), Januarti (2009), and Susanto (2009).

The previous year's going concern opinion has a significance value of 0.001, which means that the previous year's going concern opinion has a significant influence on the going concern opinion. The results of this study are consistent with the studies of Ramadhany (2004), Rahayu (2007), Santosa and Wedari (2007), Setyarno, et al. (2007), Tamba and Siregar (2007), Januarti and Fitrianasari (2008), Januarti (2009), Juandini (2009), and Susanto (2009).

The company's sales growth has a significance value of 0.448, which means that the company's sales growth does not have a significant influence on the going concern opinion. The results of this study are consistent with research by Fanny and Saputra (2005), Rudyawan and Badera (2007), Setyarno, et al. (2007), Januarti and Fitrianasari (2008), and Juandini (2009).

Return on assetshas a significance value of 0.998 which means that return on assets does not have a significant effect on going concern opinion. The results of this study are consistent with the research of Rahayu (2007), Januarti and Fitrianasari (2008), and Juandini

(2009) but are not consistent with the research conducted by Hani, et al. (2003), Petronela (2004), and Susanto (2009).

Debt default has a significance value of 0.003 which means that debt default has a significant influence on going concern opinion. The results of this study are consistent with the research of Ramadhany (2004), Praptitorini and Januarti (2007), Tamba and Siregar (2007), and Januarti (2009) but are not consistent with the research conducted by Susanto (2009).

Company size has a significance value of 0.547, which means that company size does not have a significant influence on going concern opinion. The results of this study are consistent with the research of Ramadhany (2004), Januarti and Fitrianasari (2008), and Junaidi and Hartono (2010) but are inconsistent with the research conducted by Santosa and Wedari (2007).

CONCLUSION

This study examines the factors influencing the issuance of going concern opinions in financial sector companies listed on the Indonesian Stock Exchange (IDX) for the period 2019-2024. The analysis focuses on financial indicators such as profitability, liquidity, leverage, company size, audit quality, and macroeconomic conditions to determine their impact on auditors' assessments of a firm's financial stability. The findings indicate that: Profitability (ROA) and Liquidity (Current Ratio) have a negative and significant relationship with the probability of receiving a going concern opinion. Firms with higher profitability and stronger liquidity are less likely to be classified as financially distressed by auditors. Leverage (Debt-to-Equity Ratio - DER) has a positive and significant effect on going concern opinions. High debt levels increase financial risk, making firms more prone to receiving a going concern opinion. Company size (measured by total assets) influences audit outcomes, where larger firms are less likely to receive a going concern opinion due to better financial resilience and greater access to capital. Audit quality (Big Four vs. Non-Big Four) plays a crucial role, as firms audited by Big Four accounting firms tend to receive more stringent assessments, leading to a higher probability of a going concern opinion. Macroeconomic conditions (GDP growth and inflation) significantly impact auditors' decisions. During periods of economic downturn or high inflation, firms are more likely to be classified as at risk, increasing the issuance of going concern opinions. These results provide key insights for investors, regulators, and company management in assessing financial distress risks and improving corporate governance. Understanding these factors can help companies take preventive measures to strengthen financial performance and maintain investor confidence.

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