

## **The Effect Of *Financial Distress* And Company Growth On *Going Concern Audit Opinion*** **(Empirical Study of Financial Companies Listed on the Indonesia Stock Exchange 2021–2023)**

**Choiriyah, Nisaa'Nurun<sup>1</sup>, Khanifah, khanifah<sup>2</sup>**

<sup>1</sup> Department of Accounting, Universitas Wahid Hasyim, Indonesia.  
nurunnisaa1517@gmail.com

<sup>2</sup> Accounting Department, Universitas Wahid Hasyim, Indonesia.  
Correspondence: khanifah@unwahas.ac.id

### **ABSTRACT**

This study aimed to study how financial distress and company growth affected the going concern audit opinion. Object of this study were financial companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. This study was based on inconsistent findings and an increased risk of business failure in the financial sector due to economic changes and market fluctuations. Therefore, auditors were required to reassess the company's ability to maintain its business continuity. Of the 108 companies, 27 were selected as samples using a purposive sampling method. Data analysis was performed using logistic regression in SPSS Version 25. The results indicated that financial distress had a positive and significant effect on the going concern audit opinion, and company growth did not affect the going concern audit opinion. These results indicated that financial condition was the primary factor auditors considered when assessing a company's business sustainability.

**Keywords:** Going Concern Audit Opinion, Financial Distress, and Company Growth

---

### **INTRODUCTION**

Stakeholders considered corporate sustainability a critical issue for making informed decisions regarding investments, loans, and other strategic matters. Therefore, financial statements needed to be audited by an independent auditor in accordance with Auditing Standard (SA) 570 to assess the fairness of the statements and the potential for going concern based on the going concern principle[1]. Unfortunately, users of financial reports often reacted negatively to the delivery of going concern audit opinions, so many companies considered it bad news[2]. This applied to companies listed on the Indonesia Stock Exchange (IDX), where investors really expected open and accountable financial reporting.

On the Indonesia Stock Exchange (IDX), companies that did not show prospects for business continuity can be subject to sanctions, ranging from suspension of share trading to delisting[3]. This phenomenon was experienced by PT Intan Baruprana Finance Tbk which suffered large losses due to financial distress, and received a going concern audit opinion in its audit report. In addition, the company PT First Indo American Leasing Tbk was delisted due to financial distress, with the main indication being the company's inability to meet gearing requirements ratio set by the financial services authority (OJK). This phenomenon showed that the going concern audit opinion can be directly affected by poor financial ratios and the company's inability to manage growth and financial risks.

Previous research showed inconsistent findings. According to several studies, the going concern audit opinion was influenced by financial distress[4][5]. However, other studies found that auditors consider other factors, so there was no significant influence[6][7]. In addition, other studies found that the influence of company growth on going concern audit opinion were inconsistent[8][9]. Financial companies were very vulnerable to financial distress due to dependence on economic stability, liquidity, and risk management. Furthermore, financial companies were under strict supervision and regulation

from OJK, resulting in more transparent and structured financial reports. This research was expected more accurate and relevant, which can be used by auditors and related parties in assessing a company's business continuity.

### Theoretical review

#### Agency Theory

The agency theory introduced by Jensen and Meckling (1976) explained the relationship between principals (owners) and agents (management) based on an employment contract. In relation to the going concern audit opinion, agents were responsible for operations and financial reports as a form of accountability to the owner, but potential conflicts of interest can encourage data manipulation. Therefore, an independent auditor was needed to assess the fairness of the reports and identify factors that affected business continuity if the going concern opinion is not correct. concern was given[6].

#### Audit Opinion

The audit aimed to produce an independent auditor's reported containing their opinion on the financial statements prepared in accordance with relevant financial accounting standards. The auditor must determined whether there was sufficient evidence to conclude that the financial statements were generally reliable and free from fraud or error[10]. The auditor's opinion can be categorized into two categories, there were:

1. Unmodified opinion: When financial statements were prepared in accordance with applicable standards, it was also said an unqualified opinion.
2. Modified opinion: When the auditor did not obtained sufficient audit evidence, and the opinion was divided into three opinion: qualified opinion, adverse opinion, and disclaimer of opinion.

#### Going Concern Audit Opinion Concern

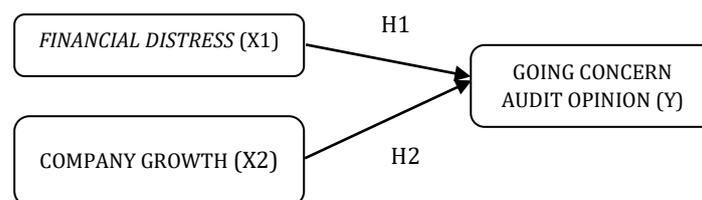
Going concern audit opinion namely the opinion given by the auditor to assess the company's ability to continue operating for at least the next year by considering the potential for bankruptcy as the main factor in decision making[11].

#### Financial Distress

Financial distress was a situation where a company experiences significant financial difficulties resulting in difficulty in meeting its obligations[2]. This condition can be triggered by internal factors such as high debt, operational losses, as well as external factors such as interest rates and government regulations. In addition, if financial distress was not handled immediately, the company will went bankrupt.

#### Company Growth

Company growth reflected the company's ability to maintain its business continuity, which can be measured through sales growth. When a company had good business prospects, auditors tend not to issue a going concern opinion, for companies with positive growth. Conversely, low or negative growth can raised doubts about the company's viability.



**Figure 1.** Theoretical Framework

H1: Financial distress had a positive effected on going concern audit opinion.

H2: Company growth had a negative effected on going concern audit opinion.

### RESEARCH METHODS

The companies that were the objects of this study were selected from financial companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023. Purposive sampling method was used to collect data according to predetermined criteria. The following criteria were used in this study: financial companies listed on the IDX, companies that presented comprehensive annual reports during period in 2021-2023, accompanied by an audit report prepared by an independent auditor, companies that were not delisted or left the IDX during the monitoring period, and companies that had negative net profit after tax for at least one period during the observation year. Based on these criteria, 27 financial companies were selected as research samples.

This study used the logistic regression method to test the influence of financial distress and company growth on going concern audit opinion. Because dependent variable going concern audit opinion was categorized as a dummy variable, so the logistic regression method was used. The method used for data analysis in this study was carried out using SPSS 25, and the method included descriptive statistical analysis, classical assumption tests such as multicollinearity tests, and autocorrelation tests, logistic regression analysis such as assessing the feasibility of regression, assessing the overall model, and the coefficient of determination, as well as the Wald test.

**Table 1** Operational Definition of Variables

Variables	Indicator	Scale
Going concern audit opinion (Y)	A company was given code 1 if the audit results determine that the company was going concern, and code 0 if it is determined that the company was non-going concern[12].	Nominal
Financial distress (X1)	This variable is measured using the Altman Z- Score model. The modifications are: $Z'' = 6.56X1 + 3.26X2 + 6.72X3 + 1.05X4$ $Z'' =$ Bankruptcy Index. X1 = Working capital / total assets . X2 = Retained earnings / totals assets . X3 = Earnings before interest and taxes /total assets . X4 = Market value of equity / book value of total liabilities[13].	Ratio
Company Growth (X2)	Company growth [14] : $\frac{\text{Sales (t)} - \text{Sales (t - 1)}}{\text{Sales (t - 1)}}$	Ratio

Source: Previous research (processed, 2025)

## RESULTS AND DISCUSSION

### Descriptive Statistical Analysis

**Table 2** Statistical Analysis

	N	Minimum	Maximum	Mean	Standard Deviation
Financial Distress	81	-453.93	10272.77	282,8064	1457.75222
Company Growth	81	-41.23	719.04	8.6291	80.15622
Audit Opinion	81	.00	1.00	.2222	.41833
Valid N (listwise)	81				

Source: SPSS 25 Output Results (processed, 2025)

Based on analysis descriptive on variables financial distress, the minimum value was -453.93 and the maximum was 10,272.77 indicating difference condition significant financial between company, with mean 282.80 and standard deviation high 1,457.75, indicating the data was not evenly.

On the variable growth company showed the minimum value -41.23 and maximum 719.04, with mean 8.63 and standard deviation 80.16, which indicated variation growth between company Enough big and data was also not evenly.

On the variable Going concern audit opinion showed minimum value 0 and maximum 1, with mean 0.222 and standard deviation 0.418, which means around 22% of companies in sample accepted opinion going concern.

### Classical Assumption Test

#### 1. Multicollinearity Test

**Table 3** Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Financial Distress	.999	1,001
	Company Growth	.999	1,001

Source: SPSS 25 Output Results (processed, 2025)

On both financial variables distress and company growth Tolerance value of 0.999 and VIF of 1.001 indicated that the tolerance value is > 0.1 and VIF < 10, so there was no multicollinearity in the financial variables. distress and company growth, and the regression model was declared free from the multicollinearity assumption

## 2. Autocorrelation Test

**Table 4** Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std . Error of the Estimate	Durbin Watson
1	.421 <sup>a</sup>	.177	.156	.38436	1,931

Source: SPSS 25 Output Results (processed, 2025)

Durbin-Watson value of 1.931 was between  $dU = 1.6882$ , and  $4-du = 2.3118$  at the 5% significance level, so the null hypothesis was accepted, indicating no autocorrelation. Thus, the regression model met the autocorrelation-free assumption, and the residuals between observations were not significantly correlated.

## Logistic Regression Analysis

**Table 5** Regression Analysis

		B	SE	Wald	df	Sig .	Exp (B)
Step 1 <sup>a</sup>	Financial Distress	.013	.006	4,225	1	.040	1,013
	Company Growth	.182	.135	1,817	1	.178	1,200
	Constant	-1,744	.343	25,839	1	.000	.175

Source: SPSS 25 Output Results (processed, 2025)

Based on the table above, the results of the logistic regression equation used in this study can be seen as follows:

$$\ln \frac{GC}{1-GC} = -1.744 + 0.013FD + 0.182PP + \varepsilon \quad (1)$$

Information:

GC = Going Concern Audit Opinion

FD = Financial Distress

PP = Company Growth

The regression results showed that the financial variables distress had a coefficient of 0.013, and an Exp (B) value of 1.013, which means that the company was likely to get a going concern audit opinion, increased by 1.3% with a one unit increase in the financial level distress assuming other variables remain unchanged.

The regression results showed that the company growth variable had a coefficient of 0.182, and an Exp (B) value of 1,200, which means that the possibility of the company getting a going concern audit opinion was high, increased by 20% with a one unit increase in the company's growth rate assuming other variables were the same.

### 1. Assessing the Goodness of Fit of Regression Model of Fit Test

**Table 6** Regression Model Feasibility Test

Step	Chi-square	df	Sig.
1	10,049	8	.262

Source: SPSS 25 Output Results (processed, 2025)

The table above showed a chi-square value of 10.049 with a significance level of 0.262. Since the significance level is >0.05,  $H_0$  is accepted, indicating no significant difference between the observed and predicted values. Therefore, the logistic regression model was deemed suitable and suitable for further analysis.

### 2. Assessing Overall Model Fit

**Table 7** Overall Model Fit Test

Iteration	-2 Log likelihood
Step 0	86,101
Step 1	67,796

Source: SPSS 25 Output Results (processed, 2025)

Initial -2 log likelihood (-2LL) value decreased by 86,101 to 67,796, which showed that the regression model logistics experienced improvement compatibility with data. Decrease This indicated that the model was better in predict variables dependent based on variables independent, so that the hypothesized model in accordance with data.

### 3. Coefficient of Determination

**Table 8** Coefficient of Determination

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	67,796 <sup>a</sup>	.199	.305

Source: SPSS 25 Output Results (processed, 2025)

The coefficient of determination value of 0.305 showed that the company growth and financial variables distress was able to explain 30.5% of the variation in going concern audit opinions. This means that 30.5% of the company's likelihood of receiving the opinion was influenced by these two variables, while the remaining 69.5% is influenced by other factors outside the research model.

#### Wald test

**Table 9** Wald Test

		B	SE	Wald	df	Sig .	Exp (B)
Step 1 <sup>a</sup>	Financial Distress	.013	.006	4,225	1	.040	1,013
	Company Growth	.182	.135	1,817	1	.178	1,200
	Constant	-1,744	.343	25,839	1	.000	.175

Source: SPSS 25 Output Results (processed, 2025)

The results of the wald test showed that variables financial distress own mark significance of 0.040 which was smaller from 0.05, so that financial distress influential positive and significant to going concern audit opinion. Meanwhile that, variable growth company own mark greater significance of 0.178 from 0.05, so that growth company no influential significant to going concern audit opinion.

#### Discussion

##### The Influence of Financial Distress on Going Concern Audit Opinions

The first hypothesis (H1) stated that financial distress had a positive effect on going concern audit opinion. Based on the results of the logistic regression test, the significance value is  $0.040 < 0.05$ . This meant that financial distress had a positive and significant effect on the going concern audit opinion, where the higher the level of financial distress, the greater the likelihood that the auditor will issue a going concern opinion.

These results support the agency theory which emphasizes the importance of information transparency and the role of auditors as independent parties, and were in line with research [2][4], and [5] which stated that poor financial conditions increased the risk of bankruptcy, so that auditors tend to provide going concern opinions as a warning.

##### The Influence of Company Growth on Going Concern Audit Opinions

The second hypothesis (H2) states that company growth had a negative effect on going concern audit opinion. However, the results of the logistic regression test showed a significance value of  $0.182 > 0.05$ . This means that company growth did not have a significant effect on the going concern audit opinion. In practice, auditors tend to pay attention to other financial metrics such as liquidity, profitability, and solvency, because high growth did not always reflect a stable financial condition. These results were in line with research [9], [14], and [15] However, this contradicts research which stated that company growth influences going concern audit opinions.

#### CONCLUSION

Financial distress had a positive and significant effected on the going concern audit opinion. with a significance value of  $0.040 < 0.05$ . This showed that the higher the financial distress, the greater the possibility of the company getting a going concern opinion.

Company growth did not have a significant effected on the going concern audit opinion, with a significance value of  $0.182 > 0.05$ . This showed that company growth did not always influence the auditor's decision in issuing a going concern opinion, because growth that was not accompanied by good management can reflected business instability.

#### REFERENCE

- [1] NAD Hendang Tanusdjaja, "The Influence of Auditing Standards, Quality Control Standards, and Code of Ethics on the Quality of Audit Services," *J. Paradig. Accountant.* , Vol. 3, No. 1, P. 386, 2021, Doi: 10.24912/jpa.V3i1.11664.
- [2] And RIA Dea Izazi, "The Effect of Debt Default, Financial Distress, Opinion Shopping and Audit Tenure on the Acceptance of Going Concern Audit Opinions," 2019.
- [3] R. Al'adawiah, W. Julianto, and R. Sari, "The Effect of Company Size, Audit Tenure, and Company

Growth on Going Concern Audit Opinions," 2020.

- [4] I. Lia Puspita, S. Nurjannah, P. Accounting Studies, And F. Economics and Management, "The Effect of Audit Quality, Audit Report Lag, Earnings Management and Financial Distress on Going Concern Audit Opinions in Real Estate Property Companies Listed on the Indonesia Stock Exchange (IDX) in 2018-2020," 2023. [Online]. Available: [Www.idx.co.id](http://www.idx.co.id).
- [5] R. Fajrillah and IR Lestari, "The Effect of Financial Distress, Opinion Shopping, Debt Default, and Audit Committee on Going Concern Audit Opinions," *J. Accounting, Finance, Taxation, and Corporate Governance*, Vol. 1, No. 2, Pp. 264–273, 2023, Doi: 10.59407/Jakpt.V1i2.206.
- [6] Tufan and CD Wenny, "The Effect of Capital Adequacy Size, Financial Distress, and Previous Year's Opinion on the Acceptance of Going Concern Audit Opinions," *Journal of Economics and Business, Multi Data University, Palembang*, Vol. 11, No. 2, Pp. 295–310, 2022.
- [7] A. Muyassaroh and S. Adiwibowo, "The Effect of Previous Year Audit Opinion and Financial Distress on Going Concern Audit Opinion," *Akademika*, Vol. 21, No. 1, Pp. 07–17, 2023, Doi: 10.51881/Jak.V21i1.12.
- [8] Fadhillah Ananda Putri, "The Effect of Debt Default and Financial Distress on Going Concern Audit Opinions in Manufacturing Companies Listed on the IDX," *Balanced Accounting and Business Journal*, Vol. 8, Pp. 175–186, 2023.
- [9] Rizky Agung Syah Putra, "The Effect of Debt Default, Financial Condition, and Company Growth on Going Concern Audit Opinions in Property and Real Estate Companies Listed on the Indonesia Stock Exchange," *J. Ris. Accounting and Business*, Vol. 21, No. 1, Mar. 2021, Doi: 10.30596/Jrab.V21i1.6231.
- [10] Indonesian Institute of Public Accountants, "Sa 700.Pdf." P. 40, 2011, [Online]. Available: <https://lapi.or.id/lapi/detail/362>.
- [11] P. Pelecia Bartinius and D. Purwasih, "The Effect of Firm Reputation and Previous Year's Audit Opinion on Going Concern Audit Opinions with Financial Distress as a Moderator (Empirical Study Conducted on Property and Real Estate Sector Companies Listed on the Indonesia Stock Exchange for the 2018-2022 Period)," 2024.
- [12] AUPMWM Faiz Kurniawan, "The Influence of Company Financial Condition, Firm Reputation and Previous Year Audit Opinion on Going Concern Audits in Coal Sub-Sector Mining Companies Listed in 2017-2021," Vol. 7, No. 1, Pp. 131–139, 2022.
- [13] SKSD Ni Desak Putu Detik Arima Dewi, "Analysis of Financial Distress Levels Using the Altman Z-Score Model and Its Effect on Stock Prices," *Wiley Encycl. Manag.*, Vol. 11, No. 2, Pp. 1–3, 2022, Doi: 10.1002/9781118785317.Weom040039.
- [14] W. Idawati and K. Alkessa, "The Effect of Financial Distress, Debt Default, and Company Growth on Audit Opinion Acceptance," *J. Econ. Manaj. Dan Perbank. (Journal of Econ. Manag. Banking)*, Vol. 9, No. 3, Pp. 275–290, 2023, Doi: 10.35384/Jemp.V9i3.453.
- [15] EKK Gina Septiana, "The Influence of Company Growth, Bankruptcy Prediction and Previous Year's Going Concern Audit Opinion on the Issuance of Going Concern Audit Opinions," 2021.