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THE EFFECT OF FINANCIAL CONDITION, COMPANY GROWTH, AND COMPANY SIZE ON GOING CONCERN OPINION ACCEPTANCE

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Abstract

This study aims to investigate the effect of financial condition, company growth, and company size on going-concern opinion acceptance. This research will use secondary data from the financial statements of companies listed on the Indonesia Stock Exchange (IDX) during 2020-2022. The research sample taken is a transportation and logistics company selected by purposive sampling. 26 companies were chosen as the samples of this study. The method used is logistic regression analysis. The result of this research is that financial condition had a negative influence on the audit going concern opinion acceptance and the other company growth and company size do not have influence to the going concern opinion.

Keyword: *Financial Condition; Company Growth; Company Size; Going Concern Opinion Acceptance*

1. Introduction

In economic conditions that are not always stable, such as during a financial crisis or pandemic, it can disrupt the survival of an entity or company. Going concern opinion is an important concern in the business world because it indicates that the condition of an entity or company is not going well. The consequences of an entity receiving a going concern opinion can disrupt the credibility and trust of shareholders, investors, creditors, and company customers.

The results of the Badan Pusat Statistik (2020) survey of business regarding the impact of the COVID-19 pandemic on business income were noted: (1) 82.85% of companies experienced a decline in income; (2) 14.60% of companies have relatively fixed income; and (3) 2.55% experienced an increase in income. Based on the company sectors most affected by the COVID-19 pandemic, they are as follows:

Table 1. Results impact of COVID-19 on business income

No.	Name	Percentage
1.	Accommodation, food, and beverages	92.47
2.	Other services	90.90
3.	Transportation and logistic	90.34
4.	Construction	87.94
5.	Processing Industry	85.98
6.	Trading	84.60

The accommodation, food, and beverages sectors were the sectors that experienced the largest decline in income at 92.47 percent. Other services were the sector that experienced the second largest decline in income, at 90.90 percent. Followed by the third largest sector, namely transportation and logistics at 90.34 percent. And followed by the construction sector, processing industry, and trade. This research focuses on companies affected by the COVID-19 pandemic and listed on the Indonesia Stock Exchange (BEI). Researchers used transportation and logistics sector companies as research samples. This is because the transportation and logistics sector is one of the company sectors that has experienced the highest percentage of revenue decline based on the results of a previous survey conducted by BPS.

The example of a large company that affected by the COVID-19 pandemic is PT Garuda Indonesia (Persero) Tbk. PT Garuda Indonesia (Persero) Tbk is one of Indonesia's national airlines which is experiencing financial difficulties. On February 25 2022, PT Garuda Indonesia (Persero) Tbk submitted a request for Postponement of Debt Payment Obligations (PKPU) to the Commercial Court at the Central Jakarta District Court. This is because the company is experiencing financial difficulties caused by the COVID-19 pandemic, increasing operational costs and intense industrial competition. In the 2021 financial report, PT Garuda Indonesia (Persero) Tbk obtained a going concern opinion with an explanatory paragraph. The explanatory paragraph states that there is significant uncertainty regarding the company's ability to continue as a going concern.

The theory related to this research is agency theory. In agency theory, management as agents has more information regarding the company's financial condition compared to stakeholders as principals. The auditor, as a third party, plays a role in providing information through independent audits. That way, investors or principals can find out the company's financial condition through whether or not the going concern audit opinion is accepted.

In the midst of the situations and issues discussed previously, it shows how important going concern opinions are for companies, investors, auditors and other stakeholders in helping identify potential company bankruptcy so that they can take appropriate preventive action. There are several factors that can cause an entity to receive a going concern opinion, including financial condition, company growth, and company size.

The first factor that can influence the acceptance of a going concern opinion is financial condition. A company will be considered to have good performance if it has a healthy financial condition. Financial conditions describe the actual situation of the company, if it is in good condition, it can maintain business continuity, or if it is not in good condition, it threatens the continuity of the company's business itself (Yanuariska & Ardiati, 2018). Research by Kurnia (2018), Syarif et al. (2021), Maretta et al. (2020), and Masfiah (2021) in their journals found that financial condition has a negative effect on going concern opinion acceptance. Contrary to the research conducted by Effendi (2019), Akbar & Ridwan (2019), Melistiari et al. (2021b) and Megantara (2021) which show financial condition has no effect on going concern opinion acceptance.

The second factor that can influence the acceptance of going concern opinions is company growth. Company growth is the condition of a company experiencing development both in terms of assets and in terms of sales growth (Endiana & Suryandari, 2021). According to Masfiah (2021), states that a company with positive sales growth has a tendency to maintain its business continuity, whereas a company with negative sales growth has a greater tendency towards bankruptcy. The previous research done by Akbar & Ridwan (2019), Endiana & Suryandari (2021), dan Al'adawiah et al. (2020) showed that company growth has negative effect on going concern opinion acceptance. Meanwhile, Kurnia (2018), Masfiah (2021), Febrianti & Suhartini (2022) dan Halim (2021) found that company growth has no effect on going concern opinion acceptance.

The third factor that is thought to influence the acceptance of going concern opinions is company size. Company size is defined as the size of the assets in the company so that in general large companies have large total assets (Megantara, 2021). Larger companies have adequate capabilities in business competition because they tend to have better internal control systems (Halim, 2021). Research by Akbar & Ridwan (2019), Endiana & Suryandari (2021), Rahmawati & Darsono (2022) and Al'adawiah et al. (2020) in their journals found that company size has a negative effect on going concern opinion acceptance. Contrary to the research conducted by Effendi (2019), Kusumawardhani (2018), Yanti et al. (2021), and Megantara (2021) which show financial condition has no effect on going concern opinion acceptance.

2. Material and Method

2.1 Design Study

This research uses quantitative research methods. A quantitative research method is research that has an inductive, objective, and scientific method where the data obtained is in the form of numbers, values, scores, or statements that are assessed, and analyzed using statistical analysis (Purwohedi, 2022). This research uses secondary data whose data is obtained indirectly. This research collects data from the official IDX website and the official websites of each company. The unit of analysis in this research is transportation and logistics sector companies listed on the Indonesia Stock Exchange (IDX) as of December 31, 2022 with a total of 32 companies. The sampling technique used in this research was the purposive sampling method. Based on predetermined criteria, the number of samples that meet criteria is 26 companies with a total of 78 samples over three years.

2.2 Data Analysis

This research uses logistic regression analysis as an analysis method. This technique helps measure the extent to which the probability of occurrence of the dependent variable can be estimated based on the independent variable (Ghozali & Ratmono, 2017). Data processing is supported through the use of the SPSS version 27 program.

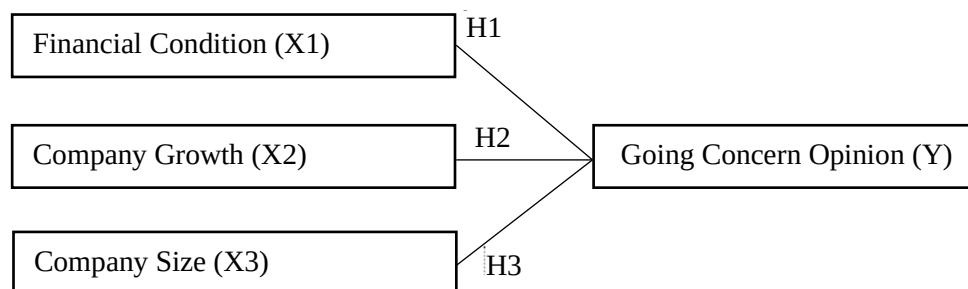


Figure 1. Research Model

3. Result

3.1 Descriptive Analysis

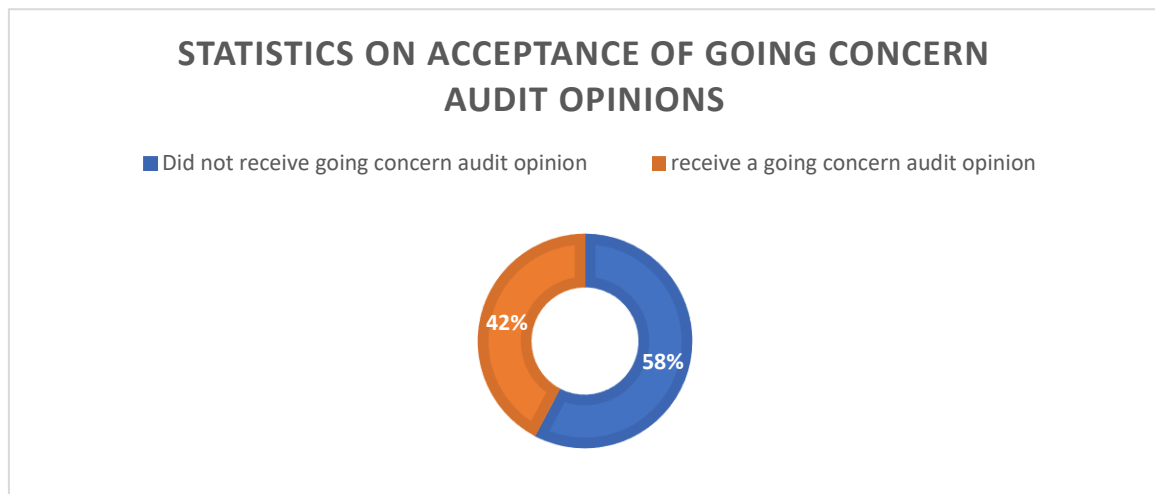
Table 2. Result of Descrpitvie Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
GCOA	78	0	1	.42	.497
FC	78	-73.1935	24.5209	-6.263874	17.8409708
CG	78	-.8395	236.9613	3.152532	26.8264054
CS	78	22.6233	32.6562	27.742991	1.7739843

Based on table 2, it shows that the amount of going concern opinion acceptance which is the sample of this study is between 0 to 1 with an average of 0.42 and a standard deviation of 0.497. Financial condition shows that the amount of this sample is between -73.1935 to 24.5209 with an average of -6.263874 and a standard deviation of 17.8409708. Company growth gives the result that the amount of this sample is between -0.8395 to 236.9613 with an average of 3.152532 and a standard deviation of 26.8264054. Then, Company size shows that the amount

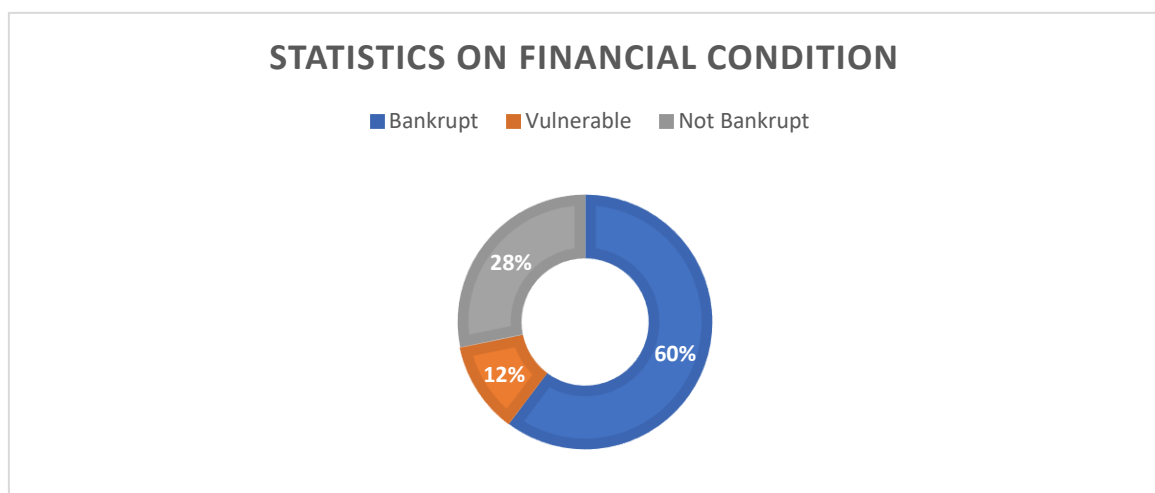
of this sample is between 22.6233 to 32.6562 with an average of 27.742991 and a standard deviation of 1.7739843.

Figure 2. Statistics on Acceptance of Going Concern Audit Opinions



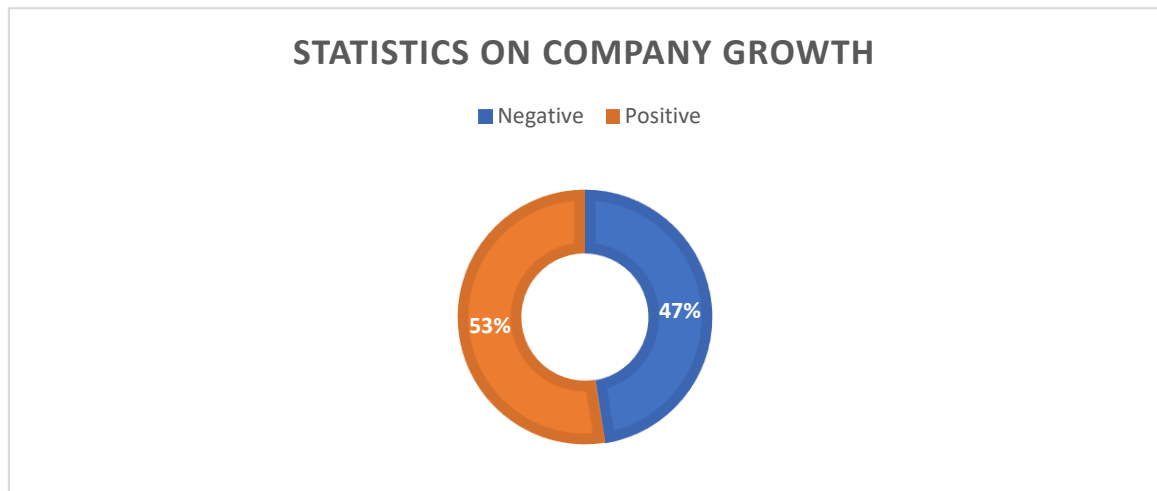
Based on the Figure 2, it can be seen that out of the 78 samples of transportation and logistics sector companies listed on the Indonesian Stock Exchange. From these results, there were 33 companies or 42.3% of the total sample that received a going concern audit opinion. Meanwhile, 45 companies or 57.7% of the total sample did not receive a going concern audit opinion.

Figure 3. Statistics on Financial Condition



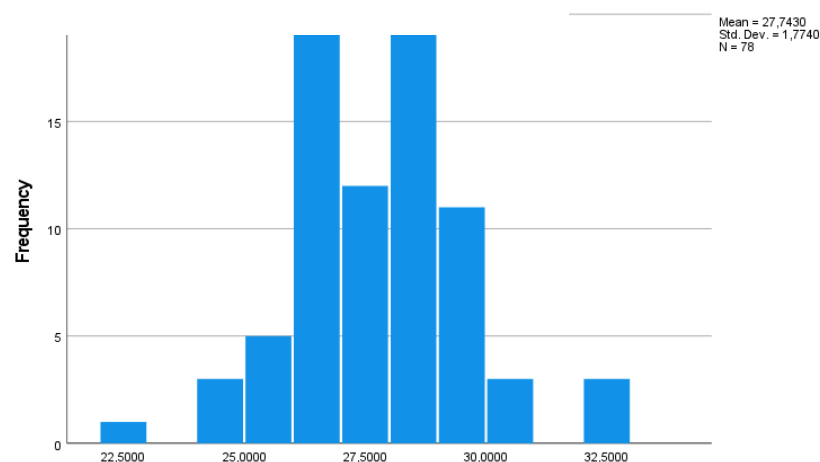
Based on Figure 3, it shows that of the 78 samples on the financial condition variable was divided into three categories according to the Zscore value classification, namely, bankrupt (<1.10), vulnerable (1.10 – 2.60), and not bankrupt/healthy (> 2.60). Based on the categories mentioned, it was found that 47 sample or 60.3% of the total sample companies were categorized as bankrupt. Then 9 sample or 11.5% of the total sample companies were categorized as vulnerable. And as many as 22 sample or 28.2% of the total sample companies were categorized as not bankrupt or healthy.

Figure 4. Statistics on Company Growth



Based on Figure 4, it shows that of the 78 samples on the company growth variable. From these results, there were 37 or 47.4% of the total sample companies were in a negative growth condition. Then, 41 or 52.6% of the total sample companies were in a positive growth condition.

Figure 5. Statistics on Company Size



Based on Figure 5, it shows that of the distribution of 78 samples on company size variable. From these results, the most frequent distribution of data is in the range of values from 25 to 30.

3.2 Multicollinearity Test

Table 3. Multicollinearity test

	Tolerance	VIF
FC	.868	1.152
CG	.994	1.006
CS	.867	1.154

Based on table 3, it shows that the results of the multicollinearity test show that the VIF value obtained is less than 10 and the tolerance value obtained is more than 0.1. Therefore, it can be concluded that there is no multicollinearity or no correlation between the independent variables in this study.

3.3 Overall Model Fit

Table 4. Overall Model Fit

	Nilai -2 Log Likelihood
-2LL (Block Number=0)	106.277
-2LL (Block Number=1)	88.631

Based on table 4, the result by comparing the value of -2 Log Likelihood (-2LL) at the beginning (Block Number=0) with the value of -2 Log Likelihood (-2LL) at the end (Block Number=1). The initial -2LL value as shown in table 4 was 106.277. After the three independent variables were entered, the -2LL value decreased to 88.631. The final 2 Log Likelihood (-2LL) value is also smaller than the Chi square table, $106.277 > 88.631$. It can be said, after all the independent variables are included in the model, there is a decrease in the value at the final -2LL compared to the initial -2LL, meaning that the model is said to fit the data and meets the test requirements.

3.3 Goodness of Fit Test

Table 5. Goodness of Fit Test

Chi-square	df	Sig.
12.250	8	.140

Based on table 5, the Hosmer and Lemeshow's Goodness of Fit Test value has a significance probability of 0.140, which is a value greater than 0.05. This shows that there is no significant difference between the model and the data and the model is acceptable. Therefore, the model can be said to be able to predict the observed values.

3.4 Coefficient of Determination Test (Nagelkerke R Square)

Table 6. Coefficient of determination test

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
88.631 ^a	.202	.272

Based on table 6, the Nagelkerke R Square value is 0.272, which means the independent variable can explain the dependent variable by 27.2%. Meanwhile, other factors outside of the research model can explain the remaining 72.8%

3.5 Logistic Regression Analysis

Regression analysis in this research was carried out to determine the relationship between a dependent variable and the independent variable in the regression model. The result of the logistic regression analysis in this research can be seen in table 7.

Table 7. Logistic Regression Anlysis

	B	S.E.	Wald	df	Sig.	Exp (B)
FC	-0,068	0,022	9,811	1	0,002	0,934
CG	-0,458	0,411	1,243	1	0,265	0,633
CS	0,226	0,164	1,901	1	0,168	1,254
Constant	-6,918	4,609	2,253	1	0,133	0,001

The test results on the logistic regression coefficients produce a model like the following:

$$\text{GCOA} = -6.6918 - 0.068\text{FC} - 0.458\text{CG} + 0.226\text{CS} + \varepsilon$$

The explanation of the logistic regression equation, as follows:

- The constant value of -6.918 shows that if the independent variables of financial condition, company growth, and company size are considered constant or zero, then the company will tend not to accept a going concern audit opinion.
- The financial condition variable coefficient is -0.068. This means that if financial conditions increase by one unit, then the acceptance of going concern audit opinions will decrease by 0.068, assuming the value of company growth and company size is constant or zero.
- The company growth variable coefficient is -0.458. This means that if the company's growth increases by one unit, the receipt of going concern audit opinions will decrease by 0.458, assuming the value of the company's financial condition and size is constant or zero.
- The company size variable coefficient is 0.226. This means that if the size of the company increases by one unit, the receipt of going concern audit opinion will increase by 0.226, assuming the value of the company's financial condition and growth is constant or zero.

3.6 Partial Test Results (Wald Test)

Hypothesis testing in this research was carried out using a significance level value of 5% or 0.05. The following is an explanation taken based on the calculations in table 7:

The effect of financial condition on going concern opinion acceptance

The financial condition has a significant value of 0.002 (smaller than 0.05), so H1 is accepted. Therefore, the results of statistical calculations show that financial conditions have a negative effect on going concern opinion acceptance.

The effect of company growth on going concern opinion acceptance

The company growth has a significant value of 0.265 (greater than 0.05), so H2 is rejected. Therefore, the results of statistical calculations show that company growth has no effect on going concern opinion acceptance.

The effect of company size on going concern opinion acceptance

The company size has a significant value of 0.168 (greater than 0.05), so H3 is rejected. Therefore, the results of statistical calculations show that company size has no effect on going concern opinion acceptance.

4. Discussion

4.1 The effect of financial condition on going concern opinion acceptance

The results of previous hypothesis testing show that financial conditions have an influence on going concern opinion acceptance. If the company's financial condition is good, the company's operational activities tend not to be disrupted so it has a smaller risk in maintaining business continuity. So the possibility of the company receiving a going concern audit opinion is getting lower. These results are in line with previous research conducted by Kurnia (2018), Syarif et al. (2021), Maretta et al. (2020), and Masfiah (2021) who found that financial conditions have an influence on going concern opinions acceptance. According to Masfiah (2021), a company's poor condition indicates that the company is experiencing financial difficulties and is threatened with bankruptcy. This result encourages auditors to provide going concern audit opinions. This is due to the assumption that companies in poor financial condition have a greater potential for bankruptcy, thereby increasing the possibility that the company will receive a going concern audit opinion.

4.2 The effect of company growth on going concern opinion acceptance

The results of previous hypothesis testing show that company growth has no influence on going concern opinion acceptance. This is because even though the company has positive sales growth, the growth in expenses incurred by the company is higher than its sales growth. The company will experience a decrease in profits or worse, suffer a loss. In this case, positive sales growth cannot be assumed to mean that the company can maintain its business continuity. These results are in line with previous research conducted by Kurnia (2018), Masfiah (2021), Febrianti & Suhartini (2022), and Halim (2021) who found that company growth has no influence on going concern opinions acceptance. According to Halim (2021), negative company sales growth does not mean the company is in financial difficulty and for companies that have positive sales growth but are not accompanied by the ability to maintain their performance, it is possible that the company can also receive a going concern audit opinion. This is because auditors will still assess the business continuity of a company as a whole, not just use sales growth as the main reference in providing a going concern audit opinion.

4.3 The effect of company size on going concern opinion acceptance

The results of previous hypothesis testing show that company size has no influence on going concern opinion acceptance. The size of the company, which is measured by the value of total assets, cannot be taken into consideration by the auditor in providing a going concern opinion. Large companies that have large total assets but they have more debt than their assets and business capital tend to have a greater risk in maintaining the continuity of their business, because the company does not have capital reserves and resources to continue operating. These results are in line with previous research conducted by Effendi (2019), Kusumawardhani (2018), Yanti et al. (2021), and Megantara (2021) who found that company size has no influence on going concern opinions acceptance. Large companies do not guarantee that they

will be able to solve the problem of business continuity because auditors in providing going concern opinions are not based on the size of the company, which is measured by total assets (Megantara ,2021). This is because business continuity is usually linked to management's ability to manage the company so that it can survive and minimize the potential for the company to receive a going concern opinion acceptance.

5. Conclusion, Implication, and Recommendation

Based on the analysis and discussion that has been carried out, it can be concluded that the financial condition has negative effect on going concern opinion acceptance. Meanwhile, the company growth and company size have no effect on going concern opinion acceptance.

The implication for company stakeholders is that if they are experiencing financial difficulties, they can make plans and strategies to improve their financial condition. Such as carrying out debt reconstruction and sorting company expenses in order to obtain maximum profits. Then, the implications for the auditor can increase the auditor's understanding regarding the factors that need to be considered when providing a going concern audit opinion.

The limitation of this research is that the data sample used for this research only uses transportation and logistics sector companies listed on the Indonesian Stock Exchange, so the results of this research cannot be generalized to other companies listed on the Indonesian Stock Exchange. Then the independent variables in this study only test variables on the company side, such as financial condition, company growth, and company size. The recommendations for further research, it is recommended to use other company sectors so that the results of further research can cover a wider range of other companies on the Indonesian Stock Exchange. Then, for further research, it is recommended to add or replace the independent variables tested on the auditor's side, such as audit lag, audit fee, and audit tenure.

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