AUDITOR SWITCHING: INFLUENCE OF COMPANY GROWTH, AUDIT TENURE , AUDIT OPINION AND AUDIT FEE

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ABSTRACT

This study aims to examine the effect of company growth, audit tenure , audit opinion and Audit Fee on auditor switching. This study is a quantitative study using secondary data derived from financial statements. The population in this study were all State-Owned Enterprises for the 2017-2021 Period. The sample selection in this study used purposive sampling method. The sample selected in this study were 56 companies and were selected based on the specified criteria. The data analysis method used is logistic regression. The results showed that the company growth, audit tenure and audit opinion had a significant effect on auditor switching. Meanwhile, the audit fee has no significant effect on auditor switching. The implications for historians and further research are that it is hoped that we can add other variables to strengthen the research or replace the variables with other proxies so that they can be used as material for consideration. Then, for state-owned companies, it is hoped that this research can present annual financial reports in a complete and timely manner.

Keywords: Company Growth, Audit Tenure, Audit Opinion, Audit Fee, Auditor Switching

INTRODUCTION

The supply of audit services for financial information on a business by an AP is restricted to a maximum of 5 (five) consecutive financial years, according to PP no. 20/2015 article 11 paragraph (1). After two (two) consecutive financial years without providing audit services for historical financial information to the entities mentioned in paragraph (1), AP may once more supply these services (cooling off), according to Article 11 paragraph (4). The maximum period of time that AP can audit a client and the maximum number of times that AP can provide AP audit services are modified in this rule. The Financial Services Authority then released Regulation 13/PJOK.03/2017, which addresses the use of KAP and public accountant services in financial services operations. According to this law, businesses can only use audit services for a maximum of three consecutive reporting financial years' worth of yearly historical financial data from the same AP. Financial Services Authority Regulation Number 9 of 2023 is the most recent regulation.

The expansion of the business is the primary factor influencing auditor switching. A company's ability to sustain its financial position within its industry and in the context of general economic activity is measured by its growth. A company's sales volume can be used to measure its growth. A company's capabilities throughout time can be characterized by its sales growth. As a company's operations get more sophisticated and it becomes necessary for it to hire auditors with a stronger reputation in order to win over shareholders, growing corporations will likely engage in auditor switching.

The hypothesis that company growth can positively influence auditor switching was successfully demonstrated by research by Faradila and Yahya (2016), Soraya and Haridhi (2017), Hidayati (2018), Pratiwi and Kustina (2018), Astuty et al. (2021), Dewi and Muliati (2021), Sripenganti et al. (2021),

Armer et al. (2021), and Sariandi (2021). In the meantime, studies by Mulyadi & Walidi (2019) and Zikra & Syofyan (2019) demonstrate that auditor switching is not influenced by a company's growth.

Audit tenure is the second factor that affects auditor switching. KAP adjustments are also influenced by tenure audits. Audit tenure is the term used to describe the period of time that a KAP provides audit services to a specific client. The Minister of Finance's Regulation Number 17/PMK.01/2008 concerning "Public Accounting Services" modified the Decree of the Minister of the Republic of Indonesia Number 359/KMK.06/2003, which explains the provisions relating tenure audits. Due to the possibility of personal relationships that are thought to interfere with the auditor's independence, a long audit tenure can lead to a significant decline in the quality of the auditor's work competence over time and the perception that the auditor finds it difficult to act independently. Because of this, audit tenure is a factor that affects KAP modifications as well. Research conducted on tenure audits by Luthfiyati (2016), Syarif and Hasibuan (2018), Sirait and Litha (2018), Hutabarat and Priskila (2018), Rohmah et al. (2018), Chang et al. (2019) , Yanthi et al. (2020), Dewi et al. (2021), As'ad and Nofryanti (2021) and Challen et al., (2021).

Audit opinion is the third factor that affects auditor switching. One of the factors that can persuade investors or capital owners to invest more money in the firm is the audit opinion. Therefore, management relies heavily on audit judgments to convince investors in the business they oversee. As a result, management will probably try to get an audit opinion that is not qualified. Management typically replaces the auditor who provides an unqualified audit opinion if the company receives an audit opinion other than unqualified. Research conducted on audit opinions by Faradila and Yahya (2016), Luthfiyati (2016), Darmayanti (2017), Wijanarko and Sari (2018), Susanto (2018), Fauziyyah et al. (2019), Aini and Yahya (2019), Kaamilah et al. (2020) and Pratama and Shanti (2021).

Audit fees are the fourth factor that affects auditor switching. An honorarium for audit services supplied to auditors and KAP is known as audit fees or audit fees. The desire to switch KAPs or auditors is typically brought on by audit expenses, which often run high and prevent the customer and the public accounting firm or the auditor from having an identical audit cost. Research conducted by Adli & Suryani (2019) succeeded in showing that audit fees have a negative effect on auditor switching. Meanwhile, research by Stevani & Siagian (2020) shows that audit fees have no effect on auditor switching.

Naturally, concerns about the reliability of financial reporting—financial reports are an organized way for an organization to disclose its financial situation and performance to its stakeholders—have a significant impact on the decision to change auditors. Similar to how state-owned businesses in Indonesia use financial reports, state-owned businesses are answerable to the public via these reports. In Indonesia, state-owned enterprises play a crucial role as the nation's economic engines, generating income. However, based on how state-owned businesses are now performing, their tasks and responsibilities have not been fulfilled to the best of their abilities.

METHOD, DATA, AND ANALYSIS

Population and Sample

The State-Owned Enterprises in 2017–2021 are the population used in this study. Based on the most recent OJK laws pertaining to auditor switching, the study's observational year was selected. The sample is a portion of the population's size and makeup (Sugiyono, 2019:137). Purposive sampling, which was based on predetermined criteria set by the researcher, was the method used to determine the sample in this study. Table 1 displays the criteria that were utilized to choose the sample for this study.

Table 1. Purposive Sampling Results

Criteria	Amount
State-Owned Enterprises 2017-2021	120
State-Owned Enterprises whose annual financial reports cannot be accessed during the observation period	(61)
State-Owned Enterprises that report reports finances other than using the rupiah currency (Rp) during the observation period	(3)
Samples used	56
Total observations 5 years x 56	280

Source: Ministry of BUMN

Definition Operational and Measurement Variable

Switching Auditors

Auditor switching is a transfer auditor (KAP) who done by company client. Variable switching auditors This using n variable dummy , the value only 1 or 0. If company do auditors switching will be given a value of 1. Meanwhile, if the auditor does not switch so given mark 0 (Kusuma, 2019).

Company Growth

The development of a corporation to sustain its position in economic activities and within its industry is known as company growth. The growth rate of a business indicates how successfully it sustains its financial position in relation to its industry and the broader economy. There are various methods to gauge the extent of a company's expansion, such as examining the growth of revenue or total assets. Growth of a variable corporation is determined by using change in total assets, or the difference between the total assets owned by the company in the current period and the previous period's total assets.

$$\Delta T = \frac{T1 - T0}{T0}$$

Information :

ΔT : Company growth

FY_1 : Total assets for the current period

TA_O : Total assets of the previous period

Tenure Audit

The number of audit engagement periods that a Public Accounting Firm (KAP) completes while offering audit services to its clients is measured by audit tenure. An auditor is deemed to have been away from a client for an excessive amount of time if they have been on an audit assignment for more than five (five) years; this could negatively impact the auditor's independence. The number of years an auditor has audited a company's financial accounts in a row is counted as the audit tenure variable in this study, which employs an interval scale. The engagement begins with the number 1 and continues with one more number 1 for each year after that.

Audit Opinion

Audit opinions are classified according to five criteria: statements of no opinion (disclaimer of opinion), unreasonable opinion (adverse opinion), opinion reasonable with exception (qualified

opinion), opinion WTP (unqualified opinion), and opinion WTP with Language explainer (unqualified opinion with explanatory language) (SPAP, 2013). According to this study, an audit opinion is a declaration of the auditor's judgment regarding the fairness of the financial statements of the audited company. Scale measurements intervals are used in this study, which is calculated by tallying the number of years that the company has received the same kind of audit opinion in a row.

Audit Fees

The amount that a business pays an auditor for the services of auditing its financial reports is known as the audit fee. The professional fees account in the annual report will serve as the data source for audit fees in this study. The natural logarithm of audit fees (Professional Fees) will be used to calculate the audit fee variable. To reduce discrepancies in values that deviate too much from the data collected as a study sample, natural logarithms are employed.

$$\text{Audit Fee} = \frac{\text{Ln Audit Fee}}{\text{Professional Fees}}$$

Data Analysis Method

Regression analysis logistics were used in the data analysis procedures. Model regression that has already undergone modification due to variable dependence utilizing a nominal scale is known as analysis logistic regression. The degree to which the independent variable may predict the dependent variable's chance of occurrence is tested using logistic regression (Ghozali, 2013). Motives behind the use of logistic regression This dichotomy of variable dependent nature exists. Where auditors switched and where they didn't switch based on a variable. Regarding the study's model regression, here is what we know:

$$Y1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Information :

Y_1	: *Auditors switching*
α	: Constant
β_1 - $\beta 3$ _	: Coefficient regression
X_1	: Company growth
X_2	: *Tenure audits*
X_3	: Audit opinion
X_4	: Audit Fees
e	: Standard *error*

RESULT AND DISCUSSION

Research Result

Descriptive Statistical Analysis

Descriptive results on these variables can be shown in table 2.

Table 2 . Frequency Distribution Statistics of Dummy Auditor Switching Variables

		Frequency	***Percent***	***Valid Percent***	***Cumulative Percent***
Valid	Not Doing *Auditor Switching*	217	77.5	77.5	77.5
	Performing *Auditor Switching*	63	22.5	22.5	100.0
	Total	280	100.0	100.0	

Source: SPSS Processed Data (2023)

Table 2's data indicates that a greater number of SOEs do not engage in auditor changeover as opposed to those that do (auditor switching). which revealed that 217 BUMNs, or 77.5 percent, had not performed auditor switching and 63 BUMNs, or 22.5%, had performed auditor switching.

Table 3 . Descriptive statistics

	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Growth	280	-1.00	2.74	.1332	.28421
Tenure	280	1	5	2.07	1,194
Opinion	280	1	5	2.26	1,320
FeeAudit	280	17.97	24.98	21.0523	1.29731
Valid N (listwise)	280				

Source: SPSS Processed Data (2023)

Table 3 shows that the average firm growth from 2017 to 2021 was 0.1 332; the standard deviation was 0.28421, with a minimum value of -1 and a high value of 2.74. This indicates that there is more variety in the variable data level of distribution since it is higher than the average value of 0.1 332 with 280 observations (N).

The average audit tenure in 2017-2021 was 2.07 with a minimum value of 1 and a maximum value of 5 , a standard deviation of 1.194 is obtained, which means that the level of distribution of variable data has smaller or more homogeneous variations because it is lower than the average value of 2.07 with a number of observations (N) of 280.

The average audit opinion in 2017-2021 was 2.26 with a minimum value of 1 and a maximum value of 5 , a standard deviation of 1.320 is obtained , which means that the level of distribution of variable data has smaller or more homogeneous variations because it is lower than the average value of 2.26. with a number of observations (N) of 280.

The average audit fee in 2017-2021 was 21.0523 with a minimum value of 17.97 and a maximum value of 24.98 , a standard deviation of 1.29731 is obtained, which means that the level of distribution of variable data has smaller or more homogeneous variations because it is lower than the average value of 21.0523 with a number of observations (N) of 280.

Assessing the Overall Model (Overall Model Fit)

The following are the test results of the entire model:

Table 4 . Likelihood (-2ll) Initial

Iteration History [a,b,c]			
Iteration		***-2 Log likelihood***	***Coefficients***
			Constant
Step 0	1	299,508	-1,100
	2	298,573	-1,232
	3	298,572	-1,237
	4	298,572	-1,237

Source: SPSS Processed Data (2023)

Table 5 . Likelihood (-2ll) Final

Iteration History [a,b,c,d]							
Iteration		**-2 Log likelihood**	**Coefficients**				
			Constant	**Growth**	**Tenure**	**Opinion**	**Audit Fees**
Step 1	1	221,191	1,197	-.653	-.852	,416	-.066
	2	177,457	2,224	-.997	-1,783	,721	-.084
	3	154,432	3,610	-1,281	-2,927	,958	-.101
	4	143,829	4,890	-1,549	-4,207	1,194	-.110
	5	140,489	5,710	-1,780	-5,355	1,419	-.105
	6	139,996	6,127	-1,908	-6,004	1,550	-.101
	7	139,981	6,218	-1,934	-6,140	1,577	-.100
	8	139,981	6,221	-1,935	-6.145	1,578	-.100
	9	139,981	6,221	-1,935	-6.145	1,578	-.100

Source: SPSS Processed Data (2023)

Table 6 . Comparison of Initial -2LL Values with Final -2LL Values

Information	**Mark**
-2 Logs *Likelihood* on beginning (*Block Numbers* = 0)	298,572
-2 Logs *Likelihood* on end (*Block Numbers* = 1)	139,981

Based on this *output , there was a decrease in value between* the initial and final -2 Log *Likelihood of 15* 8 , 591 (298,572 – 139,981). This decrease in the value of -2 Log *Likelihood* can be interpreted as meaning that adding independent variables to the model can improve model fit and show a better regression model or in other words the hypothesized model already fits the data. So from the results of the reduction in value it can be concluded that H0 is accepted and Hα is rejected.

Coefficient of Determination (Nagelkerke's R square)

Examining the regression model's capacity to explain the dependent variable is how the coefficient of determination test is performed. This test illustrates the extent to which the regression model's independent variable's percentage variance accounts for the dependent variable's explanation. Table 7 displays the Nagelkerke's R square value.

Table 7 . Nagelkerke R Square value

Model Summary			
Step	**-2 Log likelihood**	**Cox & Snell R Square**	**Nagelkerke R Square**
1	139,981 [a]	,432	,659

Source: SPSS Processed Data (2023)

Based on table 7 , the Nagelkerke R Square value is 0.659, which means that the variability of the dependent variable that can be explained by the independent variable is 65.9 % while the remaining 34.1 % is explained by other variables outside this research model. A value of 65.9 % means that the independent variables consist of company growth, audit tenure , audit opinion and Audit Fee are able to explain 65.9 % of the changes that occur in the dependent variable, namely auditor switching , while 34.1 % is explained by other variables outside the model so it can be said that this research model is good.

Assessing the Feasibility of Regression Models (Hosmer and Lemeshow's Goodness of Fit Test)

Thosmer and Lemeshow's Goodness of Fit Test was used to evaluate the regression model's viability. A statistical result larger than 0.05 for the Hosmer and Lemeshow's Goodness of Fit Test indicates that the null hypothesis cannot be rejected, indicating that the model can accurately predict the observed value. In other words, the model can be deemed acceptable as it aligns with the observation data.

Table 8 . Hosmer and Lemeshow Test

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	3967.210	8	. 190

Source: SPSS Processed Data (2023)

The test results show the *Hosmer and Lemeshow's Goodness of Fit Test statistical value of* 0.190 (see *sig* column) .

Classification Matrix Results

Table 9 . Classification Table

Observed			***Predicted***		
			Switching Auditors		***Percentage Correct***
			Not Doing *Auditor Switching*	Performing *Auditor Switching*	
Step 1	*Switching Auditors*	Not Doing *Auditor Switching*	217	0	100.0
		Performing *Auditor Switching*	22	41	65.1
	Overall Percentage				92. 1

Source: SPSS Processed Data (2023)

The table above shows strength predictions from the regression model For predicting the probability that the model prediction level is 92.1%, where 100.0% No do auditors switching And 65,1 % do auditors switching has been able predicted by models. It means ability predictions from the model with company growth, audit tenure and audit opinion in a way statistics can predict as big as 92.1%.

Multicollinearity Test

Table 10 . Multicollinearity Test Results

Correlation Matrix						
		Constant	Growth	Tenure Audit	Opinion i Audit	Audit Fees
Step 1	Constant	1,000	-.160	-.208	,221	-.964
	Growth	-.160	1,000	,300	-.338	,069
	Tenure	-.208	,300	1,000	-.797	-.040
	Opinion	,221	-.338	-.797	1,000	-.069
	FeeAudit	-.964	,069	-.040	-.069	1,000

Source: SPSS Processed Data (2023)

Table 10 shows correlation between independent variables in research This. Mark matrix correlation the show No exists symptom multicollinearity Which Serious between variable independent.

Formed Logistic Regression Model

Table 11 . Results of the Logistic Regression Model Formed

Variables in the Equation							
		B	S.E	Wald	Df	Sig.	Exp(B)
Step 1 [a]	Growth	-1,935	,860	5,059	1	.024	.144
	Tenure	-6.145	1,199	26,261	1	,000	,002
	Opinion	1,578	,324	23,735	1	,000	4,846
	Audit Fees	-.100	,181	,307	1	,580	,905
	Constant	6,221	3,819	2,653	1	.103	503,297

Source: SPSS Processed Data (2023)

From table 11, then obtained model equality regression logistics end as following:

$$Y = 6 , 221 - 1,935 X_1 - 6.145 X_2 + 1.578 X_3 - 0.100 X_4$$

Interpretation of deep logistic regression coefficient values The above equation is as follows:

1. For the company growth variable, the regression coefficient obtained is - 1.935 , which means every increase 1% on company growth will experience decline *auditors switching* is 1,935 units assuming other variable coefficient values considered constant.
2. On variables tenure audit , the regression coefficient obtained was - 6.145 which means every increase 1% on tenure audit will experience decline auditors switching of 6,145 units assuming the coefficient values of other variables considered constant.
3. For the audit opinion variable, the regression coefficient obtained was 1.578 which means every increase 1% on audit opinion will experience enhancement auditors switching of 1,578 units assuming the coefficient values of other variables considered constant.
4. In the audit fee variable , The regression coefficient obtained was - 0.100 which means every increase 1% on tenure audit will experience decline auditors switching is 0.100 units assuming the coefficient values of other variables considered constant.

Hypothesis Testing Results

Hypothesis testing is carried out by comparing levels significance (sig) with level error (α) = 5% or 0.05.

Table 12 . Hypothesis Testing Results

Variable	Sig.	Information
Company Growth	0 .024	H1 is accepted
Tenure Audit	0 ,000	H2 is accepted
Audit Opinion	0 ,000	H3 is accepted
Audit Fees	0 .580	H 4 is rejected

Discussion

The Influence of Company Growth on Auditor Switching

There is a relationship between auditor switching and firm growth, according to the first premise put forward in this study. Depending on the outcomes of testing using the SPSS program for the study This discovery's p-value is 0.0 23 < 0.05. It denotes the impact of company expansion on State-Owned Enterprise enterprises' auditor switching during the 2017–2021 period. Thus, the hypothesis can be deemed acceptable. To start Which state influences the transition of auditors to companies growing. The growth rate of the client company affects auditor switching, as this study was able to demonstrate.

The first COVID-19 case was reported in Indonesia in 2020. The availability of data indicating business growth beginning in 2020 may indicate hazy or sluggish business growth. This is distinct, as seen by the successful expansion of the Kimia Farma and Indofarma businesses, as the pharmaceutical industry will be greatly needed during the COVID-19 pandemic.

This research supports the research results of Sinarto & Wenny (2018) , Mulyadi & Walidi (2019) , Triwibowo & Astrini (2019) , Zikra & Syofyan (2019) , Tjahjono & Khairunissa (2021) , Pratama & Shanti (2022) , Marbun et al . (2022) , Wati et al. (2022) and which states that company growth has no significant effect on auditor switching.

The Influence of Audit Tenure on Auditor Switching

The second hypothesis proposed in this research states that there is an influence between audit tenure and auditor switching . Based on the results testing with use SPSS software on This research found a p-value of 0.000 < 0.05, meaning that audit tenure has an effect on auditor switching State-Owned Enterprises for the 2017-2021 period . So it can be concluded that it can be accepted hypothesis second one state that audit tenure has an effect on auditor switching . This research succeeded in proving that client tenure audits influence auditor switching.

The audit tenure refers to the duration of the engagement that takes place between the auditor and the client, specifically the term of cooperation between auditors who audit the same auditee, such as KAP (Public Accounting Firm). The company will give preference to auditors who have been providing audit services for a number of years since they have the experience and knowledge of the internal

control system, the client's business environment, and the risks the company faces. A cordial relationship between the client and the auditor can reduce the likelihood of the auditor switching.

This research supports the results of research conducted by Zhang & Zhang (2018), Maemunah & Nofryanti (2019), Hidayatika et al. (2021), As'ad & Nofryanti (2021), Limalfa (2022), Kirana & Indriansyah (2022) , Rizky et al. (2022) . They stated that audit tenure has a significant effect on auditor switching , because if an auditor is no longer independent, the company will carry out auditor switching.

The Influence of Audit Opinion on Auditor Switching

The third hypothesis proposed in this research states that there is an influence between audit opinion and auditor switching based on the results testing with use SPSS software on This research found a p-value of 0.000 < 0.05, meaning that audit opinion has an effect on auditor switching State-Owned Enterprises for the 2017-2021 period. So it can be concluded that the hypothesis can be accepted third one states that audit opinions have an effect on auditor switching . This research succeeded in proving that the level of client audit opinion influences auditor switching.

The final written report that an auditor provides to a business (client) after conducting an audit to determine if the financial accounts submitted are accurate and materially so is known as an audit opinion. Because an audit opinion can give users of financial reports important information for future decision-making and is one of the factors that determines whether a company's image will continue to improve. The auditor may provide one of five (five) opinions in an audit: an unqualified opinion, an unqualified opinion with an explanation paragraph, a qualified opinion, an unqualified opinion, or no opinion.

This research supports the research results of Alisa et al. (2019) , Zarefar et al. (2019) , Luthfi & Sari (2019) , Naili & Primasari (2020) , Heesun et al. (2021) , Tjahjono & Khairunissa (2021) , Pratama & Shanti (2022) , Therefore, the audit opinion received by the company is a determinant to confirm that the company has carried out auditor switching .

The Influence of Audit Fees on Auditor Switching

The fourth hypothesis put out in this study claims that, according to the findings of tests using SPSS software, there is a relationship between audit fees and auditor switching. The study's p-value of 0.580 < 0.05 indicates that, for the years 2017–2021, there is no relationship between audit fees and auditor switching state-owned enterprises. Thus, it may be said that the third hypothesis, which claimed that audit fees influence auditor switching, is not admissible. This study was successful in demonstrating that auditor switching is unaffected by the amount of client audit fees.

Companies will still choose auditors with high professionalism and good audit quality; additionally, the company provides audit fees in accordance with the audit fee agreement between the company and the auditor, and the audit fee determined is in accordance with the public accounting profession in an appropriate amount and can provide audit services in accordance with those set out in the applicable Public Accountant Professional Standards (SPAP). Thus, the high audit fees set by auditors have not resulted in companies switching to auditors who set lower audit fees.

The results of this research are in line with research conducted by Milo and Muhammad (2018), Sima and Badera (2018), Adli and Suryani (2019) and Stevani and Siagian (2020) which stated that audit fees cannot influence auditor switching.

CONCLUSION

The study's findings indicate that auditor switching is not much impacted by audit fees. Considering that organizations will still select auditors with high levels of professionalism and high-quality audits, the high audit fees imposed by auditors thus far have little effect on their decision to move to auditors who charge lesser costs. The expansion of a company has a big impact on auditor switching. In an effort to preserve their good name, businesses often replace auditors and KAPs when business growth is unfavorable. Businesses that are expanding will follow suit, with the expectation that they will receive favorable feedback by implementing auditor switching. The length of an audit has a big impact on auditor switching. In other words, the longer the audit engagement period, the more likely the client company is to engage in auditor switching. The impact of audit opinion on auditor switching is substantial. A corporation will typically engage in auditor switching if it receives an opinion other than unqualified. This is because the company will keep searching for auditors who can deliver an opinion that meets its expectations.

This study still has certain limitations because certain state-owned enterprises submitted comparatively incomplete yearly financial reports, which resulted in a lack of information and data during the data collection procedure. Furthermore, because the research's observation period is limited to the years 2017–2021, the assessment of auditor switching by the researchers is limited to that time frame. As a result, the researchers lack complete information regarding the company's entry into the KAP and auditor engagement period from those five years.

The researchers provide a number of recommendations in light of the findings and constraints encountered during the research's execution. Specifically, they hope to get comprehensive data on the whole BUMN annual financial report for future study. It is hoped that future researchers will utilize measurements other than changes in total assets, given that there is still one variable in this research—the audit fee variable—that has no influence. like increases in sales, net profit, earnings per share, and dividends per share.

Academics and future researchers should be able to add more factors to strengthen research or substitute other proxies for variables so that they can be taken into consideration. characteristics include ownership structure, profitability, liquidity and others. Then, it is hoped that this research will enable state-owned businesses to submit annual financial reports in a thorough and timely manner, helping to give shareholders (the principal) and management of the business a trustworthy perspective and promoting transparency for other financial report users.

Additionally, it is hoped that it will encourage investors to put money into BUMN companies by demonstrating the accuracy of the data found in annual financial reports. This will give them more confidence to purchase BUMN shares that are made available to the public, which will, of course, depend on their ability to make wise investment decisions that will pay off in the long run. In addition, the government is expected to take into account the adoption of more effective and efficient policies as a controlling shareholder and regulator in order to enhance BUMN's performance. This is particularly the case when updating Financial Services Authority regulations or Minister of Finance regulations pertaining to public accountants and public accounting services.

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