Auditor Switching: New Evidence from Indonesia

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Abstract: The purpose of this research is to determine the direct influence of KAP size, company size, audit delay, audit tenure, previous year's audit opinion, opinion shopping, financial distress, audit fee, company growth on auditor switching as well as through going concern audit opinion as a mediating variable. The data used in this research are secondary data involving 104 manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2017. The data used in this study were analyzed using partial least square and carried out with the help of software WarpPLS 5.0. The results show that KAP size, company size, audit delay, audit tenure, financial distress has a negative effect on auditor switching. Previous year's audit opinion, opinion shopping, audit fee, company growth, going concern audit opinion has a positive effect on auditor switching. KAP size, company size, audit delay, audit tenure, previous year's audit opinion, audit fee has a negative effect on ongoing concern audit opinion. Opinion shopping, financial distress, company growth has a positive effect on ongoing concern audit opinion. The result also shows partial mediation of going concern audit opinion on impact KAP size, company size, audit delay, audit tenure, opinion shopping, financial distress, audit fee, company growth on auditor switching. Our findings provide new empirical evidence supporting the profession's arguments that mandatory audit partner rotation is costly to multiple stakeholders, including clients, auditors, and investors.

Keywords: Going concern audit opinion, auditor switching.
concern. Hasil penelitian juga menunjukkan opini audit going concern sebagai partial mediation pengaruh ukuran KAP, ukuran perusahaan, audit delay, audit tenure, opinion shopping, financial distress, audit fee, pertumbuhan perusahaan terhadap auditor switching. Opini audit going concern sebagai full mediation pengaruh opini audit tahun sebelumnya terhadap auditor switching. Penelitian kami memberikan bukti empiris baru yang mendukung argumen profesi mengenai kewajiban rotasi audit yang penting untuk banyak pemegang saham, termasuk klien, auditor, dan investor.

**Kata Kunci:** Opini audit going concern, pergantian auditor.

1. **Introduction**

The close correlation between auditor and client can threaten the auditor's independence. In order to avoid this threat, a rule to replace KAP by a company is applied. Auditor switching can be happened due to the regulations that require companies to do KAP rotation. In the state of Indonesia is governed by the Decree of the Minister of Finance Republic of Indonesia number 359/KMK.06/2003 on "Public Accountant Services" (article 2) as a change to the decree of the Minister of Finance number 423/KMK.06/2002 which as refined in the regulation of the Minister of Finance of the Republic of Indonesia number 17/PMK.01/2008 on "Public Accountant Services," which governs the rotation obligation of the provision of audit services by KAP or public accountant to an entity or client.

This rotational obligation causes the company to perform auditor switching. However, in reality, the company replaces the auditor not due to applicable regulations. However, there are other factors that can cause the company to change its audit outside of the prevailing regulation.

The auditor switching can be differentiated into a mandatory turnover and voluntary turnover (Adli and Suryani, 2019). The mandatory turnover must be made following the Decree of the Minister of Finance of the Republic of Indonesia, while the voluntary turnover is done when the client reimburses the audit, no regulation requires to change auditors. The two possibilities that occur in this voluntary turnover are when the auditor withdraws from the assignment it receives, or the client replaces the auditor for the services provided.
Elder et al. (2015) found a significant positive effect between KAP size and auditor switching using companies sample in Florida. Aroh et al. (2016) found a significant negative effect between KAP size and auditor switching of 182 companies sample that listed on the Tehran Stock Exchange. Brown and Knechel (2016) found a significant negative effect between company size and auditor switching using sample data of Compustat. Huang (2018) found a significant positive effect between company size and auditor switching using a sample of 1000 American companies.

Another factor that causes companies to do auditor switching is auditor opinion. The auditor's opinion can attract investors to invest capital in the company. If the auditor's opinion can not be able to fulfill the expectation of the company, for example, the company gets going concern audit opinion so that it will trigger opinion shopping. Newton et al. (2016) found a significant negative effect between opinion shopping and auditor switching using sample data of Compustat, Audit Analytics, and CRSP. Chen et al. (2018) found a significant positive effect between opinion shopping and auditor switching using company samples in the US.

The company that conducts auditor switching also makes sure the appropriateness of size between KAP and their company. Clients who want to improve their company image and attract investors will conduct auditor switching to obtain a better audit quality. Timeliness of financial statements is one of consideration in the decision making of information users. Late reporting will also make the investors think it is a bad signal for the company. Due to this factor, independent auditors are also required to produce quality audit reports and opinions on time. Sharma et al. (2017) found a significant positive effect between audit delay and auditor switching using a sample of public companies in the US. Dong et al. (2018) found a significant negative effect between audit delay and auditor switching using 103,482 companies sample of Compustat.

In financial distress condition, the company also considers the audit quality due to many companies choose to do auditor switching to another KAP for having better audit quality than previous KAP. Chadegani et al. (2011) stated that the perception of
expensive KAP would determine client success. Management also requires auditors who are more qualified and meet the demands of the company's rapid growth. If it fails, the company will replace the existing auditor. Safriliana et al. (2018) found a significant negative effect between financial distress and auditor switching using 1,926 companies sample in Indonesia. Aroh et al. (2017) did not find any effect of financial distress and auditor switching using 182 companies sample that listed on the Tehran Stock Exchange.

Based on the previous research, the inconsistencies of findings still exist. It will encourage researchers to use other variables that can mediate the correlation between KAP size, company size, audit delay, audit tenure, previous year's audit opinion, opinion shopping, financial distress, audit fee, company growth on auditor switching by combining going concern audit opinion as mediating variable. The background of auditor switching starts to discuss due to the scandal that was revealed from one of Arthur Anderson's public accounting firms America in 2001.

Based on the previous phenomenon, this research was conducted to re-examine whether or not there was the influence of KAP size, company size, audit delay, audit tenure, previous year's audit opinion, opinion shopping, financial distress, audit fee, company growth on auditor switching with going concern audit opinion as mediating variable for manufacturing companies that listed on Indonesia Stock Exchange in 2013-2017.

The data used in this study were analyzed using partial least square and carried out with the help of software WarpPLS 5.0. Based on the results of analysis and testing, it showed that KAP size, company size, audit delay, audit tenure, previous year's audit opinion, opinion shopping, financial distress, audit fee, company growth have a significant effect on auditor switching and going concern audit opinion. For companies who want to change auditors or KAP should consider more of the decision because the audit report given by the auditor about the fairness of the company's financial statements will determine the company's survival because it is very related to stakeholders.
2. Theoretical Framework and Hypothesis Development

Agency theory is the rationale for understanding the concept of auditor switching. Eisenhardt (1989) states that agency theory is a theory about human beings that will take action based on their interests (self-interest). The use of reputable auditors is that one-way management can meet the interests of stakeholders and parties in the company. Substitute management will usually implement new accounting methods so that the new management expects to cooperate with the new public accounting firms and expected to have audit opinion as a management notion.

The client tends to wish to obtain unqualified opinions from the KAP on their audited financial statements. Companies that are given going concern audit opinions cause conflicts of interest. Conflicts of interest can be explained between conducting auditors switching or staying committed with the old auditor in the situation of the company obtaining a going concern audit opinion. The decision taken by management is doing auditor switching. Auditor switching is one of the mechanisms that can be done to minimize conflicts between agents and principals and to foster trust with each other.

The company management is the party with accurate information about company value that is unknown by investors. Information by company management consists of financial statements. Investors in the capital market need complete, relevant, accurate, and timely information as analysis on investment decision making (Sharma et al., 2017). The signal theory states that clients conduct auditor switching when they want to convey a signal to the public about the quality and reliability of their financial statements.

According to Khasharmeh (2015), large companies have a greater amount of audit fees than small companies. Moreover, after controlling audit risk, client company size, and audit complexity, there is an additional fee based on auditor identity—the effort to determine whether or not the fee due to unsuccessful higher audit quality. Deep pockets theory confirms that the reputation of public accounting firms turns out to have an influence on the audited company, due to the larger public accounting firms, the higher fee required. In addition, it is one of the reasons for develop companies that prefer Non-Big Four public accounting firms due to its cost.
2.1 Auditor Switching

The Minister of Finance regulation Number 17 / PMK.01 / 2008 about "Public Accountant Services." The changes are: firstly, the provision of general audit services for 6 (six) consecutive years by the accounting firm and 3 (three) consecutive years by the public accountant to the same client (article 3 paragraph 1). Secondly, public accountants and accounting firms may accept assignments again after one financial year, not providing audit services to the client above (article 3, paragraphs 2, and 3). The limitation of regulation has been conducted to make auditors and clients have no dependency on each other, so that audit quality is maintained with the results audit opinions objectively. The substitution of public accounting firms by clients is one way to improve public accounting firms' independence.

The auditor switching is done with consideration because it will have a big impact on companies such as investor confidence level. The auditor switching is mandatory and voluntary (Adli and Suryani, 2019). Mandatory turnover is done because government regulations are governing the obligation of auditors rotation. If the change is voluntary, then the causal factors can come from the client-side such as financial distress, failed management, ownership change, Initial Public Offering, company size, company growth, and others; and from the auditor's side such as audit fee, audit delay, audit tenure, audit opinion, KAP size, audit quality, and others.

2.2 Going Concern Audit Opinion

SPAP - PSA No. 30 SA Section 341 (2011) states that "going concern audit opinion is audit opinion issued by the auditor to evaluate whether or not there is doubt about the entity's ability to preserve its existence inappropriate time, no more than a year since audited financial statements." It can be concluded that auditors will offer going concern audit opinion if there is doubt in the audit process conditions or events that threaten the organization or company.

KAP Size (Public Accounting Firms Size)

According to Defond et al. (2018), KAP expertise is one of the attributes in large KAP services. The expertise factor will determine auditor changes by the company so
that the company prefers large KAP. Big Four KAP is KAP that has higher expertise and a better reputation than Non-Big Four KAP.

2.3 Company Size

Company size is a parameter used by companies to determine the size of the company as a small or large company (Mo et al., 2016). It can be seen from the total assets, the number of sales, the market value of shares, and capital.

2.4 Audit Delay

The financial statements need to be delivered on time to be useful for the users in decision making. The audit delay is the days' number between the date of financial statements to the date of the signed auditor's report (Dong et al., 2018).

2.5 Audit Tenure

Tenure audit is the length of correlation with auditor-client status between public accounting firm or external auditor and a company. Overseas governments usually recommend that audit tenure be maintained not to exceed four years, which means after four years the client works with KAP, then in the fifth year, the company is recommended to have a new KAP to audit the company (Dhaliwal et al., 2015).

2.6 The Previous Year's Audit Opinion

The auditor's opinion is the conclusion of the audit process conducted by an independent auditor on the client's financial statements about the fairness of financial statements by management in all material respects based on accounting principles that generally accepted (Salawu et al., 2017). The auditor's opinion is included in an audit report.

2.7 Opinion Shopping

Opinion shopping is conducted by companies or organizations to avoid going concern audit opinion. Companies can change auditors (auditor switching) to avoid receiving a going-concern audit opinion. Lennox (2002) states that the change of auditors named opinion shopping.
2.8 **Financial Distress**

Financial distress is a company condition that faces financial difficulties (Cao et al., 2017). In this research, the financial distress variable is proxied by the DER (Debt to Equity Ratio) ratio. The DER ratio is calculated by comparing total debt and total equity. DER ratio above 100% is one indicator of the worst financial performance so that the company will have financial distress.

2.9 **Audit Fee**

Audit fees are money rewards obtained by accountants and public accounting firms from their clients for audit services provided based on loading, time, and costs used by accountants to apply their expertise (Sharma et al., 2017).

2.10 **Company Growth**

According to Ettredge et al. (2017), states that good companies (healthy) have high profitability and tend to have reasonable financial statements so that the potential to get good opinions will be greater than companies that have low profitability. In this research, the ratio of earnings growth to measure clients' ability in company growth.

2.11 **Hypothesis Development**

*The Direct and Indirect Relationship of KAP Size on Auditor Switching*

KAP's reputation is one of the factors that trigger auditors to provide going-concern audit opinions. KAP's reputation will bet if the auditor does not provide going concern audit opinion when the company is doubtful to survive. KAP included in the big four is considered to issue opinions as they are, whether or not the company will get going concern audit opinion or non-going concern audit opinion. KAP size is related to the auditor's reputation; for example, if the auditor issues an inappropriate opinion, it can affect his credibility and reputation as an auditor. A company will choose high credibility KAP to improve the credibility of the financial statements on the external side as users of financial statements. Krishnan (1994), Defond and Subramanyam (1998), and Defond et al. (2018) found a significant negative effect between KAP size and going concern audit opinion.
Based on the opinion above, it can be concluded that companies prefer large KAPs that are with higher quality and good reputation compared to small KAPs. Khasharmeh (2015), Aroh et al. (2016), and Gharibi and Geraeely (2016) found a significant negative effect between KAP size and auditor switching. Companies that have used large KAP services are less likely to change KAPs due to investors tend to be more confident and trustworthy if large KAPs audit the company's financial statements. Therefore, researchers are interested in taking these following hypothesis:

\(H1a:\) KAP size has a significant negative effect on auditor switching.

\(H1b:\) KAP size has a significant negative effect on ongoing concern audit opinion.

\(H1c:\) KAP size affects auditor switching through going concern audit opinion.

The Direct and Indirect Relationship of Company Size on Auditor Switching

The size of a company indicates the size to determine whether it is a small company or a large company. Auditors often issue going-concern audit opinions on small companies, due to the auditor believes that large companies can solve financial difficulties better than small companies. The bigger the company size, the smaller the possibility of the auditor giving a going concern audit opinion. Mutchler et al. (1997) and Mo et al. (2016) found a significant negative effect between company size and going concern audit opinion.

The size of the company can be known by indicators such as total assets, total sales, average total sales, and average total assets. The larger audits, due to the complexity of the company's operations and improve separation between management and ownership, need KAP that can reduce agency costs. It can be concluded that large companies have a lower tendency for auditor switching than small companies. Krishnan (1994), Defond and Subramanyam (1998), Fiolleau et al. (2013), and Brown and Knechel (2016) found a significant negative effect between firm size and auditor switching. Therefore, researchers are interested in taking these following hypothesis:

\(H2a:\) Company size has a significant negative effect on auditor switching.

\(H2b:\) Company size has a significant negative effect on ongoing concern audit opinion.
H2c: *Company size affects auditor switching through going concern audit opinion.*

**Direct and Indirect Relationship of Audit Delay on Auditor Switching**

Audit delay is the total days at the end of the accounting period until the publication of the audit report. The auditor always gives going concern audit opinion when the audit report is delayed. Lennox (2002) indicates the possibilities of audit report late publication can be caused by auditor doing more testing, a manager may negotiate with the auditor, and auditor slows the opinion publication by hoping that the management can solve the problem that is being faced so it can avoid the going concern audit opinion. Blankley et al. (2014) and Chan et al. (2015) found the significant negative influence between audit delay and going concern audit opinion.

An audit task completion that takes too long will result in a delay in publishing financial statements to the capital market, so it affects the auditor switching. The longer the time needed for the auditor to complete the audit, the more likely the company to replace the auditor. Whitworth and Lambert (2014) and Dong et al. (2018) state that audit delay influences significant negative towards auditor switching. Therefore, researchers are interested in taking these following hypothesis:

**H3a:** *Audit delay has a significant negative effect on auditor switching.*

**H3b:** *Audit delay has a significant negative effect on ongoing concern audit opinion.*

**H3c:** *Audit delay affects auditor switching through going concern audit opinion.*

**Direct and indirect Relationship of Audit Tenure on Auditor Switching**

Audit tenure is the period or length of time that an agreement exists between a public accounting firm (KAP) with the same auditee. The long working period between the auditor and the auditee can make the auditor too comfortable with the auditee and not adjusting the audit procedures that can reflect business changes and related risks. This causes the auditor to be less skeptical and vigilant in evaluating and obtaining evidence, so it can be said that the audit tenure can also affect the independence of the auditor, so the possibility to give a going concern opinion will be difficult. Gul et al.
(2011) and Blandon and Bosch (2015) found a significant negative influence between audit tenure and going concern audit opinion.

However, when the auditor has a long time contract with the client, it will stimulate more comprehension about the client's financial conditions, they will tend to be easier to detect going concern problem. The quality of financial reports is lower in short KAP tenure than in medium KAP tenure. Large audit firms such as the Big Four will have a longer audit contract period compared to smaller audit companies such as non-Big Four. The difference in tenure length between the two types of audit firms can affect auditor switching. Gul et al. (2009) and Dhaliwal et al. (2015) found a significant negative influence between audit tenure and auditor switching. Therefore, researchers are interested in taking these following hypothesis:

\( H4a: \) Audit tenure has a significant negative effect on auditor switching.

\( H4b: \) Audit tenure has a significant negative effect on ongoing concern audit opinion.

\( H4c: \) Audit tenure affects auditor switching through going concern audit opinion.

**Direct and Indirect Relationship of Previous Year’s Audit Opinion on Auditor Switching**

The audit opinion is the opinion given by the auditor on the results of evaluating a company's financial reports. Previous year audit opinion happens if the auditee who received going concern audit opinion in the previous year will be considered to have a problem, so it has a greater possibility for the auditor to issue going concern audit opinion in the current year.

Puji (2007), Erly and Eloko (2012), and Salawu et al. (2017) found a significant negative effect between the previous year audit opinion and going concern audit opinion. The manager believes that unfavorable audit opinions will affect stock prices and financing capacity so that qualified opinions will likely influence the company's decision to end the contract with the auditor. Thus, it can be concluded, companies that get a fair opinion with the exception (qualified opinion) on their financial reports are likely to replace.
According to Stanisic et al. (2014) research, qualified audit opinion has a positive influence on the tendency of auditor turnover. However, it is not proven that companies that receive qualified opinions will receive better opinions after they changed auditors. Management will dismiss its auditor if the auditor gives the company unexpected opinion on its financial reports and hopes to get a softer auditor. Heliodoro et al. (2015) and Gharibi and Geraeely (2016) also find a significant positive influence between the previous year's audit opinion and auditor switching. Therefore, researchers are interested in taking these following hypothesis:

**H5a:** The previous year’s audit opinion has a significant positive effect on auditor switching.

**H5b:** The previous year’s audit opinion has a significant negative effect on ongoing concern audit opinion.

**H5c:** Previous year’s audit opinion affects auditor switching through going concern audit opinion.

**Direct and Indirect Relationship of Opinion Shopping on Auditor Switching**

A manager who has the desire to achieve the set targets and the need to maintain the going concern of the company will encourage managers to practice opinion shopping. The way that a company can do opinion shopping is to replace its auditors with new auditors who are likely to give good opinions. Chen et al. (2016) and Choi et al. (2018) found a significant positive influence between opinion shopping and going concern audit opinion.

According to Lennox (2000), there are two key findings to predict opinion shopping practice. First, auditor changes occur more frequently after the company receives a going concern audit opinion. Second, auditor changes that occur increase the occurrence of changes in audit opinion. Companies that replace auditors (auditor switching) reduce the likelihood of getting an unwanted audit opinion than companies that do not change auditors. Dodgson et al. (2017) and Chen et al. (2018) finds a significant positive influence between opinion shopping and auditor switching. Therefore, researchers are interested in taking these following hypothesis:
H6a: Opinion shopping has a significant positive effect on auditor switching.
H6b: Opinion shopping has a significant positive effect on ongoing concern audit opinion.
H6c: Opinion shopping affects auditor switching through going concern audit opinion.

Direct and Indirect Relationship of Financial Distress on Auditor Switching

The health level of a company can be seen from the company's financial condition. In a company with a good financial condition, auditors tend not to issue going concern audit opinion. The better the company's financial condition, the less likely the auditor will give a going-concern audit opinion. Soewiyanto (2012) and Cao et al. (2017) found a significant positive influence between financial distress and going concern audit opinion.

The client's financial position has an essential role in making decisions to keep the KAP. In difficult circumstances in financial terms, companies will tend to move to another KAP. According to Safriliana et al. (2018), financial difficulties are not a factor causing companies to do auditor switching. This is because most of the companies sampled use non-Big Four KAPs, thus switching auditors to Big Four KAPs will actually make it more difficult for the company's financial condition due to an increase in audit services. Hudaib and Cooke (2005) and Safriliana et al. (2018) found a significant negative influence between financial distress and auditor switching. Therefore, researchers are interested in taking these following hypothesis:
H7a: Financial distress has a significant negative effect on auditor switching.
H7b: Financial distress has a significant positive effect on ongoing concern audit opinion.
H7c: Financial distress affects auditor switching through going concern audit opinion.

Direct and Indirect Relationship of Audit Fee on Auditor Switching

Audit fees are fees received by auditors that come from payments by management or clients for audit services that have been done (Hartadi, 2012). Gammal (2012) proves
that Multinational companies and banks in Lebanon prefer to pay large audit fees with the reason that they are looking for auditors who can produce quality auditing. Large companies offer higher audit fees than those offered by small companies. Concerning the significant loss of audit fees, auditors may be hesitant to issue going concern audit opinions to the large companies. Choi et al. (2010) and Hapsoro and Santoso (2018) found a significant negative influence between audit fees and going concern audit opinion.

If the audit fee desired by the auditor is large enough so that there is no agreement between the client and the auditor regarding the amount of the audit fee provided, then this will result in auditor switching. Sharma et al. (2017) state that when company managers feel displeased and not suitable for the auditor audit fee, then the management will try to get the auditor that is suitable with the audit fee offered by the company by changing auditors. Khasharmeh (2015) and Sharma et al. (2017) finds a significant positive influence between audit fee and auditor switching. Therefore, researchers are interested in taking these following hypothesis:

- **H8a**: Audit fee has a significant positive effect on auditor switching.
- **H8b**: Audit fee has a significant negative effect on ongoing concern audit opinion.
- **H8c**: Audit fee affects auditor switching through going concern audit opinion.

**Direct and Indirect Relationship of Company Growth on Auditor Switching**

According to Ettredge et al. (2017), states that a good (healthy) company has high profitability and tends to have reasonable financial reports. Companies that have positive earnings growth indicate that the company can maintain the viability of its business (i.e., going concern), so the less likely the auditor to issue going concern audit opinion. Otherwise, a company that has a negative earnings growth indicates that the company cannot maintain its business continuity (i.e., going concern), so the more likely the auditor to issue going concern audit opinion. Erly and Elok (2012) and Ettredge et al. (2017) found a significant negative influence between company growth and going concern audit opinion.
Rapid business growth is generally followed by an increase in the need for independent audit firms to reduce agency costs and increase the need for non-audit services in expanding their companies. With the growth of the company, the level and capability of the company are also growing. With the increase in the company's ability, it is expected that it must be followed by changes in the auditors used. In addition, to increase the company's reputation with a big company image, it uses a large auditor as well, so that it becomes more valuable for the investor. Management requires higher quality auditors who are able to meet the demands of the rapid growth of the companies. Nazri et al. (2012) and Brown and Knechwl (2016) found a significant positive influence between company growth and auditor switching. If this cannot be met, the company will likely replace the existing auditor. Therefore, researchers are interested in taking these following hypothesis:

H9a: Company growth has a significant positive effect on auditor switching.

H9b: Company growth has a significant negative effect on ongoing concern audit opinion.

H9c: Company growth affects auditor switching through going concern audit opinion.

Direct Relationship of Going Concern Audit Opinion on Auditor Switching

Audit going concern opinion is an opinion concerning company certainty in maintaining its business continuity issued by the auditor. Going concern audit opinion indicates that there is a company risk that cannot be maintained in business or cannot maintain its business continuity in the future. Khasharmeh (2015) stated that the auditee has a tendency to change the auditor because it obtains an opinion, which is not in line with company expectation, which is going concern audit opinion. Carcello and Neal (2003) and Khasharmeh (2015) found a significant positive effect between going concern audit opinion and auditor switching. Based on that formulation, the following hypothesis is formulated:

H10: Going concern audit opinion has a significant positive effect on auditor switching.
3. Research Method

The type of this research is quantitative with an associative research method. Associative research aims to find out correlational relation also causal relation between variables (Sugiyono, 2016:21).

We used the following research model to test the hypothesis above:

\[
ASW = \gamma_1 \cdot \text{KAP} + \gamma_2 \cdot \text{CMP} + \gamma_3 \cdot \text{ADY} + \gamma_4 \cdot \text{ATN} + \gamma_5 \cdot \text{OPN} + \gamma_6 \cdot \text{OPS} + \gamma_7 \cdot \text{FDS} + \gamma_8 \cdot \text{FEE} + \gamma_9 \cdot \text{GWH} + \gamma_{10} \cdot \text{GCR} + \varepsilon_1
\]

\[
GCR = \gamma_1 \cdot \text{KAP} + \gamma_2 \cdot \text{CMP} + \gamma_3 \cdot \text{ADY} + \gamma_4 \cdot \text{ATN} + \gamma_5 \cdot \text{OPN} + \gamma_6 \cdot \text{OPS} + \gamma_7 \cdot \text{FDS} + \gamma_8 \cdot \text{FEE} + \gamma_9 \cdot \text{GWH} + \varepsilon_2
\]

Table I

| Variable Type | Variable                        | Variable description                                                                                                                                 |
|---------------|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Dependent     | Auditor switching               | Dummy variable, 1 if a company which conducts the substitution of an auditor from the previous year and other 0.                                     |
| Mediation     | Going concern audit opinion     | Dummy variable, 1 if the company accepts going concern audit opinion and other 0.                                                                      |
| Independent   | KAP size                        | Dummy variable, 1 if the company is audited by KAP the Big Four and other 0.                                                                          |
|               | Company size                    | Natural logarithm from a total asset.                                                                                                                |
|               | Audit delay                     | Dummy variable, 1 if the company delivers financial reports before 90 days after year-end and other 0.                                                |
|               | Audit tenure                    | Dummy variable, 1 for relation of 3 years auditor-client or more and other 0.                                                                       |
|               | Previous year’s audit opinion   | Dummy variable, 1 if a company gets unqualified opinion and modified unqualified opinion and other 0.                                                 |
|               | Opinion shopping                | Dummy variable, 1 for company audited by a different independent auditor for the next year after the company gets going concern audit opinion and other 0. |
|               | Financial distress              | Dummy variable, 1 if a company has Debt Ratio to Equity Ratio above 100% and other 0.                                                               |
|               | Audit fee                       | Natural logarithm from the professional fee.                                                                                                          |
|               | Company growth                  | (net profit (t) − net profit (t-1)) / net profit (t-1)                                                                                                |
Research population and sample. The research population is a manufacturing company listed in the Indonesia Stock Exchange from 2013 to 2017, amounting to 146 companies. The research data collection technique uses nonprobability sampling with a purposive sampling method such as manufacturing companies in Indonesia Stock Exchange there are samples 104 companies x 5 years = 520 observational data.

Type and source of data. This research uses secondary data or data obtained from financial and non-financial information published on the website of the Indonesia Stock Exchange (www.idx.co.id) or company website.

Analysis model and hypothesis testing. The data used in this study were analyzed using partial least square and carried out with the help of software WarpPLS 5.0. The data analysis method in this research is partial least square (PLS) conducted through two stages, which are structural model evaluation (outer model) and measurement model evaluation (inner model). Outer model is evaluated with three types of tests, which are first, convergent validity: the outer model has fulfilled the requirement of convergent validity to build reflective when the loading value is > 0,70 and significance of p-value < 0.05. Indicator of loading value< other models will erase 0,40, and loading value between 0,40 and 0,70 will be analyzed for the effect of indicator removal towards average variance expected (AVE) and composite reliability, where AVE minimum is 0,50 and composite reliability 0,70 (Sholihin and Ratmono, 2013:66). Second, discriminant validity: to conduct a discriminant validity test, which is by seeing cross-loading value for each variable, must be > 0,70. The other way is by comparing the square root of AVE for each construct with construct value in the model (Ghozali and Latin, 2017:87). The square root of AVE must bigger than other construct values. Third, composite reliability: measure the actual value of the reliability of a construct. Rule of thumb of alpha value or composite reliability must bigger than 0,7 even though the value 0,6 can be accepted (Abdillah and Jogiyanto, 2016:62).

After the evaluation of the outer model, the inner model is evaluated using $R^2$. $R^2$ 0.75, 0.45, and 0.25 values can be concluded that the model is strong, moderate, and weak (Ghozali and Latan, 2017:78). How good the observational value is generated by
model and parameter estimation in research using predictive relevance ($Q^2$). Value $Q^2 > 0$ shows that model has predictive relevance (Ghozali and Latan, 2017:94).

In addition, fit model evaluation is conducted to find out a model which is fitted with its original data and measure model quality. This research uses four fit measures, which are average path coefficient (APC), average $R^2$ (ARS), average adjusted $R^2$ (AARS), and average block variance factor (AVIF). APC, ARS, and AARS measure average of path coefficient, $R^2$, and adjusted $R^2$ values obtained in the model. Cut-off P-value for APC, ARS, and AARS recommended as the fit model indication is $\leq 0.05$. AVIF is used to test the collinearity problem in the PLS model, and the value recommended must be $\leq 3.3$ with the assumption of many construct/variables in the model are measured using two or more indicators (Ghozali dan Latan, 2017:96).

A hypothesis test is made based on research purpose, which is to assess the effect of independent variables separately. Significance of (two-tailed) in this research is 1% or 0.01, 5% or 0.05, and 10% or 0.10. If the p-value is bigger than $\alpha$ (0.01, 0.05, 0.10), then $H_0$ is accepted, and $H_a$ is rejected. If the p-value is smaller or the same with $\alpha$ (0.01, 0.05, 0.10), then $H_0$ is rejected, and $H_a$ is accepted.

There are two types of the test; the first test, the direct effect which compares p-value (the result of model evaluation measurement) with the level of significance or $R^2$. When the p-value resulted from the PLS process is bigger than the level of significance used, then there is a significant effect. Second, the indirect effect conducted simultaneously estimates the indirect effect with the PLS-SEM triangle model. Conclusion about mediation is as follows (Sholihin and Ratmono, 2013:57): if path coefficient from independent to dependent after mediation variable is still significant and has not changed then mediation hypothesis is not supported; if path coefficient from independent to dependent after the value of mediation variable is decreased but still significant then the form of mediation is partial mediation; if path coefficient from independent to dependent after the value of mediation variable is decreased and becomes insignificant then the form of mediation is full mediation.
4. Results and Discussion

4.1. Subject Overview and Research Object

The subject of this research is all manufacturing companies listed in Indonesia Stock Exchange (IDX) period 2013-2017. Based on data obtained from Indonesia Stock Exchange (IDX), which fulfilled criteria as sample amounting 104 companies from 146 companies (Table AI).

4.2. Analysis Model and Hypothesis Test

Outer model is evaluated with three types of test, which are convergent validity, discriminant validity, and composite reliability:

(1) Convergent validity: from the result of output combined loadings and cross-loadings it can be seen that indicator reliability from construct former items in dimension KAP, CMP, ADY, ATN, OPN, OPS, FDS, FEE, GWH, GCR, and ASW are valid with loading factor value resulted > 0.7 and P-value < 0.001 (Table AII).

(2) Discriminant Validity:
   - Seeing the cross-loading value for each variable must > 0.70; comparing the result of cross loading in each construct, all variable fulfilled criteria of discriminant validity where the relation of the construct with its variable is bigger than variable with other constructs (Table AIII).
   - Comparing the square root of AVE for each construct with construct value in the model. The square root of AVE must bigger than other construct values (Table AIV).

(3) Composite reability: resulted by each construct of dimension is also very good which is > 0.7 so that it fulfills internal consistency reliability which are 1.000 (KAP), 1.000 (CMP), 1.000 (ADY), 1.000 (ATN), 1.000 (OPN), 1.000 (OPS), 1.000 (FDS), 1.000 (FEE), 1.000 (GWH), 1.000 (GCR), 1.000 (ASW).

The inner model is evaluated with R² and Q² for each endogenous variable can be seen in Table AV. For H1c, the variable of going concern audit opinion and auditor
switching have $R^2$ of 0.007 and 0.051. This means that the variable of going concern audit opinion can be explained by 0.7% by KAP size and variable of auditor switching can be explained 5.1% by KAP size and going concern audit opinion. For H2c, the variable of going concern audit opinion and auditor switching have $R^2$ of 0.001 and 0.018. This means that the variable of going concern audit opinion can be explained by 0.1% by company size and variable of auditor switching can be explained 1.8% by company size and going concern audit opinion.

For H3c, the variable of going concern audit opinion and auditor switching have $R^2$ of 0.002 and 0.018. This means that the variable of going concern audit opinion can be explained by 0.2% by audit delay and variable of auditor switching can be explained 1.8% by audit delay and going concern audit opinion. For H4c, the variable of going concern audit opinion and auditor switching has $R^2$ of 0.007 and 0.095. This means that the variable of going concern audit opinion can be explained by 0.7% by audit tenure, and the variable of auditor switching can be explained by 9.5% by audit tenure and going concern audit opinion.

For H5c, the variable of going concern audit opinion and auditor switching have $R^2$ of 0.309 and 0.010. This means that the variable of going concern audit opinion can be explained by 30.9% by the previous year’s audit opinion and variable of auditor switching can be explained 1.0% by the previous year’s audit opinion and going concern audit opinion. For H6c, the variable of going concern audit opinion and auditor switching have $R^2$ of 0.071 and 0.074. This means that the variable of going concern audit opinion can be explained by 7.1% by opinion shopping and variable of auditor switching can be explained 7.4% by opinion shopping and going concern audit opinion.

For H7c, the variable of going concern audit opinion and auditor switching have $R^2$ of 0.034 and 0.014. This means that the variable of going concern audit opinion can be explained by 3.4% by financial distress, and the variable of auditor switching can be explained by 1.4% by financial distress and going concern audit opinion. For H8c, the variable of going concern audit opinion and auditor switching have $R^2$ of 0.002 and 0.012. This means that the variable of going concern audit opinion can be explained by
0.2% by audit fee and variable of auditor switching can be explained 1.2% by audit fee and going concern audit opinion.

For H9c, the variable of going concern audit opinion and auditor switching have $R^2$ of 0.003 and 0.010. This means that the variable of going concern audit opinion can be explained by 0.3% by company growth and variable of auditor switching can be explained 1.0% by company growth and going concern audit opinion. Based on the calculation result of predictive validity ($Q^2$) shows that value $Q^2$ for the variable of auditor switching in H1c is 0.051, H2c is 0.025, H3c is 0.019, H4c is 0.096, H5c is 0.011, H6c is 0.075, H7c is 0.015, H8c is 0.014, H9c is 0.011 which have fulfilled criteria of good predictive validity which is $Q^2 > 0$.

Table AVI shows the result of the fit model evaluation to measure model quality. APC, ARS, AARS in H1c, H2c, H3c, H4c, H5c, H6c, H7c, H8c, H9c have p-value $\leq$ 0.05, so that it fulfilled criteria of goodness of fit model. AVIF in H1c, H2c, H3c, H4c, H5c, H6c, H7c, H8c, H9c has p-value $\leq$ 3.3 so that there is no collinearity problem between the variable in the model.

Fit model test to determine the model feasibility. Table AVI shows the result of the fittest for H1c, H2c, H3c, H4c, H5c, H6c, H7c, H8c, H9c. Based on table AV, H1c, H2c, H3c, H4c, H5c, H6c, H7c, H8c, H9c fulfilled criteria of goodness of fit model. APC, ARS, and AARS have p-value $\leq$ 0.05. AVIF value for H1c, H2c, H3c, H4c, H5c, H6c, H7c, H8c, H9c is $\leq$ 3.3 means that there is no collinearity problem between construct/variable in the model.

Testing to analyze whether the mediation variable (going concern audit opinion) affects auditor switching shows that the path coefficient value of GCR-ASW is 0.047 significant in 0.10. It means that going concern audit opinion has a positive effect on auditor switching. The procedure of going concerning audit opinion hypothesis testing as mediation variable between KAP size and auditor switching is by two steps as follows.

First, conducting estimation of direct effect to KAP size on auditor switching without entering the mediation variable. This direct effect must be significant. This stage
has been conducted when conducting testing of H1a significant to <0.001 and H1b significant to 0.100 so that it shows that there is a significant direct effect. Second, conducting estimation of indirect effect simultaneously with triangle PLS-SEM model, which are KAP-ASW, KAP-GCR, and GCR-ASW. The requirement of mediation effect, which must be fulfilled, is that the path of KAP-GCR and GCR-ASW must be significant.

Based on these provisions, it can be concluded that going concern audit opinion is a partial mediation in the relationship between KAP size and auditor switching, so H1c is supported. From table AVI, hypotheses H2a, H3a, H4a, H5a, H6a, H7a, H8a, H9a, H10 are also supported which shows the direct effect of company size, audit delay, audit tenure, previous year's audit opinion, opinion shopping, financial distress, audit fee, company growth on auditor switching is significant. Hypotheses H2b, H3b, H4b, H5b, H6b, H7b, H8b, H9b are supported, which shows the direct effect of company size, audit delay, audit tenure, previous year's audit opinion, opinion shopping, financial distress, audit fee, company growth on going concern audit opinion significantly.

For the indirect effect test, it can be seen in table AVII, the H2c hypothesis (CMP-GCR-ASW path) is significant (p <0.01), which states that company size indirectly influences the auditor switching with going concern audit opinion as a mediating variable proven significant. The H3c hypothesis (ADY-GCR-ASW path), which states that audit delay indirectly influences auditor switching with going concern audit opinion as a mediating variable proved significant (p <0.01). The H4c hypothesis (ATN-GCR-ASW path), which states that audit tenure indirectly influences auditor switching with going concern audit opinion as a mediating variable proved significant (p <0.01).

The H5c hypothesis (OPN-GCR-ASW path), which states that the previous year’s audit opinion indirectly affects auditor switching with going concern audit opinion as a mediating variable is not significant (p <0.110). According to Shohilin and Ratmono (2013: 57), if the OPN-GCR-ASW path coefficient drops and becomes insignificant, then for H5c mediation is full mediation. This shows that when going concern audit opinion variables are included in the model, the direct effect of the previous year's audit
opinion on auditor switching becomes insignificant. Overall, these results indicate that the going concern audit opinion variable fully mediates the influence of the previous year's audit opinion on auditor switching.

The H6c hypothesis (OPS-GCR-ASW path), which states opinion shopping indirectly affects the auditor switching with going concern audit opinion as a mediating variable proved significant (p <0.01). The H7c hypothesis (path FDS-GCR-ASW), which states that financial distress indirectly affects auditor switching with going concern audit opinion as a mediating variable proved significant (p <0.05).

The H8c hypothesis (path FEE-GCR-ASW), which states that audit fees indirectly affect the auditor switching with going concern audit opinion as a mediating variable proved significant (p <0.01). The H9c hypothesis (GWH-GCR-ASW path), which states that company growth indirectly affects auditor switching with going concern audit opinion as a mediating variable proved significant (p <0.10).

KAP size had a significant negative effect on ongoing concern audit opinion. The results of this study are consistent with the research of Krishnan (1994), Defond and Subramanyam (1998), and Defond et al. (2018). Auditors believe that large companies can be more concerned than small companies. Most of the samples in this study were large companies that were audited by the Big Four KAP, so there was a little possibility of going concern audit opinion. KAP size has a significant negative effect on auditor switching. The results of this study are consistent with research by Khasharmeh (2015), Aroh et al. (2016), and Gharibi and Geraeely (2016). This is following the deep pocket theory, which states that large companies will choose Big Four KAPs to maintain audit quality so that the sample chosen is the majority of large companies where it shows that companies that have used large KAP services have little possibility to change KAPs. The size of KAP in the majority of Big Four KAP research in auditing large companies so that there is a little possibility of going concern audit opinion. Therefore, it minimizes the company to do auditor switching.

Company size had a negative effect on ongoing concern audit opinion. The results of this study are consistent with the research of Mutchler et al. (1997) and Mo et al.
Most of the samples in this study were large companies, the less likely the auditor will give a going concern audit opinion. Company size has a negative effect on auditor switching. The results of this study are consistent with the research of Krishnan (1994), Defond and Subramanyam (1998), Fiolleau et al. (2013), and Brown and Knechel (2016). The results showed that companies with large total assets still chose Big Four KAP as their auditors. This proved the suitability of the size between the KAP and its clients. The majority of the research sample consisted of companies with large total assets, and the majority had used large KAP services, thereby minimizing the tendency to do auditor switching. The size of the company in the majority of research is large companies, the less likely it is to get going concern audit opinion, thus minimizing auditor switching.

Audit delay had a negative effect on ongoing concern audit opinion. The results of this study are consistent with the research of Blankley et al. (2014) and Chan et al. (2015). The majority of research samples were large companies. Large companies have a good control structure, making it easier for audit procedures that will reduce audit delay. Timely audit reports indicate the less likely to get going concern audit opinions. Audit delay had a negative effect on auditor switching. The results of this study are consistent with the research of Whitworth and Lambert (2014) and Dong et al. (2018). Large companies that are audited by the Big Four KAP will reduce audit delay, thereby minimizing auditor switching.

Audit tenure had a negative effect on ongoing concern audit opinion. The results of this study are consistent with the research of Gul et al. (2011) and Blandon and Bosch (2015). The research sample of the majority of large companies audited by the Big Four KAP has a long tenure audit compared to non-Big Four. Long audit tenure will make the auditor more familiar with the company's condition so that the less likely the auditor will give a going concern audit opinion. Audit tenure had a negative effect on auditor switching. The results of this study are consistent with the research of Gul et al. (2009) and Dhaliwal et al. (2015). Most of the research samples were large companies that are audited by Big Four KAP, where Big Four KAP has a long audit tenure, thereby
reducing auditor switching. A long audit tenure will increase a better understanding of the client's financial condition so that the smaller the client gets a going concern audit opinion. Then a long audit tenure reduces the company doing auditor switching.

The previous year's audit opinion had a negative effect on the going concern audit opinion. The results of this study are consistent with the research of Puji (2007), Erly and Elok (2012), and Salawu et al. (2017). The majority of the sample in the study was the majority of large companies that get unqualified opinions, so the smaller large companies get a going concern audit opinion the following year. The previous year's audit opinion had a positive effect on auditor switching. The results of this study are consistent with Stanisic et al. (2014), Heliodoro et al. (2015), and Gharibi and Geraeely (2016). This showed that the majority of large companies that received unqualified opinions in the previous year would conduct auditor switching. This was likely also due to a change in management.

Opinion shopping had a positive effect on ongoing concern audit opinion. The results of this study are consistent with research by Chen et al. (2016) and Choi et al. (2018). Companies in the research sample conducted opinion shopping to avoid going concern audit opinions. Opinion shopping had a positive effect on auditor switching. The results of this study are consistent with the research of Dodgson et al. (2017) and Chen et al. (2018). This showed that opinion shopping was done by changing auditors to reduce the possibility of getting an unwanted audit opinion.

Financial distress had a positive effect on ongoing concern audit opinion. The results of this study are consistent with the research of Soewiyanto (2012) and Cao et al. (2017). The sample in this research showed that companies that experience financial distress would get going concern audit opinion. Financial distress had a negative effect on auditor switching. The results of this study are consistent with the study of Hudaib and Cooke (2005) and Safriliana et al. (2018). Observation results showed that sample companies that experienced financial difficulties for one or more periods reduced auditor switching. Closely related to the signal theory, companies experiencing financial
difficulties will reduce the change of auditors to keep giving positive signals to the public about the condition of their companies.

Audit fees had a negative effect on ongoing concern audit opinion. The results of this study are consistent with the research of Choi et al. (2010) and Hapsoro and Santoso (2018). The majority of research samples were large companies. Large companies offer more high audit fees to get quality audits so that smaller companies get a going-concern audit opinion. Audit fees had a positive effect on auditor switching. The results of this study are consistent with research by Khasharmeh (2015) and Sharma et al. (2017). Large companies that do not agree with the audit fee offered by the auditor will do auditor switching. High audit fees will reduce going concern audit opinion and have a positive effect on auditor switching.

Company growth had a negative effect on the going-concern audit opinion. The results of this study are consistent with the studies of Erly and Elok (2012) and Ettredge et al. (2017). The companies in the study sample showed the ability to going concern so that the smaller the auditor gave a going concern audit opinion. Company growth had a positive effect on auditor switching. The results of this study are consistent with the research of Nazri et al. (2012) and Brown and Knechwl (2016). The majority of research samples were large companies that show the ability to grow so that they do auditor switching to meet the demands of rapid company growth.

Going concern audit opinion had a positive effect on auditor switching. The results of this study are consistent with the research of Carcello and Neal (2003) and Khasharmeh (2015). This showed that companies in the study sample would do auditor switching if they get going concern audit opinion to get a good opinion so that they can attract investors.

5. Conclusion, Implication, and Limitation

5.1. Conclusion

Based on the results of analysis and testing, it showed that KAP size, company size, audit delay, audit tenure, previous year's audit opinion, opinion shopping, financial
distress, audit fee, company growth have a significant effect on auditor switching and going concern audit opinion. In addition, going concern audit opinion also has a positive effect on auditor switching and was proven significant. Going concern audit opinion can mediate the effect of KAP size, company size, audit delay, audit tenure, opinion shopping, financial distress, audit fee, company growth on auditor switching with partial mediation. Going concern audit opinion can mediate the effect of the previous year's audit opinion on auditor switching with full mediation.

5.2. Implication and Limitation

This research is expected to have implications in enhancing research on the importance of considering auditor turnover due to the discretion of the entity determining KAP services. In addition, this research is expected to make a positive contribution to supporting government regulations that provide flexibility for companies to submit financial information to the public based on auditor recommendations.

Companies that want to change auditors or KAP should consider more of the decision because the audit report given by the auditor about the fairness of the company's financial statements will determine the company's survival because it is very related to stakeholders. For KAP in conducting audits should be professional because the professionalism of KAP influences the decision of the company to conduct the auditor switching.

Another implication is the desire to enrich Indonesian literature on factors that influence auditor switching and support future research. This study has a limitation that is only classifying the size variables of KAP big four and non-big four. Further research is suggested to be able to classify the size variables of international KAP, national KAP, local KAP, and regional KAP, also using a longer research period, so as to clearly indicate the presence of auditor switching.
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Appendix 1

Table A1

Company Sample

| Criteria                                                                 | Amount |
|-------------------------------------------------------------------------|--------|
| 1. Manufacturing companies listed on IDX                                 | 146    |
| 2. Financial statement and overall data relating to research variables are not available in publications for the period of 2013-2017 | (9)    |
| 3. Manufacturing companies are not consistently listed on IDX from 2013 to 2017 | (6)    |
| 4. Manufacturing companies have a negative equity book value             | (27)   |
| 5. Manufacturing companies become a research sample                      | 104    |

Source: Data process, 2019

Appendix 2

Table AII

Results of combined loadings and cross-loadings factor.

| KAP   | CMP     | ADY    | ATN    | OPN    | OPS    | FDS    | FEE    |
|-------|---------|--------|--------|--------|--------|--------|--------|
| KA    | (0.906) | 0.176  | 0.003  | 0.140  | 0.030  | -0.081 | -0.091 |
| SIZE  | 0.149   | (0.767)| 0.073  | 0.070  | 0.035  | -0.010 | 0.094  |
| LAG   | 0.003   | 0.094  | (0.983)| 0.026  | -0.036 | 0.018  | -0.084 |
| TNRE  | 0.145   | 0.085  | 0.025  | (0.936)| 0.014  | -0.085 | -0.042 |
| OP    | 0.028   | 0.038  | -0.031 | 0.012  | (0.835)| -0.247 | -0.131 |
| OPSP  | -0.080  | -0.011 | 0.017  | -0.081 | -0.265 | (0.894)| 0.028  |
| DER   | -0.096  | 0.117  | -0.081 | -0.042 | -0.149 | 0.030  | (0.949)|
| LNFE  | 0.223   | 0.596  | 0.047  | 0.029  | 0.042  | -0.023 | 0.087  |
| EARN  | 0.015   | 0.075  | 0.051  | 0.000  | 0.053  | -0.008 | -0.008 |
| GCAO  | -0.069  | -0.011 | -0.009 | -0.071 | -0.463 | 0.222  | 0.154  |
| SWCH  | -0.189  | -0.087 | -0.085 | -0.269 | -0.023 | 0.243  | -0.043 |

Table AII (continued)

Result of combined loadings and cross-loadings factor

| GWH   | GCR    | ASW    | P-Value | Conclusion                        |
|-------|--------|--------|---------|-----------------------------------|
| KA    | 0.013  | -0.075 | -0.191  | <0.001   | Meet the convergent validity     |
| SIZE  | 0.058  | -0.010 | -0.074  | <0.001   | Meet the convergent validity     |
| LAG   | 0.051  | -0.010 | -0.093  | <0.001   | Meet the convergent validity     |
| TNRE  | 0.000  | -0.080 | -0.281  | <0.001   | Meet the convergent validity     |
| OP    | 0.045  | -0.465 | -0.021  | <0.001   | Meet the convergent validity     |
| OPSP  | -0.007 | 0.238  | 0.242   | <0.001   | Meet the convergent validity     |
| DER   | -0.008 | 0.176  | -0.045  | <0.001   | Meet the convergent validity     |
| LNFE  | 0.027  | -0.034 | -0.043  | <0.001   | Meet the convergent validity     |
| EARN  | (0.992)| 0.058  | 0.026   | <0.001   | Meet the convergent validity     |
| GCAO  | 0.049  | (0.832)| 0.080   | <0.001   | Meet the convergent validity     |
| SWCH  | 0.023  | 0.086  | (0.897) | <0.001   | Meet the convergent validity     |
### Appendix 3

#### Table AIII
Comparison of loadings factors of each proxy to latent constructs with other constructs

| Indicator | Loading | KAP   | CMP   | ADY   | ATN   | OPN   | OPS   | FDS   |
|-----------|---------|-------|-------|-------|-------|-------|-------|-------|
| KA        | (0.906) | 0.176 | 0.003 | 0.140 | 0.030 | -0.081| -0.091|       |
| SIZE      | (0.767) | >     | 0.149 | 0.073 | 0.070 | 0.035 | -0.010| 0.094 |
| LAG       | (0.983) | >     | 0.003 | 0.094 | 0.026 | -0.036| 0.018 | -0.084|
| TNRE      | (0.936) | >     | 0.145 | 0.085 | 0.025 | 0.014 | -0.085| -0.042|
| OP        | (0.835) | >     | 0.028 | 0.038 | -0.031| 0.012 | -0.247| -0.131|
| OPSP      | (0.894) | >     | -0.080| -0.011| 0.017 | -0.081| -0.265|       |
| DER       | (0.949) | >     | -0.096| 0.117 | -0.081| -0.042| -0.149| 0.030 |
| LNFE      | (0.761) | >     | 0.223 | 0.596 | 0.047 | 0.029 | 0.042 | -0.023|
| EARN      | (0.992) | >     | 0.015 | 0.075 | 0.051 | 0.000 | 0.053 | -0.008|
| GCAO      | (0.832) | >     | -0.069| -0.011| -0.009| -0.071| -0.463| 0.222 |
| SWCH      | (0.897) | >     | -0.189| -0.087| -0.085| -0.269| -0.023| 0.243 |

#### Table AIII (continued)

Comparison of loadings factors of each proxy to latent constructs with other constructs

| Indicator | Loading | FEE    | GWH    | GCR    | ASW    | Conclusion |
|-----------|---------|--------|--------|--------|--------|------------|
| KA        | 0.265   | 0.013  | -0.075 | -0.191 | Meet the discriminant validity |
| SIZE      | 0.600   | 0.058  | -0.010 | -0.074 | Meet the discriminant validity |
| LAG       | 0.061   | 0.051  | -0.010 | -0.093 | Meet the discriminant validity |
| TNRE      | 0.035   | 0.000  | -0.080 | -0.281 | Meet the discriminant validity |
| OP        | 0.046   | 0.045  | -0.465 | -0.021 | Meet the discriminant validity |
| OPSP      | -0.027  | -0.007 | 0.238  | 0.242  | Meet the discriminant validity |
| DER       | 0.108   | -0.008 | 0.176  | -0.045 | Meet the discriminant validity |
| LNFE      | 0.027   | -0.034 | -0.043 |        | Meet the discriminant validity |
| EARN      | 0.036   | 0.058  | 0.026  |        | Meet the discriminant validity |
| GCAO      | -0.037  | 0.049  | 0.080  |        | Meet the discriminant validity |
| SWCH      | -0.050  | 0.023  | 0.086  |        | Meet the discriminant validity |
# Appendix 4

Table AIV

|         | KAP   | CMP   | ADY   | ATN   | OPN   | OPS   | FDS   |
|---------|-------|-------|-------|-------|-------|-------|-------|
| KAP     | (1.000) | 0.194 | 0.003 | 0.155 | 0.033 | -0.089| -0.101 |
| CMP     | 0.194  | (1.000)| 0.096 | 0.091 | 0.045 | -0.012| 0.123 |
| ADY     | 0.003  | 0.096 | (1.000)| 0.027 | -0.037| 0.019 | -0.086 |
| ATN     | 0.155  | 0.091 | 0.027 | (1.000)| 0.015 | -0.091| -0.044 |
| OPN     | 0.033  | 0.045 | -0.037| 0.015 | (1.000)| -0.296| -0.156 |
| OPS     | -0.089 | -0.012| 0.019 | -0.091| -0.296| (1.000)| 0.031 |
| FDS     | -0.101 | 0.123 | -0.086| -0.044| -0.156| 0.031 | (1.000)|
| FEE     | 0.292  | 0.783 | 0.062 | 0.038 | 0.055 | -0.030| 0.114 |
| GWH     | 0.015  | 0.075 | 0.051 | 0.000 | 0.054 | -0.008| -0.008 |
| GCR     | -0.083 | -0.013| -0.010| -0.086| -0.556| 0.266 | 0.185 |
| ASW     | -0.211 | -0.097| -0.094| -0.300| -0.026| 0.270 | -0.048 |

Table AIV (continued)

|         | FEE   | GWH   | GCR   | ASW   |
|---------|-------|-------|-------|-------|
| KAP     | 0.292 | 0.015 | -0.083| -0.211|
| CMP     | 0.783 | 0.075 | -0.013| -0.097|
| ADY     | 0.062 | 0.051 | -0.010| -0.094|
| ATN     | 0.038 | 0.000 | -0.086| -0.300|
| OPN     | 0.055 | 0.054 | -0.556| -0.026|
| OPS     | -0.030| -0.008| 0.266 | 0.270 |
| FDS     | 0.114 | -0.008| 0.185 | -0.048|
| FEE     | (1.000)| 0.036 | -0.045| -0.056|
| GWH     | 0.036 | (1.000)| 0.059 | 0.026 |
| GCR     | -0.045| 0.059 | (1.000)| 0.096|
| ASW     | -0.056| 0.026 | 0.096 | (1.000)|
### Appendix 5

Table AV: Value of $R^2$ and $Q^2$

| Hypotheses | Endogenous variables          | $R^2$ | $Q^2$ |
|------------|-------------------------------|-------|-------|
| H1c        | Going concern audit opinion   | 0.007 | 0.008 |
|            | Auditor switching              | 0.051 | 0.051 |
| H2c        | Going concern audit opinion   | 0.001 | 0.003 |
|            | Auditor switching              | 0.018 | 0.025 |
| H3c        | Going concern audit opinion   | 0.002 | 0.001 |
|            | Auditor switching              | 0.018 | 0.019 |
| H4c        | Going concern audit opinion   | 0.007 | 0.008 |
|            | Auditor switching              | 0.095 | 0.096 |
| H5c        | Going concern audit opinion   | 0.309 | 0.309 |
|            | Auditor switching              | 0.010 | 0.011 |
| H6c        | Going concern audit opinion   | 0.071 | 0.072 |
|            | Auditor switching              | 0.074 | 0.075 |
| H7c        | Going concern audit opinion   | 0.034 | 0.034 |
|            | Auditor switching              | 0.014 | 0.015 |
| H8c        | Going concern audit opinion   | 0.002 | 0.011 |
|            | Auditor switching              | 0.012 | 0.014 |
| H9c        | Going concern audit opinion   | 0.003 | 0.007 |
|            | Auditor switching              | 0.010 | 0.011 |

### Appendix 6

Table AVI: Fit model test result

| Hypotheses | APC       | ARS       | AARS      | AVIF  |
|------------|-----------|-----------|-----------|-------|
| H1c        | 0.122; $p=0.001$ | 0.029; $p=0.012$ | 0.026; $p=0.013$ | 1.007 |
| H2c        | 0.068; $p=0.030$ | 0.009; $p=0.020$ | 0.006; $p=0.022$ | 1.000 |
| H3c        | 0.066; $p=0.032$ | 0.009; $p=0.020$ | 0.006; $p=0.022$ | 1.000 |
| H4c        | 0.150; $p<0.001$ | 0.051; $p=0.046$ | 0.049; $p=0.050$ | 1.007 |
| H5c        | 0.238; $p<0.001$ | 0.160; $p<0.001$ | 0.157; $p<0.001$ | 1.448 |
| H6c        | 0.185; $p<0.001$ | 0.072; $p=0.024$ | 0.070; $p=0.028$ | 1.076 |
| H7c        | 0.121; $p=0.001$ | 0.024; $p=0.014$ | 0.021; $p=0.015$ | 1.035 |
| H8c        | 0.064; $p=0.036$ | 0.007; $p=0.021$ | 0.004; $p=0.023$ | 1.002 |
| H9c        | 0.058; $p=0.046$ | 0.007; $p=0.022$ | 0.004; $p=0.023$ | 1.003 |
## Appendix 7

### Table AVII

**Direct Effect**

| Hypotheses | Independent | Dependent | β-value | p-value | Conclusion |
|------------|-------------|-----------|---------|---------|------------|
| H1a        | KAP size    | Auditor switching | -0.169*** | <0.001 | Accepted   |
| H1b        | KAP size    | Going concern audit opinion | -0.033* | 0.100 | Accepted   |
| H2a        | Company size | Auditor switching | -0.107*** | 0.003 | Accepted   |
| H2b        | Company size | Going concern audit opinion | -0.049* | 0.100 | Accepted   |
| H3a        | Audit delay | Auditor switching | -0.095*** | 0.008 | Accepted   |
| H3b        | Audit delay | Going concern audit opinion | -0.028** | 0.040 | Accepted   |
| H4a        | Audit tenure | Auditor switching | -0.244*** | <0.001 | Accepted   |
| H4b        | Audit tenure | Going concern audit opinion | -0.061** | 0.050 | Accepted   |
| H5a        | Previous year’s audit opinion | Auditor switching | 0.062** | 0.050 | Accepted   |
| H5b        | Previous year’s audit opinion | Going concern audit opinion | -0.514*** | <0.001 | Accepted   |
| H6a        | Opinion shopping | Auditor switching | 0.245*** | <0.001 | Accepted   |
| H6b        | Opinion shopping | Going concern audit opinion | 0.103*** | 0.004 | Accepted   |
| H7a        | Financial distress | Auditor switching | -0.089** | 0.011 | Accepted   |
| H7b        | Financial distress | Going concern audit opinion | 0.094*** | 0.008 | Accepted   |
| H8a        | Audit fee | Auditor switching | 0.107*** | 0.003 | Accepted   |
| H8b        | Audit fee | Going concern audit opinion | -0.052* | 0.091 | Accepted   |
| H9a        | Company growth | Auditor switching | 0.033** | 0.020 | Accepted   |
| H9b        | Company growth | Going concern audit opinion | 0.088** | 0.012 | Accepted   |
| H10        | Opini audit going concern | Auditor switching | 0.047* | 0.100 | Accepted   |

*** p< 0.01  
** p< 0.05  
* p< 0.10
Table AVII (continued)

Indirect Effect

| Direct effect | Indirect effect | Changes \( \beta \)-value and \( p \)-value | Conclusion |
|---------------|----------------|--------------------------------------|------------|
| KAP → ASW     | KAP → GCR      | GCR → ASW                            | KAP → ASW  |
| \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | KAP → ASW  |
| -0.169        | <0.001        | -0.033      | 0.100      | 0.047      | 0.100      | -0.171      | <0.001      | \( \beta \)-value increases and still significant |
| CMP → ASW     | CMP → GCR     | GCR → ASW                            | CMP → ASW  |
| \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | CMP → ASW  |
| -0.107        | 0.003         | -0.049      | 0.100      | 0.047      | 0.100      | -0.109      | 0.004       | \( \beta \)-value increases and still significant |
| ADY → ASW     | ADY → GCR     | GCR → ASW                            | ADY → ASW  |
| \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | ADY → ASW  |
| -0.095        | 0.008         | -0.028      | 0.040      | 0.047      | 0.100      | -0.096      | 0.007       | \( \beta \)-value increases and still significant |
| ATN → ASW     | ATN → GCR     | GCR → ASW                            | ATN → ASW  |
| \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | ATN → ASW  |
| -0.244        | <0.001        | -0.061      | 0.050      | 0.047      | 0.100      | -0.247      | <0.001      | \( \beta \)-value increases and still significant |
| OPN → ASW     | OPN → GCR     | GCR → ASW                            | OPN → ASW  |
| \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | OPN → ASW  |
| 0.062         | 0.050         | -0.514      | <0.001     | 0.047      | 0.100      | 0.038       | 0.110       | \( \beta \)-value decreases and becomes insignificant |
| OPS → ASW     | OPS → GCR     | GCR → ASW                            | OPS → ASW  |
| \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | OPS → ASW  |
| 0.245         | <0.001        | 0.103       | 0.004      | 0.047      | 0.100      | 0.250       | <0.001      | \( \beta \)-value increases and still significant |
| FDS → ASW     | FDS → GCR     | GCR → ASW                            | FDS → ASW  |
| \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | \( \beta \)    | \( p \)       | FDS → ASW  |
| -0.089        | 0.011         | 0.094       | 0.008      | 0.047      | 0.100      | -0.085      | 0.015       | \( \beta \)-value decreases and still significant |

\( \beta \)-value and \( p \)-value indicate the strength and significance of the effect. Conclusion: Whether the mediation is partial or full, based on the change in \( \beta \)-value and \( p \)-value.
### Table AVII (continued)

|         | Direct effect | Indirect effect | Changes $\beta$-value and $p$-value | Conclusion   |
|---------|---------------|-----------------|-------------------------------------|--------------|
|         | $FEE \rightarrow ASW$ | $FEE \rightarrow GCR$ | $GCR \rightarrow ASW$ | $FEE \rightarrow ASW$ | $GWH \rightarrow ASW$ | $GWH \rightarrow GCR$ | $GCR \rightarrow ASW$ | $GWH \rightarrow ASW$ | $GWH \rightarrow ASW$ |
| $\beta$ | $p$           | $\beta$         | $p$                                | $\beta$      | $p$            | $\beta$         | $p$          | $\beta$         | $p$            |                  |                  |                  |                  |
| 0.107   | 0.003         | -0.052          | 0.047                              | 0.105        | 0.004          | 0.033           | 0.020        | 0.088           | 0.012          |                  |                  |                  |                  |

- $FEE \rightarrow ASW$: $\beta$-value decreases and still significant.
- $GWH \rightarrow ASW$: $\beta$-value increases and still significant.

Conclusion:
- H8c: partial mediation
- H9c: partial mediation
Appendix 7

Figure I
Research Model

Description:
*** p< 0.01
** p< 0.05
* p< 0.10
