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EFFECT OF FINANCIAL DISTRESS, FIRM SIZE, AUDIT FEE, PANDEMIC COVID 19 AND CHANGE IN MANAGEMENT ON AUDITOR SWITCHING (STUDIES OF BANKING COMPANIES LISTED ON FOR THE 2019-2022 PERIOD)

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ABSTRACT

This study investigates the influence of financial distress, firm size, audit fees, the COVID-19 pandemic, and management changes on auditor switching among banking companies listed on the Indonesia Stock Exchange (IDX) during 2019-2022. The primary variable of interest is auditor switching, measured as a dummy variable (0 for no switch, 1 for switch). Independent variables include financial distress (measured by Loan to Deposit Ratio), firm size (natural logarithm of total assets), audit fees, the COVID-19 pandemic, and management changes. Using logistic regression for analysis, the study finds no significant impact of financial distress, firm size, the COVID-19 pandemic, or management changes on auditor switching. However, audit fees have a significant effect, indicating that higher fees increase the likelihood of switching auditors. The research underscores the complexity of auditor switching decisions and provides insights for policymakers and stakeholders in the auditing and corporate sectors.

Keywords: Auditor Switching, Financial Distress, Audit Fees, Covid-19 Pandemic

INTRODUCTION

Financial statements are form of business language. Financial reports contain figures, notes, and financial and non-financial items that are presented based on the company's operational activities. They provide processed data to users about the financial position of a company. Financial statement is a tool commonly used by investors as a basis for decision making. It’s crucial that it provides all the information needed in order for investors to take this action. Understanding a company's financial statements allows various stakeholders to comprehend the company's financial position (Murhadi, 2013).

In connection with the statement above, the definition of auditing is one of the rapidly evolving branches of knowledge up to the present day and will continue to develop in the future in line with the changing business environment. The continuous changes in auditing knowledge comes with a price; new challenges. These challenges commonly in a form of update on the development of the new standards created to sharpen professional knowledge. Just as the history of accounting development, auditing, which is closely related to accounting, has also evolved in accordance with the concept of the changing body of knowledge (Khasanah, 2013). The auditing process requires someone who is a professional auditor with an independent and competent attitude while examining financial statements. Meanwhile, an auditor is a public accountant who provides services to conduct audits to examine financial statements to ensure they are free from misrepresentation (Ruroh & Rahmawati, 2016).

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An independent auditor or a public accounting firm play a pivotal role to provide audited financial reports, especially in the context of publicly listed companies in the Indonesia Stock Exchange are obligated. This independent auditor must maintain neutrality, fairness, and disinterest in relation to the company they are auditing, while also ensuring their independence. Nevertheless, it is highly plausible that an auditor may lack independence due to various factors and influences from different parties. Numerous stakeholders view compulsory rotation as a remedy for addressing the issue of auditor independence (Mohamed & Habib, 2013). According to Malek & Saidin (2013) auditor switching is a phenomenon where the current auditor is no longer assigned in the following year. There are two types of auditors switching, namely mandatory auditor switching and voluntary auditor switching.

Auditor switching can take place under both obligatory and voluntary circumstances. Mandatory auditor switching is primarily driven by existing government regulations. Conversely, various factors, including financial difficulties, management changes, the scale of the public accounting firm, and audit opinions, can also influence auditor switching. Meanwhile, voluntary auditor switching happens when companies willingly opt to change their public accounting firms or auditors. This, of course, carried out to ensure the independence of auditors from them, as well as ensure the quality of their audited financial reports.

Auditor switching can be affected by several factors, including financial distress, firm size, audit fee, audit opinion and change in management. For example, a small-scale company may not have the same financial difficulties as a large/established company. This is of course also related to how they complete payments to auditors. Clients understandably desire their financial statements to obtain a unqualifide opinion from the auditing firm because that opinion on financial statements can influence the investment decisions of external stakeholders (Calderon & Ofobike, 2007). Unqualified opinion is the opinion of an independent auditor who wants to show that a company's financial statements meet existing accounting standards, supported by other financial documents.

Financial distress occurs when a company faces significant financial challenges, potentially leading to bankruptcy (Faradila & Yahya, 2016). The impact of financial distress on auditor switching is debated. Hudaib & Cooke (2005) suggest that distressed companies are more likely to change auditors to find more affordable services (Wea, 2015). However, Astrini & Muid (2013) and Chadegani et al. (2011) argue that financial distress does not significantly influence voluntary auditor changes. This discrepancy highlights the complexity of factors influencing auditor switching.

Firm size, or the size of a company, plays a pivotal role in the phenomenon of auditor switching. Previous research has yielded conflicting findings regarding the influence of the size of company on a firm's decision to switch to a new auditor. Some studies, as mentioned by Susan & Trisnawati (2012) indicate that firm size has an impact on auditor switching significantly, suggesting that larger companies tend to be more complex and opt for switching to auditors capable of handling their intricacies. However, other research, such as that conducted by Astika & Pratini (2013), asserts that firm size doesn’t effected auditor switching significantly. This suggests that the size of the company is not always the dominant factor in the decision to change auditors.

Hence, the debate over how firm size influences auditor switching remains a focal point in this research. The contention revolves around whether larger companies are more inclined to change auditors due to their complexity and the need for specialized audit services or if other factors take precedence in this decision-making process.

The impact of audit fees on auditor switching is a key focus of this research. Audit fees refer to the compensation paid to auditors for their services in auditing a company's financial statements. Previous studies have shown inconsistent results regarding the influence of audit fees on auditor switching. Some researchers, such as Astuti & Wayan (2014), shown that audit fees significantly increase the likelihood of auditor switching, indicating that when audit fees increase too much, businesses are more inclined to think about switching auditors. This aligns with the idea that high audit fees can lead to dissatisfaction and motivate companies to seek alternative audit services.

On the other hand, Sari & Widanaputra (2016) discovered that audit fees had no discernible effect on auditor switching, suggesting that other considerations might be more important when making decisions. This can happen because there is usually an audit fee agreement between the company and the auditor, of course taking into account the strength of their cash flow. So, it rarely happens that there is a change of auditor because of this fee issue. The company-auditor relationship usually results in a bargaining position to negotiate prices.

One of the distinctive contributions of this research lies in its exploration of the variable related to the COVID-19 pandemic which an aspect that has received limited attention in existing literature. Unlike other studies, this research specifically incorporates the variable associated with the pandemic, recognizing its significance in shaping organizational behaviors, particularly in the context of auditor switching.

Remarkably, the inclusion of the COVID-19 variable aligns with insights from major audit firms, including KPMG, EY, PwC, and Deloitte. These industry giants, commonly known as the Big Four, assert that the COVID-19 pandemic has exerted a substantial and noteworthy impact on auditors. As outlined by Johnsson & Persson (2021), these firms underscore the pandemic as a significant challenge for auditors, emphasizing its far-reaching implications.

Furthermore, the Indonesian Institute of Certified Public Accountants Ikatan Akuntan Publik Indonesia/IAPI (2020) in a technical newsflash expressed a contrasting stance. In one of their statements, IAPI asserted that the COVID-19 pandemic does not impact the occurrence of auditor switching. This disparity in perspectives, especially between industry leaders and a prominent accounting institution, adds an intriguing layer to the research landscape.

The divergent views highlight the nuanced nature of the relationship between the pandemic and decisions related to auditor transitions. While major audit firms emphasize the substantial impact of COVID-19, there exists a notable contradiction in the stance presented by IAPI. This contradiction presents an intriguing avenue for investigation, forming the core focus of this research as it aims to unravel the intricate dynamics and challenges faced by auditors in the unprecedented context of the COVID-19 pandemic.

Change in management in the context of a company refers to the event where there is a significant alteration in the top leadership, such as the replacement of a CEO or company president. This change can occur due to various scenarios, including decisions made during a general shareholders' meeting or an individual's voluntary resignation.

Change in management can bring about substantial shifts in a company's culture, vision, and operational strategies. It can also be a pivotal moment for evaluating various aspects of a company's operations, including its relationships with external parties, such as auditors. In this context, several previous studies, as mentioned by Oktaviana et al. (2017), suggest that change in management tends to have a positive and significant impact on a company's decision to change auditors. This indicates that companies undergoing changes in top-level leadership are more likely to consider replacing auditors who have previously served them. The reasons behind this decision may vary, but it could be related to the new leadership's desire to bring in a fresh management team, which may have preferences for working with auditors they trust or have a stronger relationship with.

However, it's essential to remember that change in management can also be challenging moments for companies. Integrating a new management team and implementing different policies may require significant effort and careful planning to ensure a smooth transition. Additionally, changes in management should be communicated effectively to auditors since this can influence how auditors carry out their duties when auditing the company.

In this context, the findings identified by researchers such as Alisa et al. (2019) and Kistini & Nahumury (2014)provide a deeper understanding of how change in management can affect various aspects of a company, including decisions regarding auditor changes. This insight also holds significant implications for policymakers and stakeholders in the corporate sector, as they must consider the impact of change in management when making strategic decisions. Therefore, change in management is a crucial factor to consider in the context of auditor changes within a company, and the research conducted thus far offers valuable insights into how this factor can influence a company's dynamics and its relationship with auditors.

Financial statements are vital for business communication, relying on auditor integrity and independence. The auditing field faces challenges adapting to evolving standards, with auditor independence being crucial, especially in auditor switching for publicly listed companies like those on the Indonesia Stock Exchange. Auditor switching can be mandatory or voluntary, influenced by factors such as financial distress, firm size, audit fees, audit opinions, and management changes.

The impact of financial distress on auditor switching is debated, with studies showing both positive and negligible effects. Firm size also presents conflicting findings, while the significance of audit fees in auditor switching is contentious. The COVID-19 pandemic adds complexity, potentially causing businesses to reassess audit agreements. Management changes further complicate auditor switching decisions.

This study seeks to understand the factors influencing auditor switching in publicly listed companies, offering insights for policymakers, stakeholders, and practitioners in auditing and corporate sectors.

THEORETICAL FRAMEWORK AND HYPOTHESIS FORMULATION

Theory of Agency

The change of auditors can be explained using the Agency Theory. In the Agency Theory, as advocated by Jensen & Meckling (1976), it is stated that relations between agencies emerge when one or more individuals (or principals) hire another person (or agent) to provide services and subsequently delegate decision-making authority to the agent. The other statement regarding the agency theory mentioned by Mitchell & Meacheam (2011) relationship between agencies is based on the relationship between the one who assigns specific tasks and decision-making authority as one party to another party, which applies as the agent. Within these theories, there’s an assumption that agents tend to behave opportunistically, especially when their interests do not meet with those of the principal’s desire (Mitchell & Meacheam, 2011). This assumption is basically a central focus of Agency Theory.

Auditor Switching

The audit procedure requires a professional auditor to impartially and proficiently examine a company's financial statements, ensuring their accuracy and absence of misrepresentation (Ruroh & Rahmawati, 2016). An auditor, a certified public accountant, provides these audit services. Many stakeholders view compulsory auditor rotation as a solution to maintain auditor independence (Mohamed & Habib, 2013). Auditor turnover, defined by Malek & Saidin (2013), occurs when the current auditor is not reappointed for the following year and includes mandatory and voluntary auditor switching.

Auditor turnover can be driven by regulatory requirements or voluntary company decisions, aiming to maintain auditor independence. Factors influencing this turnover include financial distress, management changes, public accounting firm size, and audit opinions. Companies often seek clean audit opinions, as these significantly impact external stakeholders' investment decisions (Calderon & Ofobike, 2007).

Financial Distress

Financial distress refers to a situation in which a company finds itself in an unfavorable financial state or encounters significant financial challenges, often raising concerns about the potential for bankruptcy (Faradila & Yahya, 2016). This precarious financial condition has been a subject of significant interest and debate in the context of auditor switching. The relationship between financial distress and auditor switching remains a complex and debated topic, with varying perspectives on its significance in influencing the decisions made by companies facing financial challenges.

Firm Size

The role of firm size in the context of auditor switching has been a subject of considerable debate and investigation in prior research. Contradictory findings have emerged, leading to varying perspectives on how the size of a company influences its decision to switch auditors. The research by Susan & Trisnawati (2012), propose that firm size exerts a substantial influence on auditor switching. According to this viewpoint, larger corporations, often characterized by greater complexity and a broader scope of operations, tend to opt for auditor switching. The rationale behind this is that these extensive businesses require auditors with specialized expertise and resources capable of navigating the intricacies of their financial processes.

Audit Fee

Audit fees, as a form of compensation for auditors' services in reviewing a company's financial statements, have sparked considerable debate regarding their influence on auditor switching. According to Schwartz & Menon (1985), businesses teetering on the brink of bankruptcy, grappling with financial hardships, and grappling with operational uncertainties are more prone to opt for auditor switching. The primary reason behind this tendency is their difficulty in meeting excessively high audit fees. Research conducted by Hay et al. (2008) posits that the magnitude of audit fees can fluctuate based on factors like assignment risk, the complexity of required services, the level of expertise demanded, and other professional considerations.

Pandemic Covid 19

Adapting to the conditions of the COVID-19 pandemic requires precise strategies. Therefore, companies, as principals, need professionals to manage corporate finances to prevent liquidity issues or bankruptcy. The role of auditors or public accountants as agents needs to be optimized to analyze the financial conditions of companies during the COVID-19 pandemic. This statement aligns with the agency theory, which serves as the theoretical framework for this research.

In a noteworthy contrast, ((Ikatan Akuntan Publik Indonesia/IAPI, 2020) in a technical newsflash released in 2020. In a distinct perspective, IAPI asserted that the COVID-19 pandemic does not exert a discernible impact on the occurrence of auditor switching. This dichotomy of viewpoints, particularly between influential industry leaders and a prominent accounting institution like IAPI, introduces an additional layer of intrigue to the multifaceted research landscape.

The divergent stances of these significant players in the auditing arena underscore the complexity and nuances associated with understanding the interplay between the pandemic and the decision-making processes related to auditor switching. This contrast not only highlights the varied interpretations within the professional community but also prompts a deeper exploration into the contextual factors and considerations that contribute to such discrepancies in viewpoint. As the research unfolds, the juxtaposition of these contrasting perspectives opens avenues for insightful analysis, fostering a comprehensive understanding of the intricate dynamics at play in the wake of the COVID-19 pandemic within the auditing profession.

Change in Management

As outlined by Burton & Roberts (1967), changes in management encompass modifications in top executive roles. Nevertheless, for specific companies, these changes predominantly pertain to their financial management. This transition can be categorized as either standard or non-standard. Non-standard management adjustments usually stem from considerations related to the company's specific circumstances, where the existing management framework proves insufficient in efficiently overseeing the company. Consequently, the company's performance may suffer. In these situations, the current management structure is replaced by a new one, with the expectation of enhancing the company's administration.

Relationship between Financial Distress and Auditor Switching

Financial difficulties can be likened to terms such as failure or bankruptcy. The accumulation of subpar company management in carrying out its long-term business operations to meet its economic goals leads to bankruptcy (financial distress). To put it another way, bankruptcy does not happen overnight. Instead, it begins with financial distress warning signs, where the company faces challenges in generating profits or income, which continue to decline year after year (Kisman et al., 2019) . Companies experiencing financial difficulties tend to opt for auditors with higher quality than before Schwartz & Menon (1985), with the aim of gaining shareholders' trust and reducing litigation risk (Nasser et al., 2006).

Previous studies, such as Chadegani et al. (2011), have found that financial distress positively impacted auditor switching. Similar results were also observed in the research conducted by Yudha et al. (2018) which indicated a positive association between financial distress and the switch of auditor. Conversely, Sa’adah & Kartika (2018) found that the financial distress and auditor did not have a significant effect on auditor switching.

H_1: Financial distress has positive relationship with auditor switching

Relationship between Firm Size and Auditor Switching

The size of a company undoubtedly correlates with the complexity of its business operations. Consequently, the company's size will influence the selection of a Public Accounting Firm. Smaller companies tend to engage smaller audit agency to minimize management costs. Hence, smaller companies are inclined to switch from Big-4 companies to non-Big-4 companies. Research conducted by Wijayanti (2010) found that the company's size significantly affects the change of audit egency undertaken by a company. The study conducted by Nazri et al. (2012) on company size factors effectively demonstrates a noteworthy positive correlation with auditor changes, implying that larger companies tend to opt for auditor changes.

On the other hand, research that conducted by Sa'adah & Kartika (2018) indicates that the size of client companies does not have an impact on auditor switching.

H_2: Firm size has positive relationship with auditor switching

Relationship between Audit Fee and Auditor Switching

Auditors are remunerated with audit fees for carrying out their tasks. In the case of financially troubled companies, they are inclined to replace their auditors, moving from Big-4 Public Accounting Firms to non-Big-4, as a cost-cutting measure related to auditor compensation. According to Schwartz & Menon, (1985), companies on the brink of bankruptcy or encountering financial difficulties and business uncertainty tend to create situations that lead to auditor switching, primarily due to their struggle to afford high audit fees. Meanwhile, research by Hay et al. (2008) suggests that the auditor's fee can fluctuate based on factors such as assignment risk, service complexity, required expertise, and other professional considerations.

H_3: Audit fee has positive relationship with auditor switching

Relationship between Pandemic Covid 19 and Auditor Switching

According to Johnsson & Persson (2021), these major players in the industry assert that the COVID-19 pandemic significantly influences auditors, posing a substantial challenge for professionals in the field. In contrast, Ikatan Akuntan Publik Indonesia/IAPI (2020) conveyed in a technical newsflash that the COVID-19 pandemic does not influence the incidence of auditor switching. This divergence in viewpoints, particularly between industry leaders and a prominent accounting institution, introduces an intriguing dimension to the research landscape. Furthermore, the COVID-19 pandemic lacks a noteworthy impact, displaying a negative association with auditor switching, and it does not hinder the company's ability to sustain its operations, as stated in going concern principle (Ramadan et al., 2022).

H_4: COVID 19 Pandemic has negative relationship with auditor switching

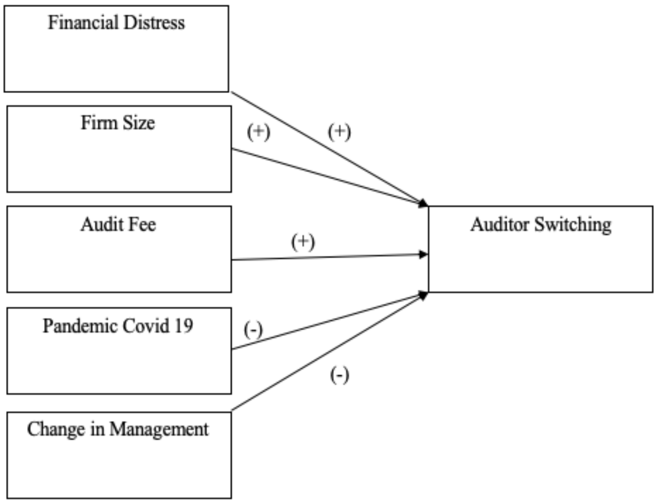
Relationship between Change in Management and Auditor Switching

A change in company leadership refers to a substantial shift in the top management, such as the replacement of a CEO or company president. This transition can result from various scenarios, including decisions made at a general shareholders' meeting or an individual's voluntary departure.

Such a change can have a profound impact on the company's culture, vision, and operational strategies. It also represents a critical moment for evaluating various aspects of the company's operations, including its relationships with external parties such as auditors.

Several prior studies, as Oktaviana et al. (2017) mentioned, suggest that a change in top-level management tends to have a significant and favorable impact on a company's decision to alter auditors. This implies that companies going through leadership changes are more likely to consider replacing their previous auditors. The reasons for this decision may differ, but it could be linked to the new leadership's preference for bringing in a new management team, which may have a stronger rapport with auditors they trust or have a more robust relationship with. On the other hand, Based on the analysis of the research findings from study Wijaya (2013), it was determined that the changing management do not have an impact on client-initiated auditor turnovers

H_5: Change in Management has negative relationship with auditor switching



RESEARCH METHODOLOGY

The variable that is the focus of the research is auditor switching, measured using a dummy variable (0 for no auditor switching, 1 for auditor switching). The independent variables include financial distress measured by the Loan to Deposit Ratio (LDR), firm size measured by the natural logarithm of total assets, audit fee, the COVID-19 pandemic with a dummy variable for the year 2019, and management change with a dummy variable (0 for no change, 1 for change). The research population consists of banking companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2022 period, with sampling conducted using purposive sampling methods. Secondary data is obtained from financial and annual reports of companies available on the official IDX and Bloomberg websites. The data analysis method used is logistic regression to test the formulated hypotheses, with statistical testing including descriptive statistics, hypothesis testing, multicollinearity tests, and the development of a logistic regression model to assess the impact of the independent variables on auditor switching.

RESULT AND DISCUSSION

Descriptive Statistics

Based on the results of descriptive statistics using the pooled data method, a total of 188 observational data points were obtained, derived from the multiplication of the research period (4 years; from 2019 to 2022) with the number of sampled companies (47 companies).

Table 1. Desctiptive Statistic

Variable	Obs	Mean	Std. dev.	Min	Max
SWT	188	0.191489	0.394524	0	1
FEE	188	0.026596	0.161328	0	1
size	188	31.26294	1.794886	27.29642	35.22819
FID	188	7.798539	64.47796	0.1224	627.8113
CEO	188	0.696809	0.460865	0	1
CVD	188	0.75	0.434169	0	1

Table 1 presents the descriptive statistics for each research variable. According to Table 4.2, in terms of auditor switching (SWT), the descriptive statistics depicts that minimum value is 0 and the maximum value is 1 with the mean proportion is 0.19. The audit fee (FEE) variable, the descriptive statistics depicts that minimum value is 0 and the maximum value is 1 with the mean proportion of 0.02. Firm size (SIZ), represented by the mean of 31.26, reflects the average scale of companies, ranging from 27.30 to 35.22. Financial distress (FID) is indicated by a mean of 7.7985 and a wide range from 0.1224 to 627.8113, underscoring the variability in financial health among the sampled companies. Change in management (CEO) exhibits a mean of 0.6968, indicating that, on average, 69.68% of companies experienced a change in leadership. Lastly, the COVID-19 variable (CVD) has a mean of 0.25, indicating that 25% of the companies in the sample were affected by the COVID-19 pandemic. These descriptive statistics provide a comprehensive overview of the key variables, shedding light on the characteristics and trends within the dataset.

The impact of financial distress (FID) on auditor switching (SWT) (H1)

In the logistic regression results presented, the variable Financial Distress (FID) shows a regression coefficient of 0.0017, accompanied by a p-value (P>|z|) of 0.460. This coefficient signifies the change in log odds for auditor switching (SWT) associated with a one-unit shift in the Financial Distress variable.

However, given that the p-value (P>|z|) exceeds the predetermined significance level ($\alpha = 0.05$), there is insufficient evidence to reject the null hypothesis. This implies that the regression coefficient of FID is not significantly different from zero, suggesting that Financial Distress does not play a significant role in influencing the likelihood of auditor switching.

In practical terms, these findings indicate that the level of financial distress might not be a crucial factor driving companies to change auditors. This aligns with research that conducted by Chadegani et al. (2011) and Retno Astrini & Muid (2013), suggesting that Financial Distress may not be a primary driver behind the decision to switch auditors for the sampled companies.

The research findings suggest that financial difficulties do not serve as a contributing factor for companies to engage in auditor switching. This is attributed to the fact that the majority of sampled companies utilize the services of non-Big Four audit firms. Consequently, transitioning to Big Four audit services could potentially exacerbate the financial challenges for companies due to increased audit fees.

Moreover, companies facing insolvency and unhealthy financial positions are more likely to retain their auditors to uphold the trust of shareholders and creditors while minimizing litigation risks, as highlighted in previous studies (Francis & Wilson, 1988).

The impact of firm size (SIZ) on auditor switching (SWT) (H2)

The regression analysis reveals that the variable SIZ demonstrates a noteworthy negative coefficient of 0.1408, accompanied by a significance level (P>|z|) of 0.225, which exceeds the predetermined threshold of α = 5%. This outcome implies a lack of statistical support for Hypothesis 2, suggesting that client size does not significantly impact the likelihood of auditor switching in the examined context.

Contrary to the expectations based on existing literature, this research does not substantiate the findings of prior studies conducted by (Nasser et al., 2006) and (Yudha et al., 2018). The incongruence with these earlier results may stem from the nuanced dynamics and characteristics of the sampled clients.

In the broader scholarly landscape, the research by Afriansyah & Siregar (2007) provides additional insights. Their study suggests that clients with smaller total assets tend to shift their allegiance to non-Big Four audit firms, while counterparts with more substantial total assets exhibit a preference for Big Four audit firms. This observation underscores the intrinsic alignment between the size of the audit firm and the specific needs and preferences of its clientele.

Delving further into the specifics of the sample composition, it is noteworthy that a significant proportion of the research participants consists of clients with modest total assets. Moreover, a considerable majority among them has already opted for the services of non-Big Four audit firms. This prevailing trend within the sample contributes to the absence of a discernible inclination toward engaging in auditor switching.

The impact of audit fee (FEE) on auditor switching (SWT) (H3)

The variable audit fee exhibits a positive regression coefficient of 2.72 with a significance level (P>|z|) of 0.017, which is smaller than α = 5%. Since the significance level (p) is less than α = 5%, the first hypothesis is successfully supported. This study successfully substantiates the influence of audit fee on auditor switching. The findings align with previous research conducted by Astuti & Wayan (2014), and Onutomaha Akrawah et al. (2020) corroborating the established impact of audit fees on auditor switching, as evidenced in this study.

In certain circumstances, the payment of high audit fees can become a financial burden on a company, leading the company to consider changing its public accounting firm, particularly from a Big Four to a non-Big Four firm. Research findings from Deis & Giroux (1996) suggest that in the year of auditor switching, audit fees are lower compared to the preceding year. The results of the tests, supporting findings from several prior studies, indicate that the factor of price adequacy is a primary determinant compelling client companies to engage in auditor switching.

The impact of covid 19 (CVD) on auditor switching (SWT) (H4)

The logistic regression analysis results reveal that the variable CVD (COVID-19 impact) has a regression coefficient of 0.574, with a standard error of 0.418 and a z-value of 1.37. Although the regression coefficient indicates a negative relationship between the COVID-19 impact and auditor switching, the statistical test shows that the (P>|z|) (0.170) exceeds the significance level α = 5%. Consequently, there is no statistical support to conclude that the COVID-19 impact significantly influences the likelihood of auditor switching.

In more detail, the regression coefficient of -0.574 suggests a positive association between the COVID-19 impact and auditor switching. However, a p-value exceeding the significance level indicates that this relationship lacks statistical strength to be considered significant.

In practical terms, these findings imply that, within the scope of this research, the COVID-19 impact does not have a statistically significant effect on firms' decisions to switch auditors. Other unaccounted-for factors in the model or unique characteristics within a specific sector or company may contribute to these findings.

It is essential to note that the interpretation is context-dependent and relies on the limitations of the data used in the analysis. In rapidly changing global situations, such as the COVID-19 pandemic, additional variables or relevant sectoral information could provide deeper insights into this phenomenon.

The impact of change in management (CEO) on auditor switching (SWT)(H5)

The regression analysis for the variable CEO reveals a regression coefficient of -0.506, coupled with a significance level (P>|z|) of 0.906, which significantly surpasses the predetermined threshold of α = 5%. Consequently, the study fails to substantiate Hypothesis 5, suggesting a lack of evidence supporting the proposition that changes in management, specifically the Chief Executive Officer (CEO), influence the occurrence of auditor switching. While these findings align with Yudha et al.'s (2018) research, they stand in contrast to earlier studies conducted by (Burton & Roberts, 1967), (Chadegani et al., 2011) and (Nazri et al., 2012).

In-depth analysis of the test results indicates that shifts in management do not consistently lead to corresponding changes in a company's policy regarding the engagement of a specific auditing firm. This intriguing observation suggests that the established policies and accounting reporting practices of an auditing firm can persistently harmonize with the approach of new management. This harmonization is achieved through the intricate process of renegotiations between the auditing firm and the newly instated management, reflecting the dynamic nature of corporate relationships and strategic alignments within the realm of auditing practices.

Table 2. Research Results Summary

Variable Independent	P>z	Coefficient	Coeff Sign	Significant
Financial Distress (FID)	0.46	0.001	(+)	Rejected
Firm Size (SIZ)	0.22	-0.14	(-)	Rejected
Audit Fee (FEE)	0.01	2.72	(+)	Accepted
Covid 19 (DVD)	0.17	-0.57	(+)	Rejected
Change in Management (CEO)	0.90	-0.05	(-)	Rejected

Information:

Accepted = independent variable has a significant effect on the dependent variable or the hypothesis is accepted

Rejected = independent variable has no significant effect on the variable dependent or rejected hypothesis

The objective of this study is to identify factors influencing auditor switching in Indonesian companies. The research findings, summarized in Table 4.7, show that audit fees significantly impact auditor switching among banking companies.

Logistic regression analysis, conducted on 188 observations, reveals that audit fees (FEE) are a significant factor in auditor switching, with a positive coefficient of 2.73 (p = 0.017). The model's goodness-of-fit, indicated by an LR chi-square test result (chi2(5) = 13.84, Prob > chi2 = 0.0167), a log likelihood of -84.896304, and a Pseudo R2 of 0.0754, suggests that approximately 7.54% of the variability in auditor switching is explained by the model's variables.

In contrast, the variables CEO, Financial Distress (FID), Covid-19 (CVD), and Firm Size (SIZ) did not show statistically significant effects, indicating they have a minimal impact on auditor switching decisions.

In conclusion, audit fees play a pivotal role in auditor switching decisions, while CEO changes, financial distress, Covid-19, and firm size do not significantly influence this process. These findings provide insights for practitioners, policymakers, and researchers, suggesting further exploration into these variables to better understand auditor switching behavior.

CONCLUSION

This study investigates the impact of financial distress, firm size, audit fee, COVID-19, and change in management on auditor switching in Indonesian banking companies listed on the Indonesia Stock Exchange (BEI) from 2019 to 2022. The analysis employs logistic regression using the STATA Ver. 17 program on a sample of 188 observations. The findings are summarized as follows:

1. Financial Distress: No statistically significant effect on auditor switching. Companies facing financial challenges tend to retain their auditors to maintain trust and avoid increased audit fees from Big Four firms.
2. Firm Size: No statistically significant influence on auditor switching. Smaller clients generally use non-Big Four firms and show little inclination to switch auditors.
3. Audit Fee: A statistically significant factor in auditor switching. Higher audit fees prompt companies to switch from Big Four to non-Big Four firms, highlighting price suitability as a key driver.
4. COVID-19: No statistically significant impact on auditor switching. Despite the pandemic, companies maintained their auditors to ensure high-quality financial information due to the auditors' familiarity with the company's conditions.
5. Change in Management: No statistically significant effect on auditor switching. Existing auditors can effectively align with new management policies, especially in family-controlled public companies in Indonesia.

These results provide insights into the factors influencing auditor switching, with audit fees being the primary determinant while other factors show no significant impact.

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