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The Effect of Management Changes, Audit Fees, and Return on Assets Percentage Changes on Auditor Switching: A Study of Banking Companies Listed on the Indonesia Stock Exchange (2018–2024)

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Abstract

This study investigates the effect of management changes, audit fees, and percentage changes in return on assets (ROA) on auditor switching in banking companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2024 period. Auditor switching is a strategic decision that may be influenced by both internal corporate factors and regulatory requirements. Using a quantitative verification approach, the study analyzes 70 firm-year observations selected through purposive sampling. Logistic regression analysis was employed to examine whether the three independent variables significantly affect the likelihood of voluntary auditor switching. The empirical results show that management changes, audit fees, and ROA percentage changes do not have a statistically significant effect on auditor switching. These findings indicate that internal managerial or financial fluctuations are not sufficient reasons for banking companies to replace their auditors. The tendency of the banking sector to maintain auditor continuity is closely associated with strict regulations, long-term audit engagement practices, and the industry's need to uphold credibility, transparency, and stakeholder trust. This study contributes to existing literature by providing evidence that factors influencing auditor switching may be industry-specific, particularly in regulated sectors such as banking. Future research is recommended to incorporate additional variables such as audit tenure, auditor reputation, ownership structure, corporate governance, and financial distress, as well as to compare auditor switching behavior across multiple industries or jurisdictions.

1. Introduction

The high capital market in Indonesia is the cause of increased demand for financial statement audits, especially by companies that have gone public. By going through the audit process, companies going public are required to submit financial reports that have been prepared by auditors properly, and correctly in accordance with Financial Accounting Standards (SAK). Stakeholders such as investors, consider that financial reports are very important. The financial statements issued by the company must be reliable, relevant, transparent, with information presented on time. To maintain the transparency of financial statements, the company issued a policy to change its auditors after a certain period to maintain audit objectivity and independence.

Economic competition has developed very rapidly, so that in making a decision companies in Indonesia have become more selective and effective. With competition, it requires companies to achieve the desired goals. In order for the company's goals to be achieved, it is necessary to register investment shares in the capital market. Companies going public and listed on the Indonesia Stock Exchange (IDX) are required to submit financial reports that have been audited by auditors as a source of information for external parties, namely investors.

Auditor switching can be mandatory or voluntary. The phenomenon of auditor switching can be influenced by management changes. Research conducted by (Fua, Soviana, 2024), states that management changes have an influence on auditor switching. While different results are shown by research (Octarisa, 2024), which says that management changes do not affect the company to do auditor switching. The second factor that affects auditor switching is audit fees as

indicated by research (Raswati, 2021), that audit fees affect auditor switching. Meanwhile, research conducted by (Mauliya, 2014), which states that audit fees have no effect on auditor switching.

The company's financial performance as reflected in return on assets can also be a consideration for auditor switching. This is indicated by research conducted by (Wijaya, 2019). In contrast to research conducted by (Indriani, Selfia, 2022), that the percentage change in return on assets does not affect auditor switching. There are still inconsistencies in the results of previous research for phenomena that cause auditor switching. Which is the reason for the author to review it with a different approach.

Banking companies listed on the Indonesia Stock Exchange are the main objects in this study. Apart from the fact that banking companies are rarely found, banking companies are also a sector with a high level of public trust. The phenomenon of auditor switching can be very important, especially since financial statements can be a very strategic element to maintain financial stability and the trust of stakeholders such as investors, customers, and stakeholders.

This research was conducted to complement the previous literature gap by using three main variables against one type of analysis in the banking sector. Researchers made a decision to analyze this phenomenon by raising the title, the effect of management changes, audit fees, and percentage changes in return on assets on auditor switching (study of banking companies on the Indonesia Stock Exchange 2018-2024). With the hope that this research can produce applicable findings, and also make a practical contribution to stakeholders in understanding the factors that influence the decision to switch auditors in companies going public.

2. Research Method

This research uses a verification method through quantitative research. The verification method is used to test whether management changes, audit fees, and percentage changes in ROA have an effect on auditor switching, as well as to test the hypothesis that has been set. The type of data used in this study is secondary data. The secondary data in question are financial reports published by banking companies listed on the official website of the Indonesia Stock Exchange (www.idx.co.id) during the period 2018 - 2024.

Data is collected by recording techniques, and reviewing secondary data from a population of 46 banking companies listed on the Indonesia Stock Exchange. Sampling was selected using purposive sampling method obtained as many as 5 banking companies for 6 periods. The sample selection criteria were chosen to maintain internal validity and maintain equality of characteristics between observation units that support more accurate analysis. The selection of this research sample is not merely done to limit the amount of data used, but is selected in accordance with the selection criteria based on theory and relevance.

Table 1. Sampling Criteria for Data Collected

No	Criteria	Companies
1	Banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2018 - 2024	47
2	Consistently listed on the IDX and not delisted during the period 2018 - 2024	(1)
3	Companies that publish financial statements that have been audited by independent auditors during 2018 - 2024	(0)
4	Using the financial reporting period from January 1 - December 31	(1)
5	Experienced a loss after tax for at least one period of financial statements during the observation period between 2018 - 2024	(34)
6	Using Rupiah (Rp) as the reporting currency	(1)
	Sample Total	10
	Observation 10 x 7	70

The selected sample will be analyzed using logistic regression analysis through the Statistical Package for Social Sciences (SPSS) data processing program, to test the effect of management changes, audit fees, and percentage changes in return on assets on auditor switching.

The variable used in this study is auditor switching or auditor switching in banking companies listed on the Indonesia Stock Exchange for the period 2018 - 2024 as the dependent variable. If the company makes a change of auditors, it will be given a value of 1, but if the auditor switching is not carried out by the company, it will be given a value of 0.

As for management changes, audit fees or audit fees, and percentage changes in return on assets (ROA) as independent variables. Management changes are changes or changes in management positions that are key in a company, especially the position of the main director (CEO) or other directors who have a significant influence in company decision making. If there is a change in management, it will be given a value of 1, and vice versa, if there is no change in management in the current year, it will be given a value of 0.

Audit fees are the amount of compensation or fees received by the auditor. This fee is given by the company to external auditors for the financial statement audit services they perform. In this study, audit fees are measured using the Rupiah (Rp) currency unit, and are used in the form of natural logarithms (Ln). The change in ROA also reflects changes in the company's effectiveness in generating profits from the total assets owned by the company. The change in ROA value can be positive or negative, this depends on the performance of a company.

ROA = Net Profit/Total Assets

Table 2. Variable Operational

Variable	Indicator	Scale
(X1) Management Changes	If there is a change in management, it is given a value of 1. If there is no change in management, it is given a value of 0	Nominal
(X2) Audit fee	Total costs incurred by the company for auditor services = Ln Audit fee	Ratio (Rp)
(X3) Percentage Change in ROA	ROA = Net Income / Total Assets	Ratio (%)
(Y) Auditor Switching	If you do auditor switching, you will be given a value of 1, if you do not do auditor switching, you will be given a value of 0.	Nominal

After determining the operational variables, the analysis technique will be carried out using logistic regression analysis, by looking at the effect of management changes, audit fees, and percentage changes in ROA on auditor switching.

$$AS = \alpha + \beta1(PM) + \beta2(LnAF) + \beta3(\Delta ROA) + \varepsilon$$

Description:
AS : Voluntary auditor switching
α : Constant
β1-β3 : Regression coefficient of each independent variable
PM : Management Change
LnAF : Natural logarithm of Audit Fee
ΔROA : Return on Asset
ε : Residual error

The first step is to assess the overall fit of the model to the data. The hypothesis for assessing model fit is, H0 indicating the logistic regression model fits the data (good fit), and H1 indicating the model does not fit the data (poor fit). To test the null and alternative hypotheses, L is transformed into -2LogL.

The next step is to test the feasibility of the

model in logistic regression which aims to determine the extent to which the model built can be used to predict the dependent variable properly and in accordance with observational data. If the value of the Hosmer and Lemeshow Goodness of Fit statistic is greater than 0.05, hypothesis 0 cannot be rejected and the model is able to predict the observation value.

The coefficient of determination test is also used to ensure that the value varies from 0 to 1. A small R2 value indicates that the ability of the independent variables to explain the variation in the dependent variable is very limited. Meanwhile, a value close to 1 indicates that the independent variables provide almost all the information needed to predict the variability of the dependent variable (Ghozali, 2011).

Descriptive statistics are used to provide a description of the data seen from the average (mean), standard deviation, and minimum-maximum. Mean serves to estimate the average population size estimated from the research sample. Standard deviation is used to assess the average dispersion of the sample. And minimum-maximum is used to see the minimum and maximum amounts of all observed data.

3. Results and Discussion

The results of the descriptive statistical analysis contained the lowest, highest, average, and standard deviation values for each variable with the number of research samples used as many as 70 observation data. Auditor switching is a dummy (binary) variable characterized by 0 not changing auditors, and 1 if there is a change of auditors. The average auditor turnover shown is 51%, and the standard deviation is 0.503, which indicates that auditor switching in banking companies during the 2018-2024 period is balanced. Government Regulation No.20 of 2015 article 11 paragraph (1), concerning "Public Accountant Practices" explains that the provision of audit services on historical financial information of an entity by a public accountant is limited to a maximum of five consecutive financial years, while the provision of audit services by a public accounting firm is not limited. It can be seen in the sample used in this study, that there are no companies that have not changed auditors for more than four consecutive financial years.

3.1. Statistic Descriptif Analysis

Table 3. Statistic Descriptif Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Auditor Switching	70	0	1	.51	.503
Perubahan Manajemen	70	0	1	.47	.503
Ln Audit Fee	70	6.445	8.078	7.395	.393
ΔROA	70	-.430	.441	-.0008	.075
Valid N (listwise)	70				

The average value indicated by management changes is 0.47 and the standard deviation is 0.503. Signaling that about 47% of the 70 observation data experienced management changes, while the rest did not make management changes. Management change is also a dummy variable (binner), if there is a management change, it will be given a value of 1, and if there is no management change, it will be given a value of 0.

The audit fee variable is converted into natural logarithm form (Ln) with the aim of stabilizing the distribution scale of audit fees incurred by the company to normal. In table 3, the minimum value of the audit fee is 6.445 and the maximum is 8.078, the average is 7.395 with a standard deviation of 0.393. Return on assets (ROA) shown has a minimum value of -0.430 and a maximum of 0.441, with an average of -0.0008 and a standard deviation of 0.075.

3.2. Logistic Regression Analysis

Logistic regression analysis is performed in

order to determine the influence between the three factors examined, namely management changes, audit fees, and percentage changes in return on assets that affect auditor switching in banking companies listed on the Indonesia Stock Exchange (IDX). In logistic regression analysis does not require a classical assumption test because there is already an initial feasibility test of the model which is carried out by looking at the -2 Log Likelihood and Chi-Square values. A significance value that shows a number smaller than 0.05 means that the overall model is fit and better.

Table 4. Interpretation of Regresi Logistic

Iteration History [a,b,c]			
Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	96.983	0.57
	2	96.983	0.57

In table 4, when the independent variables are not included in the model: N = 70 gets a -2 Log Likelihood value of 96.982%. Degree of Freedom (DF) = N-1 = 70 - 1 = 69. The -2 Log Likelihood value in this table shows no change from the first to the second iteration, the value remains constant at 98.983. So that the Omnibus Tests of Model Coefficients test is carried out to see that the independent variables used are able to make a significant contribution to the prediction of auditor switching.

Tabel 5. Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	9.524	3	.023
	Block	9.524	3	.023
	Model	9.524	3	.023

The Omnibus Tests of Model Coefficients output shows that the significance level is 0.023 with a Chi-Square value of 9.524. This means that the three independent variables of management change, audit fee, and percentage change in ROA simultaneously make a significant contribution to auditor switching. Thus, the model is feasible to use to analyze the factors that influence auditor switching in banking companies on the Indonesia Stock Exchange for the period 2018 - 2024.

Tabel 6. Hosmer and Lemeshow test

Step	Chi-Square	df	Sig.
1	7.513	8	.482

The output shown in table 6 shows that the significance is 0.482 which means that the Hosmer and Lemeshow Goodness-of-fit test exceeds 0.05, so it can be concluded that the logistic regression model has a good and acceptable fit with the actual data.

Tabel 7. Classification Table

	Observed		Predicted		
			Auditor Switching		Percentage Correct
			0	1	
Step 1	Auditor Switching	0	17	17	50.0
		1	15	21	58.3
	Overall Percentage				54.3

The correct percentage shown in the Classification Table can be interpreted that as many as 50% of the company observation data did not make auditor changes, and 58.3% did not make auditor changes, with a total accuracy of 54.3%. This output shows that the logistic regression model has a sufficient level of accuracy in predicting auditor turnover decisions in banking companies observed in this study.

3.3. T-Testing

The partial significance test is carried out by testing each predictor variable individually. The purpose of this test is to determine the effect between the predictor variables on the response variable. The results obtained are as follows:

1. Management Change shows a negative

coefficient of 0.376 with a significance value of 0.466 which is greater than the P-value of 0.05. So it can be concluded that management changes do not have a significant effect on auditor switching.

2. The regression coefficient for audit fee is 0.047 with a significance value of 0.943 (p> 0.05). This shows that the audit fee has a positive influence on auditor switching, but the effect is not significant.
3. The delta ROA variable has a fairly high coefficient, Exp(B) of 1.22, and a significance value of 0.100 (p> 0.05). These results indicate a large potential influence on auditor switching, but do not have a significant effect on auditor turnover in banking companies sampled in this study.

Tabel 8. Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp (B)
Step 1[a]	PerubahanManajemen	-.376	.516	.531	1	.466	0.687
	Ln_AuditFee	.047	.651	.005	1	.943	1.048
	ΔROA(%)	57.767	35.163	2.699	1	.100	1.22E
	Constant	-.105	4.864	.000	1	.983	0.900

3.4. Effect of Management Change on Auditor Switching

The first hypothesis at the core of this study is the effect of management changes on auditor switching. The significance of management changes shows a value greater than 0.05 with a value of 0.347. So that management changes have no significant effect on auditor switching.

These results are in line with research conducted by (Irfan & Herliansyah, 2019), that management changes do not always go hand in hand with policy changes, so that for some cases, companies will continue to use the same auditor as the previous period even though there are management changes in the company.

3.5. Effect of Audit Fee on Auditor Switching

The audit fee variable shows a coefficient of 0.517 with a significance of 0.359. In the coefficient with a positive value, this variable indicates that there is a tendency for companies to do auditor switching if the audit fee increases. But in significance, the audit fee has no effect on auditor switching because the significance value is greater than 0.05. Thus, this hypothesis cannot be accepted.

Audit fees will not be an influence on auditor switching, because the company will continue to provide audit fees to auditors in accordance with the agreement between the two, the company will also continue to choose auditors with high professionalism with good audit quality. This research is in line with research conducted by (Safira, Indrawati, 2024), but has a difference of opinion with research conducted by (Widnyani & RM, 2018).

3.6. The Effect of Percentage Change in Return on Asset on Auditor Switching

The percentage change in return on assets has a regression coefficient of 22.921 with a significance of 0.264, proving that the percentage change in ROA also has no significant effect on auditor switching, because the significance value is greater than 0.05. This is shown in one of the banking companies in this research data. In several observation periods, PT Bank Raya Indonesia Tbk reflects a light loss of total assets owned, but fluctuations in the company's financial performance are not the cause of auditor switching. So it is concluded that this hypothesis cannot be accepted either. Similar research conducted by (Viola & Sri, 2023), which says that the percentage change in ROA has no effect on auditor switching.

4. Conclusion

4.1. Summary of Findings

This study analyzed the effect of management changes, audit fees, and percentage changes in return on assets on auditor switching in banking companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2024. Using logistic regression on 70 firm-year observations, the findings indicate that all three independent variables management changes, audit fees, and ROA percentage changes do not have a statistically significant effect on voluntary auditor switching. These results confirm that the banking industry tends to maintain auditor continuity despite internal changes in management, variations in audit fees, or fluctuations in financial performance. The findings also show that auditor switching in the banking sector is more strongly associated with regulatory requirements and long-term audit partner rotation rules rather than internal managerial or financial considerations.

4.2. Theoretical Implications

The results contribute to the audit switching literature by providing empirical evidence that challenges some prior studies suggesting that management changes, audit fees, or profitability variations significantly drive auditor transitions. In the context of highly regulated industries such as banking, agency theory and signaling theory appear to operate differently, as firms prioritize audit quality stability, regulatory compliance, and stakeholder trust over short-term internal changes. The study strengthens the argument that the determinants of auditor switching are industry-specific and are shaped by regulatory environments, risk profiles, and stakeholder expectations.

4.3. Practical Implications

For practitioners, the findings imply that banking institutions prioritize audit consistency to maintain credibility and ensure stability in financial reporting. Regulators may use this evidence to re-evaluate whether current rotation policies appropriately balance audit independence with industry-specific needs. For external auditors, the results highlight the importance of maintaining high audit quality and strong client relationships, as the decision to retain or replace auditors appears less influenced by fee levels or financial shifts. Investors and other stakeholders can also interpret auditor continuity as a signal of stability within the banking sector.

4.4. Limitations and Future Research Directions

This study has several limitations. First, the sample is limited to banking companies, which operate under strict regulations—thus limiting the generalizability of the findings to other sectors. Second, the study uses only three independent variables; other factors such as audit tenure, auditor reputation, ownership structure, corporate governance mechanisms, or financial distress were not included but may affect auditor switching decisions. Third, the study does not differentiate between mandatory and voluntary auditor switching, although regulatory requirements could significantly influence auditor changes in the banking industry.

Future research is encouraged to explore additional variables, expand the sample across multiple industries, incorporate qualitative assessments regarding auditor–client relationships, and apply comparative methods across jurisdictions with different regulatory environments. Longitudinal studies examining changes before and after regulatory reforms may also provide deeper insight into auditor switching behavior in developing capital markets.

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