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THE INFLUENCE OF LEVERAGE, FINANCIAL DISTRESS, MANAGEMENT STRATEGY AND COMPANY GROWTH ON AUDIT OPINIONS

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Abstract:

This study aims to analyze various factors that influence auditors in issuing going concern opinions on manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange. During the period 2019 to 2024. The main focus of the study is directed at five independent variables, namely Leverage, financial distress, management strategy, company growth, and company size. A quantitative approach is used in this study with the logistic regression analysis method. The research sample consists of 49 companies with a total of 294 annual observations collected from audited financial statements. Based on the analysis results, the five variables studied together are able to build a significant prediction model for the issuance of going concern opinions by auditors. Partially, management strategy, as measured by Price to Book Value (PBV), is proven to have a positive and significant influence on the likelihood of a company obtaining an auditor's going concern opinion. It is also influenced by several factors, one of which is company size, which is proven to have a significant impact on the determination process, but in a negative direction. Meanwhile, Leverage, financial distress, and company growth do not show a statistically significant influence, although they remain contextually relevant in the context of audit risk evaluation. These findings provide a significant contribution to enhancing auditors' understanding of the factors influencing business continuity. This research also offers practical implications for corporate management in improving the quality of strategic decision-making and risk management to maintain business continuity amidst complex economic dynamics.

Keywords: Audit Opinion, Leverage, Financial Distress, Management Strategy, Company Growth, Company Size

INTRODUCTION

The food and beverage manufacturing sector plays a vital role in the national economy (Marcelin & Gantino, 2022). It is supported by abundant natural resources and the growing demand for processed food products, both in domestic and global markets (Kemenperin, 2024). This sector grew by 5.19% in the fourth quarter (Q4) of 2024, up from 4.82% in the third quarter (Q3) of 2024, contributing 13.07% to the economy (BPS, 2024). Non-oil and gas processed products (including food) recorded a surplus of USD 3.2 billion in Q4 of 2024, driven by global demand and competitive export tax policies (Kemendag, 2025).

This study aims to examine the factors influencing audit opinions in the food and beverage industry. Previous research by Puspaningsi (2023) showed that leverage can have a positive impact on going concern audit opinions. However, Shakri et al. (2025) found that leverage has a negative effect on going concern audit opinions. According to Rahman et al. (2021), financial distress has a positive and significant relationship with auditors' assessments, while Matonti et al. (2024) reported that financial distress does not significantly influence the issued audit opinion. Research by Park &



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Choi (2023) found that effective management strategies can encourage auditors to issue positive going concern opinions.

On the other hand, Magri & Marchini (2024) noted that management strategy is negatively associated with audit opinion. Kim (2021) suggested that controlled growth does not pose a risk as long as it is supported by good management. Conversely, rapid company growth without a strong financial structure may threaten business continuity (Gabrielli & Greco, 2023). Larger firm size has a positive influence on business continuity (Simões & Carvalho, 2024). However, Bui & Krajcsák (2024) argued that larger-scale companies may actually have a negative impact on the sustainability of their operations.

However, this study focuses on manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) during the period 2019–2024, which differs from previous studies that examined the banking sector between 2018–2023. The selection of this subsector is due to its rapid growth. In addition, this research analyzes the factors influencing financial performance and the impact of changing consumer behavior and market trends, which have not been previously addressed.

The Relationship Between Leverage and Going Concern Audit Opinion. Financial condition is a primary concern for auditors in assessing going concern. High leverage reflects a significant dependence on debt, which can increase financial risk and influence the going concern audit opinion (Averio, 2021). High leverage has a positive relationship with auditors' assessment in determining the going concern opinion (Tang et al., 2022). It is because the higher the company's leverage, the greater the risk of failing to meet financial obligations, which may lead auditors to question the company's ability to continue operating and issue a going concern opinion (Altawalbeh, 2025). Furthermore, the leverage ratio indicates the company's ability to pay off its debts; when assets are lower than liabilities, the risk of bankruptcy increases (Cathcart et al., 2024).

H1 = Leverage has a positive influence on the audit opinion.

The Relationship Between Financial Distress and Going Concern Audit Opinion. In assessing a company's ability to continue operating, auditors place great emphasis on financial condition as a key factor. Financial distress is a critical indicator in evaluating a going concern (Elmashtawy et al., 2024). A company's financial distress significantly influences the auditor's judgment—the greater the financial distress, the higher the likelihood that the auditor will issue a going concern opinion (Brunelli et al., 2021). It is because companies experiencing financial distress tend to face uncertainty in their continuity and are at risk of failing to meet their financial obligations. Auditors must consider this risk when evaluating the fairness of the financial statements and the possibility of issuing a going concern opinion (Jamaani, 2023).

H2 = Financial distress has a positive effect on the likelihood of receiving a going concern opinion.

The Relationship Between Financial Management Strategy and Going Concern Audit Opinion. Auditors assess going concern not only based on the current financial condition but also on management's strategies in addressing financial risks. Strategies such as increasing equity reflect management's efforts to strengthen the capital structure and ensure the company's operational sustainability (Chiosea & Hategan, 2024). Financial management strategies such as issuing new shares have a positive effect on audit opinions, as they demonstrate the company's efforts to reinforce its capital and maintain a long-term going concern (Fidiana et al., 2023). These strategies indicate concrete actions taken by management to mitigate financial risk and improve short-term obligations, which increases the likelihood of auditors issuing a favorable opinion (Evdokimov & Yusoff, 2024). A decrease in the debt-to-equity ratio and an increase in long-term liabilities as a result



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of issuing new shares strengthen the auditor’s confidence that the risk of bankruptcy has declined and the company’s going concern has improved (Felicia & Lindrianasari, 2025).

H3 = Management strategy (issuing new shares) has a positive effect on the likelihood of receiving a going concern audit opinion.

The Relationship Between Company Growth and Going Concern Audit Opinion. Although company growth reflects positive performance, auditors assess whether such expansion is supported by adequate financial management and risk control to ensure business continuity (Nurhidayah et al., 2024). Company growth aimed at increasing value and sustaining operations can, in fact, have a negative impact on the audit opinion (Setyarini et al., 2023). It may occur because aggressive growth without sound financial management can place additional pressure on the company's liabilities, both short-term and long-term, potentially raising auditor doubts about the company's going concern prospects (Krisna Arum et al., 2022). Without strong internal controls and solid financing, expansion may worsen the company's financial condition and increase the likelihood of receiving a going concern audit opinion (Ponomareva, 2021). Thus, there is a significant correlation between company growth and the going concern audit opinion (Heykal et al., 2024).

H4 = Company growth has a positive influence on the going concern audit opinion.

The Relationship Between Company Size and Audit Opinion. Company size, measured by total assets, reflects operational strength and financial stability, thereby increasing auditor confidence in issuing a going concern opinion (Grosu et al., 2025). The size of a company, as indicated by its total assets, influences the going concern audit opinion. A high asset value reflects a large-scale company and strong financial position, which makes auditors more confident in the company's ability to continue operating (Syofyan & Vianti, 2021). It is because companies with larger total assets tend to have better-managed short-term obligations, more stable capital structures, and stronger resilience, leading auditors to assess a lower risk of default compared to companies with smaller assets (Saleh et al., 2025). Additionally, large-scale companies generally have better internal control systems and corporate governance, which further strengthen auditor confidence in the company's going concern (Hoai & Nguyen, 2022).

H5 = Company size has a negative effect on the likelihood of receiving a going concern audit opinion.

METHODS

This study employs a quantitative, descriptive, and explanatory approach, aiming to describe the causal relationship between independent and dependent variables in a systematic and structured manner. This research uses secondary data obtained from companies' annual financial statements available on the official website of the Indonesia Stock Exchange (IDX), as well as from official company publications. The data includes quantitative information on financial ratios and auditor data, which serve as the basis for measuring the variables in the study. The population of this study consists of 83 companies in the food and beverage processing industry sector that have been listed as issuers on the IDX during the research period from 2019 to 2024. The sampling technique used is purposive sampling, which is based on specific criteria determined by the researcher. The criteria used for sample selection are: food and beverage companies consistently listed on the IDX from 2019 to 2024; food and beverage sub-sector companies that did not undergo an Initial Public Offering (IPO) during the 2019–2024 period; companies in the food and beverage sub-sector that did not issue audited financial statements consecutively during the 2019–2024 period; companies with incomplete financial data; and companies that were delisted during the 2019–2024



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period. The research sample includes 294 data points (consisting of 49 companies over a 6-year observation period). The research was conducted from April 2025 to August 2025.

Table 1. Samples Criteria

No.	Samples Criteria	Total
1.	Food and beverage subsector companies listed on the Indonesia Stock Exchange during the 2019–2024 period.	83
2.	Food and beverage sub-sector companies that have not conducted an IPO during the 2019–2024 research period.	(28)
3.	Food and beverage sub-sector companies that have not published audited financial statements during the 2019–2024 research period.	(4)
4.	Food and beverage sub-sector companies with incomplete data during the 2019–2024 research period.	(1)
5.	Food and beverage sub-sector companies that were delisted during the 2019–2024 research period.	(1)
	Number of samples of food and beverage subsector companies	49
	Outlier Data	28
	Number of samples of food and beverage subsector companies in 6 years / from 2019 to 2024	28 x 6 = 168

RESULT AND DISCUSSION

The data testing process in this study uses Stata as the statistical testing tool, which applies programming language to perform descriptive statistical tests, logistic regression tests, coefficient of determination test (Nagelkerke R Square), regression model feasibility test, regression model test, and partial logistic regression test (z-test).

Logistic Regression Test: The logistic regression test is used to analyze the influence of leverage, financial distress, management strategy, company growth, and company size on the going concern opinion. Simultaneously, these five variables have a significant effect on the going concern opinion, as indicated by the Wald chi-square value of 15.06 with a p-value of 0.0101; thus, the model is considered valid. The model has a pseudo R² value of 0.4013 and is deemed fit based on the Hosmer–Lemeshow test (p = 0.1593). The Cragg & Uhler’s R² value of 0.456 and McKelvey & Zavoina’s R² value of 0.677 also support the model's goodness of fit.

Coefficient of Determination Test (Nagelkerke R Square): Based on the test results, the McFadden’s R² value is 0.401, Cragg & Uhler’s R² (Nagelkerke) is 0.456, McKelvey & Zavoina’s R² is 0.677, Efron’s R² is 0.408, and the Count R² is 0.964. The Cragg & Uhler’s R² (Nagelkerke) value of 0.456 indicates that the model is able to explain approximately 45.6% of the variation in the issuance of going concern opinions by auditors, which reflects a fairly good model fit. Meanwhile, McKelvey & Zavoina’s R² value of 67.7% indicates a high explanatory power, making the model highly representative in the context of logistic regression with a binary dependent variable. In addition, the Count R² value of 96.4% shows that the model has very high classification accuracy in predicting whether both companies receive a going concern opinion or not.

Regression Model Feasibility Test: The feasibility of the logistic regression model in this study was tested using the Hosmer–Lemeshow goodness-of-fit test. Based on the test results, the chi-square value was 11.82 with a probability (p-value) of 0.1593. Since the p-value is greater than 0.05, it can be concluded that there is no significant difference between the predicted probabilities of the model and the actual observed data. Thus, the logistic regression model used is considered a



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good fit for the data and is appropriate for predicting the auditor's going concern assessments of companies in the food and beverage sub-sector.

Regression Model Test (Classification and Odds Ratio): The results of the logistic regression test indicate that the level of leverage has an odds ratio of 0.267 with a p-value of 0.096, suggesting a negative influence on the auditor's assessment of going concern, although not statistically significant. Financial distress has an odds ratio of 68.16 ($p = 0.179$), also showing a positive but not significant influence. Management strategy is the only variable with a significant positive effect, with an odds ratio of 8.41 ($p = 0.013$), indicating that favorable market perceptions of management performance increase the likelihood of receiving a going concern opinion. Company size shows an odds ratio of 0.227 with a p-value of 0.006, indicating a significant negative effect. The model also demonstrates excellent classification performance with a Count R^2 value of 0.964 or an accuracy of 96.4%, reflecting a high capability in predicting the company's going concern audit opinion status.

Table 2. Partial Logistic Regression Test

Iteration 0: Log pseudolikelihood = -37.910082						
Iteration 1: Log pseudolikelihood = -31.273318						
Iteration 2: Log pseudolikelihood = -23.552315						
Iteration 3: Log pseudolikelihood = -22.726207						
Iteration 4: Log pseudolikelihood = -22.697087						
Iteration 5: Log pseudolikelihood = -22.697034						
Iteration 6: Log pseudolikelihood = -22.697034						
Logistic regression		Number of obs		= 168		
		Wald chi2(5)		= 15.06		
		Prob > chi2		=0.0101		
Log pseudolikelihood = -22.697034		Pseudo R2		=0.4013		
GC	Coefficient	Robust std. Err.	z	P> z	[95% conf. interval]	
sort z 0€R	-1.320749	.7941945	-1.66	0.096	-2.877342	.2358436
IN_GV	4.221926	3.140365	1.34	0.179	-1.933077	10.37693
P8V	2.129153	.8609803	2.47	0.013	.441663	3.816644
SQRT SG	1.409775	2.094331	0.67	0.501	-2.695038	5.514588
FS	-1.483598	.5372947	-2.76	0.006	-2.536677	-.4305202
_cons	31.64025	13.47938	2.35	0.019	5.221156	58.05935

Through Table 2. An equation can be formed as follows:

$$\text{Logit}((\text{Opini GC}) = \ln\left(\frac{p}{1-p}\right) = -31,640 - 1,321_{\text{DER}} + 4,222_{\text{GV}} + 2,129_{\text{PBV}} + 1,410_{\text{SG}} - 1,484_{\text{FS}}$$

- The constant coefficient value is -31.640 indicates that, without the contribution of the independent variables, the likelihood of a company receiving a going concern opinion is very low.
- Leverage has a coefficient of -1.321 with a p-value of 0.096, indicating a negative influence but not statistically significant.



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- c) Financial distress has a positive coefficient of 4.222 ($p = 0.179$), although not statistically significant.
- d) Management strategy shows a significant positive influence with a coefficient of 2.129 and a p-value of 0.013. This finding indicates that a favorable market perception of good management can enhance the auditor's confidence in the company's going concern.
- e) Company growth has a coefficient of 1.410 with a p-value of 0.501, which is not statistically significant and contradicts the initial hypothesis. It suggests that auditors do not consider growth alone as a sufficient indicator of going concern unless other financial factors support it.
- f) Company size presents two interpretations in the data. First, a coefficient of -1.484 ($p = 0.006$) indicates a significant negative effect, meaning large companies may be perceived as more risky due to operational complexity. However, another result shows a coefficient of 0.489 ($p = 0.101$), indicating a positive but not statistically significant effect, which aligns with the theory that large companies tend to be more resilient to economic pressures.

Partial Logistic Regression Test (Z-test). Through Table 2. The test results can be summarized as follows:

- a) The z value is -1.66 with a probability of 0.096 (>0.05); it is assumed that leverage does not contribute to going concern audit opinion, and H1 is rejected.
- b) The z value is 1.34 with a probability of 0.179 (>0.05); it is assumed that financial distress does not contribute to a going concern audit opinion, and H2 is rejected.
- c) The z value is 2.47 with a probability of 0.013 (<0.05), it is assumed that management strategy contributes positive to going concern audit opinion, and H3 is accepted.
- d) The z value is 0.67 with a probability of 0.501 (>0.05); it is assumed that company growth does not contribute to a going concern audit opinion, and H4 is rejected.
- e) The z value is -2.76 with a probability of 0.019 (<0.05), it is assumed that company size contributes negative to going concern audit opinion, and H5 is accepted.

The Effect of Leverage on Going Concern Opinion. The results of the logistic regression test in this study show that the leverage variable does not have a statistically significant effect on the going concern audit opinion. In many cases, a combination of high leverage and weakening financial ratios serves as a trigger for auditors to conduct a more in-depth going concern evaluation, including requesting additional explanations from management, testing the reasonableness of the going concern assumption, and analyzing the company's financial projections and contingency plans.

The Effect of Financial Distress on the Going Concern Opinion. The results of the logistic regression analysis in this study indicate that the financial distress variable does not have a statistically significant effect on the going concern audit opinion. In this study, financial distress is measured using a composite index derived from the Grover model, which incorporates a combination of key financial ratios, including working capital, earnings before interest and taxes (EBIT), and return on assets (ROA). These indicators respectively represent operational efficiency, the firm's capacity to generate pre-tax and pre-interest earnings, and the effectiveness in utilizing assets to generate income. The statistically insignificant influence of financial distress on the auditor's opinion suggests that, in practice, auditors do not solely rely on a single financial indicator when issuing a going concern opinion. Factors such as risk management, strategies to adapt to market changes, and operational flexibility may influence the auditor's decision in assessing going concern risks more than just historical financial ratios.



The Effect of Management Strategy on the Going Concern Opinion. The results of this study demonstrate that management strategy exerts a positive and statistically significant influence on the issuance of a going concern opinion, as evidenced by the logistic regression analysis. The Price to Book Value (PBV) ratio was employed as a proxy to represent the firm's strategic orientation, with PBV reflecting the market's assessment of management's effectiveness in utilizing corporate resources efficiently. Within the framework of agency theory, the relationship between principals (owners) and agents (managers) is not always aligned, potentially leading to conflicts of interest. These agency conflicts may impact corporate governance and, consequently, the perceived sustainability of the business. From an auditing perspective, such market-based indicators provide valuable forward-looking information that complements historical financial data in evaluating going concern risk. Professional auditors are required to consider not only the past financial performance of an entity but also prospective indicators that may signal future viability. PBV, as a market-derived measure, reflects external stakeholders' valuation of the company's performance and long-term outlook. This external validation is crucial in informing the auditor's judgment regarding the appropriateness of a going concern opinion.

The Effect of Company Growth on the Going Concern Opinion. The results of the logistic regression analysis in this study indicate that company growth does not have a statistically significant effect on the going concern audit opinion, leading to the rejection of the fourth hypothesis. Although the regression coefficient demonstrates a negative relationship, the direction of this association is not empirically robust within the context of the applied research model. It suggests that auditors do not consider the level of net income growth as a primary indicator in evaluating an entity's going concern status. This finding contradicts the prevailing view in financial literature, which often associates firm growth with market expansion, managerial efficiency, and sustained improvements in financial performance. Instead, the result supports the notion that auditors assess going concern status through a multivariate approach, considering the interrelation of broader and more fundamental financial and operational dimensions rather than relying on isolated indicators. Within the scope of this study, other variables—such as leverage, financial distress, management strategy, and company size—appear to contribute more meaningfully, in a collective manner, to the explanation of the likelihood of receiving a going concern opinion.

The Effect of Company Size on the Going Concern Opinion. The logistic regression results reveal that company size has a negative and statistically significant effect on the going concern audit opinion. This negative relationship indicates that the larger the company, the lower the likelihood of the auditor issuing a going concern opinion. In other words, as the scale of the company increases, auditors are less inclined to express doubt about its ability to continue as a going concern. Auditors generally perceive entities with greater assets and operational capacity as having a stronger ability to sustain operations in the long term. This finding is consistent with agency theory, which posits that larger firms typically possess more structured, formalized, and complex governance systems, thereby enhancing management transparency and accountability. Thus, company size is not only statistically significant in the regression model but also supported by robust theoretical and practical underpinnings. These results underscore the importance of incorporating firm scale into going concern evaluations. Auditors do not assess size in isolation, but rather in conjunction with other key indicators such as liquidity, profitability, and managerial strategy.

CONCLUSION



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This study aims to evaluate the influence of several financial and managerial indicators on the going concern audit opinion in food and beverage companies listed on the Indonesia Stock Exchange. Using a logistic regression approach, this research examines five independent variables – leverage, financial distress, managerial strategy (proxied by Price to Book Value/PBV), company growth, and firm size – both simultaneously and individually. Within the framework of agency theory, a high PBV reflects the market's positive assessment of management's ability to act in alignment with shareholders' interests through efficient resource utilization and long-term value creation. This favorable market perception of managerial performance provides auditors with a reasonable basis to assess an entity's going concern prospects. Secondly, firm size also demonstrates a negative and significant influence on the going concern opinion, indicating that the larger the scale of a company's operations, the lower the likelihood of receiving a going concern opinion from the auditor.

Meanwhile, the remaining three variables – leverage, financial distress, and company growth – do not show statistically significant effects. Nonetheless, they remain practically relevant in the auditing context. Leverage, although statistically insignificant, is still taken into account, as a high proportion of debt may place pressure on the capital structure and threaten financial stability. Financial distress, measured using the Grover model, remains important as an indicator of operational efficiency and short-term liquidity adequacy. Similarly, net income growth, if not accompanied by managerial readiness and financial reinforcement, can lead to imbalances that may increase business risk in the future. Overall, the findings of this study emphasize that the going concern audit opinion results from a multidimensional and interrelated professional assessment. Auditors do not solely rely on numerical financial data but also consider managerial capacity, organizational structure, and market perceptions regarding the entity's sustainability. Therefore, a holistic approach is essential for auditors to issue accurate, objective, and accountable opinions. For auditors, these findings reinforce the need to evaluate the interrelationships among financial and managerial indicators simultaneously when assessing going concern risks.

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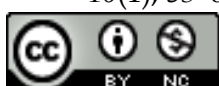


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