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Determinants of Going Concern Audit Opinions: Evidence from Textile and Garment Companies Listed on the Indonesia Stock Exchange

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The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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ABSTRACT

Purpose: This study aims to examine the effects of profitability, liquidity, firm size, debt default, and firm growth on going concern audit opinions among textile and garment manufacturing companies listed on the Indonesia Stock Exchange (IDX).

Research Design and Methodology: A quantitative approach was employed using multiple linear regression analysis with the assistance of Statistical Package for the Social Sciences (SPSS). The study utilized secondary data obtained from the annual financial reports of 18 textile and garment manufacturing firms listed on the IDX during the 2023–2025 period, resulting in 54 firm-year observations selected through purposive sampling.

Findings and Discussion: The results indicate that profitability, firm size, and firm growth have a negative and significant effect on going concern audit opinions. In contrast, debt default has a positive and significant effect on the likelihood of receiving a going concern audit opinion, while liquidity does not significantly influence the auditor's opinion. These findings suggest that financial performance and debt-related conditions are important considerations in auditors' assessments of business continuity.

Implications: The study provides practical insights for auditors, managers, and investors regarding the financial determinants of going concern audit opinions. Future research is encouraged to incorporate additional governance and macroeconomic variables and extend the observation period to enhance the generalizability of the findings.

Introduction

The going concern assumption constitutes one of the fundamental principles underlying financial reporting and auditing practices. Financial statements are prepared based on the assumption that an entity will continue its operations for the foreseeable future and will not be forced into liquidation or significant operational reductions (IAASB, 2022). Consequently, auditors are required to evaluate whether substantial doubt exists regarding an entity's ability to continue as a going concern. The issuance of a going concern audit opinion serves as an important warning signal for investors, creditors, regulators, and other stakeholders regarding potential financial distress and business sustainability risks (Geiger & Rama, 2016; Duréndez et al., 2017; Salehi et al., 2020). In an increasingly uncertain business environment characterized by economic fluctuations, supply chain disruptions, and technological transformations, the assessment of going concern status has become more critical than ever (Albitar et al., 2021; Khatib & Nour, 2021).

The relevance of going concern assessments has become increasingly evident following various corporate failures and financial crises experienced across industries worldwide. The textile and garment industry, in particular, faces substantial challenges stemming from changing consumer preferences, increasing production costs, global competition, and market volatility (Shahzad et al., 2019; Habib et al., 2023). In Indonesia, several textile and garment companies have encountered persistent financial difficulties, resulting in recurring going concern opinions from auditors. One notable example is PT Argo Pantes Tbk, which received going concern audit opinions consecutively due to continuous losses and deteriorating equity positions. Such conditions reflect significant uncertainty regarding the company's ability to sustain its operations and fulfill its financial obligations (Utami & Sasana, 2022). These phenomena highlight the necessity of understanding the determinants influencing auditors' going concern judgments.

Previous studies have identified profitability as one of the primary determinants of going concern audit opinions. Profitability reflects a company's capability to generate earnings from its operational activities and serves as an indicator of financial stability and sustainability (Amin et al., 2019; Putri & Suryani, 2020; Salehi et al., 2022). Companies with higher profitability generally demonstrate stronger financial performance and greater capacity to meet operational and financial obligations, thereby reducing the likelihood of receiving a going concern opinion (Kurnia & Mella, 2018; Kristiana & Muharam, 2021). Conversely, persistent losses may indicate financial distress and increase auditors' concerns regarding business continuity (Hapsari et al., 2020; Widyastuti & Pramono, 2023).

Liquidity has also received considerable attention in the going concern literature. Liquidity represents an entity's ability to meet short-term obligations using available current assets (Kimberly & Kurniawan, 2021). A strong liquidity position may reduce the probability of financial distress and signal an organization's capability to maintain operational continuity (Almilia & Kristijadi, 2019; Setiawan et al., 2022). However, empirical findings remain inconclusive. Several studies reported that liquidity significantly influences going concern opinions (Rahman & Ahmad, 2018; Sari et al., 2021), while others found no significant relationship between liquidity and auditors' going concern judgments (Nugroho & Prasetyo, 2020; Hidayat et al., 2024). These inconsistencies indicate the need for further investigation.

Firm size is another important factor frequently associated with going concern assessments. Larger firms generally possess greater resources, diversified business operations, stronger market positions, and better access to external financing compared to smaller firms (Elisa & Riduwan, 2021; Alzoubi, 2018; Gerged et al., 2021). Consequently, large firms are often perceived as more capable of overcoming financial difficulties and maintaining operational sustainability (Laitinen & Suvas, 2016; Salehi et al., 2019). Nevertheless, recent evidence suggests that firm size alone may not guarantee business continuity, particularly under conditions of economic uncertainty and industry disruption (Tanjung et al., 2022; Habib et al., 2023).

Debt default represents one of the strongest indicators of financial distress and is frequently considered by auditors when evaluating going concern uncertainty. According to auditing standards, a company's failure to meet debt obligations may signal severe liquidity constraints and increase the likelihood of business failure (IAASB, 2022). Prior studies consistently demonstrate that debt default significantly increases the probability of receiving a going concern audit opinion (Mutchler et al., 2017; Salehi et al., 2020; Kristanti et al., 2021; Khamisah et al., 2023). Companies experiencing debt covenant violations or loan repayment difficulties are generally perceived as having higher financial risk, thereby attracting greater scrutiny from auditors and creditors.

In addition to financial performance indicators, firm growth has emerged as a relevant determinant of going concern assessments. Firm growth reflects management effectiveness in expanding operations, increasing sales, and generating future economic benefits (Djoko & Yanti, 2019; Prasetyo et al., 2021). Positive growth signals improved competitiveness and stronger future prospects, reducing concerns regarding business continuity (Ariyanto & Nurhidayah, 2020; Chen et al., 2022). Conversely, declining growth may indicate operational inefficiencies, shrinking market share, and heightened business risks that could ultimately influence auditors' judgments regarding going concern status (Habib et al., 2023; Salehi et al., 2024).

Despite extensive research on going concern audit opinions, several gaps remain in the existing literature. First, prior studies have predominantly examined profitability, liquidity, firm size, debt default, and firm growth separately, resulting in fragmented findings and inconsistent conclusions (Rahman & Ahmad, 2018; Elisa & Riduwan, 2021; Setiawan et al., 2022). Second, limited studies have simultaneously integrated these variables within a single comprehensive framework, particularly within Indonesia's textile and garment industry, which faces unique operational and financial challenges. Third, recent economic uncertainties have altered the dynamics of financial sustainability, requiring updated empirical evidence regarding the determinants of going concern opinions. Therefore, this study aims to examine the simultaneous effects of profitability, liquidity, firm size, debt default, and firm growth on going concern audit opinions among textile and garment manufacturing companies listed on the Indonesia Stock Exchange. By employing a comprehensive approach, this study contributes to the auditing literature by providing a more integrated understanding of factors influencing auditors' going concern judgments while offering practical implications for auditors, managers, investors, and policymakers.

Literature Review

Agency Theory

Agency Theory explains the contractual relationship between shareholders (principals) and managers (agents), where managers are entrusted with decision-making authority to maximize firm value on behalf of shareholders. However, information asymmetry between principals and agents may create agency conflicts, leading managers to engage in opportunistic behavior that does not necessarily align with shareholders' interests (Buertey et al., 2020; Naciti et al., 2022). Such conflicts become increasingly relevant when companies experience financial difficulties because managers may attempt to conceal deteriorating financial conditions to preserve their reputation or compensation schemes (Zimon et al., 2021).

In the context of going concern assessment, agency theory provides a theoretical foundation for understanding why auditors play a critical monitoring role. Independent auditors reduce information asymmetry by evaluating whether financial statements fairly represent the company's financial condition and whether substantial doubt exists regarding its ability to continue operations (Velte, 2023; Albitar et al., 2021). Financial indicators such as profitability, liquidity, debt default, firm size, and firm growth serve as observable signals that help auditors assess business sustainability and mitigate agency problems. Therefore, the issuance of a going concern audit opinion can be viewed as a governance mechanism designed to protect stakeholders from misleading financial information and managerial opportunism (Salehi et al., 2022; Habib et al., 2023).

Going Concern Audit Opinion

A going concern audit opinion reflects an auditor's assessment regarding whether a company can continue its operations for the foreseeable future, generally at least twelve months after the reporting date (IAASB, 2022). The evaluation process requires auditors to consider financial, operational, and strategic risks that may threaten business continuity. Recent studies emphasize that going concern opinions provide valuable warning signals to investors and creditors regarding potential bankruptcy, financial distress, and operational uncertainty (Sundgren & Svanström, 2023; Salehi et al., 2024).

The issuance of a going concern opinion is strongly associated with a firm's financial condition. Companies experiencing persistent losses, liquidity constraints, debt covenant violations, and declining growth prospects are more likely to receive such opinions (Habib et al., 2023; Khamisah et al., 2023). Consequently, profitability, liquidity, firm size, debt default, and firm growth are frequently used as key indicators in evaluating going concern uncertainty because they collectively reflect a firm's capacity to generate cash flows, meet obligations, and sustain future operations.

Profitability

Profitability represents a company's ability to generate earnings from its assets and operational activities. It is commonly measured using Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) (Alarussi, 2021; Salehi et al., 2022). High profitability indicates efficient resource utilization and strong financial performance, enabling firms to finance operations internally and reduce dependence on external financing.

The relationship between profitability and going concern opinion is theoretically grounded in signaling theory and agency theory. Firms with strong profitability signal financial stability and lower bankruptcy risk, thereby reducing auditors' concerns regarding business continuity (Habib et al., 2023). Moreover, profitability is closely linked to liquidity and growth because profitable firms typically generate higher operating cash flows that support both short-term obligations and future expansion (Naciti et al., 2022; Salehi et al., 2024). Consequently, companies with higher profitability are generally less likely to receive a going concern audit opinion.

Liquidity

Liquidity refers to a firm's ability to meet short-term obligations using its current assets and available cash resources (Alarussi & Alhaderi, 2018). In an environment characterized by economic uncertainty and volatile markets, liquidity becomes a crucial determinant of financial resilience and operational sustainability (Zimon et al., 2021).

From a going concern perspective, liquidity directly influences a company's ability to maintain daily operations and avoid financial distress. Companies with inadequate liquidity may face difficulties in paying suppliers, employees, and creditors, increasing the likelihood of operational disruption and financial failure (Hategan et al., 2022). Furthermore, liquidity is strongly associated with profitability and debt default. Weak profitability often results in poor cash generation, while prolonged liquidity shortages may eventually trigger debt default events (Salehi et al., 2022; Sundgren & Svanström, 2023).

Firm Size

Firm size reflects the scale of a company's operations and resources and is commonly measured using the natural logarithm of total assets (Dang et al., 2018). Larger firms generally possess more diversified business activities, broader customer bases, stronger financing capabilities, and greater resilience against economic shocks (Gerged et al., 2021).

The relationship between firm size and going concern opinions can be explained through resource-based and agency perspectives. Large firms often enjoy better access to external capital markets, enabling them to manage liquidity constraints and financial distress more effectively than smaller firms (Alzoubi, 2018; Habib et al., 2023). In addition, larger firms tend to have more sophisticated governance systems and internal controls, reducing information asymmetry and enhancing financial transparency. As a result, auditors may perceive larger firms as having lower going concern risk.

Debt Default

Debt default occurs when a company fails to meet principal or interest payment obligations according to contractual agreements (Putri & Helmayunita, 2021). It is widely recognized as one of the strongest indicators of financial distress because it directly signals a firm's inability to fulfill creditor commitments (Khamisah et al., 2023).

Debt default is closely interconnected with profitability, liquidity, and firm growth. Declining profitability reduces internal cash generation, weak liquidity impairs debt servicing capacity, and limited growth opportunities constrain future cash inflows. These conditions collectively increase the likelihood of debt default and, consequently, the probability of receiving a going concern opinion (Salehi et al., 2020; Rastogi & Kumar, 2024). Therefore, auditors frequently consider debt default as a critical warning signal when evaluating business continuity.

Firm Growth

Firm growth reflects a company's ability to expand its operations, sales, assets, and market position over time (Belitski et al., 2023). Sustainable growth indicates successful strategic management, market competitiveness, and future economic potential, all of which contribute positively to long-term business sustainability.

Firm growth is inherently linked to profitability and liquidity. Growing firms tend to generate higher revenues and stronger cash flows, improving both operational performance and financial flexibility (Kweh et al., 2024). Conversely, declining growth may indicate weakening market demand, reduced competitiveness, and heightened business risk. Auditors often interpret sustained growth as evidence of future viability, reducing concerns regarding going concern uncertainty (Coad & Srhoj, 2023; Salehi et al., 2024). Therefore, firms demonstrating strong growth prospects are generally less likely to receive a going concern audit opinion.

Research Design and Methodology

This study employed a quantitative research design with a causal approach to examine the effects of profitability, liquidity, firm size, debt default, and firm growth on going concern audit opinions among textile and garment manufacturing companies listed on the Indonesia Stock Exchange (IDX).

The causal approach was selected because the study aims to investigate the cause-and-effect relationships between the independent variables and the likelihood of receiving a going concern audit opinion.

The population consisted of all textile and garment manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. The sample comprised 54 firm-year observations obtained from 18 companies selected through a purposive sampling technique. The sampling criteria included companies that consistently published complete annual financial statements throughout the observation period and made those reports publicly available through the official IDX website or the companies' respective websites.

The study utilized secondary data collected through a documentation method. The data consisted of annual financial statements and independent auditors' reports obtained from the Indonesia Stock Exchange database and official corporate websites. A structured checklist was employed to record and classify data related to profitability, liquidity, firm size, debt default, firm growth, and going concern audit opinions.

Data analysis was conducted using multiple linear regression analysis with the assistance of the Statistical Package for the Social Sciences (SPSS). Prior to hypothesis testing, classical assumption tests were performed, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, to ensure the validity and reliability of the regression model. Furthermore, partial (t-test) and simultaneous (F-test) hypothesis testing were conducted to evaluate the significance of the relationships between the independent variables and going concern audit opinions.

Findings and Discussion

Finding

Hasil Uji Statistik Deskriptif

Berdasarkan hasil statistik deskriptif diperoleh sebanyak 54 data observasi yang berasal dari hasil perkalian antara periode penelitian yaitu selama 3 tahun dari tahun 2023 – 2025 dengan jumlah perusahaan sampel yaitu sebanyak 18 perusahaaan.

Tabel 1. Analisis Statistik Deskriptif

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	54	.7600	26.8900	8.864259	6.9628062
Likuiditas	54	.3805	303.2819	9.023667	40.8872424
Ukuran Perusahaan	54	15.2536	30.9155	27.276730	3.4079091
Debt Default	54	0	1	.13	.339
Pertumbuhan Perusahaan	54	.0179	3.9353	1.430055	.9450086
Opini Audit Going Concern	54	0	1	.81	.392
Valid N (listwise)	54				

Sumber : Data diolah, 2025

Descriptive Statistics Analysis

Table 1 presents the descriptive statistics of the variables examined in this study based on 54 firm-year observations of textile and garment manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period.

Profitability (X1) has a minimum value of 0.7600 and a maximum value of 26.8900, with an average value of 8.864259 and a standard deviation of 6.9628062. The results indicate that the sampled companies exhibit varying levels of profitability, although the average profitability remains relatively stable during the observation period.

Liquidity (X2) records a minimum value of 0.3805 and a maximum value of 303.2819. The mean value is 9.023667 with a standard deviation of 40.8872424. The relatively high standard deviation compared to the mean suggests substantial variation in liquidity conditions among the sampled firms.

Firm Size (X3) has a minimum value of 15.2536 and a maximum value of 30.9155, with a mean value of 27.276730 and a standard deviation of 3.4079091. These findings indicate that the sample consists of firms with different operational scales and asset structures.

Debt Default (X4), measured as a dummy variable, ranges from 0 to 1, with an average value of 0.13 and a standard deviation of 0.339. This result suggests that approximately 13% of the observations experienced debt default conditions during the study period.

Firm Growth (X5) shows a minimum value of 0.0179 and a maximum value of 3.9353. The average growth rate is 1.430055 with a standard deviation of 0.9450086, indicating that most companies experienced positive growth, although growth performance varied considerably across firms.

Going Concern Audit Opinion (Y), also measured as a dummy variable, has a minimum value of 0 and a maximum value of 1. The mean value of 0.81 and standard deviation of 0.392 indicate that the majority of observations were classified in the category represented by the value of 1. The interpretation of this result depends on the coding scheme used for the going concern audit opinion variable.

Hasil Uji Asumsi Klasik

1) Hasil Uji Normalitas

Tabel 2. Uji Normalitas

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			54
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.26125704
Most Extreme Differences	Absolute		.095
	Positive		.095
	Negative		-.080
Test Statistic			.095
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.259
	99% Confidence Interval	Lower Bound	.248
		Upper Bound	.270

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Sumber : Data diolah, 2025

Normality Test

The normality test was conducted to determine whether the residuals of the regression model were normally distributed. A normal distribution of residuals is one of the important assumptions in multiple regression analysis because it ensures the validity of statistical inference. The test was performed using the One-Sample Kolmogorov–Smirnov test. As presented in Table 2, the significance value was 0.200, which is greater than the significance threshold of 0.05. Therefore, the residuals are normally distributed, indicating that the regression model satisfies the normality assumption and is appropriate for further analysis.

Multicollinearity Test

The multicollinearity test aims to identify whether a high correlation exists among the independent variables included in the regression model. Multicollinearity can distort the estimation of regression coefficients and reduce the reliability of statistical results. This study assessed multicollinearity using the Tolerance and Variance Inflation Factor (VIF) values. A regression model is considered free from multicollinearity when the tolerance value exceeds 0.10 and the VIF value is below 10. The test results indicate that all independent variables meet these criteria, suggesting that no multicollinearity problem exists in the regression model.

Autocorrelation Test

The autocorrelation test was performed to examine whether the residuals are correlated across observations. The Durbin–Watson (DW) statistic was employed to detect the presence of autocorrelation. The analysis produced a DW value of 1.988. Since this value lies between the upper limit (du) and the value of (4 – du), the regression model does not exhibit autocorrelation. Therefore, the residuals are independent across observations, and the regression model can be considered statistically reliable for hypothesis testing.

Heteroscedasticity Test

The heteroscedasticity test was conducted to determine whether the variance of residuals remains constant across all levels of the predicted values. A good regression model should exhibit homoscedasticity, meaning that the residual variance is stable. The test was assessed using a scatterplot of standardized residuals against standardized predicted values. The scatterplot shows that the residuals are randomly distributed above and below the zero line without forming a clear pattern. These results indicate the absence of heteroscedasticity, suggesting that the regression model fulfills the homoscedasticity assumption and is suitable for further analysis.

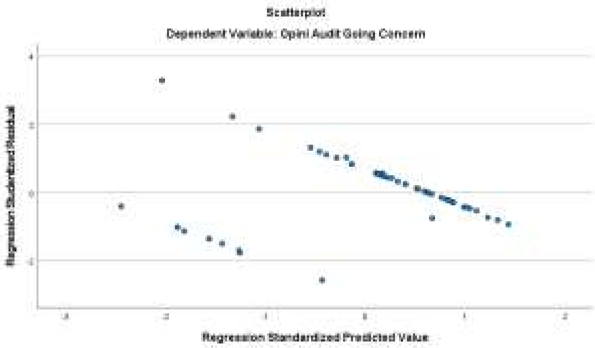

Figure 1. Heteroskedasticity Test

Source: Data processed by the authors, 2025.

Heteroscedasticity Test Results

Based on Figure 1, the scatterplot indicates that the residual values are randomly distributed above and below the zero line on the Y-axis and do not form any specific pattern, such as a funnel shape, wave pattern, or systematic clustering. The random distribution of the residuals suggests that the variance of the error terms remains constant across all levels of the predicted values.

Therefore, it can be concluded that the regression model does not suffer from heteroscedasticity. This finding indicates that the homoscedasticity assumption has been satisfied, implying that the regression model is appropriate for further analysis. Consequently, the model can be reliably used to examine the effects of profitability, liquidity, firm size, debt default, and firm growth on going concern audit opinions among textile and garment manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 period.

The absence of heteroscedasticity further suggests that the estimated regression coefficients are unbiased and efficient, thereby enhancing the reliability and validity of the hypothesis testing results.

Multiple Linear Regression Analysis

After conducting the classical assumption tests and confirming that the regression model satisfies all required assumptions, the next step is to perform multiple linear regression analysis. Multiple linear regression is employed to examine the effect of profitability, liquidity, firm size, debt default, and firm growth on going concern audit opinions among textile and garment manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 period.

This analysis aims to determine both the direction and magnitude of the relationship between the independent variables and the dependent variable. Furthermore, multiple linear regression enables the assessment of the individual contribution of each explanatory variable while controlling for the influence of the others. The estimated regression coefficients indicate whether each independent variable has a positive or negative effect on the likelihood of receiving a going concern audit opinion.

The regression model used in this study can be expressed as follows:

$$GC = \alpha + \beta_1 PROF + \beta_2 LIQ + \beta_3 FSIZE + \beta_4 DD + \beta_5 FG + \varepsilon$$

Where:

GC *= Going Concern Audit Opinion*
α *= Constant*
β_1–β_5 *= Regression coefficients*
PROF *= Profitability*
LIQ *= Liquidity*
FSIZE *= Firm Size*
DD *= Debt Default*
FG *= Firm Growth*
ε *= Error term*

The regression results are subsequently analyzed through the coefficient of determination (R^2), partial significance tests (t-tests), and simultaneous significance tests (F-tests) to evaluate the explanatory power of the model and to test the proposed research hypotheses.

Tabel 3. Model Persamaan Regresi

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.936	.312		6.208	.000
	Profitabilitas	-.029	.006	-.517	-5.296	.000
	Likuiditas	.000	.001	-.022	-.230	.819
	Ukuran Perusahaan	-.024	.011	-.208	-2.137	.038
	Debt Default	.329	.114	.285	2.897	.006
	Pertumbuhan Perusahaan	-.175	.041	-.423	-4.321	.000

a. Dependent Variable: Opini Audit Going Concern

Source: Data processed by the authors, 2025

Multiple Linear Regression Results

Based on the regression results presented in Table X, the multiple linear regression equation can be formulated as follows:

$$GC = 1.936 - 0.029PROF - 0.000LIQ - 0.024FSIZE + 0.329DD - 0.175FG$$

where:
GC = Going Concern Audit Opinion
PROF = Profitability
LIQ = Liquidity
FSIZE = Firm Size
DD = Debt Default
FG = Firm Growth

The regression equation indicates that profitability, liquidity, firm size, and firm growth have negative coefficients, suggesting that increases in these variables tend to reduce the likelihood of receiving a going concern audit opinion. In contrast, debt default has a positive coefficient, indicating that firms experiencing debt default are more likely to receive a going concern audit opinion.

Hypothesis Testing Results

The significance of each independent variable was examined using the t-test to determine its partial effect on going concern audit opinions.

Effect of Profitability on Going Concern Audit Opinion

The profitability variable exhibits a significance value of 0.000, which is below the 0.05 significance threshold. The t-statistic value of -5.296 indicates a negative relationship between profitability and going concern audit opinions. Therefore, H1 is accepted, suggesting that profitability has a negative and significant effect on going concern audit opinions. This finding implies that firms with higher profitability are less likely to receive a going concern audit opinion because strong earnings performance reflects better financial health and business sustainability.

Effect of Liquidity on Going Concern Audit Opinion

The liquidity variable has a significance value of 0.819, which exceeds the 0.05 significance level. The t-statistic value of -0.230 indicates a negative but statistically insignificant relationship. Therefore, H2 is rejected, indicating that liquidity does not significantly affect going concern audit opinions. This result suggests that liquidity alone may not be a primary consideration for auditors when assessing a firm's ability to continue as a going concern.

Effect of Firm Size on Going Concern Audit Opinion

Firm size records a significance value of 0.038, which is below 0.05. The t-statistic value of -2.137 indicates a negative relationship between firm size and going concern audit opinions. Therefore, H3 is accepted, indicating that firm size has a negative and significant effect on going concern audit opinions. Larger firms tend to have greater access to financial resources, stronger market positions, and more diversified operations, thereby reducing concerns regarding business continuity.

Effect of Debt Default on Going Concern Audit Opinion

The debt default variable has a significance value of 0.006, which is lower than the 0.05 significance level. The t-statistic value of 2.897 indicates a positive relationship between debt default and going concern audit opinions. Therefore, H4 is accepted, indicating that debt default has a positive and significant effect on going concern audit opinions. This finding suggests that firms experiencing difficulties in meeting debt obligations are more likely to receive a going concern audit opinion because debt default signals heightened financial distress and uncertainty regarding future operations.

Effect of Firm Growth on Going Concern Audit Opinion

The firm growth variable exhibits a significance value of 0.000, which is below the 0.05 threshold. The t-statistic value of -4.321 indicates a negative relationship between firm growth and going concern audit opinions. Therefore, H5 is accepted, indicating that firm growth has a negative and significant effect on going concern audit opinions. Firms with stronger growth prospects are generally perceived as having better future performance and greater capacity to sustain their operations, thereby reducing the likelihood of receiving a going concern audit opinion.

Coefficient of Determination (R^2) Test Results

The coefficient of determination (R^2) test is used to measure the extent to which the independent variables explain variations in the dependent variable. In this study, the coefficient of determination evaluates the ability of profitability, liquidity, firm size, debt default, and firm growth to explain variations in going concern audit opinions among textile and garment manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 period.

The R^2 value indicates the proportion of variance in the dependent variable that can be explained by the independent variables included in the regression model. A higher R^2 value suggests that the model has stronger explanatory power, whereas a lower R^2 value indicates that a substantial portion of the variation in the dependent variable is influenced by factors outside the model.

Furthermore, the Adjusted R^2 value is commonly used to provide a more accurate assessment of the model's explanatory power because it adjusts for the number of independent variables included in the regression equation. Therefore, the coefficient of determination serves as an important indicator in evaluating the overall goodness-of-fit of the regression model and the extent to which profitability, liquidity, firm size, debt default, and firm growth collectively explain variations in going concern audit opinions.

Tabel 4. Hasil Uji R2 Determinasi

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.746[a]	.556	.510	.275	1.988

a. Predictors: (Constant), Pertumbuhan Perusahaan, Ukuran Perusahaan, Likuiditas, Profitabilitas, *Debt Default*

b. Dependent Variable: Opini Audit Going Concern

Sumber : Data diolah, 2025

Coefficient of Determination (R^2) Test Results

Table 4 presents the results of the coefficient of determination (R^2) test. The correlation coefficient (R) is 0.746, indicating a strong relationship between the independent variables and the dependent variable. This finding suggests that profitability, liquidity, firm size, debt default, and firm growth collectively have a substantial association with going concern audit opinions.

The coefficient of determination (R Square) is 0.556, indicating that 55.6% of the variation in going concern audit opinions can be explained by profitability, liquidity, firm size, debt default, and firm growth. The remaining 44.4% is attributable to other factors not included in the regression model.

Furthermore, the Adjusted R Square value is 0.510, indicating that after adjusting for the number of explanatory variables included in the model, approximately 51.0% of the variation in going concern audit opinions can be explained by the independent variables. This result demonstrates that the model has moderate explanatory power, while the remaining 49.0% may be influenced by other factors such as audit quality, audit tenure, financial distress, corporate governance mechanisms, auditor reputation, and other firm-specific characteristics not examined in this study.

1) Uji F

Tabel 5. Hasil Uji F

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	4.531	5	.906	12.023	.000[b]
	Residual	3.618	48	.075		
	Total	8.148	53			

a. Dependent Variable: Opini Audit Going Concern
b. Predictors: (Constant), Pertumbuhan Perusahaan, Ukuran Perusahaan, Likuiditas, Profitabilitas, Debt Default

Simultaneous Significance Test (F-Test) Results

Table 5 presents the results of the simultaneous significance test (F-test). The analysis shows a significance value of 0.000, which is lower than the 0.05 significance threshold. Therefore, the regression model is statistically significant, indicating that the independent variables collectively influence the dependent variable.

This finding demonstrates that profitability, liquidity, firm size, debt default, and firm growth simultaneously have a significant effect on going concern audit opinions among textile and garment manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 period. Accordingly, the proposed regression model is considered appropriate for explaining variations in going concern audit opinions.

The results further suggest that the combined influence of financial performance, financial condition, company characteristics, debt repayment capability, and growth prospects plays an important role in auditors' assessments of a company's ability to continue as a going concern. Therefore, the simultaneous effect supports the argument that going concern audit opinions are not determined by a single factor but rather by the interaction of multiple financial and operational indicators.

Discussion

Effect of Profitability on Going Concern Audit Opinion

The findings indicate that profitability has a negative and significant effect on going concern audit opinions. This result suggests that firms with higher profitability are less likely to receive a going concern audit opinion, whereas firms experiencing low profitability face a greater probability of receiving such opinions. Profitability reflects a firm's ability to generate earnings from its operational activities and serves as a key indicator of financial sustainability. Companies that consistently generate profits demonstrate stronger cash flow generation, enhanced debt-servicing capacity, and greater resilience to economic uncertainty, thereby reducing auditors' concerns regarding business continuity (Alarussi, 2021; Salehi et al., 2022; Habib et al., 2023; Naciti et al., 2022; Sundgren & Svanström, 2023).

From the perspective of Agency Theory, profitability serves as a credible signal that management has effectively utilized corporate resources to maximize shareholder value. High profitability reduces information asymmetry between managers and stakeholders, thereby strengthening investor and creditor confidence in the firm's future viability (Buertey et al., 2020; Zimon et al., 2021; Velte, 2023). Consequently, auditors perceive profitable firms as having lower going concern risk. This finding is consistent with prior studies conducted by Salehi et al. (2022), Habib et al. (2023), Khamisah et al. (2023), and Widyastuti and Pramono (2023), which concluded that profitability significantly reduces the likelihood of receiving a going concern audit opinion.

Effect of Liquidity on Going Concern Audit Opinion

The results reveal that liquidity does not significantly affect going concern audit opinions. This finding indicates that a firm's ability to meet short-term obligations is not necessarily a decisive factor in auditors' going concern assessments. Although liquidity is commonly viewed as a measure of short-term financial health, auditors tend to place greater emphasis on indicators that reflect long-term sustainability, including profitability, debt repayment capability, operational performance, and growth prospects (Albitar et al., 2021; Hategan et al., 2022; Sundgren & Svanström, 2023).

Agency Theory suggests that stakeholders evaluate management performance using comprehensive indicators rather than relying solely on current liquidity positions. A company may possess adequate liquidity while simultaneously experiencing declining profitability, debt covenant violations, or deteriorating market performance. Under such circumstances, auditors may still question the entity's ability to continue as a going concern. This finding aligns with studies conducted by Nugroho and Prasetyo (2020), Zaelani and Amrulloh (2021), Setiawan et al. (2022), and Hidayat et al. (2024), which reported that liquidity does not significantly influence going concern audit opinions.

Effect of Firm Size on Going Concern Audit Opinion

The study finds that firm size has a negative and significant effect on going concern audit opinions. Larger firms are less likely to receive going concern opinions because they generally possess more diversified operations, stronger financial resources, greater market power, and easier access to external financing. These characteristics enhance organizational resilience and reduce the probability of business failure (Gerged et al., 2021; Alzoubi, 2018; Habib et al., 2023; Salehi et al., 2024).

From an agency perspective, larger firms typically implement more sophisticated governance mechanisms, internal controls, and monitoring systems that reduce information asymmetry and improve transparency. Consequently, auditors perceive large firms as having lower operational and financial risks. This result is consistent with the findings of Elisa and Riduwan (2021), Gerged et al. (2021), Tanjung et al. (2022), and Habib et al. (2023), who reported that firm size reduces the likelihood of receiving a going concern audit opinion.

Effect of Debt Default on Going Concern Audit Opinion

The findings demonstrate that debt default has a positive and significant effect on going concern audit opinions. Companies experiencing debt default are significantly more likely to receive going concern opinions because default events signal severe financial distress and indicate a firm's inability to meet contractual obligations to creditors. Such conditions increase uncertainty regarding future cash flows and business continuity (Salehi et al., 2020; Khamisah et al., 2023; Rastogi & Kumar, 2024; Habib et al., 2023).

Agency Theory explains this relationship through the monitoring role of auditors in protecting the interests of principals. Debt default represents a strong warning signal that management may be unable to effectively manage corporate resources and financial commitments. As independent monitors, auditors respond by issuing going concern opinions to alert stakeholders regarding heightened financial risk (Velte, 2023; Albitar et al., 2021). These findings corroborate previous evidence reported by Oktaviani and Challen (2020), Agustina (2020), Kristanti et al. (2021), Khamisah et al. (2023), and Salehi et al. (2024).

Effect of Firm Growth on Going Concern Audit Opinion

The results indicate that firm growth negatively and significantly affects going concern audit opinions. Firms demonstrating higher growth rates are less likely to receive going concern opinions because growth reflects strong market performance, operational effectiveness, and future business prospects. Sustained growth enables firms to generate higher revenues, improve profitability, strengthen cash flows, and attract external financing, all of which contribute to business sustainability (Belitski et al., 2023; Kweh et al., 2024; Coad & Srhoj, 2023).

Within the framework of Agency Theory, firm growth signals management's success in creating value for shareholders and expanding the company's economic potential. Positive growth strengthens stakeholder confidence and reduces uncertainty regarding future performance. Consequently, auditors are less likely to issue going concern opinions to firms exhibiting strong growth trajectories. This finding is supported by recent studies conducted by Belitski et al. (2023), Coad and Srhoj (2023), Kweh et al. (2024), Salehi et al. (2024), and Habib et al. (2023), which found that growth-oriented firms generally face lower going concern risk.

Conclusion

This study aimed to examine the effects of profitability, liquidity, firm size, debt default, and firm growth on going concern audit opinions among textile and garment manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 period. Using a quantitative approach, the study analyzed 54 firm-year observations from 18 companies selected through purposive sampling. Multiple linear regression analysis was employed with the assistance of Statistical Package for the Social Sciences (SPSS) software. The findings reveal that profitability, firm size, and firm growth have negative and significant effects on going concern audit opinions. These results indicate that firms with stronger profitability, larger organizational scale, and higher growth prospects are less likely to receive a going concern audit opinion. In contrast, debt default has a positive and significant effect on going concern audit opinions, suggesting that firms experiencing difficulties in fulfilling debt obligations face a greater likelihood of receiving a going concern opinion. Meanwhile, liquidity does not significantly affect going concern audit opinions, indicating that auditors may place greater emphasis on long-term financial sustainability and debt-related risks rather than short-term liquidity conditions alone.

This study contributes to the literature by providing empirical evidence on the determinants of going concern audit opinions within Indonesia's textile and garment manufacturing industry. The findings support Agency Theory by demonstrating that financial performance, firm characteristics, and debt repayment capability influence auditors' assessments of business continuity. From a practical perspective, the results highlight the importance of maintaining profitability, sustaining business growth, strengthening financial stability, and minimizing debt default risk to reduce the likelihood of receiving a going concern audit opinion. These findings may assist auditors, managers, investors, and creditors in evaluating factors associated with business sustainability and financial risk.

Despite its contributions, this study has several limitations. First, the sample is restricted to textile and garment manufacturing companies listed on the Indonesia Stock Exchange, limiting the generalizability of the findings to other sectors. Second, the study relies exclusively on secondary data derived from annual financial statements and auditor reports, which may not fully capture qualitative factors affecting going concern assessments. Future research is encouraged to extend the observation period, include broader industry sectors, and incorporate additional variables such as audit quality, auditor tenure, corporate governance mechanisms, financial distress, ownership structure, and ESG-related factors. Furthermore, future studies may employ alternative analytical techniques, such as logistic regression or panel data analysis, to provide a more comprehensive understanding of the determinants of going concern audit opinions.

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