*(Research) Article*

# The Effect of Audit Fee, Audit Tenure, Client Firm Size, and Financial Distress on Auditor Switching in Property and Real Estate Companies

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**Abstract:** This study examines the influence of audit fee, audit tenure, client firm size, and financial distress on auditor switching among property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The research is motivated by the importance of understanding the factors that drive companies to change auditors, which may reflect managerial decision-making related to audit quality and financial credibility. A quantitative descriptive method was employed using secondary data obtained from audited annual financial reports. The sample was determined through purposive sampling, while data analysis was conducted using SPSS version 25. The findings reveal that audit fee, audit tenure, and client firm size do not have a significant effect on auditor switching. In contrast, financial distress shows a significant positive effect, indicating that companies facing financial difficulties are more likely to switch auditors as an effort to enhance the credibility of their financial statements. These results suggest that financial pressure plays a more decisive role than auditor-related attributes in influencing auditor replacement within the property and real estate sector. Overall, the study contributes to the literature on auditing and corporate governance by providing empirical evidence from emerging markets, and it offers practical insights for stakeholders regarding the dynamics of auditor–client relationships in the context of financial distress.

**Keywords:** Audit Tenure; Auditor Switching; Audt Fee; Client Firm Size; Financial Distress.

## 1. Introduction

Public companies in Indonesia are legally required to disclose audited annual financial statements, a regulation intended to ensure transparency and accountability to stakeholders (Prayoga et al., 2024). Auditors, as independent professionals licensed under the Public Accountant Law No. 5 of 2011, play a central role in examining financial statements and issuing audit opinions that reflect the fairness of a company's financial reporting. In carrying out their duties, auditors are expected to maintain independence, objectivity, and integrity in order to preserve the credibility of the audit process and foster investor trust (Mutianisa et al., 2024).

Auditor switching, defined as the mandatory or voluntary replacement of an external auditor, remains a significant issue in corporate governance. Mandatory switching is primarily driven by regulatory requirements, whereas voluntary switching may occur due to dissatisfaction with audit services, cost considerations, or changes in company strategy (Muaqilah et al., 2021; Aysah et al., 2022). In Indonesia, firms may change auditors either because of regulations requiring auditor rotation or because management decides to appoint a new auditor for strategic or operational reasons. Previous studies highlight that determinants of auditor switching often vary across industries, reflecting unique organizational and market pressures (Setyoastuti et al., 2020).

The propert y and real estate sector, one of Indonesia's key economic drivers, has experienced a notable frequency of auditor switching in recent years. Several companies voluntarily changed their auditors between two and four times during the 2019–2023 period. For example, Bekasi Fajar Industrial Estate Tbk switched auditors in 2020 and 2022, Puradelta Lestari Tbk in 2019 and 2021, and Metropolitan Kentjana Tbk in 2021 and 2023. Other firms, such as Binakarya Jaya Abadi Tbk and Natura City Developments Tbk, switched auditors three times within the same period. The most extreme case was Bekasi Asri Pemula Tbk, which replaced its auditor four times between 2019 and 2023. According to its financial reports, the company experienced severe financial distress, leading to a 50 percent decline in audit fees—from IDR 150 million to IDR 80 million—which reflected management's efforts to cut costs amid liquidity challenges. Similarly, Indonesian Paradise Property Tbk changed auditors multiple times during 2019–2023, indicating that repeated switching was often linked not only to financial difficulties but also to corporate strategies aimed at maintaining credibility in capital markets. These cases underline that auditor switching in property and real estate firms is not merely a formality but a response to both internal financial pressures and external accountability demands.

Regulatory frameworks further shape auditor switching practices. According to the Financial Services Authority Regulation (OJK Regulation No. 9/POJK.03/2023), a public company is prohibited from using the same public accountant for more than five consecutive fiscal years. This regulation aims to prevent overfamiliarity between auditors and clients and to uphold auditor independence and audit quality. Mandatory rotation is therefore positioned as a safeguard to ensure objectivity and maintain the integrity of financial reporting. Recent studies emphasize that such regulatory mechanisms are crucial in industries with complex financial structures, such as property and real estate, where long-term engagements might compromise auditor independence (Prayoga et al., 2024; Mutianisa et al., 2024).

## 2. Preliminaries or Related Work or Literature Review

### Agency Theory

Agency theory explains the relationship between principals (shareholders) and agents (managers), where conflicts may arise due to differences in objectives and information asymmetry. Shareholders expect managers to maximize firm value, while managers may act in their own interests, such as manipulating financial statements or reducing transparency. Independent auditors are therefore engaged to bridge this information gap and ensure the credibility of financial reporting (Jensen & Meckling, 1976; re-examined by Wahyuni & Dewi, 2021). According to Mutianisa et al. (2024), agency theory underpins the importance of auditor independence, where auditor switching can serve as a mechanism to maintain objectivity in cases where management–auditor relationships become too close. Similarly, Prayoga et al. (2024) emphasize that auditor switching often reflects shareholders' demand for monitoring quality to mitigate agency costs. Thus, agency theory provides the conceptual foundation to understand why companies, especially those under financial pressure, may replace auditors to signal reliability and regain investor trust.

### Auditor Switching

Auditor switching is the replacement of a company's external auditor, which may occur voluntarily (at the company's discretion) or mandatorily (due to regulation). Mandatory auditor rotation is stipulated in Indonesia by OJK Regulation No. 9/POJK.03/2023, which requires public companies to rotate audit firms after five consecutive fiscal years. Voluntary switching may arise from dissatisfaction with audit services, disputes over audit fees, or changes in company conditions (Muaqilah et al., 2021). Aysah et al. (2022) find that auditor switching in Indonesia is often associated with audit delays and reporting timeliness, while Setyoastuti et al. (2020) report that financial distress and management changes are important triggers. These findings highlight that auditor switching is not only a regulatory compliance measure but also a strategic decision influenced by economic, governance, and relational factors.

### Audit Fee

Audit fee represents the compensation paid to auditors for their professional services. It reflects the complexity of the audit engagement, auditor reputation, and the level of risk perceived by the auditor (Naili & Primasari, 2020). In agency theory, higher audit fees may indicate greater effort by auditors to detect misstatements and ensure quality, but they can also become a financial burden for clients. Several studies present mixed findings. Aysah et al. (2022) report that audit fee does not significantly affect auditor switching, while Mutianisa et al. (2024) find a positive relationship, especially when companies perceive the fee as excessive relative

to benefits. Prayoga et al. (2024) also suggest that firms experiencing declining profitability are more likely to replace auditors with those offering lower fees. Based on these arguments, the hypothesis is formulated as follows:

H1: Audit fee has a significant positive effect on auditor switching.

### Audit Tenure

Audit tenure refers to the length of engagement between an auditor and a client. Longer tenure is believed to improve auditor knowledge about the client, but it may also reduce independence due to familiarity threats. Regulatory bodies therefore impose limits on tenure to preserve objectivity (OJK Regulation No. 9/2023). Empirical studies also show varied results. Setyoastuti et al. (2020) demonstrate that longer tenure increases the likelihood of switching due to mandatory rotation. Conversely, Aysah et al. (2022) argue that tenure alone is not a determinant unless coupled with financial or managerial changes. More recently, Mutianisa et al. (2024) emphasize that tenure exceeding regulatory limits forces firms to switch auditors regardless of satisfaction with audit quality. Therefore, this study proposes the following hypothesis:

H2: Audit tenure has a significant positive effect on auditor switching.

### Client Firm Size

Client firm size, often proxied by total assets, indicates the scale and complexity of a company's operations. Larger firms tend to attract Big Four auditors due to their need for higher audit quality, while smaller firms may prefer local auditors for cost efficiency (Naili & Primasari, 2020). The measurement for client firm size is:

$$Client\ Firm\ Size = ln(Total\ Assets)$$

Several studies document different findings. Setyoastuti et al. (2020) report that firm size positively influences auditor switching, as larger firms are more likely to replace smaller audi- tors with more reputable ones. Conversely, Aysah et al. (2022) find no significant effect, sug- gesting that size does not always dictate switching behavior. Mutianisa et al. (2024) highlight that firms under pressure may still downsize to cheaper auditors despite being large. Thus, this study proposes:

H3: Client firm size has a significant positive effect on auditor switching.

### Financial Distress

Financial distress reflects a company's difficulty in meeting its financial obligations, often measured by leverage or solvency ratios. In this study, financial distress is measured using the Debt-to-Equity Ratio (DER):

$$\mathbf{DER} = \frac{Total\ Liability}{Total\ Assets}$$

Financial distress may push companies to switch auditors for two reasons: to reduce audit costs or to signal credibility to external stakeholders. Muaqilah et al. (2021) report that distressed firms are more prone to replace auditors to cut fees. Aysah et al. (2022) find no significant effect, suggesting that distress alone does not always lead to switching. In contrast, Prayoga et al. (2024) and Mutianisa et al. (2024) emphasize a significant positive effect, arguing that financially troubled firms seek auditors willing to accommodate their reporting needs. Based on this evidence, the following hypothesis is proposed:

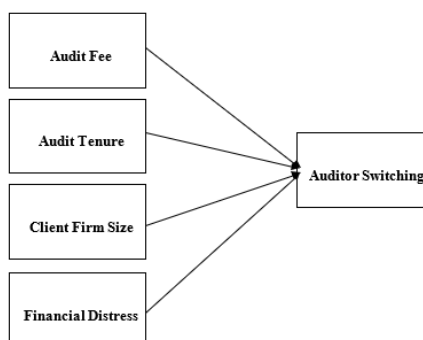H4: Financial distress has a significant positive effect on auditor switching.



**Figure 1** : Conceptual Framework

## 3. Proposed Method

This study employs a quantitative approach with descriptive and verificative methods. The quantitative approach is chosen because the research aims to examine the influence of independent variables on the dependent variable using statistical testing (Sugiyono, 2021). Descriptive analysis is used to provide a general overview of the research data characteristics, while verificative analysis is applied to test the research hypotheses regarding factors affecting auditor switching.

The type of data used is secondary data, obtained from annual financial statements and independent auditor reports of property & real estate sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. Data are collected through the official IDX website (www.idx.co.id) and the official websites of each company. The five- year observation period is selected to ensure data consistency and to reflect the current conditions of the sector.

This The population of this study consists of all property & real estate sector companies listed on the IDX during the period 2019–2023. The sampling technique used is purposive sampling, which selects samples based on specific criteria relevant to the research objectives (Etikan, 2020). The sampling criteria are as follows: (1) Property & real estate companies listed on the IDX during 2019–2023. (2) Companies that published complete annual financial statements and independent auditor reports throughout the observation period. (3) Companies that disclosed information regarding the Public Accounting Firm (KAP), audit fees, audit tenure, total assets, total equity, and total liabilities. (4) Companies that experienced at least one auditor switching during the observation period. (5) Companies not suspended from trading for more than one year during the observation period.

The collected data are analyzed using logistic regression analysis, as the dependent variable (auditor switching) is a dummy variable (1 = occurrence of auditor switching, 0 = no auditor switching). Prior to hypothesis testing, descriptive statistics, multicollinearity testing, and model feasibility testing are performed to ensure the reliability of the regression model.

**Table 1 :** Measurement of Research Variables

| No | Variable | Indicator/Measurement | Scale | References |
|---|---|---|---|---|
| 1 | Auditor Switching (Y) | Dummy variable: 1 = auditor switching occurs, 0 = no auditor switching | Nominal | Azlin & Taqwa (2023); Hossain & Bhuiyan (2021) |
| 2 | Audit Fee (X1) | Audit fee paid by the company to the external auditor, measured from annual reports | Ratio | Putra & Suryani (2022); Nguyen & Pham (2021); Nugraha & Wulandari (2023) |
| 3 | Audit Tenure (X2) | Length of auditor–client relation-ship, measured by the number of consecutive years | Interval | Loviera & Akhsani (2023); Dewi & Ratnadi (2021); Susanti (2020) |
| 4 | Client Firm Size (X3) | Measured as Ln (Total Assets of the company) | Ratio | Sari & Pratama (2021); Nugroho & Dwi (2022); Rahmawati & Gunawan (2023) |
| 5 | Financial Distress (X4) | Debt to Equity Ratio (DER) = To-tal Liabilities / Total Equity | Ratio | Darmayanti et al. (2021); Hidayat & Rachmawati (2020); Hossain & Bhui- yan (2022); Widjaja & Nugroho (2023) |

Source: Processed by the author (2025)

## 4. Results and Discussion

The object of this study comprises one dependent variable, namely auditor switching, and four independent variables: audit fee, audit tenure, client firm size, and financial distress. The data are secondary in nature, obtained from annual financial reports, independent auditor reports, and other publicly available information of property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period. Data processing was initially conducted using Microsoft Excel for entry, classification, and preliminary organization, including the preparation of tables and graphs to provide an overview of the dataset. Subsequently, advanced statistical analyses were performed using SPSS version 25, which included descriptive statistics, multicollinearity tests, and logistic regression analysis, in order to examine both the characteristics of the research variables and to test the hypotheses formulated in this study.this section, the author needs to explain the hardware and software used, dataset sources, initial data analysis, results, and results analysis/discussion. Presenting the results with pictures, graphs and tables is highly recommended. Formulas or evaluation measuring tools also need to be included here.

There must be discussion/analysis, and you can't just rewrite the results in sentence form, but you need to provide an explanation of their relationship to the initial hypothesis. In addition, this section needs to discuss and elaborate on important findings.

**Statistik Deskriptif**

**Table 2 :** Results of Descriptive Statistics Test

Source: IBM SPSS Statistics 25 Output

| Descriptive Statistics | | | | | |
|---|---|---|---|---|---|
| | N | Min. | Max. | Mean | Std. Deviation |
| **X1_AF** | 201 | 12.04 | 19 | 15.24 | 1.61 |
| **X2_AT** | 201 | 1 | 5 | 2.62 | 1.39 |
| **X3_CFZ** | 201 | 16.9 | 24.9 | 22.02 | 1.60 |
| **X4_FD** | 201 | -1.43 | 14.37 | 2.36 | 2.65 |
| **Y_AS** | 201 | 0 | 1 | 0.48 | 0.50 |
| **Valid N (listwise)** | 201 | | | | |

Based on Table 2, the descriptive statistical analysis shows that the audit fee variable has a minimum value of 12.04, a maximum value of 19, with a mean of 15.24 and a standard deviation of 1.61. The audit tenure variable indicates a minimum value of 1 year, a maximum of 5 years, with a mean of 2.62 and a standard deviation of 1.39. For client firm size, the minimum value is 16.9, the maximum value is 24.9, with an average of 22.02 and a standard deviation of 1.60. The financial distress variable shows a minimum value of –1.434, a maximum value of 14.37, a mean of 2.36, and a standard deviation of 2.65. Meanwhile, the auditor switching variable, which is measured using a dummy variable (1 = auditor switching occurred, 0 = no switching), has values ranging from 0 to 1, with a mean of 0.48 and a standard deviation of 0.50, indicating that approximately half of the sampled companies experienced auditor switching during the observation period.

**Initial Overall Model Fit**

The testing was conducted by comparing the value of -2 Log Likelihood (-2LL) at the initial stage (block number = 0) with the value of -2 Log Likelihood (-2LL) at the final stage (block number = 1). A reduction in the -2LL value from the initial to the final stage indicates that the hypothesized model fits the data.

**Table 3 :** Results of Initial Overall Model Fit Test

| Iteration History | | | |
|---|---|---|---|
| Iteration | | -2 Log likelihood | Coefficients |
| | | | Constant |
| **Step 0** | 1 | 278.242 | -0.09 |
| | 2 | 278.242 | -0.09 |

a Constant is included in the model.

b Initial -2 Log Likelihood: 278.242

c Estimation terminated at iteration number 2 because parameter estimates changed by less than .001.

Source: IBM SPSS Statistics 25 Output

**Table 4 :** Results of Final Overall Model Fit Test

| Iteration History | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Iteration** | | **-2 Log likelihood** | **Coefficients** | | | | |
| | | | **Constant** | **X1_AF** | **X2_AT** | **X3_CFZ** | **X4_FD** |
| **Step 1** | 1 | 277.328 | 0.477 | 0.06 | 0.005 | -0.073 | 0.047 |
| | 2 | 277.327 | 0.48 | 0.06 | 0.005 | -0.073 | 0.047 |
| | 3 | 277.327 | 0.48 | 0.06 | 0.005 | -0.073 | 0.047 |

a Method: Enter

b Constant is included in the model.

c Initial -2 Log Likelihood: 278.242

d Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.

Source: IBM SPSS Statistics 25 Output

**Hosmer and Lemeshow Goodness-of-Fit Test**

**Table 5 :** Results of Hosmer and Lemeshow Goodness-of-Fit Test

| Hosmer and Lemeshow Test | | | |
|---|---|---|---|
| **Step** | **Chi-square** | **df** | **Sig.** |
| 1 | 14.012 | 8 | 0.081 |

Source: IBM SPSS Statistics 25 Output

The Hosmer and Lemeshow test was conducted to evaluate the model's goodness-of-fit with the observed data. The test produced a Chi-square value of 14.012 with a significance level of 0.081 (> 0.05). According to Hosmer and Lemeshow (2000), a significance level greater than 0.05 indicates that the model adequately fits the data. Therefore, it can be concluded that the model is appropriate and capable of explaining the relationship between the independent and dependent variables.

**Coefficient of Determination Test (Nagelkerke R Square)**

**Table 6 :** Results of Coefficient of Determination Test

| Model Summary | | | |
|---|---|---|---|
| **Step** | **-2 Log likelihood** | **Cox & Snell R Square** | **Nagelkerke R Square** |
| 1 | 277.327a | 0.005 | 0.006 |

a Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.

Source: IBM SPSS Statistics 25 Output

The coefficient of determination in logistic regression is assessed using the Nagelkerke R Square value. The test results indicate a value of 0.006, suggesting that only 0.06% of the variation in the dependent variable (auditor switching) can be explained by the independent variables included in the model. The remaining variation is attributable to other factors beyond the scope of this study.

**Classification Matrix Test**

Table 7 : Results of Classification Matrix Test

| Classification Tablea | | | | |
|---|---|---|---|---|
| **Observed** | | **Predicted** | | |
| | | **Y_AS** | | **Percentage Correct** |
| | | 0 | 1 | |
| **Step 1** **Y_AS** | 0 | 89 | 16 | 84.8 |
| | 1 | 74 | 22 | 22.9 |
| **Overall Percentage** | | | | 55.2 |
| **a The cut value is .500** | | | | |

Source: IBM SPSS Statistics 25 Output

The classification matrix test is employed to evaluate the predictive accuracy of the model in estimating auditor switching. The results of the analysis reveal that the model achieves an overall accuracy rate of 55%. In particular, the model demonstrates a predictive accuracy of 84.8% for firms that engaged in auditor switching, whereas the accuracy for firms that did not undertake auditor switching is 22.9%. These findings suggest that while the model exhibits relatively strong predictive power for identifying companies that switch auditors, its ability to correctly classify firms that retain their auditors remains limited.

**Logistic Regression Test**

Table 8 : Results of Logistic Regression

| Variables in the Equation | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | **B** | **S.E.** | **Wald** | **df** | **Sig.** | **Exp(B)** |
| **Step 1a** | **X1_AF** | 0.06 | 0.15 | 0.162 | 1 | 0.687 | 1.062 |
| | **X2_AT** | 0.005 | 0.103 | 0.003 | 1 | 0.958 | 1.005 |
| | **X3_CFZ** | -0.073 | 0.149 | 0.242 | 1 | 0.623 | 0.929 |
| | **X4_FD** | 2.259 | 0.942 | 5.753 | 1 | 0.016 | 9.574 |
| | **Constant** | 0.48 | 2.01 | 0.057 | 1 | 0.811 | 1.615 |
| a Variable(s) entered on step 1: X1_AF, X2_AT, X3_CFZ, X4_FD. | | | | | | | |

Source: IBM SPSS Statistics 25 Output

This test was conducted to examine the influence of each independent variable on auditor switching. The results indicate that audit fee has a coefficient of 0.06 with a significance level of 0.687 ($> 0.05$), audit tenure has a coefficient of 0.005 with a significance level of 0.958 ($> 0.05$), and client firm size has a coefficient of -0.073 with a significance level of 0.623 ($> 0.05$). In contrast, financial distress shows a coefficient of 2.259 with a significance level of 0.016 ($< 0.05$). These findings suggest that only financial distress has a statistically significant effect on auditor switching, whereas audit fee, audit tenure, and client firm size do not exhibit significant influence.

### Simultaneous Test (F-Test)

**Table 8 :** Results of Logistic Regression

| | | Omnibus Tests of Model Coefficients | | |
|---|---|---|---|---|
| | | Chi-square | df | Sig. |
| Step 1 | Step | 0.915 | 4 | 0.922 |
| | Block | 0.915 | 4 | 0.922 |
| | Model | 0.915 | 4 | 0.922 |

Source: IBM SPSS Statistics 25 Output

This test was conducted to examine whether the independent variables collectively influence auditor switching. The Chi-square value obtained was 0.915 with a significance level of 0.922 (> 0.05), indicating that the independent variables do not jointly or simultaneously exert an effect on the dependent variable. Based on this result, it can be concluded that the independent variables employed in the model (audit opinion, financial distress, professional fee, and client firm size) do not have a simultaneous impact on the dependent variable (auditor switching).

### Multicollinearity Test

**Table 9 :** Results of Multicollinearity Test

| | Coefficients | | | | | | |
|---|---|---|---|---|---|---|---|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (Constant) | 0.619 | 0.506 | | 1.224 | 0.223 | | |
| X1_AF | 0.015 | 0.037 | 0.048 | 0.398 | 0.691 | 0.35 | 2.857 |
| X2_AT | 0.001 | 0.026 | 0.004 | 0.051 | 0.959 | 0.977 | 1.024 |
| X3_CFZ | -0.018 | 0.037 | -0.058 | -0.486 | 0.627 | 0.359 | 2.786 |
| X4_FD | 0.012 | 0.014 | 0.062 | 0.844 | 0.4 | 0.942 | 1.062 |

a Dependent Variable: Y_AS

Source: IBM SPSS Statistics 25 Output

This test was conducted to ensure that no high linear correlations exist among the independent variables, which could otherwise distort the results of the logistic regression analysis. The Variance Inflation Factor (VIF) values for all variables were below the commonly accepted threshold of 10, with audit fee at 2.857, audit tenure at 1.024, client firm size at 2.786, and financial distress at 1.062. Furthermore, the tolerance values for all variables exceeded 0.1. Based on these results, it can be concluded that multicollinearity is not present in the model, thereby confirming the robustness of the regression analysis.

## 5. Comparison

### The Effect of Audit Fee on Auditor Switching

The logistic regression results indicate that the audit fee variable has a coefficient of 0.06 with a significance value of 0.687, which is greater than the 0.05 threshold. This means that audit fee does not have a significant influence on auditor switching among property and real estate companies listed on the Indonesia Stock Exchange during the observation period. In other words, changes in the level of audit fees do not necessarily motivate companies to change their auditors.

This result is consistent with prior studies in Indonesia and other emerging markets, which suggest that while audit fee is an important element of auditor-client relations, it is not the decisive factor for switching decisions. Research by Sari and Amiyati (2022) found that financial distress and going-concern opinion, rather than audit fee, were significant determinants of switching in property and real estate companies. Similarly, Wati (2022) emphasized that fee concerns are often secondary to considerations of audit quality and independence.

The insignificant effect of audit fee can be explained by the notion that companies often prioritize the credibility, reputation, and independence of auditors over mere cost savings. For publicly listed firms, maintaining stakeholder confidence and compliance with regulatory expectations may outweigh potential cost advantages from changing auditors (Dewi & Trisnawati, 2025; Putri & Januarti, 2021). Thus, audit fees are more likely to be considered part of broader audit quality negotiations rather than a direct determinant of switching.

### The Effect of Audit Tenure on Auditor Switching

The regression results show that audit tenure has a coefficient of 0.005 with a significance value of 0.958 (> 0.05), which indicates that audit tenure does not significantly influence auditor switching. This suggests that the length of the auditor-client relationship does not independently lead to auditor changes. Companies in this sector tend to maintain auditors as long as independence and audit quality are perceived to be intact, regardless of the length of engagement.

This finding partially contrasts with the results of Wati (2022), who reported that tenure could negatively influence auditor switching when combined with going-concern opinions. However, in this study, tenure alone does not appear to drive auditor replacement. One possible explanation is the mandatory rotation policy by the Indonesian Financial Services Authority (OJK), which already regulates maximum tenure periods. As such, auditor changes may occur more due to regulatory requirements rather than voluntary decisions by companies.

The evidence therefore suggests that in Indonesia's regulated audit environment, tenure is not a voluntary determinant of switching, but rather a compliance matter. Supporting this, Dewi and Trisnawati (2025) argue that as long as the auditor maintains professional skepticism and independence, the relationship duration does not reduce audit quality or motivate client-initiated switching.

### The Effect of Client Firm Size on Auditor Switching

The empirical results reveal that client firm size has a coefficient of –0.073 with a significance value of 0.623 (> 0.05), showing no significant effect on auditor switching. This suggests that larger firms in the property and real estate sector do not necessarily demonstrate higher tendencies to switch auditors compared to smaller firms.

This result aligns with the findings of Sari and Pratama (2021), who documented that company size does not play a direct role in auditor switching in the Indonesian capital market. Similarly, Dewi and Trisnawati (2025) highlighted that the effect of firm size on switching is often indirect, as larger firms may have more bargaining power but still prioritize auditor reputation and independence over size considerations.

The lack of significance indicates that, within the Indonesian context, client firm size is not a determining factor in auditor replacement decisions. Rather, companies may consider other drivers such as financial condition, regulatory compliance, and auditor performance. This reinforces the argument that organizational scale is less influential compared to financial distress or going-concern issues (Putri & Januarti, 2021).

### The Effect of Financial Distress on Auditor Switching

The regression analysis shows that financial distress has a coefficient of 2.259 with a significance value of 0.016 (< 0.05), which means financial distress has a significant and positive influence on auditor switching. This implies that companies experiencing financial difficulties are more likely to switch auditors than financially stable firms.

This result is consistent with findings by Sari and Amiyati (2022), who showed that financial distress significantly increased the likelihood of auditor switching in property and real estate companies. Similarly, Dewi and Trisnawati (2025) emphasized that distressed companies may seek new auditors to negotiate lower fees, obtain a more favorable opinion, or improve external perceptions of their financial credibility.

The significance of financial distress underscores its role as the strongest predictor of auditor switching compared to other variables in this study. Financially distressed firms often face pressure to reduce costs or present more favorable financial conditions, thereby motivating them to change auditors. This aligns with the argument by Putri and Januarti (2021) that financial strain often leads to changes in auditor-client relationships due to increased audit risk and potential conflicts of interest.

## 6. Conclusions

This study concludes that among the examined variables, only financial distress has a significant and positive effect on auditor switching, while audit fee, audit tenure, and client firm size show no significant influence. These findings support the research objective by highlighting financial distress as the primary determinant of switching decisions in property and real estate companies, consistent with prior evidence in emerging markets. The results contribute to the literature on auditor-client relationships by emphasizing the importance of financial conditions over cost or firm characteristics in explaining auditor replacement. Practically, these findings imply that regulators, auditors, and stakeholders should pay closer attention to financially distressed firms, as their incentive to switch auditors may be driven by opportunistic motives. Nevertheless, the study is limited by its focus on a single sector and observation period, suggesting that future research should expand to other industries, incorporate qualitative perspectives, and consider external factors such as regulatory changes or corporate governance mechanisms.

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