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The Effect of Earning Management and Credit Risk on Audit Opinion with Firm Size as a Moderation Variable

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ABSTRACT: This study aims to prove and analyze the effect of earning management and credit risk on audit opinion with firm size as a moderating variable. This research was conducted on banking companies listed on the Indonesia Stock Exchange. This research used 28 banking companies, the sample was selected using the purposive sampling method. The data used is secondary data from the annual report of each company selected as a sample. The data used is from 2019 to 2022. The data analysis method used is binary logistic regression. Based on the results of the hypothesis testing, it was found that earning management had a negative and significant effect on the audit opinion received by banking companies on the Indonesia Stock Exchange, at the hypothesis testing stage it was also found that company size did not have a significant effect on audit opinion, in addition, after the moderation test was carried out, it was found that company size was able to moderate the relationship between earning management and audit opinion, with a weakening moderation nature, but company size did not moderate the relationship between credit risk and audit opinion in banking companies listed on the Indonesia Stock Exchange

KEYWORDS: Opini Audit, Earning Management, Risiko Kredit, & Ukuran Perusahaan

I. INTRODUCTION

Every company has an obligation to prepare and disclose financial reports at the end of each period as a basis for management decision making. According to the Financial Accounting Standards Statement (SAK) No. 1 (2020:2) that financial reports are a structured presentation of the financial position and financial performance of an entity. Therefore, disclosure of financial reports is not only needed by management, but also by external parties such as investors (International Standard on Auditing (ISA), 2019:136). Financial reports are an instrument that investors can use as a measuring tool to measure the company's financial condition. One of them is a company that has been listed on the Indonesia Stock Exchange (IDX) where they must be able to submit financial reports accurately in accordance with the financial accounting standards set by the Indonesian Institute of Accountants (IAI) (Hakiki & Mappanyukki, 2022). In order for financial reports to be trusted by users (investors), the company needs an auditor to bridge the gap between financial report providers and financial report users (Messier et al., 2022). Auditors who are tasked with examining a company's financial statements must be professional and fully responsible for assessing a company whether the company has the ability to provide financial statements with high integrity and have a good opinion (N. Azizah & Mappanyukki, 2023). Because users of financial statements such as regulators and investors tend to believe that audit opinions convey information about the company's current financial health (Spiegel & Tookes, 2020). The audit opinion itself is a professional statement, namely the auditor regarding the fairness of the financial information presented in the financial statements (L. Azizah et al., 2021). Although auditors are not responsible for predicting business failure, investors always rely on a picture of the company's survival conditions through audit opinion statements as an accountable communication medium. Because of the investor's assumption so far, the auditor is responsible for predicting failure or going concern opinion of a company (Yadianti & Mubarok, 2017). In issuing an opinion, the auditor first assesses whether the company is experiencing financial distress or not, which will then have an impact on the business continuity of the entity being audited. If the auditor finds any doubts regarding the condition of the continuity of the audited entity's business, the auditor must disclose it in the audit opinion report that will be issued.

The problem that occurs is that many banking companies receive an Unqualified Audit Opinion (WTP), but the issuance of the opinion is not carried out according to the facts, many of the banks that receive the WTP opinion still have high credit risk

(Kaluzny, 2018). As a result of this phenomenon, it is difficult for stakeholders, especially investors and the public to trust the independence of professional auditors who provide the audit opinion. Berisha et al (2023) revealed that many commercial banks have received an Unqualified Audit Opinion by auditors, but the opinion given is really difficult for stakeholders to believe, the high level of interference from the management of the audited bank over the opinion given is a common occurrence,

According to the Indonesian Banking Surveillance Report (LSPI) for Quarter IV-2023, commercial bank credit growth recorded a fairly good figure, at 10.38% (yoy), although it slowed down compared to the previous year. However, the growth of third party funds (TPF) was much lower in the fourth quarter of 2023, at 3.73% (yoy). Although it was observed, the liquidity of commercial banks was still quite adequate from the capital ratio and credit risk was also monitored well. However, during the period 2020 to 2023, there were 20 rural credit banking companies that went bankrupt due to poor management governance which encouraged fraud.

In contrast to the 2018-2020 period, several large banks were in the gray zone, such as PT. Bank Negara Indonesia PT. Bank Rakyat Indonesia, PT. Bank Mandiri and PT Bank Tabungan Negara are predicted to experience financial distress and are in the gray zone (Junaidi et al., 2022). The worst thing happened to PT Bank Neo Commerce Tbk which tends to experience losses and high credit risk (> 5%). If observed further, the conventional banks that are predicted to experience financial distress above are banks with an Unqualified Audit Opinion (WTP). The phenomenon that occurs indicates that it is difficult to trust the audit opinion predicted for these banks. If this condition continues to be allowed, stakeholders will certainly find it increasingly difficult to ensure the relevance of information to the actual condition of the company, and ultimately encourage them to make wrong decisions in investing. Therefore, the above phenomenon increases the motivation of researchers to discuss a number of factors that can influence audit opinions, especially in banking companies on the Indonesia Stock Exchange. According to Lubis & Lubis & Cheisviyanny (2023), one of the factors that can influence the audit opinion given by auditors is earnings management. According to Fisher and Rosenzweig (1995) earnings management is a manager's action to increase or decrease the company's period profit, without changing long-term profits. According to Marsintauli & Pribadi (2023), one form of earnings management is income smoothing, an action to reduce profit fluctuations with certain accounting methods.

Managers use Loan Loss Provision (LLP) to carry out income smoothing. In Indonesia, LLP is known as the Allowance for Impairment Losses (CKPN) after the revision of PSAK 55 in 2006. According to Sasongko et al., (2019), earnings management with the income smoothing method which means profit management with profit equalization with the Eckel index will affect the results of the Audit Opinion.

According to Pamungkas et al., (2018) in a bank, one of the determining factors in obtaining an audit opinion is the bank's ability to manage credit risk. According to Alshebmi et al., (2020) credit risk shows the extent to which a bank can minimize the amount of uncollectible credit. When a bank is able to reduce the value of credit risk, the bank's performance will increase. Supriatini & Sulindawati (2021) credit risk in a bank can be observed from Non Performing Loans (NPL). According to Bank Indonesia, a bank must be able to manage NPL <5%, when these conditions can be met, a bank is declared healthy, but when a bank is able to achieve an NPL value <2%, the bank is declared very healthy. Kumaralita & Purwanto (2019) when a bank succeeds in managing its credit risk well, the bank's performance will be stronger so that it will encourage the ideal audit opinion from the auditor. Ross et al., (2015) revealed another important factor that can influence the audit opinion in a company is the size of the company. When a company has large and productive assets, the audit opinion given will be better to encourage an increase in the company's reputation, but firm size cannot always provide a positive audit opinion for the company. When a company has large assets, it will increase the possibility of idle assets, which will affect the company's performance and the auditor's audit opinion assessmen (Saputra et al., 2022). Chowanda & Nariman (2023)) revealed that a larger firm size is one of the aspects considered by management in carrying out earnings management due to the complexity of the organizational structure, transaction costs, social pressure, and the goal of obtaining the desired audit opinion. Something similar was stated by Surjandari et al., (2021), namely that firm size can also moderate companies in carrying out earnings management to achieve the goal of a fair audit opinion. However, this influence can be prevented by effective internal control and high auditor expertise in companies with large firm sizes. According to Purwanti et al., (2023), credit risk affects audit opinion. When banks are able to distribute credit in accordance with procedures, the credit risk seen from NPL will decrease so that this will encourage banks to get a good audit opinion.

Several previous studies have stated that there is an influence between earnings management and audit opinion, such as research by Doan et al., (2021) which states that earnings management will affect the audit opinion given by auditors to companies. Most companies with high earnings management will be more likely to receive a modified opinion. This is consistent with Sasongko et al., (2019) which states that earnings management has a significant effect on audit opinion. However, according to Lubis & Cheisviyanny (2023) and Dini et al., (2020) earnings management behavior has a negative but insignificant effect on auditors issuing qualified audit opinions, because auditors are more likely to assess the level of suitability of the presentation of financial statements in accordance with accounting principles and other financial conditions of the company in predicting bankruptcy and income obtained by the company. The results of research by Setiawan & Susy (2021) state that credit risk has a negative and significant effect on audit opinion. Consistent findings were also obtained by Kissi et al., (2020) who stated that when a bank is able to manage its credit risk well, so that it is able to reduce the value of its non-performing loans (NPL), the audit opinion received by the bank will be better. However, the results of Dwinanda & Sulistyowati (2021) study stated that credit risk does not have a significant effect on audit opinions in a banking company, this is because the audit opinion is not only influenced by the company's performance in managing credit risk, but also assesses all company performance instruments comprehensively. Consistent findings were also obtained in Kanno (2023) study which stated that credit risk is not always the main reference in determining audit opinions by auditors. Furthermore, in a number of other studies, an important thing that cannot be forgotten in providing audit opinions is the size of the company (firm size). According to Brigham & Houston (2017), firm size is the size of the company which can be seen from various methods such as total assets, sales, amount of profit, tax burden and others. Surjandari et al.,(2021) explained that firm size is always associated with the large capacity and guarantee of the company for the existence of large company assets so that leverage and capital will also be large. In this study, firm size is measured using the logarithm of total assets. Logarithms are used to smooth the assets that are very large compared to other financial variables. Larger companies are more likely to do earnings management than small companies, this is due to several factors, such as the complexity of the organizational structure, transaction costs, social pressure and wanting to achieve certain goals. One of these goals is to get the desired audit opinion to retain investors and show the company's condition in good condition. Therefore, company size can be a factor that moderates the company's earnings management to get a fair audit opinion. The statement above is supported by Setiawati et al., (2023) who state that company size affects earnings management on audit opinions because it is caused by the complexity of the organizational structure and higher transaction costs in large firms. However, research conducted by Ousama et al., (2019) stated that there was no moderating effect between earnings management on audit opinions because in companies with large firm sizes, an effective internal control system and high auditor expertise can help detect and prevent earnings management. In addition to the profit as mentioned above, the credit risk factor is one of the factors that influences the audit opinion. When the bank is able to reduce credit risk, the bank's performance is stronger, so that the expected audit opinion will be given by the auditor on duty. Companies with sufficient capital are more able to run their operations smoothly, meet their financial obligations, and face unexpected risks. This can increase investor and auditor confidence in the company, and increase the possibility of the company getting an unqualified audit opinion (WTP). Therefore, with a large firm size, it will have more resources to increase its capital and manage its risks, as a result, a large firm size can strengthen the influence of credit risk on audit opinion.

Hakiki & Mappanyukki (2022) also showed that the acceptance of audit opinions was significantly influenced by several things that were reinforced by firm size, the existence of firm size would affect the going concern opinion in financial reporting. This is also supported by research conducted by Lubis & Cheisviyanny (2023) which stated that company size can strengthen the positive influence of CAR which causes an increase in profits and the company can produce good reports which can later allow for a fair opinion. However, different findings were conveyed by Pham (2022) showing that all financial ratios and firm size have a negative effect on audit opinion. This is supported by Averio (2021) firm size which states that firm size has no effect on audit opinion. Likewise, Aldhanarisha & Herliansyah (2022) firm size does not show a significant impact on the acceptance of audit opinions over a certain period of time. Referring to the research phenomenon and the pros and cons of previous research, researchers try to offer several differences between this study and previous studies. The main novelty that researchers try to offer in this research is related to the use of an analysis model, where researchers use company size as a moderating variable. Considering that previous researchers who use firm size as a moderating variable are still few. Other differentiating factors are the time and place of research that are different from a number of previous researchers. It is hoped that the research findings obtained will be better than before.

II. LITERATURE REVIEW

Agency Theory

The concept of agency theory or agency theory was developed by Jensen & Meckling (1976) in the theory it is stated that in a company there is a conflict of interest involving agents and principals. Agents are managers while principals are shareholders. Agents are people who are trusted to manage capital in the form of a company, while principals are people who will receive reports from agents. However, in its implications, agents have wider freedom regarding information regarding capital or the company they manage, while principals have very limited information absorption (Fama & Jensen, 2005).

Agents in providing reports will certainly report subjective information that will benefit the agent, this happens because of information inequality (information asymmetry). The level of inequality is so high that it encourages agents to engineer information or opportunistic behavior to gain personal gain and maintain the company's good name in the principal's perspective for a while. The information conveyed shows that everything that happens in the company is running as it should.

When opportunistic behavior runs well due to very high information inequality, the audit opinion received by the company from the auditor is a good opinion, especially Unqualified Opinion (WTP), in addition, high information asymmetry also allows cooperation between auditors who work in the company to work together with managers, thus encouraging the emergence of audit opinions desired by managers (Pamungkas et al., 2018). One form of opportunistic behavior carried out by managers is to manipulate profits in two patterns, increasing or decreasing. This pattern is adjusted to the goals of managers or other internal parties.

The Influence of Earnings Management on Audit Opinion

The existence of efforts by company managers to manipulate profits or so-called earning management can affect the audit opinion. According to Davidson, Stickney, and Weil (1987) Earnings management is a process of taking certain deliberate steps within the boundaries of generally accepted accounting principles to produce the desired level of reported profits. The audit opinion itself is a professional statement by the auditor regarding the fairness of the financial information presented in the financial statements (Wulandari & Nuryanto, 2018).

Agency theory can support this hypothesis, where agency theory places the audit as an intermediary between managers and investors, and the results of this audit itself are in the form of professional statements from reliable and trusted auditors that can be a reference for investors, because it is a pressure for managers to produce reliable financial reports, and managers tend to do various ways to make financial reports look good and get a fair opinion, one way that managers do is by manipulating profit information or earning management in the company's financial statements in order to deceive investors. The existence of earnings management practices will cause financial reports to become unreliable and can interfere with decisions that must be made by interested parties who believe the results of the engineering as figures for financial reports without engineering. Earnings management, both from a positive or negative side, will still show low profit quality, because profits have been engineered before being reported to interested parties (Sasongko et al., 2019). Several studies have suggested the impact of earnings management on audit opinions. Research conducted by Bhayani (2009) states that companies that experience failure will carry out poor earnings management, so that the company will avoid the risk of bankruptcy of its company. This research is supported by Susanti et al., (2020) which states that earnings management or profit management is considered to have an income smoothing pattern which means that profit management with profit equalization with the eckel index will affect the results of the Audit Opinion. Furthermore, research conducted by Brigham & Houston (2017)) reported that earnings management has a positive impact on the qualification audit report, this means that a higher level of discretionary accruals triggers the issuance of a modified audit opinion. Then, research conducted by Bernard (2017) stated that there is a relationship between audit opinion and earnings management..

The Impact of Credit Risk on Audit Opinion

Agency theory is a concept in economics and management that explains the relationship between the company owner (principal) and the manager who manages the company (agent). In banking companies, the agency relationship occurs between shareholders or depositors (principals) and bank management (agents). The credit risk variable in this case refers to the possibility of default or failure to pay by borrowers who borrow money from the bank. Credit risk can strengthen the conflict of interest between bank owners and bank management (Dwinanda & Sulistyowati, 2021). Bank management may tend to take higher credit risks to increase profits or meet their performance targets, while bank owners pay more attention to the security and sustainability of the bank's business. Meanwhile, audit opinions can play an important role in identifying whether the credit risk taken is in accordance with established policies and procedures (Payne & Williamson, 2021). The audit opinion received by a banking company can reflect the level of transparency and accountability of bank management in managing credit risk. If credit risk is not managed properly, this can be revealed through the audit process and affect the audit opinion issued. Audit opinions can also assist in the supervision and control of banking credit risk. With an independent and objective audit mechanism, shareholders and external parties can gain confidence that credit risk is managed properly and in accordance with applicable regulations (Wijaya & Basri, 2023).

According to De Franco et al., (2024), a study on IBBEA showed that banking deregulation and increased bank competition influenced the company's choice of auditors. Deregulation has led to a decrease in the tendency for companies to use Big N auditors or industry experts. There are various factors that influence this, including easier company access to credit, the use of banking channeling expertise as a substitute for quality financial statements, and the preference of incumbent banks for borrowers with low-quality financial statement opinions. This proves that the US credit market infrastructure influences the company's choice of auditors. Meanwhile, according to (Ikhtiari et al., 2021), the failure prevention factor in influencing an audit opinion is to examine more focused on making an audit opinion from planning to forming an audit opinion that is in accordance with the code of ethics and standards for making audit reports. Inherent risk is a calculation tool in determining failure factors when making decisions, as well as a more appropriate way to form the audit opinion. If the risk level is smaller, the level of misstatement in the audit opinion will be more controlled maximally. Research shows a direct influence between inherent risk and audit opinion. Thus, agency theory, banking credit risk, and audit opinion are interrelated in the context of the relationship between bank owners, bank management, and external parties such as auditors. A positive audit opinion can provide assurance to stakeholders that credit risk is managed properly in accordance with the interests of bank owners and applicable standards..

The Effect of Firm Size Moderates the Effect of Earning Management on Audit Opinion

According to Hidayati & Purwitosari (2020) firm size is a scale by which you can group the size of a company in various ways, including total assets, stock market value, newspaper size, and more. The size of a company will affect its ability to withstand risks arising from various situations it will face. In addition, the size of the company also determines the level of investor confidence. According to Ross et al., (2015)) earnings management is an intervention in the process of preparing external financial reports, with the aim of obtaining personal gain (disagreeing parties say that this is merely an attempt to facilitate the impartial operation of a process. The audit opinion itself is a professional statement by the auditor regarding the fairness of the financial information presented in the financial statements (Wulandari & Nuryanto, 2018). Agency theory can support this hypothesis, where agency theory states that to mediate between managers and investors, an auditor is placed where the results of the audit opinion become a guarantee for investors, because it is a pressure for managers to produce reliable financial reports, and managers tend to do various ways so that financial reports look good and get a fair opinion, one way that managers do is by manipulating profit information or earning management which is then moderated by firm size, where the bigger the company, the greater the opportunity to do earning management because managers want to get a fair opinion in the midst of a bad company condition in order to maintain investors. So that encourages managers to behave opportunistically in disclosing information about the company. Managers will only disclose certain information if there is a benefit to be gained. Meanwhile, if there is no benefit to be gained, managers will hide or delay disclosure of the information, even if necessary, managers will change the information. Research conducted by Cahyati et al., (2021) states that company size has a positive and significant impact on increasing companies in carrying out earnings management to obtain a fair audit opinion in giving the company a reputation for continued survival. The same thing was also stated by Saputra et al., (2023) showing that firm size affects earnings management. The faster a company expands, the company will be required to meet investor expectations, in this case there can be greater pressure to carry out earnings management. So the bigger the company, the more earnings management increases because the company's profits will be greater so that the audit opinion obtained becomes fair and meets investor expectations..

The Effect of Firm Size Moderates the Effect of Credit Risk on Audit Opinion

According to Hidayati & Purwitosari (2020)) firm size is a scale that can group company sizes in various ways, including total assets, stock market value, newspaper size, and more. The size of a company will affect its ability to withstand risks arising from various situations it will face. In addition, the size of the company also determines the level of investor confidence. Firm size can play a role in mediating the relationship between bank credit risk and audit opinion results. Larger firms may have access to greater resources, including internal expertise and stronger control systems, which can help manage credit risk better. In addition, larger companies tend to have more complex relationships with financial institutions, so bank credit risk can have a more significant impact on their financial performance. In this case, company size can act as a mediating variable that directs part of the influence of bank credit risk on the results of the audit opinion received. Larger firms may be better able to handle credit risk better, which in turn can contribute to better audit results. However, on the other hand, larger firms may also face more complex challenges in managing credit risk, which can affect the accountant's judgment in providing an audit opinion.

Agency theory can support this hypothesis. Where agency theory explains one way to help reduce the potential for conflicts of interest between principals and agents, namely by showing a fair financial report. In addition, agency theory is a framework that describes the relationship between company owners (principals) and company managers (agents) who are responsible for the company's operations. The existence of agency theory can be applied to understand how company size can affect the relationship between credit risk and the quality of audit opinions. A large company (with a large firm size) will provide a complex organizational structure and the amount of assets owned can be a factor that increases credit risk. Managers in large companies may have more opportunities to take agent actions that are detrimental to the interests of the owner, such as taking high credit risks to gain greater profits (Lesmono & Siregar, 2021).

High credit risk can have an impact on the quality of the audit opinion received by the company. The audit opinion issued by auditors can be influenced by their evaluation of the company's ability to manage credit risk and its impact on business continuity. In this case, firm size can play an important role because the larger the company, the more complex the agency relationship between owners and managers which can increase credit risk and affect the quality of audit opinions. According to (Ikhtiari et al., 2021), Inherent risk is a calculation tool in determining failure factors when making decisions, as well as a more appropriate way to form the audit opinion. If the risk level is smaller, the level of misstatement in the audit opinion will be more controlled optimally and Risk control is a calculation tool in determining failure factors when making decisions, as well as a more appropriate way to form the audit opinion. So, in the context of agency theory, firm size can be seen as a variable that influences the dynamics of the relationship between credit risk, the role of managers as agents, and the quality of audit opinions from the perspective of risk management and compliance with accounting standards. Further research can explain in detail how these factors are interrelated and impact the company's accounting practices..

III. RESSEARCH METHOD

In this study, the population is 44 banking companies listed on the Indonesia Stock Exchange from 2019 to 2023, while the sample size used is 28 banking companies listed on the Indonesia Stock Exchange. The sampling technique used is purposive sampling, where only banking companies that have complete audited financial reports are used. The data used in this research is secondary data, namely the financial reports of banking companies listed on the Indonesia Stock Exchange obtained through the website www.idx.co.id.

In this research, three types of variables are used, namely the dependent variable, namely audit opinion, in measuring audit opinion, a binary number is used, namely 1 for banking companies that get an unqualified audit opinion (WTP), while 0 for banking companies that get an audit opinion other than WTP. The second is the moderating variable, namely the size of the company which is proxied by the Natural Logarithm (LN) of total assets. The third is the independent variable, namely earning management, which is measured using the Loan Loss Provision (LLP) model, while the second independent variable is credit risk, which is measured using the non-performing loan (NPL) ratio. The data analysis method used is binary logistic regression, the analysis stages are marked by testing the Overall Model Fit through the -2 Loglikelihood analysis, followed by the Hosmer and Lemeshow analysis. After the procedure is fulfilled, the Negelkerke R-square analysis can be carried out to test the contribution given by all independent variables in influencing changes that occur in the dependent variable. The mathematical model used in the binary logistic regression analysis used in this study is:

$$\frac{Opini}{1-Opini} = a + \beta_1 EM + \beta_2 RK + \beta_3 Size + e$$

$$\frac{Opini}{1-Opini} = a + \beta_1 EM + \beta_2 RK + \beta_3 Size + \beta_4 EM*Size + \beta_4 RK*Size + e$$

Information

$\frac{Opini}{1-Opini}$	=	Audit Opinion Probability Value
α	=	Constanta
EM	=	*Earning Management*
RK	=	Credit Risk
Size	=	Firm Size
β_1- β_3	=	Regression Coefficient
e	=	*Term Error*

After the binary logistic regression model analysis is carried out, the hypothesis testing stage is carried out using the Wald test. If the t-stat value > 1.96 or sig < 0.05 indicates that the hypothesis being tested indicates a significant influence and vice versa (Hair et al., 2019).,

IV. RESULT & DISCCUSION

Statistic Descriptive

After carrying out the data processing stages, descriptive statistics can be narrated for each research variable used as shown in Table 1 below.:

Table 1: Descriptive Statistics of Research Variables

	Obs	Min	Max	Mean	Std Deviation
Audit Opinion	140	0.00	1.00	0.96	0.17
Earning management	140	-3.06	13.01	1.55	1.83
Credit Risk	140	0.06	9.92	2.40	1.89
Firm Size	140	2.173.162	23.203.123.481.350	936.232.065.256	3.990.653.833.687

In table 1 above, the total number of data processed is 140 observations (28 companies x 5 years). Throughout 2019 to 2023, the lowest audit opinion value was 0 while the highest audit opinion value was 1. If observed as a whole, the average audit opinion value held by most banking companies is 0.96 with a data standard deviation reaching 0.17. In line with the average value obtained, it can be concluded that most of the banking companies studied in this study have an unqualified audit opinion. In addition, descriptive statistical data shows that the smallest earning management value found in one of the banking companies on the Indonesia Stock Exchange from 2019 to 2023 is -3.06 times, which is owned by PT Bank Capital Indonesia Tbk (BACA) in 2023. From the data identification, the highest earning management value found to be owned by one of the banking companies selected as a sample was 13.01 times, which was owned by Bank Wori Saudara Indonesia Tbk in 2021. If observed as a whole, the average banking companies used in this study was 1.55 with a standard deviation of 1.83. In line with the average statistical value obtained, it can be concluded that the tendency of earnings management practices that occur in banking sub-sector companies has relatively different patterns. Based on descriptive statistics, it is known that the lowest credit risk value owned by one of the banking companies studied was 0.06%, which was owned by Bank Nagara Indonesia Tbk (BBNI) in 2019, while the highest credit risk value owned by one of the banking companies studied was 9.92%, which was owned by Bank Pembangunan Jawa Timur (BJTM) in 2019. If observed as a whole, the average banking companies used as samples produced an average credit risk of 2.40% with a standard deviation reaching 1.87. Based on the average value obtained, it can be concluded that most banking companies on the Indonesia Stock Exchange are able to manage credit risk well because they have a Non Performing Loan (NPL) value below 5%, as determined by the central bank. In the descriptive statistics, it can be seen that the lowest company size value owned by one of the banking companies selected as a sample is IDR 2,173,162, while the highest company size value owned by one of the banking companies selected as a sample is IDR 23,203,123,481,350. If observed as a whole, the average company size owned by banking companies reaches IDR 936,232,065,256, with a standard deviation reaching IDR 3,990,653,833,687. In accordance with the average statistical value obtained, it can be concluded that banking companies on the Indonesia Stock Exchange have relatively different company sizes..

Overall Model Fit

Overall model fit is an analysis aimed at ensuring that each independent variable used is able to be the right predictor in predicting changes that occur in the dependent variable. Overall model fit testing is done by finding the value of -2 loglikelihood. In accordance with the stages of data processing that have been carried out, the results are shown in the following table 2:

Table 2: Results of Overall Model Fit Testing

	-2 Loglikelihood Blog 0	***-2 Loglikelihood Blog 1***	**Selisih**	**Kesimpulan**
Model 1	43.141	39.767	3.374	Terpenuhi
Model II	43.141	38.058	5.083	Terpenuhi

In accordance with the results of the overall model fit test for the first regression equation model, the value of -2 loglikelihood blog 0 was 41.141, while the value of -2 loglikelihood in the analysis of blog 1 decreased by 39.767. These results indicate a correction in the value of -2 loglikelihood of 3.374, so it can be concluded that the variables of earning management, credit risk and company size are the right variables to predict changes in audit opinions in banking sub-sector companies on the Indonesia Stock Exchange from 2019 to 2023. Thus, the researcher confirms that the logistic regression model without moderating variables is declared fit, the findings obtained also show that the independent variables used in this research can predict changes that occur in the dependent variable. In the second model, the value of -2 loglikelihood in the blog 0 model was also found to be 43.141, while the value of -2 loglikelihood in the blog 1 model was 38.058. The resulting -2 loglikelihood value was corrected by 5.083. Thus, the variables of earning management, credit risk, company size and the multiplication of company size with earning management and credit risk are the right variables to predict changes in audit opinions in banking companies on the Indonesia Stock Exchange from 2019 to 2023.

Analisis *Hosmer & Lemeshow*

Hosmer & Lemeshow analysis aims to ensure that the selection of independent variables used to predict changes that occur in the dependent variable, are appropriate variables to be used as the right prediction tool. In accordance with the results of the data processing that has been carried out, the results are shown in the following table 3:

Tabel 3: Hasil Pengujian *Hosmer & Lemeshow*

Keterangan	*Chie-Square*	*Sig*	*Cut Off*	Kesimpulan
Model 1	3.779	0.876	0.05	Fulfilled
Model II	8.233	0.411	0.05	Fulfilled

Based on the test results shown in table 3, it can be seen that in the first model the sig value obtained is 0.876. The data processing procedure was carried out using an error rate of 0.05. The results obtained showed a sig value of 0.876 far above 0.05 so that the decision was that Ho was accepted and Ha was rejected or it can be interpreted that the variables earning management, credit risk and company size are the right variables to predict changes in audit opinions in banking companies on the Indonesia Stock Exchange, thus the first model is declared fit or empirical data that supports the independent variables is suitable or in accordance with the model (there is no difference between the model and the data so that the model is declared fit). The results of the Hosmer & Lemeshow test on the second equation obtained a sig value of 0.411. The testing stages were carried out using an error rate of 0.05. The results obtained indicate that the sig value of 0.411 is far above 0.05. So the decision is Ho is accepted and Ha is rejected so that it can be concluded that the variables of earning management, Credit Risk, company size and the multiplication of earning management and Credit Risk with company size are declared capable of predicting changes in audit opinions in banking companies on the Indonesia Stock Exchange from 2019 to 2023. Thus, the second analysis model is declared fit so that it can continue to be used in further data processing procedures.

Negelkerke R-square

Negelkerke R-square analysis aims to determine the amount of contribution that can be given by independent variables to influence changes that occur in dependent variables measured by percentage. In accordance with the stages of data processing that have been carried out, the results are shown in the following table 4.:

Table 4: Results of Negelkerke R-square Analysis

	Cox & Snell R Square	*Nagelkerke R Square*
Model 1	0.224	0.290
Model II	0.336	0.434

Based on table 4 above, the Negelkerke R-square value in the first model is 0.290. The coefficient value shows that earning management, credit risk and company size are able to influence changes in audit opinions in banking companies on the Indonesia Stock Exchange from 2019 to 2023 by 29% while 70.10% of other contributions are influenced by other variables such as bank liquidity position, capital adequacy ratio, business risk and so on. In the second equation model, namely the combined model, the Negelkerke R-square value obtained has increased from the first model. The Negelkerke R-square value obtained is 0.434. The coefficient value obtained shows that earning management, credit risk, company size, and the multiplication of earning management, and credit risk with company size are able to contribute to influencing changes in audit opinions in banking companies on the Indonesia Stock Exchange by 43.40% while the remaining 56.60% of other contributions are influenced by other variables that have not been used in the current research model.

Hypothesis Testing Results

After all the procedures of binary logistic regression analysis are fulfilled, the formation of logistic regression equation model and Wald test can be done. The stages of hypothesis testing are divided into two equation models, which are seen in the following sub-chapter.:

The Effect of Earning Management and Credit Risk on Audit Opinion with Firm Size as a Moderation Variable

Hypothesis Testing Results Model 1

The first model in this study is intended to test the influence of earning management, credit risk and company size on audit opinions in banking companies on the Indonesia Stock Exchange. In accordance with the stages of data processing that have been carried out, the results are shown in table 5 below.:

Table 5: Results of Hypothesis Testing of Equation Model I

	Coefficient Regression	***Wald***	***Sig***	***Cut Off***	**Result**
Constanta	-3.409	0.497			
Earning management	-0.402	4.432	0.000	0.05	Significant
Credit Risk	-0.326	3.877	0.012	0.05	Significant
Firm Size	0.334	1.423	0.233	0.05	Not Significant

In table 5, it can be seen that each variable has a regression coefficient that can be made into a binary logistic regression equation model as shown in the following equation.:

$$\frac{Opini}{1-Opini} = -3.409 - 0.402EARN - 0.326RISK + 0.334SIZE$$

In the description of table 5 above, a constant value of -3.409 is obtained. This finding suggests that when it is assumed that there is no change in earning management, credit risk and company size or each of these variables is worth 0, the tendency of the audit opinion value is -3.409. This finding can be interpreted that without an analysis of earning management, credit risk and good corporate governance, the tendency of the audit opinion value owned by banking companies will continue to decline.

In the resulting binary logistic regression equation, the earning management variable has a positive regression coefficient of -0.402. The coefficient value indicates that when it is assumed that there is an increase in the earning management value of 1%, it will tend to reduce the audit opinion obtained by banking companies by -0.402. Statistically, the results obtained are strengthened by a sig value of 0.000. The statistical testing stage was carried out with an error rate of 0.05. The results obtained indicate that sig is far below 0.05, so it can be concluded that earning management has a significant effect on audit opinions in banking companies on the Indonesia Stock Exchange from 2019 to 2023.

In the regression equation model that has been formed, it is also known that the credit risk variable has a negative regression coefficient of 0.326. This finding can also be interpreted when it is assumed that there is a decrease in the bank's credit risk by 1%, it will increase the audit opinion received by the banking company by 0.326% with the assumption that other factors besides credit risk are considered constant. In addition, at the statistical testing stage, a sig value of 0.012 was also obtained. The data processing procedure was carried out using an error rate of 0.05. The results obtained indicate that the sig value is far below 0.05 so that it can be concluded that credit risk has a significant effect on audit opinions in banking companies on the Indonesia Stock Exchange from 2019 to 2023. In the first binary logistic regression equation, the company size variable has a positive regression coefficient of 0.334. The coefficient value can be interpreted when it is assumed that there is an increase in the value of bank assets by IDR 1, it will increase the audit opinion received by the bank by 0.334%, assuming other factors besides company size are considered constant. The results are statistically proven with a sig value of 0.233. The data processing procedure is carried out using an error rate of 0.05. The results show a sig value of 0.233 far above 0.05, so it can be concluded that company size does not have a significant effect on audit opinions in banking companies on the Indonesia Stock Exchange from 2019 to 2023, thus the third hypothesis is rejected..

Results of Hypothesis Testing Model II

The second equation model in this study is a combined model that includes a moderation test between company size multiplied by earning management and credit risk. The results of the data processing that has been carried out are shown in the following table 6.

Table 6: Results of Hypothesis Testing of Equation Model II

	Coefficient Regression	*Wald*	*Sig*	*Cut Off*	Resykt
Constanta	8.897				
Earning management	-8.279	4.209	0.001	0.05	Significant
Credit Risk	-1.742	3.244	0.032	0.05	Significant
Firm Size	-0.335	0.35`	0.554	0.05	Not Significant
*Earn*Size*	-0.451	3.160	0.002	0.05	Significant
*Risk*Size*	0.115	0.319	0.572	0.05	Not Significant

In table 6, it can be seen that each variable has a regression coefficient that can be made into a binary logistic regression equation model as shown in the following equation.:

$$\frac{Opini}{1-Opini} = 8.897 - 8.279EARN - 1.742RISK - 0.335SIZE - 0.451EARN*SIZE + 0.115RISK*SIZE$$

In accordance with the second equation model, the constant value produced is 8.897. The constant value shows that when it is assumed that there is no change in the variables of earning management, credit risk, company size, earning management and risk multiplied by risk, the tendency of the audit opinion of the banking company will be better by 8.897. The results obtained can be interpreted when a bank is able to minimize the possibility of earnings management practices, and manage ideal credit risk, and can manage the assets they have, the tendency of the audit opinion formed will be better. In the resulting binary logistic regression equation, it can be seen that the earning management variable has a positive regression coefficient of -8.279. The coefficient value shows that when it is assumed that there is an increase in the earning management value of 1%, it will tend to reduce the audit opinion obtained by the banking company by -8.279. Statistically, the results obtained are strengthened by a sig value of 0.001. The statistical testing stage is carried out with an error rate of 0.05. The results obtained indicate that sig is far below 0.05, so it can be concluded that earnings management has a significant effect on audit opinions in banking companies on the Indonesia Stock Exchange from 2019 to 2023.

In the second regression equation model that has been formed, it is also known that the credit risk variable has a negative regression coefficient of 1.742. This finding can also be interpreted when it is assumed that there is a decrease in the bank's credit risk by 1%, it will increase the audit opinion received by the banking company by 1.742% assuming other factors besides credit risk are considered constant. In addition, at the statistical testing stage, a sig value of 0.032 was also obtained. The data processing procedure was carried out using an error rate of 0.05. The results obtained indicate that the sig value is far below 0.05, so it can be concluded that credit risk has a significant effect on audit opinions in banking companies on the Indonesia Stock Exchange from 2019 to 2023.

In the first binary logistic regression equation, the company size variable has a negative regression coefficient of 0.335. The coefficient value can be interpreted when it is assumed that there is an increase in the decline in the value of bank assets by IDR 1, it will increase the audit opinion received by the bank by 0.335%, assuming other factors besides company size are considered fixed or constant. These results are statistically proven with a sig value of 0.554. The data processing procedure was carried out using an error rate of 0.05. These results show a sig value of 0.554 far above 0.05, so it can be concluded that company size does not have a significant effect on audit opinions in banking companies on the Indonesia Stock Exchange from 2019 to 2023, thus the third hypothesis is rejected.

In the second regression equation model, the regression coefficient resulting from the multiplication of earning management with company size is 0.451. The coefficient value indicates that company size will strengthen the relationship between earning management and audit opinion by 0.451%, assuming other factors besides the multiplication of earning management with size are considered fixed or constant, but statistically the results obtained are strengthened by a sig value of 0.002. The data processing stage was carried out using an error rate of 0.05. The results obtained indicate that the sig value of 0.002 is far below 0.05 so that it can be concluded that the hypothesis that company size can strengthen the relationship between earning management and audit opinion in banking companies on the Indonesia Stock Exchange can be proven. In the second regression equation model, the regression coefficient resulting from the multiplication of Credit Risk with company size is also found to be 0.115. The coefficient value shows that company size will strengthen the relationship between Credit Risk and audit opinion by 0.115%, assuming other factors besides the multiplication of Credit Risk and size are considered fixed or constant, but statistically the results obtained are strengthened by a sig value of 0.572. The data processing stage is carried out using an error rate of 0.05. The results obtained indicate that the sig value of 0.572 is far below 0.05 so that it can be concluded that the hypothesis that company size is able to strengthen the relationship between Credit Risk and audit opinion in banking companies on the Indonesia Stock Exchange cannot be proven.

DISCUSSION

In accordance with the results of the first hypothesis test, it was found that earnings management has a significant effect on audit opinions in banking sub-sector companies on the Indonesia Stock Exchange from 2019 to 2023. In the testing stage, the regression coefficient value obtained was negative. The findings obtained prove that the stronger the indication of managers or internal parties carrying out earnings management, the audit opinion concluded by the independent auditor is far from the expectations of the company's management. The findings obtained are in line with the hypothesis proposed, thus the first hypothesis is accepted.

The results obtained at the first hypothesis testing stage show that the higher the indication of opportunistic behavior in the company carried out by managers or internal parties in general will certainly increase the tendency for fraud in the company, this will certainly be detrimental to external parties, especially shareholders and investors. Information inequality has encouraged strong earnings management practices, so that this will be more beneficial to managers or other internal parties. Earnings management allows for the manipulation of information that will be detrimental to the principal, especially shareholders, and creates irrelevance of information conveyed to the public. This is certainly a consideration for independent auditors to provide an audit opinion outside of Unqualified (WTP) for banks.

The findings obtained are in line with the theoretical concept developed by Jensen & Meckling (1976), namely agency theory which states that agency conflicts will always occur between agents and principals, agents have the ability to capture more complete information than principals will tend to behave opportunistically to take advantage or to maintain their reputation. Opportunistic behavior carried out by agents will certainly be detrimental to the principal or the company so that it will reduce the quality of the audit opinion that will be published by independent auditors. The information that gives rise to this opinion is certainly less relevant information (Fama & Jensen, 2005). The results obtained at the first hypothesis testing stage are also supported by research by Lubis & Cheisviyanny (2023) which found that earnings management had a negative effect on the audit opinion given to a company. The same thing was also obtained by Sasongko et al., (2019), who stated that the higher the indication of earning management in a company, the lower the possibility for a company to get an Unqualified Audit Opinion (WTP), then the results of Sudibyo (2021) stated that when a company is indicated to be practicing earning management, negative sentiment will arise, thus encouraging the formation of an audit opinion that is not in accordance with the expectations of the company's management, but inconsistent results were obtained by Surjandari et al., (2021) who found that earning management had no effect on audit opinion, in addition, the same thing was also expressed in the research of Dagsson & Larsson (2011) which stated that earning management is an opportunistic behavior that cannot be avoided in a company, therefore earning management does not affect the audit opinion received by the company. Based on the results of the second hypothesis test, it was found that credit risk had a significant effect on audit opinion in banking companies listed on the Indonesia Stock Exchange from 2019 to 2023. At the second hypothesis testing stage, the regression coefficient value of the credit risk variable was found to be negative. The findings obtained indicate that the better the company's ability to reduce credit risk, the greater the realization of audit opinions that are in accordance with the expectations of banking company management. The findings obtained at the statistical data testing stage are in line with the proposed hypothesis, so the second hypothesis is accepted. The findings obtained at the first hypothesis testing stage are supported by the signaling theory developed by Akerlof (1970), in the concept of this theory it is stated that stock prices and fundamental instruments owned by a company including business risk are information or signals that can be used as a reference for stakeholders, especially shareholders and investors to make decisions. When investors are able to absorb more complete and perfect information than other investors, of course these investors will have the opportunity to achieve abnormal returns (Gainau, 2021). Therefore, when auditors and other stakeholders know that a bank's credit risk position is not ideal or has exceeded the standard limits set by the central bank, the tendency is that the audit opinion given by the auditor is not in accordance with the wishes of the company or the principal

The results obtained are also supported by the results of Kaluzny (2018) research which found that high credit risk tends to reduce the audit opinion given by independent auditors to banks. The results of Senosuryoputro & Kurnia (2016) research found that credit risk has a negative and significant effect on audit opinions in banking companies, then the results of Audit's research (2020); Ikhtiari et al., (2021); Sari et al., (2020) agreed that when the credit risk owned by a bank exceeds the optimal limit set by the central bank, it will create a negative audit view of the bank so that the audit opinion given is not in accordance with management's wishes. The results obtained in this research show that it is important for a company to carry out strict credit distribution governance so that the NPL position becomes more ideal, this information will certainly increase the audit opinion received by the bank. However, the results of Kuncoro & Agustina (2017) research and Anastasia & Lestaritio (2020) research found that credit risk did not have a significant effect on audit opinions in banking companies. In accordance with the results of the third hypothesis test, it was found that company size did not have a significant effect on audit opinions in banking sub-sector companies on the Indonesia Stock Exchange from 2019 to 2023. The findings obtained at the third hypothesis testing stage showed that high or low changes in bank size would not affect the audit opinion given by auditors to banking companies. The results of the statistical tests obtained were not in line with the hypothesis proposed, so the third hypothesis was rejected. The results obtained at the hypothesis testing stage occurred because the increase or decrease in banking company assets was considered to be still in a reasonable change, in this case when the bank carried out the financing and expansion process, it was natural that assets would experience a slight decrease, and would improve again after the allocation of financing funds was returned by customers, therefore changes in bank size observed from the development of total assets did not affect the audit opinion given by auditors, however, the auditor's opinion can be influenced by a number of other variables that are outside the model such as changes in the capital adequacy ratio (CAR), the bank's profitability position, inflation to changes in exchange rates and so on. The findings obtained at the third hypothesis testing stage are in accordance with the concept of signaling theory developed by Akerlof (1970)) which states that stakeholders, especially investors, will use all information related to the company as a reference that influences their decision making in investing. When associated with audit opinions, changes in company size observed from the increase or decrease in assets and audit opinions received will be important references that will influence the company's reputation and investor decisions in making investment decisions, especially in companies in the banking sector listed on the Indonesia Stock Exchange..

The results obtained at the third hypothesis testing stage are supported by research by Anisa & Christiy (2019) which found that company size did not have a significant effect on the audit opinion given by auditors. The same thing was also obtained in the research by Hakiki & Mappanyukki (2022) which stated that company size in a bank certainly cannot be the main benchmark in providing audit opinions, considering that many other variables are considered more important by stakeholders such as the capital adequacy ratio, business risk and government policies through the central bank. Furthermore, the results of research by Gani Damanhuri & Dwiana Putra (2020) also found that company size as measured by total assets did not have a significant effect on the audit opinion given by auditors to the company. However, a number of different research results were obtained by Saputra et al., (2020) which stated that company size as measured by total assets has a positive effect on audit opinion, in addition, the same thing was also obtained in the research of Somwethee et al., (2023) which found that company size as measured by market capitalization has a positive effect on audit opinion received by the company

Based on the results of testing the fourth hypothesis, it was found that company size (size) was able to moderate the relationship between earnings management and audit opinion in banking companies listed on the Indonesia Stock Exchange from 2019 to 2023. In these findings, company size (size) was proven to weaken the relationship between earnings management and audit opinion given by independent auditors to the company. The results obtained statistically are in line with the hypothesis proposed, so the fourth hypothesis is accepted.

The findings obtained at the fourth hypothesis testing stage were due to the practice of earnings management profits being triggered by the bank's high total assets, so that when a bank has large total assets, the indication of earnings management is getting higher, this will certainly give rise to an audit opinion that is not in accordance with the wishes of bank management. However, when the bank is able to implement good corporate governance properly and correctly, of course the possibility of information asymmetry can be minimized, so that the practice of earnings management can also be minimized, this condition certainly encourages an increase in bank assets which are considered positive for the development and progress of the bank, as a result the auditor gives positive sentiment to the bank so that an Unqualified Opinion (WTP) is born which is the desire and goal that bank management wants to achieve. The results obtained are also supported by research by Lubis & Cheisviyanny (2023) which found that earnings management can be carried out by referring to the company's high asset growth, therefore when the company is able to manage asset growth and utilize it for productive activities, the practice of earnings management will be smaller so as to encourage the formation of an ideal audit opinion for the company. The same thing was also obtained by Sasongko et al., (2019) who stated that earnings management practices can be controlled by optimizing the use of high asset growth for various productive things, when this can be realized, the possibility of the company getting an Unqualified Opinion (WTP) will be higher, then the results of Sudibyo (2021) stated that company size can weaken the relationship between earnings management and the audit opinion received by a company, but different results were obtained in Kyere & Ausloos (2021) and Govindan et al., (2021) which stated that company size does not moderate the relationship between earnings management and the audit opinion received by the company.

The Effect of Earning Management and Credit Risk on Audit Opinion with Firm Size as a Moderation Variable

Based on the results of the fifth hypothesis test, it was found that company size does not moderate the relationship between Credit Risk and audit opinion in banking companies listed on the Indonesia Stock Exchange in 2019 to 2023. The results obtained indicate that credit risk and company size are different things and are not related to each other, so that company size is not able to strengthen or weaken the relationship between Credit Risk and audit opinion in banking companies on the Indonesia Stock Exchange. The findings obtained in statistical testing are not in line with the hypothesis proposed so that the fifth hypothesis is rejected.

The results obtained at the fifth hypothesis testing stage are due to credit risk not being directly related to company size, so that changes in company size do not drive changes in credit risk as seen from changes in NPL values, so that no moderating effect is found that strengthens or weakens the relationship between credit risk and audit opinion. The findings obtained also show that there are a number of other variables that can actually influence the audit opinion formed, such as bank liquidity conditions, the bank's capital adequacy ratio, to external factors such as inflation and exchange rate changes.

The results obtained at the fifth hypothesis testing stage are supported by the signaling theory developed by (Akerlof, 1970). The concept states that a bank's ability to manage credit risk is a positive signal that will encourage the formation of a better audit opinion for the company. The results obtained are also supported by the results of Kaluzny (2018) research which found that high Credit Risk will tend to reduce the audit opinion given by independent auditors to banks. The results of Senosuryoputro & Kurnia (2016) research found that Credit Risk has a negative and significant effect on audit opinions in banking companies, then the results of Ikhtiari et al., (2021), Sarita (2020) agreed that when the credit risk owned by a bank exceeds the optimal limit set by the central bank, it will create a negative audit view of the bank so that the audit opinion given is not in accordance with management's wishes. Research by Kyere & Ausloos (2021) and research by Govindan et al., (2021) stated that company size does not moderate the relationship between credit risk and audit opinions received by a bank.

CONCLUSIONS

In accordance with the results of the first hypothesis test, it was found that earnings management has a negative and significant effect on audit opinions in banking sub-sector companies on the Indonesia Stock Exchange from 2019 to 2023. These findings indicate that when the indication of earnings management in a bank is smaller, the opinion received by the bank is a qualified opinion, namely Fair Without Exceptions. In the second hypothesis testing stage, it was found that credit risk has a negative and significant effect on audit opinions in banking companies listed on the Indonesia Stock Exchange from 2019 to 2023. The results obtained in the hypothesis test show that when the credit risk owned by a bank is higher, the audit opinion formed will be further from the target or desire of bank management or get an unqualified opinion. In the third hypothesis testing stage, it was found that company size did not have a significant effect on audit opinions in banking sub-sector companies on the Indonesia Stock Exchange from 2019 to 2023. These findings indicate that the size of the company observed from changes in assets will not affect the audit opinion obtained by the bank. In the fourth hypothesis testing stage, it was found that company size was able to moderate the relationship between earnings management and audit opinion in banking companies listed on the Indonesia Stock Exchange from 2019 to 2023. This finding suggests that when a bank is able to reduce earnings management practices and is able to optimize the use of their productive assets, the audit opinion received by the bank will be higher so that it can improve the reputation of a bank. In the fifth hypothesis testing stage, it was found that company size did not moderate the relationship between credit risk and audit opinion in banking companies listed on the Indonesia Stock Exchange from 2019 to 2023. The findings obtained indicate that changes in credit risk can occur in large and small banks, so that this does not affect the audit opinion received by the bank.

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