FINANCIAL PERFORMANCE AND GOING CONCERN OPINION

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Abstract

The decline in business activities due to the COVID-19 pandemic worsened the company's financial condition and allowed the company to obtain a going concern opinion (GCO). The company obtains GCO when there is a risk that threatens business continuity. Management needs to maintain the company's financial condition in order to maintain the company's business continuity. This study aims to determine the effect of banking financial conditions using CAMEL analysis on GCO from 2019 to 2021. The CAMEL analysis used consists of capital adequacy, asset quality, management efficiency, profit, and liquidity. Logistic regression analysis is used to test the hypothesis and shows that inefficient management has a positive effect on GCO, while capital adequacy, asset quality, profit, and liquidity have no effect. Therefore, the company needs to maintain management efficiency by managing costs incurred from the income received properly so as to minimize GCO acquisition.

***Keywords**: Financial Condition, CAMEL Analysis, Going Concern Opinion.*

INTRODUCTION

The COVID-19 pandemic has resulted in reduced business activities and declining economic conditions that have an impact on the company's financial condition (De Vito and Gómez, 2020). The company's financial condition can be seen in the financial statements that can explain the guarantee of the company's continuity (Pham, 2022). Disclosure of business continuity by auditors is an important element for managers to be used as evaluation material in considering the effectiveness of management plans in overcoming business continuity problems (Sy and Tinker, 2019). When there is a significant risk in the company's business in the coming period and/or doubts about the company's ability to run its business, the auditor needs to issue a going concern opinion (GCO) (Geiger, Gold and Wallage, 2019; Pham, 2022). This is because the auditor is responsible for evaluating the company's ability to maintain business continuity for at least one year since the financial statements were audited (Averio, 2021). GCO issued by the auditor is information for the public (Mutsanna, 2020). When the company's economic condition is not good, GCO becomes information that is considered by the public to assess the company's sustainability (Averio, 2021; Chen *et al.*, 2023).

GCO is information issued by auditors to the public that can have a negative impact on the company because it accelerates the company's bankruptcy (Pham, 2022). GCO information that does not match the company's condition can lead to wrong decision-making by stakeholders (Yaqin and Sari, 2015). One example of this case is the inconsistency of GCO information in the financial report of PT SNP Finance in 2019 which caused a decrease in public trust in the company's business continuity (CNBC, 2019). The Indonesia Stock Exchange (IDX) can also delist public companies that experience conditions or events that have a material impact and are detrimental to the company's operations financially, legally, or on business continuity (POJK, 2021). In 2022, the IDX recorded 11 public companies that have the potential to be delisted due to doubts about business continuity (idxchannel, 2022).

According to agency theory, the contractual relationship between the agent (manager) and the principal (shareholder) creates a delegation of authority on behalf of the principal in making decisions regarding the company's operations (Jensen and Meckling, 1976). This causes managers to be more aware of the company's condition so that they will try to optimize the company's financial performance by presenting financial reports that are attractive to shareholders (Averio, 2021). Therefore, the auditor as a third party is responsible for providing an opinion on the fairness of the financial statements and needs to issue a GCO if there is doubt about the continuity of the business (Averio, 2021). One of the benchmarks for obtaining a GCO is the problem of financial condition (Javaid and Javid, 2018; Rahma and Sukirman, 2019). Indicators of financial condition problems can be seen from the company's failure to meet obligations, the need to find new sources of funding, the sale of most assets to the deterioration of the financial ratio (Averio, 2021). One of the measuring tools for analyzing GCO in the banking sector is the CAMEL analysis (capital adequacy, asset quality, inefficiency management, earnings, liquidity) (Cargill, 1989; Danlami, Abduh and Abdul Razak, 2022). CAMEL is a measuring tool that plays a role in analyzing bank health (Rizal and Mustapita, 2022). The evaluation of bank health is analyzed through aspects of owned capital, asset use, management management, profitability, and liquidity (Hari, Pangkey and Bacilius, 2021). CAMEL analysis allows the process of evaluating the company's financial condition by stakeholders to be more transparent with the availability of crucial ratios contained in the financial statements (Danlami, Abduh and Abdul Razak, 2022).

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Previous studies have examined financial conditions using various financial ratio measurements to predict the possibility of GCO acquisition, but the results obtained are still diverse (Bayudi and Wirawati, 2017; Mutsanna, 2020; Averio, 2021; Pham, 2022). Pham (2022) examined the effect of Altman's Z-Score components on GCO acquisition in the manufacturing sector which excluded the financial sector from the research sample with the results that the Altman Z-Score components had an effect on GCO acquisition. Mutsanna (2020) examined the effect of profitability, liquidity, and solvency on GCO acquisition in the financial sector which excluded the banking sector from the research sample with the results that the ratio used had no effect on GCO acquisition. The banking sector is often excluded from research samples because the financial components it has are different from other sectors (Mutsanna, 2020; Averio, 2021; Pham, 2022). However, the banking sector needs to be studied because failure in this sector can trigger a financial crisis in a country's financial system (Carson *et al.*, 2013).

This study aims to determine the effect of banking financial conditions using CAMEL analysis on GCO. The results of this study contribute to the accounting and finance literature on benchmarks in analyzing the continuity of public entity business. This study confirms the agency theory which states that financial conditions can affect the possibility of obtaining GCO by assessing management inefficiency from the high cost ratio that threatens business continuity so that it has the potential to obtain GCO. Therefore, this study is useful for shareholders to facilitate investment decision making in public entities and managers to evaluate management management to maintain the continuity of the company's business.

LITERATURE REVIEW

Agency relationship is a contractual relationship between principal (shareholder) and agent (manager) to perform services on behalf of the principal that requires delegation of decision-making authority (Jensen and Meckling, 1976). Economically and motivationally, principals and agents are assumed to have different personal interests (Jensen and Meckling, 1976). Managers want to gain more profit in the form of higher bonuses when they can maximize company performance (Chen *et al.*, 2023) so that managers will try to optimize the company's financial performance by presenting financial reports that are attractive to principals (Averio, 2021). These differences in interests trigger agency conflicts so that auditors are needed as third parties to bridge the interests of principals and agents by assessing management performance to suit the interests of shareholders (Jensen and Meckling, 1976; Listantri and Mudjiyanti, 2016). The auditor is responsible for providing an opinion on the fairness of the financial statements and stating the continuity of the company's business, so it is necessary to issue a GCO if there is doubt about the continuity of the business (Averio, 2021).

Auditors disclose GCO based on the company's financial condition obtained from financial statements by assessing companies that are experiencing financial deficits or surpluses (Pham, 2022). Troubled financial conditions are useful for evaluating GCO disclosure assumptions (Altman, 1968; Javaid and Javid, 2018; Rahma and Sukirman, 2019; Pham, 2022). The financial condition of the banking sector is different from the financial conditions in other sectors because in this sector there is cash managed by the public as depositors (Hodgman, 1961; Rastogi and Kanoujiya, 2022). The involvement of the public as depositors causes the government to also be involved in managing the financial condition management regulations of the banking sector (Lin, Chang and Chen, 2018). However, government regulations on the banking sector cannot be used as a guarantee for the continuity of a business (Carson *et al.*, 2013; Desai, Desai and Kim, 2020).

2.1. Capital Adequacy in Going Concern Opinion

The financial condition and efficiency of operational activities in the banking sector can be measured using CAMEL analysis (Cargill, 1989; Singh and Milan, 2020; Paulet and Mavoori, 2021). One of the measurements used in CAMEL analysis is capital adequacy, which is a measure that a company has sufficient capital for the smooth running of company activities (Trung, 2021). The financial crisis due to the COVID-19 pandemic has increased credit risk and bank losses (Saadaoui and Mokdadi, 2023), so that capital adequacy is an important component of banking companies to be able to cover company losses in order to reduce the risk of failure that threatens business continuity (Gaganis and Pasiouras, 2007; Singh and Milan, 2020). The capital adequacy ratio is one of the ratios that needs to be met because it can be a benchmark for banks to meet obligations and other risks such as credit risk and operational risk (Paulet and Mavoori, 2021). To maintain the capital adequacy ratio, banks must strengthen their balance sheets by increasing capital or reducing the amount of risky assets (loans) in their financial statements (Thoa, Anh and Minh, 2020).

According to agency theory, managers are more aware of the company's condition so they will try to optimize the company's financial performance by presenting financial reports that are attractive to shareholders (Averio, 2021). Auditors as third parties are responsible for providing opinions on the fairness of financial reports and need to issue GCOs if there is doubt about the continuity of the business (Averio, 2021). Capital adequacy analysis is needed by auditors in issuing GCOs because bank management experiencing financial difficulties tends to exaggerate their financial position (Gaganis and Pasiouras, 2007). This is because capital adequacy can be a guarantee that the company can continue to operate and can meet its business continuity (Sy and Tinker, 2019). Therefore, poor capital adequacy has the potential to threaten business continuity and is a benchmark for auditors in issuing GCO (Singh and Milan, 2020; Huang *et al.*, 2021).

H1: Capital adequacy has a negative effect on going concern opinions.

2.2. Asset Quality in Going Concern Opinion

Asset quality is an assessment of bank assets intended to obtain income in the form of financing, securities, or credit provided to customers (Nugroho and Anisa, 2018; Silvia, 2018). Asset quality is also an aspect of bank management to facilitate the measurement of the level of credit risk related to the company's operations (Abata, 2014). Banks with high levels of risk require good asset quality to minimize credit risk arising from bank operations (Asare *et al.*, 2020). The decline in asset quality due to low market demand during the COVID-19 pandemic has an impact on increasing bank credit risk (De Vito and Gómez, 2020). The decline in asset quality in banks can directly affect the financing performance and operational activities of the banking sector (Erol *et al.*, 2014; Mensah and Adjei, 2015). Therefore, companies need to pay attention to asset protection to manage credit risk so that they can guarantee business continuity (Singh and Milan, 2020).

According to agency theory, managers will be more aware of the condition of the company so that an evaluation of asset quality is needed to assess whether the company's activities have been carried out optimally by managers (Jensen and Meckling, 1976; Waheed and Mahmood, 2022). Auditors as third parties are responsible for providing opinions on the fairness of financial statements and need to issue GCO if there is a risk of failure that threatens business continuity (Averio, 2021). Inadequate asset quality of banking companies will increase losses from bad debts for the company and spend more resources to collect Non Performing Loans (NPL) (Abata, 2014). The influence of NPL indicates losses on the banking balance sheet and on a larger scale has the potential to threaten the performance and sustainability of the banking industry (Mensah & Adjei, 2015). The higher the quality of the company's assets, the lower the NPL value so that the company's sustainability is better from its financial performance (Abata, 2014). Poor asset quality is one of the determining factors for financial performance for the sustainability of a business (Salike and Ao, 2018). Poor asset quality in the banking system affects the level of non-performing loans, which in turn affects the sustainability of the company (Ezeoha, 2011).

H2: Asset quality has a negative effect on going concern opinion.

2.3. Management Efficiency in Going Concern Opinion

The financial condition and efficiency of a company's activities can be assessed from the management's ability to make decisions (Erol *et al.*, 2014; Singh and Milan, 2020). Management decisions that can support financial conditions are based on minimum costs with maximum revenue (Haidary and Abbey, 2021). A company's activities are said to be efficient if the income generated from operational and service activities is greater than the costs incurred (Ahsan, 2016; Febriyanto, Hamid and Mukzam, 2016). The greater the cost expenditure compared to revenue receipts, the higher the company's cost ratio, which indicates management inefficiency (Singh and Milan, 2020).

According to agency theory, managers and shareholders are assumed to have a conflict of interest (Jensen and Meckling, 1976) so that managers want to get more incentives when they can optimize company performance by presenting financial reports that are attractive to shareholders (Averio, 2021; Chen *et al.*, 2023). Therefore, auditors with financial expertise and market-based knowledge are needed to evaluate decisions made by management while ensuring the continuity of the company's business (Averio, 2021; Waheed and Mahmood, 2022). Management inefficiency causes operational effectiveness to decline and threatens business continuity (Paltrinieri *et al.*, 2021). Strong and adaptive management is needed especially during times of economic crisis to make the right decisions so as to reduce the risk of company failure (Saadaoui and Mokdadi, 2023). Business risk control depends on the ability of management to make subjective judgments, strategic plans, and decision making to maintain the continuity of the company's business (Trung, 2021). Therefore, inefficient expenditure management indicates management inefficiency that can threaten business continuity so that it tends to obtain GCO (Gaganis and Pasiouras, 2007; Singh and Milan, 2020; Danlami, Abduh and Abdul Razak, 2022).

H3: Management inefficiency has a positive effect on going concern opinion.

2.4. Earning on Going Concern Opinion

Capital strength and asset quality support the company's financial condition because they are the main drivers in obtaining profit (Robin, Salim and Bloch, 2018). Companies that have a high average profit have a low probability of business continuity risk (Erol *et al.*, 2014). The economic crisis during the pandemic reduced credit demand and had an impact on bank income, thereby reducing the company's profitability (De Vito and Gómez, 2020; Saadaoui and Mokdadi, 2023). Company profitability shows the company's performance in generating profit (Averio, 2021). Low profitability indicates that the company is having difficulty generating profits (Pham, 2022). If low profits continue to occur, the company will have difficulty maintaining business continuity (Desai, Desai and Kim, 2020).

According to agency theory, managers are more aware of the company's condition so they will try to optimize the company's financial performance by presenting financial reports that are attractive to shareholders (Averio, 2021). Therefore, auditors as third parties are needed to evaluate the company's performance, especially regarding guarantees of business continuity in the following period (Geiger, Gold and Wallage, 2019; Pham, 2022). Bierstaker & Dezoort (2019) revealed that the company's biggest concern is about declining profits and will influence the auditor's decision to issue a GCO that indicates doubts about the company's business continuity. Conversely, if the company's profitability is high, it indicates that the company is able to generate profits so that business continuity is more guaranteed (Bierstaker and Dezoort, 2019). Therefore, profitability has a negative effect on the GCO disclosure factor prediction model (Gaganis and Pasiouras, 2007; Averio, 2021; Pham, 2022).

H4: Profitability has a negative effect on going concern opinion disclosure.

2.5. Liquidity in Going Concern Opinion

Company liquidity shows the company's ability to pay its short-term debts (Yuliani and Erawati, 2017). Companies with high liquidity have good financial conditions so that they are able to ensure the payment of their short-term obligations (Averio, 2021). According to agency theory, managers are assumed to have a personal interest in obtaining more profits in the form of bonuses which are generally of higher value if they can maximize company performance (Chen *et al.*, 2023). Information regarding the company's short-term debt in the financial statements can be manipulated by managers who only focus on their interests, so auditors with financial expertise and market-based knowledge are needed to evaluate the suitability of the financial statements to the company's conditions (Yaqin and Sari, 2015; Waheed and Mahmood, 2022).

The economic crisis during the pandemic created financial market uncertainty that impacted the liquidity of banking companies (De Vito and Gómez, 2020; Saadaoui and Mokdadi, 2023). Companies that cannot maintain their liquidity will disrupt the company's business operations, so that auditors can doubt the company's continuity (Surbakti *et al.*, 2022). A low level of liquidity indicates a low possibility of the company in meeting its short-term debts (Pham, 2022). The lower the company's liquidity indicates that the company's current assets are less to meet its short-term obligations (Simamora and Hendarjatno, 2019) and will be a concern for auditors in disclosing GCO (Averio, 2021). Therefore, liquidity has an important impact on the prediction model in the analysis of GCO disclosure factors (Gaganis and Pasiouras, 2007; Javaid and Javid, 2018; Averio, 2021).

H5: Liquidity has a negative effect on going concern opinion disclosure.

RESEARCH METHOD

This study uses financial data from banking companies obtained from the OSIRIS database and annual reports on the company's official website. The sample used in this study is banking sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021 (n=47). The year 2019 was chosen because it was the year limit before Indonesia's business and economic activities were disrupted due to the COVID-19 pandemic (Aldin, 2020). The year 2021 was chosen because of the process of recovering Indonesia's business and economy after the COVID-19 pandemic (Hayati, 2021). In addition, the years 2019-2021 are the focus of the study because there was a significant decline in profits due to the COVID-19 pandemic, which threatened the continuity of the company's business (Bisnis.com, 2020). Banking sector companies were chosen because of the lack of public trust in the status of the continuity of this sector's business due to full regulation from the government (Carson *et al.*, 2013; Desai, Desai and Kim, 2020). GCO influences decision-making by depositors, investors, and regulators regarding the continuity of the business (Lin, Chang and Chen, 2018). Auditors are reluctant to issue GCOs to financial sector companies that have problematic financial conditions because of government regulations that are considered to be able to minimize business continuity failures (Huang *et al.*, 2021). However, government regulations cannot be used as a guarantee for the continuity of a business (Carson *et al.*, 2013; Desai, Desai and Kim, 2020; Pham, 2022), so the banking sector needs to be studied because failure in this sector triggers a financial crisis in a country's financial system (Carson *et al.*, 2013).

The dependent variable of this study is GCO, which is an opinion issued by an auditor because there is an indication of risk that the company will not survive long in its business continuity (Averio, 2021). The GCO variable is measured by giving a number 1 to the independent audit report by a company that receives GCO, and a number 0 if the company's financial report does not receive GCO.

The independent variables in this study are CAMEL analysis consisting of capital adequacy, asset quality, inefficiency management, earnings, and liquidity. CAMEL analysis is used to measure the financial condition of the banking sector (PBI, 2004; Singh and Milan, 2020; Paulet and Mavoori, 2021). Measurement of financial conditions is used to ensure that the company can continue to operate while ensuring business continuity (Danlami, Abduh and Abdul Razak, 2022). In addition, CAMEL analysis is also used to evaluate bank performance as a signal to shareholders in decision making (Ahsan, 2016; Chatterjee and Dhaigude, 2018).

The first component of CAMEL analysis is capital adequacy. Capital adequacy is the ability of bank management to meet capital requirements in accordance with regulatory provisions in order to control risks that can threaten business continuity (Nugrahanti, Tanuatmodjo and Purnamasari, 2018; Mukaromah and Supriono, 2020). The ratio that can indicate the capital adequacy value is CAR (Gaganis and Pasiouras, 2007) calculated using the following formula:

$$CAR = \frac{Equity}{Total\ Assets} \times 100\% \tag{1}$$

Asset quality is an assessment of bank assets intended to obtain income in the form of financing, securities, or credit given to customers (Nugroho and Anisa, 2018; Silvia, 2018). Asset quality is used to measure credit risk arising from operational activities (Asare *et al.*, 2020) so that it is calculated using Non-Performing Loans (NPL) with the following formula:

$$NPL = \frac{Impaired\ Loans}{Loans + Loans\ Reserves} \times 100\% \tag{2}$$

Management efficiency is the ability of bank management to utilize the income received and the costs incurred (Mukaromah and Supriono, 2020). If the costs incurred are not optimal, it will cause management inefficiency (Nuhin and Suprayogi, 2022). Management inefficiency is calculated by the cost ratio where the smaller the value generated, the more efficient the expenditure management is (Gaganis and Pasiouras, 2007). The cost ratio is calculated by dividing the company's operating costs and the income received by the company (Trung, 2021) as follows:

$$CIR = \frac{Overheads}{Net\ Interest\ Revenue + Other\ Operating\ Income} \times 100\% \tag{3}$$

Profit (earning) is the profit obtained from net income after deducting all operational costs and business activities of the company (Paramitha and Idayati, 2020; Averio, 2021). The company's ability to earn profit can be assessed through the profitability ratio which measures how well the company utilizes its assets to earn income (Pham, 2022) as follows:

$$ROA = \frac{Return}{Total\ Assets} \times 100\% \qquad (4)$$

Liquidity shows the company's ability to meet its short-term debts (in the banking sector, deposits and other short-term loans) (Yuliani and Erawati, 2017). Liquidity is calculated using the following formula:

$$LIQ = \frac{Net\ Loans}{Deposit\ \&\ Short\ Term\ Funding} \times 100\% \qquad (5)$$

This study uses the control variable of last year's audit opinion (LYO), which is the audit opinion obtained by the company in the previous year and is considered by the auditor to issue an audit opinion in the current year (Mutsanna, 2020). Companies that received GCO in the previous year tend to receive GCO in the current year (Mutchler, 1985; Yaqin and Sari, 2015). LYO is measured using a nominal variable by giving the number 1 to the previous year's audit opinion that received GCO, and the number 0 if it did not receive GCO.

The hypothesis testing model in this study uses logistic regression because the dependent variable used is a nominal variable (Sekaran and Bougie, 2016). The logistic regression model compiled is as follows:

$$GCO_i = \alpha + \beta_1 CAR + \beta_2 NPL + \beta_3 CIR + \beta_4 ROA + \beta_5 LIQ + \beta_6 LYO + \varepsilon \qquad (6)$$

Information:

GCO	= *going concern opinion*	LIQ	= *liquidity*
CAR	= *capital adequacy*	LYO	= *last year opinion*
NPL	= *asset quality*	α	= konstanta
CIR	= *management efficiency*	ε	= *error*
ROA	= *earning*		

Before conducting the hypothesis test, a multicollinearity test and model fit analysis were conducted (Sekaran and Bougie, 2016). The multicollinearity test was conducted to ensure that no linear relationship was found between the independent variables (Ghozali, 2018). The multicollinearity test showed a Variance Inflation Factor (VIF) value ≤ 10 so that the data was free from multicollinearity. Model fit analysis was conducted to determine whether the model was suitable for use. Model fit analysis consists of -2 log likelihood, Hosmer and Lemeshow's goodness of fit test, and the omnibus test of model coefficient (Ghozali, 2018). Comparison of the -2 log likelihood value before and after the variables were added was conducted to determine whether the independent variables used improved the model fit. In this study, the -2 log likelihood value decreased from the initial value of 131.774 to 93.651, which means that the addition of independent variables and control variables to the regression model improved the model fit and showed a good regression model. The significance value of Hosmer and Lemeshow's goodness of fit test is more than 0.05 so that the model is able to predict its observation value. The significance value of the omnibus test of model coefficient is less than 0.05 so that the addition of independent variables has an effect on the regression model or can be said to be a good model.

RESULT AND DISCUSSION

There are 24 out of 141 financial reports that obtained GCO in 2019-2021. Of the 24 reports, there are 8 financial reports in 2019, 10 financial reports in 2020, and 6 financial reports in 2021 that obtained GCO. The difference in companies that obtained GCO each year is relatively small.

Table 1.
Descriptive Statistic

Information	N	Min	Max	Mean	Std. Dev
Capital Adequacy	**141**	**0,055**	**0,888**	**0,208**	**0,147**
Asset Quality	**141**	**0,000**	**0,481**	**0,424**	**0,052**
Management Efficiency	**141**	**0,278**	**12,837**	**1,545**	**7,358**
Earning	**141**	**-8,990**	**6,220**	**0,399**	**2,360**
Liquidity	**141**	**0,000**	**4,802**	**0,792**	**0,470**

Banks are categorized as having good financial conditions if they have a capital adequacy value above 0.08 (8%) (OJK, 2016). In this study, the average capital adequacy value was 0.208, which means that the capital adequacy of banking companies in 2019-2021 was in good condition (Sy and Tinker, 2019). Meanwhile, the asset quality value measured using the NPL value showed an average value of 0.424, which means that the credit risk of banking companies in 2019-2021 was more than the maximum value set by OJK. A healthy NPL value is <0.05 (5%) (PBI, 2015) so that there is a potential risk to the continuity of the company's operations if the value exceeds the specified value (Mensah and Adjei, 2015).

The measurement of the good or bad financial condition of the company can also be obtained from the allocation of roles and responsibilities of management as managers of activities for the continuity of the company (Chatterjee and Dhaigude, 2018). The efficiency of company activity management is determined from the management efficiency value measured using CIR with the provision that it must not be more than 0.935 (93.5%) (PBI, 2004). The average value of banking company management efficiency in 2019-2021 of 1.545 indicates that the operational costs incurred are greater than the income earned (Mutsanna, 2020). Efficient management is needed to support the efficiency of bank resources so that it can maintain the company's profit and liquidity position at positive numbers (Gaganis and Pasiouras, 2007; Javaid and Javid, 2018). In Table 1, the average profit and liquidity of banking companies in 2019-2021 are at positive values. Companies that cannot maintain their profits and liquidity at positive values will experience losses and difficulties in meeting their short-term debts, which will have an impact on business operations and potentially obtain GCO (Bierstaker and Dezoort, 2019; Pham, 2022).

The results of the difference test using Mann Whitney U in Table 2 show differences in the level of GCO acquisition in the management efficiency, earning, and liquidity groups. The difference in the level of GCO acquisition in the inefficiency management group occurs because the higher the level of management inefficiency, the lower the company's operational effectiveness, which threatens business continuity, so it tends to obtain GCO (Badunenko *et al.*, 2022; Danlami, Abduh and Abdul Razak, 2022). The test results also show differences in the level of GCO acquisition in the earning group. Companies with high profits (according to the minimum value set by OJK of 5%) have a high probability of business continuity (Bierstaker and Dezoort, 2019). However, if the company cannot generate profit in the current year, it will have difficulty maintaining business continuity in the following year, so it tends to obtain GCO (Desai, Desai and Kim, 2020). The difference in the level of GCO acquisition in the liquidity group occurs because companies with high liquidity have good financial conditions so that they are able to ensure payment of short-term obligations and guarantee their business continuity (Averio, 2021). However, companies with low liquidity indicate that they have few current assets to meet short-term obligations that threaten business continuity (Simamora and Hendarjatno, 2019) so they tend to obtain GCO (Averio, 2021).

Table 1.
GCO Obtained Based on CAMEL Analysis

	N	%	Mean	Median	z	p-value
Capital Adequacy						
Non GCO	116	82,269	72,57	0,165	-0,982	0,326
GCO	25	17,730	63,72	0,139		
Asset Quality						
Non GCO	116	82,269	71,03	0,031	-0,016	0,987
GCO	25	17,730	70,88	0,035		
Inefficiency Management						
Non GCO	116	82,269	62,76	0,592	-5,161	0,000*
GCO	25	17,730	109,24	1,001		
Earning						
Non GCO	116	82,269	76,07	0,755	-3,177	0,001*
GCO	25	17,730	47,46	0,110		
Liquidity						
Non GCO	116	82,269	75,04	0,792	-2,532	0,011*
GCO	25	17,730	52,24	0,664		

Note: * significant on p<0,05, tested using *Mann-Whitney U*

The test results did not find any difference in the level of GCO acquisition in the capital adequacy and asset quality groups. The absence of a difference in the level of GCO acquisition in the capital adequacy group occurred because the capital adequacy value was not sufficient to be a benchmark in anticipating operational risks that guarantee business continuity (Singh and Milan, 2020). In addition, no difference was found in the level of GCO acquisition in the asset quality group because the asset quality value was not sufficient to be a benchmark in anticipating the risk of bad debts that guarantee business continuity (Paulet and Mavoori, 2021).

Table 3 shows a significant F value (p <0.001) so that the regression model is good and can be said to be feasible to use. Table 3 also shows that capital adequacy and asset quality do not affect the probability of obtaining GCO. Capital adequacy cannot be the main indicator for auditors to issue GCO because it does not reflect the effectiveness of the use of capital owned by the company (Foster and Shastri, 2016). Asset quality, which is the main component of the company to carry out operational activities, also cannot be used as an indicator for auditors to issue GCO (Paulet and Mavoori, 2021). Even though the asset quality value is high and controlled, banks will continue to improve their asset quality in order to continue to gain client trust to carry out company operations (Paulet and Mavoori, 2021). Table 3 also shows that profit and liquidity do not affect the probability of obtaining GCO. If high profits are not balanced by a decrease in debt, it will be a risk to the company's business continuity (Gaganis and Pasiouras, 2007). Therefore, auditors issue GCO not only by assessing the company's ability to meet its short-term obligations, but also need to see the company's ability to meet all its obligations (Mutsanna, 2020).

Table 3.
Logistic Regression Results

Variable	B	Std. Error	Wald	Sig
Capital adequacy	-1,391	1,916	0,527	0,468
Asset quality	3,015	5,232	0,332	0,564
Management efficiency	0,967	0,405	5,696	0,017*
Earning	0,118	0,129	0,834	0,361
Liquidity	0,600	0,521	1,330	0,249
Last year audit opinion	1,843	0,651	8,018	0,005*
Constant	**-3,478**	**0,717**	**23,527**	**0,000***
F	**9,816**		**0,000***	

Note: * Significant coefficient on p<0,05

Table 3 shows that management efficiency has a positive effect on GCO, which means that auditors tend to issue GCO when the company's cost ratio is high. When the cost ratio is high, it means that the costs incurred are greater than the income received, so that the company's management is less efficient (Foster and Shastri, 2016). Table 3 also shows that LYO has a positive effect on GCO, meaning that the previous audit opinion can be a signal to strengthen the auditor's investigation into case information that occurred during the current period so that it can influence the auditor's opinion (Mutsanna, 2020).

4.1. The Effect of Capital Adequacy on Going Concern Opinion

This study did not find any effect of capital adequacy on the probability of obtaining GCO in the company's financial statements so H1 is rejected. This result contradicts the research of Singh & Milan (2020) where most of the samples obtained GCO because they had an average capital adequacy value below the stipulated provisions so that they tended to have poor accounting and management control systems. However, the research results support the findings of Ferdiansyah & Widyarti (2022) and Foster & Shastri (2016) where the capital adequacy value does not affect the auditor's decision to issue a GCO. The opinion issued by the auditor is more influenced by the effectiveness of the working capital managed (Foster and Shastri, 2016; Ferdiansyah and Widyarti, 2022) so that the auditor's analysis is not limited to the capital adequacy value but also the analysis of risk management and capital management used (Ferdiansyah and Widyarti, 2022). This can be seen from the low capital adequacy value of PT Bank Tabungan Negara (BBTN) in 2021. In that year, BBTN did not obtain a GCO because of a management plan in the following period to optimize the purpose of effective capital use in order to ensure business continuity (CNBC, 2022; Ferdiansyah and Widyarti, 2022). Although the capital adequacy value has not met the 8% minimum value set by OJK, the company will not obtain GCO if the management strategy can be considered to ensure business continuity (Foster and Shastri, 2016).

This study has not been able to confirm the agency theory which states that auditors as third parties are able to minimize information asymmetry between managers and shareholders (Chen et al., 2023; Jensen & Meckling, 1976). Auditors issue GCO when there is doubt about the company's ability to run its business (Geiger, Gold and Wallage, 2019; Pham, 2022). However, information regarding business continuity is not only seen from the capital adequacy value, but also from the capital management strategy (Foster and Shastri, 2016; Lestari, 2020). Shareholders want the capital managed by managers to be able to guarantee the continuity of business operations in the following period, including when there is a risk of economic recession in the future (Sy and Tinker, 2019). Thus, the capital adequacy value cannot be a benchmark for business continuity, so an effective and efficient working capital assessment is needed to anticipate risks that can threaten the continuity of the company's business (Singh and Milan, 2020; Paulet and Mavoori, 2021).

4.2. The Effect of Asset Quality on Going Concern Opinion

This study did not find any effect of asset quality on the probability of obtaining GCO in the company's financial statements so H2 is rejected. The results of this study support the research of (Paulet and Mavoori, 2021) which found that asset quality did not affect the probability of a company obtaining GCO. Low asset quality can also be a cause of increased risk of default on customers by lending banks (Salike and Ao, 2018). However, the risk of default can be minimized by considering providing large loans to customers (Afroj, 2022; Badunenko *et al.*, 2022).

The results of this study contradict the research of Ezeoha (2011) which used a research sample during the crisis period so that the majority of companies had weak credit portfolios and were more likely to allow banks to obtain GCO. In this study, during the crisis period, the credit portfolio was anticipated by regulations regarding loan restructuring both in terms of loan terms, installment amounts, and interest relaxation for debtors affected by the COVID-19 pandemic (Utami, 2020). Loan restructuring is adjusted according to the policies of each bank so that the value of banking asset quality remains within a safe value (<5%) (POJK, 2021). Government regulation is the most important factor in restoring growth after the financial crisis to achieve operational efficiency that improves the value of banking asset quality so that it can anticipate the level of bad debts that occur during the crisis (Paulet and Mavoori, 2021).

This study has not been able to confirm the agency theory which states that information asymmetry between managers and shareholders can be minimized by GCO information issued by auditors (Chen et al., 2023; Jensen & Meckling, 1976). GCO information is issued when there is doubt about the continuity of the company's business (Geiger, Gold and Wallage, 2019; Pham, 2022). However, the GCO information issued by the auditor does not come from the good or bad quality of the company's assets, but from policies made by management to anticipate the risk of default (Foster and Shastri, 2016; Lestari, 2020). Although the company's asset quality value is good (<5%) it does not guarantee a low risk of default if the credit portfolio owned is weak (Ferdiansyah and Widyarti, 2022). Thus, the high or low value of asset quality cannot be an indicator of GCO acquisition because of considerations regarding policies that can anticipate the risk of default that can threaten business continuity (Keffala, 2018; Paulet and Mavoori, 2021).

4.3. The Effect of Inefficiency Management on Going Concern Opinion

The results of this study found a positive effect of inefficiency management on the probability of obtaining GCO in the company's financial statements so H3 is accepted. This result contradicts the research of Danlami et al. (2022), but supports the findings of (Foster and Shastri, 2016) that poor management has a positive effect on GCO. Danlami et al. (2022) used a sample of Islamic banking so that the calculation of management efficiency uses different sharia principles from conventional banks. Management efficiency in conventional banks lies in the ability of management to make decisions to manage fund receipts and expenditures which can be seen from the cost ratio value (Singh and Milan, 2020).

Good management is indicated by efficiency in managing income and expenditure so that it can support the company's financial strength in ensuring business continuity (Chiu *et al.*, 2008; Danlami, Abduh and Abdul Razak, 2022). On the other hand, management inefficiency is indicated by a high cost ratio that causes the company's operational effectiveness to decline and threatens business continuity (Paltrinieri *et al.*, 2021). This can be seen from the high management inefficiency value of PT Bank Jtrust Indonesia (BCIC) in 2020 which resulted in the company obtaining GCO. One of the management plans to improve the company's financial condition is to take cost efficiency steps in order to reduce the company's cost ratio. Therefore, the higher the company's cost ratio, the more inefficient the management of expenses that are managed and can threaten business continuity (Gaganis and Pasiouras, 2007; Trung, 2021).

The results of this study confirm the agency theory which states that information asymmetry between managers and shareholders can be minimized by auditors as third parties (Chen et al., 2023; Jensen & Meckling, 1976). Information regarding business continuity guarantees is the result of the auditor's assessment of management's optimization in managing expenses and income (Danlami, Abduh and Abdul Razak, 2022). A high cost ratio indicates management inefficiency where the expenditure of costs from revenue receipts is not managed efficiently, thus reducing the company's operational performance (Ferdiansyah and Widyarti, 2022). Declining operational performance will threaten business continuity so that the company is more likely to obtain GCO ((Foster and Shastri, 2016; Paltrinieri *et al.*, 2021; Badunenko *et al.*, 2022; Danlami, Abduh and Abdul Razak, 2022)).

4.4. The Effect of Earnings on Going Concern Opinion

This study did not find any effect of profit on the probability of obtaining GCO in the company's financial statements so H4 is rejected. This result contradicts the study by (Pham, 2022) which used a sample of companies that had a positive average profit and met the applicable minimum profit requirements so that they tended not to obtain GCO (Pham, 2022). However, the results of this study support the research of Hadori & Sudibyo (2014) and Mutsanna (2020) which found that high or low profit values did not affect the probability of obtaining GCO. High or low profit levels cannot be used as a benchmark for a company to be able to continue its operational activities effectively (Yuliani and Erawati, 2017). Although the profit obtained in the current year is relatively high, the auditor will consider the company's ability to continue operational activities and the ability to implement management plans and face business continuity risks in the following period (Hadori and Sudibyo, 2014). In addition, auditors will also consider the company's sources of funds and potential to generate profits in the following period so that auditors can assess whether the company can maintain its survival (Mutsanna, 2020).

This study has not been able to confirm the agency theory which states that auditors play a role in minimizing information asymmetry between managers and shareholders (Chen et al., 2023; Jensen & Meckling, 1976). Auditors have the right to issue GCO when there is a threat to the company's business operations in the following period (Geiger, Gold and Wallage, 2019; Pham, 2022). However, business continuity is not only seen from the size of the company's profit, but from the management strategy to increase profits in the following period (Lestari, 2020; Averio, 2021). The size of the reported profit will not prevent the company from obtaining GCO, especially if the profit obtained is too large, giving the impression of excessive disclosure (Yaqin and Sari, 2015). Even though the profit obtained is high, but there are risks that threaten business continuity, the company will still have the potential to obtain GCO (Surbakti *et al.*, 2022). Conversely, companies that do not receive profits or have low profit values do not necessarily obtain GCO due to considerations of management strategies to obtain profits in the next period (Surbakti *et al.*, 2022).

4.5. The Effect of Liquidity on Going Concern Opinion

This study did not find any effect of liquidity on the probability of obtaining GCO in the company's financial statements so H5 is rejected. This result contradicts the research of (Rizal and Mustapita, 2022). The research of Rizal & Mustapita (2022) used a sample of Islamic banking so that the source of liquidity was only obtained by applying Islamic principles. The sources of liquidity obtained are limited, in contrast to conventional banks that obtain liquidity sources from various sources so that Islamic banking has lower banking liquidity capabilities (Afroj, 2022; Rizal and Mustapita, 2022)

The results of this study support the research of Mutsanna (2020) which found that the probability of obtaining GCO was not influenced by the high or low value of liquidity. This can be seen from the low liquidity value of PT Aladin Syariah (BANK) in 2021 due to the absence of loan distribution. However, in that year PT Aladin Syariah did not obtain GCO because there was potential to continue the business in the following period. Therefore, the auditor's consideration to issue a GCO is not only seen from the size of the liquidity, but also how the manager manages the sources of funds obtained by the company effectively and efficiently for the continuity of the company's operations (Yaqin and Sari, 2015).

This study is not in line with the agency theory which states that the GCO issued by the auditor can minimize information asymmetry between management and shareholders (Chen et al., 2023; Geiger et al., 2019; Pham, 2022). The GCO issued by the auditor is not only seen from the company's ability to pay its short-term debts, but also from the management's ability to implement strategies in order to meet all its obligations (Foster and Shastri, 2016; Averio, 2021; Lestari and Vikaliana, 2021). A high liquidity value without good financial management cannot guarantee that the company is able to meet all its obligations (Surbakti *et al.*, 2022). Therefore, the financial condition that is the benchmark for obtaining GCO is not only the liquidity ratio, but also requires an assessment of the company's overall capabilities, both in managing debt and the resources owned by the company (Yaqin and Sari, 2015; Mutsanna, 2020).

CONCLUSION AND SUGGESTION

Conclusion

This study aims to determine the effect of financial conditions using CAMEL analysis consisting of capital adequacy, asset quality, management efficiency, profit, and liquidity on GCO in banking sector companies. The results of the study indicate that management efficiency has a positive effect on GCO acquisition. Good management efficiency can be seen from the efficiency of managing funds received and disbursed. Poor management efficiency is indicated by a high cost ratio that causes the company's operational effectiveness to decline and threatens business continuity. The results of the study also show that capital adequacy, asset quality, profit, and liquidity do not affect GCO acquisition. A high capital adequacy value cannot be a benchmark for auditors to issue GCO because it does not reflect the effectiveness of the use of capital owned by the company. Even though the asset quality value is high and controlled, the bank will continue to improve its quality to comply with the requirements of prudence and client trust. In addition, profit and liquidity cannot be a benchmark for auditors to issue GCO because the auditor will evaluate the company's potential to generate profit and settle all its obligations in the following period. Last year's audit opinion has a positive effect on GCO acquisition as an auditor's consideration for issuing an audit opinion in the current year. Companies that received GCO in the previous year tend to receive GCO in the current year.

This study is useful for company management and shareholders. Company managers need to pay attention to the company's financial condition, especially management efficiency, to ensure that the management of income and expenditure of funds has been carried out effectively so as to minimize the acquisition of GCO. Shareholders must also be selective in choosing companies for their investment decisions. This can minimize the potential for losses in investing if the company has good financial conditions with the auditor's opinion on business continuity.

Limitation and Suggestion

This study contributes to the accounting and finance literature in the context of agency theory and the availability of GCO disclosure models for the public so that they can be a benchmark in analyzing business continuity in public entities. Previous studies have focused on testing financial conditions against GCO disclosure in the non-financial sector, while this study focuses on the financial sector. In addition, this study also contributes to confirming the agency theory which states that financial conditions can affect GCO disclosure through the findings of the influence of management efficiency on GCO acquisition. Good financial conditions can be seen from management efficiency which shows that expenditures and incomes that are carried out properly can minimize GCO disclosure in the company's financial statements. In this study, the evaluation of GCO acquisition uses CAMEL analysis which focuses on the financial and operational aspects of the bank. However, the evaluation of GCO acquisition requires a broader analysis including evaluating aspects of risk, governance, and efficiency in managing bank finances and operations. Therefore, further research can use other analysis tools that can expand the evaluation aspects of GCO acquisition such as RGEC analysis, survival analysis, and machine learning models.

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