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Client Internal Factors to The Change of Upgrade, Downgrade, and Same Grade of Public Accounting Firm (An Empirical Study on The Banking Sector Companies Listed in The Indonesia Stock Exchange for The Year of 2014-2018)

Erma Setiawati, Devaria Aisya Setyowati,
Mahameru Rosy Rochmatullah
Faculty of Economics and Business,
Universitas Muhammadiyah Surakarta
email: erma.setyowati@ums.ac.id

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ABSTRACT

This study aimed at determining the effect of client internal factors, such as; firm size, financial distress and management changes to switching of a public accounting firm (PAF). The population of this study was the company of the banking sector listed in the Indonesia Stock Exchange from 2014 to 2018. The sampling technique used in this study was purposive sampling method which generated a sample of 195 companies. The multinomial logistic regression test was performed because there were three categories of the dependent variable. The results of the analysis revealed that financial distress did not affect the change of PAF upgrade, downgrade, and the same grade. Firm size did not affect the change of PAF upgrade, downgrade and the same grade and management changes did not affect the change of PAF upgrade, downgrade, and the same grade.

INTRODUCTION

Financial statements have significant uses for both internal and external parties since it is one of the means needed in decision making and also in conveying information regarding every activity carried out by the company. In presenting the financial statements there is a possibility that the financial statements are affected by the personal interests of management, while the stakeholders need relevant and reliable financial reports. Therefore, professional services are needed, namely the services of public accountants who have the task to assess the rationality of a financial statement. According to the Regulation of the Minister of Finance Number: 17/PMK.01/2008 article 1 paragraph (3) Public Accounting Firm, hereinafter referred to as PAF, is a business entity that has obtained a permit from the Minister as a place for Public Accountants to provide their services while public accountants or independent auditors is a professional auditor who provides services, especially in the field of auditing of financial statements that have been issued by the company. According to Hermawan and Fitriany (2013), auditors must be able to provide quality opinions, so that their judgments on the fairness of the financial statements can guarantee the reliability of the information contained in the company's financial statements.

An auditor's independence is an important aspect for the auditor when carrying out auditing task that requires the auditor to assess the fairness of his client's company's financial statements. Independence means that the auditor is not easily influenced by certain parties. So the auditor will report what he found during the audit process. A long period of engagement between the auditor and the company (client) can have both positive and negative impacts. When an auditor is involved in a long-term relationship with a client due to the length of the engagement period, the auditor will likely to have more capability to assess the financial statement as he has a deep understanding of the business and knows the client's information in the past and it will also not incur a start-up fee. But, on the contrary, a long engagement period can also create a relationship between an auditor and client which can affect auditor's independence.

Many people consider audit rotation as a solution to overcome the low auditor independence caused by the long-term relationship between the client and his PAF. Auditor rotation is a change of

PAF or auditor conducted by a company caused by resignation or dismissal of the auditor. Mandatory auditor switching is a rotation made by a client company due to regulations that cause companies to change their auditors according to a predetermined period (Setiawan and Aryani, 2014). In practice, the change of auditors is not only mandatory but can also be done voluntarily. Voluntary change is done due to problems arise from both the auditor and the company (Robbitasari, 2013). According to Gracia (2015), voluntary auditor switching takes place when the auditor is no longer on a duty or else he is dismissed by the client. When a client changes his auditor without a regulation requiring the change to be made, the possibility is that the auditor resigns from his job or he is forcibly terminated by the client. And if there is a replacement of the PAF by the company outside the stipulated regulations, it will raise questions from investors so it is important to know the reasons behind it (Sinarwati, 2010).

In its development, the practice of changing the PAF in Indonesia is influenced by various factors, one of which is financial distress. Damayanti and Made (2008) opine that companies that are experiencing bankruptcy will change PAF more frequently than stable companies. Financial distress causes the company to change PAF, both upgrade, same grade, or downgrade. The company will switch to larger or maximum quality PAF when the company wants to hire a more independent PAF to maintain investor confidence. Besides, the company will also change to smaller PAF to reduce audit costs (Hermawan and Fitriany, 2013).

Another factor that influences the change of PAF is the firm size or company size. Suryandari (2012) argues that firm size will have an impact on the selection of audit firms which is related to the size of the auditee and the type of service required. Company size can be measured through various indicators, one of which is total assets. Along with the growth of a company, the complexity of the business increases, this can trigger a client to change his auditor to other auditor or other larger PAF (Kevin and Ratnawati, 2016).

The third factor is the management change. Change of management can be caused by the decision of the general meeting of shareholders, retirement or other reasons. Changes in a company's policies may occur due to new management, including the change of auditors when the previous auditor cannot fulfill the expectation of the new management (Kevin and Ratnawati, 2016).

This study aims to examine the factors that influence voluntary PAF changing in a company. This current study refers to previous research conducted by Hermawan and Fitriany (2013) who examined the factors that influence companies to change their public accounting firms at any type of upgrade, downgrade or same grade. PAF upgrade means the change from medium-large PAF to large PAF, from small PAF to medium PAF, from small PAF to large PAF. The downgrade is a change from a large PAF to medium PAF, from large PAF to small PAF, from medium PAF to small PAF. Whereas the change in PAF of the same grade is the change from large PAF to large PAF, from medium PAF to medium PAF, from small PAF to small PAF (Hermawan and Fitriany, 2013). The factors examined in this study are internal factors of the client company. Internal factors used are financial distress, firm size, and management change with PAF change variables adopted from Hermawan and Fitriany (2013). Similar to the research carried out by Aditya and Dodik (2016) this current study uses a sample of banking companies listed in the Indonesia Stock Exchange (IDX), but the time used in this study is the range between 2014-2018, while Hermawan and Fitriany (2013) investigated whole sample companies listed in the Indonesia Stock Exchange (BEI) in 2004-2011. This study seeks to investigate the effect of the financial distress, firm size and management changes on the changing of public accounting firms upgrade, downgrade, and same grade.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

According to agency theory by Jensen and Meckling (1976), the decision to conduct an Auditor switching made by a client company is caused by the top manager as an agent in a company has different interests from the company owner as the principal, but both try to fulfill the needs of each party. This theory is used in this study as it is the main foundation of the problem caused by the conflict of interest between the manager and the shareholders which leads to the use of the Public Accounting Firm, which mediates the two parties.

Furthermore, Nugroho 2010, in Hermawan 2013 classifies Public Accounting Firms into several groups including the following:

No	Large PAF	International Affiliation
1	Tanudiredjo, Wibisana, Rintis & Rekan	Pricewaterhouse Coopers
2	Osman Bing Satrio & Eny	Deloitte Touche Tohmatsu
3	Purwantono, Sungkoro & Rekan	Ernst and Young
4	Sidharta Widjaja & Rekan	Klynveld Peat Marwick Goerdeler (KPMG)
No	Medium PAF	International Affiliation
1	Aryanto, Amir Jusuf & Mawar	RMS <i>International</i>
2	Doli, Bambang, Sudarmadji & Dadang	BKR <i>International</i>
3	Hadori & Rekan	HLB <i>International</i>
4	Hendrawinata Gani & Rekan	<i>Grant Thornton</i>
5	Jimmy Budhi & Rekan	<i>Praxity AISBL</i>
6	Johan, Malonda, Astika & Rekan	<i>Baker Tilly International</i>
7	Kanaka Puradiredja, Suhartono	<i>NEXIA International</i>
8	Kosasih & Nurdiyaman	<i>Ganeva group International</i>
9	Mulyamin, Sensi, Suryanto	<i>Moore Stephens International</i>
10	Paul Hadiwinata, Hidayat, Arsono & Rekan	<i>PKF International</i>
11	Rama Wendra	<i>Parker Randall International</i>
12	Tanubrata, Sutanto & Rekan	<i>BDO International</i>

Other than those mentioned above are included in the small PAF classification.

A company that is going through financial distress tends to change the PAF because the company no longer has the ability to pay the audit fees charged by the PAF resulting from a decrease in the company's financial capability, so the company prefers to change the PAF adjusted with the financial capabilities of the company at that time.

H1_a: Financial distress has an effect on the companies that change PAF of the upgrade type compared to companies that do not make PAF change.

H1_b: Financial distress has an effect on the companies that change PAF of the downgrade type compared to companies that do not make PAF change.

H1_c: Financial distress has an effect on the companies that change PAF of the same grade type compared to companies that do not make

PAF change.

Firm size or company size is a scale that classifies the size of the company related to corporate finance. Firm size must be adjusted to PAF size and type of service needed. For this reason, management must choose a PAF that has a size comparable to the size of the company in order to continue to have a good reputation before the investors.

H2_a : Firm size has an effect on the companies that change PAF of the upgrade type compared to companies that do not make PAF change.

H2_b : Firm size has an effect on the companies that change PAF of the downgrade type compared to companies that do not make PAF change.

H2_c : Firm size has an effect on the companies that change PAF of the same grade type compared to companies that do not make PAF change.

A change in company management occurs when the company changes its board of directors. Change of management usually leads to new policies within the company. This new policy is intended by the new management to improve the quality and quality standards of the company. So that with the change of management the client company has the opportunity to appoint a new auditor who is more qualified and more cooperative with the boards of the company. In addition, management needs auditors who are more qualified and able to meet the demands of rapid corporate growth. If this cannot be fulfilled, the company will most likely replace its auditor.

H3_a : Management change has an effect on the companies that change PAF of the upgrade type compared to companies that do not make PAF change.

H3_b : Management change has an effect on the companies that change PAF of the downgrade type compared to companies that do not make PAF change.

H3_c : Management change has an effect on the companies that change PAF of the same grade type compared to companies that do not make PAF change.

METHOD**Design**

This study used a quantitative approach. The

data used in this study were secondary data in the form of company annual reports obtained from the Indonesia Stock Exchange (www.idx.co.id).

Population and Sample

The population of this study was banking sector companies listed in the Indonesia Stock Exchange (IDX) in the year of 2014-2018. The purposive sampling method was applied in this study by setting certain criteria so that the samples obtained in this study amounted to 195 companies.

Operational Definitions and Research Variables

There is one dependent variable in this study, namely the change of PAF upgrade, downgrade and same grade and 3 independent variables, namely, financial distress, firm size, and management change. The definition and measurement of variables used in this study are as follows:

PAF Change

Change or switch of Public Accounting Firm (PAF) is defined as the presence or absence of a change of public accounting firm conducted by the client company. PAF change variable was measured by using a dummy variable. Number 1 indicates no change in PAF, number 2 represents a change in PAF of the type of upgrade, number 3 indicates the company performs downgrade PAF changes, and number 4 to show the company changes PAF of the same grade type.

Financial Distress

Financial distress is proxied by a DAR (Debt to Asset Ratio) ratio. According to Eny Kusumawati (2018: 44) Distress variable is calculated by using the following formula:

$$\text{Debt to Asset Ratio (DAR)} = \frac{\text{Total Debt}}{\text{Total Asset}} \times 100\%$$

Firm Size

Companies are categorized into two groups, namely small companies and large companies. The greater the total assets of a company, the larger the company is, and vice versa (Aditya and Dodik (2016). The firm size variable in this study was calculated using Ln (natural logarithms) of the company's total assets. According to Jogiyanto (2000: 254) company size can be formulated as follows:

$$Firm\ Size = \ln(Total\ Asset)$$

Management Change

The change of management in this study is proxied by the change of director in a company. The president director is the highest position in a company that is broadly responsible for managing the company as a whole. The management change variable used dummy variables. If there was a change of management in the company, then it was scored 1 and when there was no change of management in

$$\ln \frac{P(Y_i = PergKAP_UP)}{P(Y_i = Tdk_PerKAP)} = \alpha + \beta_1 FD_1 + \beta_2 FS_2 + \beta_3 PM_3 + \epsilon_1 \dots \dots \dots (1)$$

$$\ln \frac{P(Y_i = PergKAP_Down)}{P(Y_i = Tdk_PerKAP)} = \alpha + \beta_1 FD_1 + \beta_2 FS_2 + \beta_3 PM_3 + \epsilon_1 \dots \dots \dots (2)$$

$$\ln \frac{P(Y_i = PergKAP_Same)}{P(Y_i = Tdk_PerKAP)} = \alpha + \beta_1 FD_1 + \beta_2 FS_2 + \beta_3 PM_3 + \epsilon_1 \dots \dots \dots (3)$$

Where:

- Perg_Up* = Probability to change to upgrade PAF
- Perg_Down* = Probability to change to downgrade PAF
- Perg_Same* = Probability to change to samegrade PAF
- a* = Constanta
- FD = Financial Distress
- FS = Firm size
- PM = Management change
- ϵ = Confounding variable
- β_1 = Regression coefficient of *Financial Distress 1*
- β_2 = Regression coefficient of *Firm Size 2*
- β_3 = Regression coefficient of *Management Change 3*

RESULTS AND DISCUSSION

Overall Fit Model Test

Table 4.1 Results of Overall Fit Model Test

-2 Log Likelihood (Intercept only)	-2 Log Likelihood (Final)
232.741	220.756

Source: Data processing results 2020

Based on table 4.1 it is known that the overall fit model shows a comparison between the value of -2 Log-Likelihood (-2LL) at the beginning (Intercept Only) with the value of -2 Log-Likelihood (-2LL) at the end (Final). The decrease in Likelihood (-2LL)

the company, then it was marked 0.

Data Analysis

The data analysis technique used in this study is multinomial logistics analysis. This formula is used because the dependent variable has more than two categories (multinomial) with one or more independent variables (Ghozali, 2011). The equation of the multinomial logistic regression model used is as follows (Ghozali, 2011):

shows a good regression model or in other words, the model is hypothesized fit with the data.

Coefficient of Determination (Nagelkerke R Square)

Table 4.2 Results of Nagelkerke R Square

Cox and Snell	0.060
Nagelkerke	0.086
McFadden	0.051

Source: Data processing results 2020

Based on table 4.2, the value of Nagelkerke R Square is 0.086. This means that the ability of the independent variable to influence the dependent variable is only 8.6% while the remaining 91.4% is influenced by other variables outside the research model.

The Goodness of Fit Test

Table 4.3 Results of Goodness of Fit Test

	Chi-Square	Df	Sig.
Pearson	530.838	570	0.879
Deviance	220.756	570	1.000

Source: Data processing results 2020

Table 4.3 shows that the model has a Chi-square value of 530.838 with a significance value (ρ) of 0.879. Based on these results, the model is said to be able to predict and explain empirical data because the significant value is more than 0.05.

Multicollinearity Test

Table 4.4 Results of Multicollinearity Test

		PKAP	FD	FS	PM
Pearson Correlation	PKAP	1,000	,035	-,096	,008
	FD	,035	1,000	,124	,119
	FS	-,096	,124	1,000	-,036
	PM	,008	,119	-,036	1,000

Source: Data processing results 2020

Hermawan and Fitriany (2013) pinpoint that a multicollinearity test can be seen if the Pearson Correlation does not exceed 0.8 so that it can be said that there are no serious multicollinearity symptoms between variables. From table 4.5 it

can be seen that all variables have a cross between variables not exceeding 0.8 thus it can be concluded that the correlation between variables does not occur multicollinearity.

Multinomial Logistic Regression Analysis Test

Table 4.5 Variable in Equation

	PKA ^a	B	Sig.
There is an upgrade PAF change	Intercept	3,527	0,691
	FD	4,344	0,465
	FS	-0,349	0,166
	[PM=,00]	0,545	0,622
	[PM=1,00]	0 ^b	.
There is a down-grade PAF change	Intercept	-23,020	0,137
	FD	14,908	0,216
	FS	0,248	0,392
	[PM=,00]	-1,766	0,062
	[PM=1,00]	0 ^b	.
There is the same grade PAF change	Intercept	3,895	0,401
	FD	0,715	0,702
	FS	-,223	0,129
	[PM=,00]	0,400	0,547
	[PM=1,00]	0 ^b	.

Source: Data processing results 2020

Based on the results of multinomial logistic regression testing in the above table,

the regression equation can be formulated as follows:

The regression equation for PAF upgrade

$$Ln \frac{P(Y_i = PergKAP_UP)}{P(Y_i = Tdk_PerKAP)} = 3.527 + 4.344FD_1 - 0.349FS_2 + 0.545PM_3 \dots\dots\dots(1)$$

Regression equation for PAF downgrade:

$$Ln \frac{P(Y_i = PergKAP_DOWN)}{P(Y_i = Tdk_PerKAP)} = -23.020 + 14.908FD_1 + 0.248FS_2 - 1.7 \dots\dots\dots(2)$$

Regression equation for PAF samegrade:

$$Ln \frac{P(Y_i = PergKAP_SAME)}{P(Y_i = Tdk_PerKAP)} = 3.895 + 0.715FD_1 - 0.223FS_2 + 0.400PM_3 \dots\dots\dots(3)$$

From the results of multinomial logistic regression testing, it is informed that:

- a. From table 4.5, it can be seen that the Financial Distress variable for PAF Upgrade has a regression coefficient of 4.344 with a significance level of $0.465 > \alpha = 0.05$. This means that Financial distress does not affect the upgrade PAF change so that H1a is rejected. The Financial distress variable for downgrade PAF change has a regression coefficient of 14.908 with a significance level of $0.216 > \alpha = 0.05$. This means that Financial distress has no effect on the change of PAF downgrade so H1b is rejected. The Financial distress variable for PAF Samegrade has a regression coefficient of 0.715 with a significance level of $0.702 > \alpha = 0.05$. This means that Financial distress has no effect on Samegrade PAF change so H1c is rejected.
- b. From table 4.5, it can be seen that the Firm size variable for PAF Upgrade has a regression coefficient of -0.349 with a significance level of $0.166 > \alpha = 0.05$. This means that the Firm size does not affect PAF Upgrade so that H2a is rejected. Then, the Firm size variable for PAF Downgrade has a regression coefficient of 0.248 with a significance level of $0.392 > \alpha = 0.05$. This means that the Firm size does not affect the Downgrade PAF S change so H2b is rejected. The last, the Firm size variable for PAF Samegrade has a regression coefficient of -0.223 with a significance level of $0.129 < \alpha = 0.05$. This means that the Firm size does not affect the change of PAF of the same grade so H2c is rejected.
- c. From table 4.5, it can be seen that the management change variable for PAF Upgrade has a regression coefficient of 0.545 with a significance level of $0.622 > \alpha = 0.05$. This means that the change of management does not affect the PAF upgrade so that H3a is rejected. The management change variable for PAF Downgrade has a regression coefficient of -1.766 with a significance level of $0.062 > \alpha = 0.05$, this means that the change of management does not affect the PAF downgrade so that H3b is rejected. Next, the management change variable for PAF Samegrade has a regression coefficient of 0.400 with a significance level of $0.547 > \alpha = 0.05$. This means that the change of management has no effect on the PAF same grade so H3c is rejected.

Discussion

The effect of financial distress on the change of PAF

Table 4.5 shows the effect of financial distress on the change of PAF upgrade, downgrade, and the same grade. The results of the change of PAF upgrade testing using multinomial logistic regression show a regression coefficient of 4,344 with a significance level of 0.465, which means the value is greater than 0.05. This indicates that the financial distress (FD) variable which is proxied by the DAR ratio (debt to asset ratio) does not affect the change of the PAF upgrade because this result is contrary to the hypothesis, then H1a is rejected. The results of this study are consistent with the research by Wijaya (2011) and Nabila (2011) which found that financial distress did not affect the PAF upgrade. However, these results are in contrast to the research by Rismanda (2013), and Sinarwati (2010) which stated that financial distress has a positive effect on PAF change. This study fails to show the influence of financial distress on the change of PAF upgrade. This might happen because the company which experienced financial distress did not change its PAF to a higher level as the company's finances were in a bad condition and might be influenced by the issue of the impact of the global crisis in the research period.

The results of the downgrade PAF testing using multinomial logistic regression show a regression coefficient of 14.908 with a significance level of 0.216, which is greater than 0.05. This value indicates that the financial distress (FD) variable which is proxied by the DAR (debt to asset ratio) ratio does not affect the downgrade PAF change. Since these results contradict the hypothesis, H1b is rejected so financial distress is not a factor causing companies to make PAF changes. Companies that are in financial distress tend not to change PAF because they concern more about the perception of shareholders as owners of funds in the company and if the company frequently changes PAF, negative assumptions will arise. The results of this study are in line with the research by Setiawan (2014) and Ismail et.al (2008) but contrary to research by Hudaib and Cooke (2005) and Nasser et.al (2006).

The results of the same grade PAF testing using multinomial logistic regression show a regression coefficient of 0.715 with a significance level of 0.702, which means the value is greater than 0.05. This value indicates that the financial distress (FD) variable which is proxied by the DAR (debt to asset ratio) ratio does not affect the change in PAF of

the same grade, because this result is in contrast to the hypothesis, then H1c is rejected. This shows that financial distress is not a factor that causes companies to change PAF. These results contradict the research by Schwartz and Menon (1985) and Hermawan (2013) who found that financial distress had a positive effect PAF change. This study is in line with research by Anggreini (2012) and Damayanti (2008) which found that financial distress did not affect PAF change.

The effect of firm size on the change of PAF

Table 4.5 presents the effect of firm size on the change of PAF upgrade, downgrade, and same grade. The results of the upgrade PAF testing using multinomial logistic regression show a regression coefficient of -0.349 with a significance level of 0.166 which means the value is greater than 0.05. This value indicates that the firm size (FS) variable as proxied by the log asset has no effect on the PAF upgrade, so H2a is rejected. These results inform that larger company size does not guarantee that a company will switch to a larger PAF because the change to a larger PAF also requires a larger audit fee equivalent to the level of independence provided by the auditor. This study is in line with research by Wijayanti (2011) and Simunic et al. (1987) which revealed a positive direction between firm size and quality PAF change, but it is in contrast to research conducted by Suparlan (2010) and Dwiyanti (2014).

The results of downgrade PAF testing using multinomial logistic regression show a regression coefficient of 0.248 with a significance level of 0.392, which means the value is greater than 0.05. This indicates that the firm size (FS) variable which is proxied by a significant log asset does not affect the downgrade PAF change, because this result does not correspond to the hypothesis, so H2b is rejected. This may happen because most of the study samples are large-scale banks so that the PAF used has used the services of a big-4 PAF. This causes companies to tend not to change the PAF class to a lower (downgrade). So it can be concluded that large-scale banks are more likely to maintain their PAF, namely big-4 PAF. This result corresponds to research conducted by Aditya and Dodik (2016)

The results of same grade PAF testing using multinomial logistic regression show a regression coefficient of -0.223 with a significance level of 0.129, which is greater than 0.05. This value indicates that the firm size (FS) variable as proxied by the log asset does not affect the same grade PAF change, then H2c is rejected. The results show that

several factors cause companies not to change their PAFs. As it is known that the larger the size of the company, the higher the responsibility of management to shareholders so that companies tend to change auditors by choosing auditors who have high independence and higher quality. But on the other hand, the companies should also adjust their needs according to the company's ability to pay PAF fees. The results of this study are in line with the research by Mahantara (2013), Suparlan (2010) and Chadegani et.al (2011).

The effect of management change on the change of PAF

Table 4.7 shows the effect of management change on the change of PAF of the upgrade, downgrade, and same grade types. The results of upgrade PAF testing using multinomial logistic regression indicate a regression coefficient of 0.545 with a significance level of 0.622, which means the value is greater than 0.05. This indicates that the change of management variable (PM) as proxied by a dummy with the change of the company's director does not affect the change of the PAF upgrade. Since these results conflict with the hypothesis so that H3a is rejected. That means, companies that change their management will not switch to larger PAFs than the previous (upgrading). Damayanti (2008) states that management changes are not always followed by policy changes in using the services of a PAF. This is probably because the previous PAF accounting reporting policies remain in line with the new management policies. This study is consistent with the research by Damayanti (2008) and Wijayanti (2010) which show management change does not affect the change of PAF. On the other hand, these results are in contrast to Burton and Robert (1967) and Hermawan (2013).

The results of downgrade PAF testing using multinomial logistic regression show a regression coefficient of -1.766 with a significance level of 0.062, which means the value is greater than 0.05. This indicates that the change of management variable (PM) which is proxied by a dummy with a change of director does not affect the downgrade PAF change. Since this result against the hypothesis, then H3b is rejected. That means, companies that change management will not switch to smaller PAFs (downgrade). This is because the companies being studied use the services of big-4 PAF, so the audit quality of PAF affiliated with big-4 is still believed to have a high ability in monitoring the company. This research is in line with the research

of Juliantari (2013) and Aprillia (2013) which show that management change does not influence PAF change, but it is in contrast to the results of research by Hudaib and Cooke (2005).

The results of same grade PAF testing using multinomial logistic regression show a positive regression coefficient of 0.400 with a significance level of 0.547, which means the value is greater than 0.05. This indicates that the change of management variable (PM) which is proxied by a dummy with a change of does not affect the change in PAF of the same grade. Since these results conflict with the hypothesis, then H3c is rejected. That means, there is no relationship between the change of management with the change of PAF of the same type. This is due to the new management will concentrate on increasing profits in the new management. Management changes are changes from within and are controlled by the organization, while the decision to change the PAF is a change that occurs outside the organization. This study is consistent with research by Nabila (2011) which shows unaffected results but contradicts the results of research by Ismail et.al (2008) and Mahantara (2013).

CONCLUSION

Based on the analysis, several conclusions are addressed as follows:

1. Financial distress variable
 - a. The financial distress variable of the results of the upgrade PAF change testing has a significant value of $0,437 > \alpha = 0,05$. This shows **H1a is rejected** which means financial distress does not affect the change of PAF upgrade.
 - b. The financial distress variable of the results of the downgrade PAF change testing has a significant value of $0,221 > \alpha = 0,05$. This shows **H1b is rejected** which means that financial distress does not affect the change of PAF downgrade.
 - c. The financial distress variable of the results of the upgrade PAF change testing has a significant value of $0,562 > \alpha = 0,05$. This shows that **H1c is rejected** which means financial distress does not affect the change of PAF of the same grade.
2. Firm size variable
 - a. The firm size variable of the results of the upgrade PAF change testing has a

significance value of $0,125 > \alpha = 0,05$. This shows **H2a is rejected** which means Firm size does not affect the change of PAF upgrade.

- b. The firm size variable of the results of the upgrade PAF change testing has a significance value of $0,468 > \alpha = 0,05$. This shows **H2b is rejected** which means Firm size does not affect the change of PAF downgrade.
 - c. The firm size variable of the results of the upgrade PAF change testing has a significance value of $0,129 < \alpha = 0,05$. This shows **H2c is rejected** which means Firm size does not affect the change of PAF of the same grade.
3. Management change variable
 - a. The management change variable of the results of the upgrade PAF change has a significance value of $0,646 > \alpha = 0,05$. This shows that **H3a is rejected** which means management change does not affect the change of PAF upgrade.
 - b. The management change variable of the results of the upgrade PAF change has a significance value of $0,061 > \alpha = 0,05$. This shows that **H3b is rejected** which means management change does not affect the change of PAF downgrade.
 - c. The management change variable of the results of the upgrade PAF change has a significance value of $0,761 > \alpha = 0,05$. This shows that **H3c is rejected** which means management change does not affect the change of PAF of the same grade.

Limitations

The researcher realizes that this research has limitations that can be taken into consideration for future researchers to get better research. These limitations include:

1. The variables used in this study only consist of three independent variables, namely financial distress, firm size, and management change so that they are unable to describe other factors that can affect PAF change of any type (upgrade, downgrade, or same grade).
2. The research sample used in this study is relatively small because it only uses the banking sector which is listed in the Indonesia Stock Exchange (IDX) during the period 2014 to 2018.

Suggestion

The following suggestions are addressed to further researchers:

1. Further researchers are suggested to add other variables such as changes in ownership, mergers or acquisitions, initial public offering and profitability, audit fees and others so that the results can maximally explain variations in the dependent variable.
2. Further researchers are recommended to use different industrial sectors or sample objects so that comparisons can be made between each type of industrial sector or sample objects based on the classification of PAF change types, namely upgrade, downgrade and the same grade.

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