Social Capital and Audit Fees: Evidence from Indonesia

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Abstract

A surge of problems is haunting the accountants to date, one of which is the absence of audit fees’ standard. Although there have been many studies on the factors that influence audit fees, this issue still requires study. This study examines the effect of social capital on the amount of audit fees for go public companies in Indonesia in 2015-2019. A total of 610 observations representing 122 companies became the sample of this study. Hypothesis test is conducted on two groups of data based on the social capital index, namely the low and the high social capital index. Multiple regression analysis was used for data processing and analysis. This study indicate that the company’s social capital has an influence on the audit fee. Firms domiciled in areas with a high social capital index pay lower audit fees and vice versa. Our study explains an understanding of how social capital works in accounting settings, especially in the field of auditing and provides recommendations.

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I. Introduction

MANY STUDIES HAVE examined the factors that affect audit fees, for example the impact of industry specialization (Carson, 2009), role of audit firm size, impact of audit risk (Sonu, Heyjung, Ahn and Choi, 2017), dan client size (Kikhia, 2015). Although there have been many studies on the determinants of audit fees, this issue still a concern. A surge of problems is haunting the accountants to date, one of which is the absence of audit fees’ standard (Sinaga, 2015). Considering the absence of audit fees’ standard, various questions arise, whether audit fees are in accordance with the

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this is the first study in Southeast Asia directly examine the relationship between social capital and audit fees. This study also complements studies that investigate how variations in socio-economics factors, such as social capital, affect managerial decision making, especially in the field of auditing.

References


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