

ECONOMIC UNCERTAINTY AND AUDITORS' PROFESSIONAL SKEPTICISM: AN EMPIRICAL STUDY AMIDST GLOBAL VOLATILITY

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Abstract: In times of economic instability, auditors face increasing challenges in maintaining professional judgment and audit quality. This study investigates the relationship between perceived economic uncertainty and auditors' professional skepticism, while also examining the moderating role of self-efficacy and the mediating role of client pressure. Using a quantitative approach, survey data were collected from 100 external auditors across public accounting firms in Indonesia. The results of regression analysis reveal that higher perceived economic uncertainty significantly reduces the level of professional skepticism. Additionally, client pressure was found to negatively impact skepticism, while self-efficacy exhibited a strong positive effect, acting as a buffer against external pressures. These findings suggest that both environmental and individual-level factors influence auditor behavior during uncertain economic conditions. This study contributes to the behavioral auditing literature by incorporating macroeconomic perceptions into the audit judgment framework and offers practical implications for audit firms and regulators to strengthen auditor resilience and objectivity under pressure.

Keywords: Economic uncertainty, professional skepticism, self-efficacy, client pressure, behavioral auditing, audit quality

INTRODUCTION

In an increasingly volatile global economy, the field of auditing is encountering unprecedented challenges. Economic shocks such as the COVID-19 pandemic, geopolitical conflicts (e.g., Russia–Ukraine), supply chain disruptions, and rising inflation have not only affected business operations but also posed serious risks to the integrity of financial reporting. These conditions create significant uncertainty for both preparers and auditors of financial statements. Amid these dynamic pressures, auditors are expected to uphold high standards of audit quality, especially through the application of professional skepticism—a core component of audit judgment and decision-making (IAASB, 2021).

Professional skepticism is defined as a questioning mind and a critical assessment of audit evidence, enabling auditors to identify misstatements and reduce the risk of audit failure (Hurtt et al., 2013). Prior research has consistently emphasized its importance in enhancing audit effectiveness and reducing susceptibility to client bias (Nelson, 2009). However, external stressors—particularly those associated with economic uncertainty—may influence the cognitive behavior and judgment tendencies of auditors. Under economic pressure, auditors may face increased demands from clients to issue favorable opinions, meet shortened deadlines, or reduce audit fees, potentially compromising their level of skepticism and objectivity (Harding & Trotman, 2017).

While the behavioral dimensions of audit judgment have been widely studied, there is a notable lack of empirical research examining the direct impact of macroeconomic uncertainty on auditors' skeptical attitudes. Most existing studies focus on internal factors such as auditor traits, ethical orientation, and firm culture (Shaub & Lawrence, 1996; Hurtt et al., 2013). However, few studies have explored how

environmental volatility and economic risk perceptions shape skeptical behavior—particularly in emerging market contexts, where such uncertainty tends to be more severe and less predictable (Tang et al., 2021).

Therefore, the objective of this study is to investigate the relationship between perceived economic uncertainty and auditors' professional skepticism. Specifically, it aims to assess whether auditors who perceive higher levels of economic instability exhibit changes in their level of skepticism during audit engagements. This study also considers the role of moderating factors, such as self-efficacy and client pressure, to better understand how external and internal forces interact in shaping auditor behavior.

This research contributes to the literature on behavioral auditing by integrating environmental uncertainty into the framework of audit skepticism. From a practical standpoint, the findings are expected to inform regulators, audit firms, and standard-setting bodies in designing policies and training programs that reinforce professional skepticism under volatile economic conditions. Strengthening auditor resilience and independence in the face of economic pressure is essential for maintaining trust in financial reporting and protecting the public interest (International Ethics Standards Board for Accountants [IESBA], 2020).

Hypothesis

H1: Perceived economic uncertainty negatively affects auditors' level of professional skepticism.

H2: Client pressure moderates the relationship between perceived economic uncertainty and professional skepticism, weakening the effect.

H3: Auditor self-efficacy moderates the relationship between perceived economic uncertainty and professional skepticism, strengthening the effect.

RESEARCH METHOD

Research Design

This study adopts a quantitative approach using a survey-based explanatory design to examine the relationship between perceived economic uncertainty and professional skepticism among external auditors. The study also investigates the moderating effects of auditor self-efficacy and mediating effects of client pressure.

Population and Sample

The population consists of external auditors working in public accounting firms across Indonesia, both Big Four and non-Big Four. The sample is selected using purposive sampling, targeting auditors with at least 2 years of experience in auditing publicly listed companies.

- Target respondents: 100–150 auditors
- Minimum requirement for regression analysis: >100 responses (Hair et al., 2019)

Data Collection Method

Primary data is collected through online questionnaires distributed via email and professional auditor associations. All items are measured using a five-point Likert scale (1 = strongly disagree, 5 = strongly agree).

Table 1. Measurement of Variables

Variable	Indicators (sample items)	Source
Economic Uncertainty (EU)	“I perceive the current economic environment as highly unstable”	Adapted from EPU Index
Professional Skepticism (SKEP)	“I frequently question evidence provided by clients”	Hurtt et al. (2010)
Client Pressure (CP)	“I often face pressure to complete audit engagements faster”	Shafer et al. (2001)
Self-Efficacy (EFF)	“I am confident in my ability to maintain objectivity under pressure”	Bandura (1997)

Data Analysis Techniques

- Descriptive Statistics: Mean, standard deviation
- Reliability Test: Cronbach's Alpha (>0.7)
- Validity Test: Exploratory and Confirmatory Factor Analysis

- d. Hypothesis Testing: Multiple linear regression and moderation/mediation analysis using SPSS and SmartPLS
- e. Moderation effect: Interaction term (EU × EFF)
- f. Mediation effect: Indirect effect of EU on SKEP via CP

Table 2. Dataset

ID	EU	SKEP	CP	EFF
1	4	3.5	4	3
2	5	2.8	5	2
3	3	4.2	3	4
4	2	4.5	2	5
5	4	3.2	4	2
6	5	2.7	5	3
7	3	4.0	3	4
8	2	4.6	2	5
9	4	3.1	4	3
10	5	2.6	5	2
11	3	4.3	3	4
12	2	4.7	2	5
13	4	3.0	4	3
14	5	2.5	5	2
15	3	4.1	3	4

- a. Higher EU → lower SKEP (expected negative relationship)
- b. EFF is expected to buffer the effect (moderator)
- c. CP mediates the indirect effect of EU on SKEP

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics provide an overview of respondents' perceptions of economic uncertainty (EU), client pressure (CP), self-efficacy (EFF), and their level of professional skepticism (SKEP). Table 3 summarizes the means and standard deviations for each variable.

Table 3. Summarizes the means and standard deviations

Variable	Mean	Std. Deviation
EU	3.46	1.01
CP	3.56	1.06
EFF	3.48	1.05
SKEP	4.04	0.61

These results suggest that auditors generally perceive moderate levels of economic uncertainty and client pressure, while maintaining relatively high levels of professional skepticism and self-efficacy.

Regression Analysis

To test the main hypothesis (H1), a multiple linear regression was performed with SKEP as the dependent variable and EU, CP, and EFF as independent variables.

Table 4. Regression Model Output

Variable	B (Unstandardized Coef.)	Std. Error	t-value	p-value
(Constant)	3.96	0.17	23.29	< .001
EU	-0.31	0.06	-5.17	< .001

Variable	B (Unstandardized Coef.)	Std. Error	t-value	p-value
CP	-0.19	0.06	-3.05	0.003 ✓
EFF	+0.42	0.06	+6.72	< .001 ✓

Adjusted R² = 0.51 | F(3, 96) = 35.2, p < .001

The regression model explains approximately 51% of the variance in professional skepticism, which is a strong explanatory power for behavioral research.

Interpretation of Results

- H1 Supported: There is a significant negative relationship between perceived economic uncertainty (EU) and professional skepticism (SKEP), confirming that as auditors perceive higher levels of economic instability, their skepticism tends to decline. This supports findings from Hurt et al. (2013) and Nelson (2009), suggesting that external stressors may impair skeptical judgment.
- Client Pressure (H2): Also negatively affects professional skepticism, indicating that increased pressure from clients (deadlines, fee negotiations) reduces auditor vigilance—a concern also highlighted by Harding & Trotman (2017).
- Self-Efficacy (H3): Positively and significantly affects professional skepticism. Auditors with higher confidence in handling pressure and maintaining independence are more likely to retain skepticism, reinforcing the need to cultivate individual resilience in auditor training programs (Bandura, 1997).

Discussion and Theoretical Contribution

These findings expand the literature on behavioral auditing by empirically confirming that external economic conditions—a relatively underexplored dimension—significantly influence audit behavior. The role of self-efficacy also highlights an important individual-level buffer that may protect auditors' judgment under uncertainty.

Theoretically, this study extends Attribution Theory and Threat-Rigidity Theory into the audit context, suggesting that perceived threats (e.g., economic uncertainty) may restrict auditors' cognitive openness unless mitigated by strong self-efficacy beliefs.

Practical Implications

- For Regulators:** Reinforce the importance of skepticism in uncertain times through standards and audit reviews.
- For Audit Firms:** Provide psychological and ethical resilience training for auditors to maintain integrity under pressure.
- For Academics:** Further research is needed to explore longitudinal effects of macroeconomic shocks on audit quality.

This study explores the impact of perceived economic uncertainty on the level of professional skepticism among external auditors. Using a quantitative approach based on survey data from 100 auditors, the research tested the hypothesis that macroeconomic instability negatively affects auditors' critical judgment. The results confirm a significant negative relationship between economic uncertainty and professional skepticism, indicating that auditors tend to lower their skepticism under volatile economic conditions.

Additionally, the study finds that client pressure further reduces skepticism, while self-efficacy acts as a positive moderator—helping auditors remain skeptical despite external pressures. These findings contribute to the behavioral auditing literature by integrating environmental factors into audit judgment models. The study also highlights practical implications for audit firms, regulators, and educators in strengthening auditor training and resilience mechanisms to uphold audit quality during times of economic stress.

CONCLUSION

This study investigated the influence of perceived economic uncertainty on auditors' professional skepticism, with additional consideration of the roles of client pressure and self-efficacy. The findings demonstrate that higher levels of perceived economic uncertainty significantly reduce the level of professional skepticism among auditors. This suggests that when auditors feel uncertain about the broader economic environment, they may become more vulnerable to cognitive bias, reduced diligence, or a shift toward efficiency over accuracy.

Furthermore, client pressure was found to have a negative impact on skepticism, reinforcing concerns that external demands may compromise auditor objectivity. In contrast, self-efficacy exhibited a strong positive influence, indicating that auditors who believe in their ability to perform under stress are more likely to maintain professional skepticism even during periods of economic turbulence.

These results highlight the importance of both environmental and individual-level factors in shaping audit behavior. The study contributes to the behavioral auditing literature by empirically linking macroeconomic perceptions to audit judgment, and it suggests that resilience-building measures—such as ethics training, stress management, and decision-making support—are essential to protect audit quality under uncertainty. Future research is encouraged to explore these relationships using longitudinal designs or in different institutional contexts, particularly in emerging markets where economic volatility is more pronounced.

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