

## ANALYSIS OF THE FACTORS THAT INFLUENCE TIMELINESS OF FINANCIAL STATEMENT SUBMISSION IN CONSUMPTION INDUSTRIAL COMPANIES LISTED IN INDONESIA STOCK EXCHANGE (IDX)

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**Abstract:** *This study aims to examine and analyze the effect of profitability, debt to equity ratio, firm size, reputation of public accounting firm, audit committee and managerial ownership on timeliness of financial statement submission. This research was conducted at manufacturing industry sector of consumer goods sector in 2012-2016 at Indonesia Stock Exchange. Methods of research data using nonparticipant observation method, by analyzing the annual report and audit financial statements obtained. Data analysis method is logistic regression analysis, with hypothesis testing done by multivariate test. The result of the research shows that profitability and audit committee have positive effect on the timeliness of financial statement submission, while leverage, company size, reputation of public accountant office and managerial ownership have no effect on the timeliness of financial reporting. With this research, it is expected to provide significant implications for the parties concerned in assessing and predicting the timeliness of financial statement submission.*

**Keywords:** *Profitability, leverage, company size, auditor reputation, ownership structure, commite audit, timeliness of financial reporting*

### 1. INTRODUCTION

The development of the investment business in the increasingly complex capital market will create an increasingly intense level of competition between Go Public companies. One important source of information in the investment business in the capital market is the financial statements provided by each company that is Go Public. Quality financial reports can provide useful information for internal parties and external parties such as investors, creditors, and suppliers to make decisions.

Timeliness of financial reporting is an important characteristic of financial statements. In addition, financial reports that are reported in a timely manner will reduce the risk of discrepancies in the interpretation of the information presented. The timeliness of presenting financial statements to the public is a signal from the company that shows the existence of useful information to meet investors' needs in making decisions. The benefits of financial statements will be reduced if the report is not timely (IAI 2002).

Timeliness is defined as a utilization of information by decision makers before the information loses capacity or ability to make decisions. Timeliness is information that is ready to be used before losing meaning by users of financial statements and its capacity is still available in decision making (IAI, 2012). Timeliness of financial reporting is an important factor in presenting relevant information. The characteristics of relevant information must have predictive value and be presented on time (Chariri and Ghazali, 2001). As time goes on, the benefits of the information contained in financial statements will decrease if not delivered to users of financial statements on time. The faster it is delivered, the more information contained in it, and the users of financial statements can make better decisions. Financial statements as information will be useful if the information they contain is provided on time for decision makers before the information loses its ability to influence decision making (Chariri and Ghazali, 2001). The need for timely financial reporting is clearly stated in the basic framework of preparing financial statements that timeliness is one of the qualitative characteristics that must be met, so that the financial statements presented are relevant for decision making. The accounting profession also recognizes the need for timely submission of financial statements.

This is shown in the work of accountants who always try to be timely in presenting financial statements.

If there are undue delays in financial reporting, the information provided will lose its relevance. Relevant information is information that is predictable, has a feed back value and is timely (Annisa, 2004). This reflects how timeliness is one of the important factors in presenting financial statements to the public so that the company is expected not to delay the presentation of its financial statements so that the information does not lose its ability to influence decision making.

## **2. LITERATURE REVIEW**

### **2.1. Signaling Theory**

Signaling Theory suggests how companies should provide signals to users of financial statements. This signal is in the form of information about what has been done by management to realize the wishes of the owner. Signals can be in the form of promotions or other information stating that the company is better than other companies. Signal theory explains that signaling is done by managers to reduce information asymmetry. Signaling theory explains why companies have an incentive to provide financial statement information to external parties, because there is information asymmetry (Asymmetry Information) between companies and outsiders. The company (agent) knows more about the company and future prospects than outside parties (investors, creditors). Lack of outside information about the company causes them to protect themselves by providing low prices for the company. Companies can increase company value, by reducing information asymmetry. One way to reduce information asymmetry is to give signals to outsiders, one of which is reliable financial information and will reduce uncertainty about future company prospects (Wolk et al., 2000 in Jama'an, 2008).

### **2.2 Timeliness**

Timeliness shows the time span between presenting the desired information and the frequency of information reporting. Timely information will affect the ability of users to respond to any event or problem. If the information is not delivered in a timely manner it will cause the information to lose value in influencing the quality of the decision. Timely information will also support managers in dealing with uncertainties that occur in their work environment (Suharli and Harahap, 2008). Information cannot be said to be relevant if it is not timely, information must be available for decision making before the information loses the opportunity to influence decision making (Chariri and Ghozali, 2001). Information about the condition and position of the company must be fast and timely to the users of financial statements. Timeliness implies that financial statements should be presented at a time interval, to explain changes in the company that will affect information users in making predictions and decisions (Srimindarti, 2008).

### **2.3 Profitability**

Profitability is a ratio that aims to find out the company's ability to generate profits for a certain period and also provide an overview of management effectiveness in carrying out its operations. Management effectiveness here is seen from the profits generated on the company's sales and investments. Profitability is the ability of a company to generate profits in a certain period (Munawir, 1995). The profitability of a company reflects the level of effectiveness achieved by a company's operations (Saleh, 2004). Profitability shows the success of the company in generating profits. Thus, it can be said that profit is good news for the company so that the company will not delay the delivery of information that contains good news. Givoly and Palmon (1982: 489) the timeliness and delay in announcing annual earnings is influenced by the contents of financial statements. If earnings announcements contain good news, it might tend to be reported on time, whereas if earnings announcements contain bad news, management will be late to submit financial reports.

## **2.4 Leverage**

The leverage ratio shows the company's ability to pay debts with equity held. Weston and Copeland (1995) state that leverage ratios measure the level of company assets that have been financed by the use of debt. Financial leverage can be interpreted as the use of assets and sources of funds (source of funds) by companies that have fixed costs in order to increase the potential profits of shareholders. A company that has high financial leverage means having a lot of debt to outsiders. This means that the company has a high financial risk because of financial difficulties (financial distress) due to high debt. Schwartz and Soo's (1996) study shows that companies that experience financial difficulties tend to not be on time in delivering their financial statements compared to companies that do not experience financial difficulties. Financial difficulties are also bad news, so companies with these conditions tend to not be timely in their financial reporting.

## **2.5 Company Size**

Company size is a grouping of companies into several groups, including large, medium and small companies. The size of the company size can be based on the total value of assets, total sales, market capitalization, number of workers and so on. The greater the value of these items, the greater the size of the company. The greater the assets, the more capital invested, the more sales, the more money will be circulated and the greater the market capitalization, the more he will be known in the community. Large companies are more consistent to be on time than small companies in informing their financial statements, because large companies are highlighted by the public. Large companies have more knowledge about existing regulations, therefore large companies adhere to regulations regarding timeliness compared to small companies (Saleh, 2004).

## **2.6 Reputation of the Public Accounting Firm (PAF)**

Companies in submitting a report or information on the performance of their company to the public so that they are accurate and reliable are asked to use PAF services, so as to increase the credibility of the report, the company uses the services of PAF that has a reputation or good name. This is usually indicated by PAF affiliated with a large universal accounting firm known as the Big Four Worldwide Accounting Firm (Big 4). The large accounting firm is said to have accountants who behave more ethically than accountants in small accounting firms (Loeb, 1971). Thus, a large accounting firm has a better reputation in public opinion. Whereas DeAngelo (1981) concluded that a larger PAF can be interpreted that the quality of the audit produced is better than the small accounting firm. Then it can be concluded that companies that use large PAF services tend to be timely in delivering their financial statements.

## **2.7 Audit Committee**

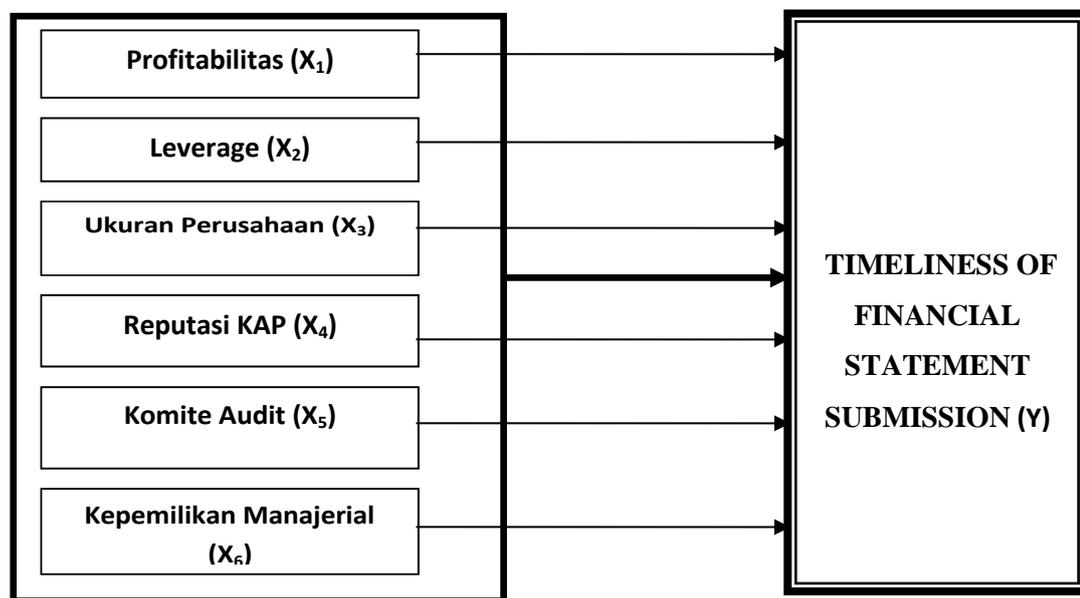
The role of the audit committee is to assist the board of commissioners to monitor the financial reporting process by management to improve the credibility of financial statements (Bradbury et al., 2004). The duties of the audit committee include reviewing the accounting policies applied by the company, assessing internal controls, reviewing the external reporting system and compliance with regulations. In carrying out its duties the committee provides formal communication between the management board, external auditors, and internal auditors (Bradbury, et al. 2004). The existence of formal communication between the audit committee, internal auditors, and external auditors will ensure that the internal and external audit processes are carried out properly. A good internal and external audit process will improve the accuracy of financial statements and then increase confidence in the quality of financial statements (Anderson, et al. 2003). In this study the financial reporting quality in question is the timeliness of financial reporting.

## **2.8 Managerial Ownership**

Managerial ownership is defined as the percentage of shares held by management who actively participate in corporate decision making which includes commissioners and directors (Midiastuty & Machfoedz, 2003). Gunarsih & Bambang (2008) states that company ownership is a mechanism that can be used so that managers carry out activities in accordance with the interests of the owner of the company. Managerial ownership is the shareholders which also means in this case as the owner of the company from the management who actively participates in decision making in the company concerned (Downes and Goodman, 1999).

Managerial ownership shows how much ownership is owned by management of shares in a company. Ownership by managers will determine what policies are taken relating to decision making on what accounting methods they apply. This can help companies speed up the delivery of their financial statements.

### 3. CONCEPTUAL FRAMEWORK AND HYPOTHESIS



Berdasarkan kerangka konsep diatas, maka hipotesis dalam penelitian ini adalah sebagai berikut :

H1 : Profitabilitas, leverage, ukuran perusahaan, reputasi kantor akuntan publik, komite audit, dan kepemilikan manajerial berpengaruh terhadap ketepatan waktu penyampaian laporan keuangan secara simultan pada perusahaan industri barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2012 – 2016.

H2 : Profitabilitas berpengaruh positif terhadap ketepatan waktu penyampaian laporan keuangan pada perusahaan industri barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2012 – 2016.

H3: Leverage berpengaruh negatif terhadap ketepatan waktu penyampaian laporan keuangan pada perusahaan industri barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2012 – 2016.

H4: Ukuran Perusahaan berpengaruh positif terhadap ketepatan waktu penyampaian laporan keuangan pada perusahaan industri barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2012 – 2016.

H5 : Reputasi PAF berpengaruh positif terhadap ketepatan waktu penyampaian laporan keuangan pada perusahaan industri barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2012 – 2016.

H6: Komite Audit berpengaruh positif terhadap ketepatan waktu penyampaian laporan keuangan pada perusahaan industri barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2012 – 2016.

H7 : Kepemilikan Manajerial berpengaruh positif terhadap ketepatan waktu penyampaian laporan keuangan pada perusahaan industri barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2012 – 2016.

Based on the conceptual framework above, the hypothesis in this study is as follows:

H1: Profitability, leverage, company size, reputation of public accounting firms, audit committees, and managerial ownership affect the timeliness of simultaneous submission of financial statements to consumer goods industry companies listed on the Indonesia Stock Exchange for the period 2012-2016.

H2: Profitability has a positive effect on the timeliness of submitting financial reports to consumer goods industry companies listed on the Indonesia Stock Exchange for the period 2012-2016.

H3: Leverage has a negative effect on the timeliness of submitting financial statements to consumer goods industry companies listed on the Indonesia Stock Exchange for the period 2012-2016.

H4: Company size has a positive effect on the timeliness of submitting financial reports to consumer goods industry companies listed on the Indonesia Stock Exchange for the period 2012-2016.

H5: PAF's reputation has a positive effect on the timeliness of submitting financial reports to consumer goods industry companies listed on the Indonesia Stock Exchange for the period of 2012-2016.

H6: The Audit Committee has a positive effect on the timeliness of submitting financial reports to consumer goods industry companies listed on the Indonesia Stock Exchange for the period of 2012-2016.

H7: Managerial ownership has a positive effect on the timeliness of submitting financial reports to consumer goods industry companies listed on the Indonesia Stock Exchange for the period of 2012-2016.

#### **4. METHOD**

This type of research is causal research, which is a study that aims to test hypotheses and is a research that explains phenomena in the form of relationships between variables and identifying causes and effects between various variables (Erlina, 2008). The population of this research is manufacturing companies, especially those included in the consumer goods industry sector listed on the Indonesia Stock Exchange from 2012 - 2016. The number of consumer goods sector companies listed on the IDX until 2016 is 37 companies based on [www.idx.co.id](http://www.idx.co.id).

Then from the population used as research data. The study population was determined by the census method, which is that all populations that have criteria are used as data in this study. The observation period is from 2012 to 2016. The total observation year is five years so that 185 data will be observed.

Inferential statistical analysis in the study used logistic regression analysis (logistic regression). The reason for using a regression analysis tool (logistic regression) is because the dependent variable is dummy (timely or not timely submitting financial statements). Logistic regression is almost the same as discriminatory analysis, which is used to test whether the probability of the occurrence of the dependent variable can be predicted by the independent variable (Ghozali, 2011; 333). Logistical hypothesis testing (logistic regression). Used if the independent variable is a combination of metric and non metric (nominal). Logistic regression is a regression used to test whether the probability of the occurrence of the dependent variable can be predicted by independent variables. In logistic regression analysis techniques do not require more normality tests and classic assumption tests on the free variables (Ghozali, 2011: 333).

Logistic regression analysis is used to test whether the variables of profitability, leverage, company size, reputation of the Public Accounting Firm (PAF), audit committee and managerial

ownership influence the timeliness of financial reporting. The regression model developed in this study is as follows:

$$Y = \beta_0 + \beta_1 \text{ROA} + \beta_2 \text{DER} + \beta_3 \text{MC} + \beta_4 \text{PAF} + \beta_5 \text{AC} + \beta_6 \text{KM} + \varepsilon$$

Information:

- $Y = \frac{TL}{1=TL}$  = Dummy timeliness variables (category 0 for companies not on time and category 1 for companies on time).
- $\beta_0$  = Constant
- $\beta_1 - \beta_6$  = Regression coefficient for each variable.
- ROA = Profitability (Return On Assets).
- DER = Leverage (Debt to Equity Ratio).
- MC = Market Capitalization.
- PAF = The reputation of the Public Accounting Firm.
- KM = Managerial Ownership.
- AC = Audit Committee.
- $\varepsilon$  = Standard Error.

## 5. RESULT AND DISCUSSION

### 5.1. Descriptive Statistics

Descriptive statistics provide an overview of the characteristics of the observed research variables.

**Descriptive Statistics**

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Timeliness	150	0	1	.41	.040	.493
Profitability	150	.10	.66	.1798	.00771	.09447
Leverage	150	.16	1.60	.7105	.02904	.35572
Company Size	150	1.02	43.36	1.2798	30.163	36.69
PAF Reputation	150	.00	1.00	.5333	.04087	.50056
Audit Committee	150	1.00	4.00	3.0333	.03053	.37393
Managerial Ownership	150	.00	1.00	.5000	.04096	.50168
Valid N (listwise)	150					

Source: Research Results, 2016 (data processed)

### 5.2. Result of Hosmer and Lemeshow Test (Goodness-of-Fit-Test)

The Hosmer and Lemeshow Goodness of Fit test results can be seen in the following table:

**Hosmer and Lemeshow Test**

Step	Chi-square	df	Sig.
1	5.269	8	.729

Based on Table above, the value of Sig. or probability 0.729. Note that because the probability value, which is 0.729 is greater than the significance level, which is 0.05, the overall model meets the model's eligibility requirements.

### 5.3 Omnibus Test of Model Coefficient (Overall Model Fit)

The Omnibus Test of Model Coefficient results can be seen in the table as follows:

**Omnibus Tests of Model Coefficients**

		Chi-square	df	Sig.
Step 1	Step	13.075	6	.042
	Block	13.075	6	.042
	Model	13.075	6	.042

Based on table 5.6 shows that simultaneously profitability, leverage, company size, PAF reputation, audit committee, and managerial ownership influence the timeliness of financial statement submission. This is seen from the results of the chi-square 13.075 with a significance value of 0.042 < 0.05.

In addition, assessing the overall model is done by paying attention to the numbers in -2 Log Likelihood (-2LL) Block Number = 0 and -2 Log Likelihood (-2LL) Block Number = 1.

**Nilai -2 Log likelihood (-2 LL intial)**

**Iteration History<sup>a,b,c</sup>**

Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	202.687	-.373
	2	202.687	-.378
	3	202.687	-.378

**Nilai -2 Log likelihood (-2 LL end)**

**Iteration History<sup>a,b,c,d</sup>**

Iteration		-2 Log likelihood	Coefficients						
			Constant	X1	X2	X3	X4	X5	X6
Step 1	1	190.599	-3.544	.040	.000	.000	.216	.790	.060
	2	189.837	-4.172	.045	.000	-.001	.233	.963	.082
	3	189.622	-4.153	.047	.000	-.002	.235	.957	.077
	4	189.612	-4.143	.047	.000	-.002	.236	.954	.075
	5	189.612	-4.143	.047	.000	-.002	.236	.954	.075

**Test the Fit Model**

Value-2Loglikelihood		Information
Initial	End	
202,687	189,612	The decrease in the value between the initial-2LL (initial-2LL function) and the -2LL value in the next step (-2LL end) indicates that the model is hypothesized to be fit with the data (Ghozali, 2013). Decreasing the value of -2 log likelihood indicates that this research model is declared fit, meaning that the addition of independent variables namely profitability, leverage, company size, PAF reputation, audit committee and managerial ownership into the logistic model will improve the fit model in this study (model fit or decent).

Based on Table 5.9, a decrease in the value of -2 log likelihood indicates that this research model is declared fit, meaning that the addition of independent variables namely profitability, leverage, firm size, PAF reputation, audit committee and managerial ownership into the logistic model will improve the fit model in the study this (model fit or decent).

#### 5.4 Model Summary (R<sup>2</sup>)

The results of the model summary can be seen in the table as follows:

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	189.612 <sup>a</sup>	.083	.113

Based on Table 5.9, the Nagelkerke R Square statistical value is 0.113. This value is interpreted as the ability of profitability, leverage, company size, PAF reputation, audit committee and managerial ownership in influencing financial reporting timeliness of 11.3%, the remaining 88.7% is explained by variables or other factors.

## 6. CONCLUSIONS, LIMITATIONS AND RESEARCH RECOMMENDATIONS

### 6.1 Conclusion

1. Based on the test results it can be concluded that profitability, leverage, company size, reputation of the Public Accounting Firm (PAF), audit committee and managerial ownership simultaneously have a significant effect on the timeliness of financial reporting in consumer goods manufacturing sector companies listed on the Indonesia Stock Exchange in 2012-2016 .
2. Based on the results of testing, it can be concluded that profitability has a significant effect on the timeliness of financial reporting in consumer goods manufacturing sector companies listed on the Stock Exchange in 2012-2016.
3. Based on the test results it can be concluded that leverage does not have a significant effect on the timeliness of financial reporting in consumer goods manufacturing sector companies listed on the Stock Exchange in 2012-2016.
4. B based on the test results it can be concluded that the size of the company does not have a significant effect on the timeliness of financial reporting in the consumer goods manufacturing sector listed on the Indonesia Stock Exchange in 2012-2016.
5. Based on the test results it can be concluded that the reputation of the Public Accounting Firm (PAF) does not have a significant effect on the timeliness of financial reporting in consumer goods manufacturing sector companies listed on the Stock Exchange in 2012-2016.
6. Based on the test results it can be concluded that the audit committee has a significant effect on the timeliness of financial reporting in consumer goods manufacturing sector companies listed on the Stock Exchange in 2012-2016.
7. Based on the test results it can be concluded that managerial ownership has no significant effect on the timeliness of financial reporting in consumer goods manufacturing sector companies listed on the Stock Exchange in 2012-2016.

### 6.2 Limitation

1. Short research period. The period observed in this study was only 5 (five) years, starting from 2012 to 2016.
2. This study only uses independent variables profitability, leverage, company size, reputation of the Public Accountant Firm (PAF), audit committee and managerial ownership with the possibility that there are still many other independent variables that influence audit quality.

3. This study only uses a sample of consumer goods industry sector companies with the possibility of samples of other companies that can provide different results.

### 6.3 Recommendation

1. Further researchers are advised to add longer periodization of data to make predictions.
2. The next researcher is expected to take variables that are more varied not only from the company's internal factors. Other interesting variables to see the effect on the timeliness of submission of financial statements such as corporate governance factors, matters relating to investors and organizational culture.

This study only uses a sample of manufacturing companies in the consumer goods industry sector with a possible sample of other manufacturing companies such as the basic industrial and chemical sectors, as well as various industrial sectors can provide different results.

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