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TIMELINESS OF FINANCIAL REPORTING IN INDONESIA STOCK EXCHANGE

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ABSTRACT

The aims of this research is to find out the empirical evidence of the factors affecting the financial reporting timeliness of food and beverage companies listed on Indonesia stock exchange. The factors tested in this research are profitability, Leverage and Liquidity. The population of the research are 14 food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2014-2019. Purposive sampling method were used to draw out the samples out of population. The hypotheses were tested using logistic regression at a 5 percent significance level. The results of the research indicated that the profitability, leverage and liquidity had no effect on the timeliness of financial reporting of the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

Keywords: Financial Report, Timeliness, Stock Exchange Market

ABSTRAK

Tujuan penelitian ini adalah untuk membuktikan secara empiris faktor – faktor yang memiliki pengaruh terhadap ketepatan waktu pelaporan keuangan pada perusahaan manufaktur yang terdaftar terdaftar di Bursa Efek Indonesia. *Profitabilitas*, *leverage* dan *likuiditas* adalah beberapa faktor yang diteliti dalam penelitian ini. Populasi penelitian ini adalah semua perusahaan manufaktur bagian sub sektor makanan dan minuman yang terdaftar di Bursa Efek Indonesia periode tahun 2014-2019 sejumlah 26 perusahaan. Metode purposive sampling digunakan untuk menarik sampel dari populasi. Faktor-faktor tersebut kemudian diuji dengan menggunakan regresi logistik pada tingkat signifikansi sebesar 5 persen. Hasil penelitian menunjukkan bahwa *profitabilitas, leverage*, dan *likuiditas* tidak memiliki pengaruh terhadap ketepatan waktu pelaporan keuangan perusahaan manufaktur sub sektor makanan dan minuman yang terdaftar di Bursa Efek Indonesia

Kata Kunci: Laporan Keuangan, Ketepatan Waktu, Pasar Modal

Introduction

Timeliness is an important matter when it comes to financial report publication. The collection, summarization, and presentation of accounting data must all be completed as soon as possible to ensure that information is available to all stakeholders. This demonstrates how critical timeliness is in presenting the financial statements to the public. Therefore, Companies are required to present their financial statements as soon as possible so that the data does not lose its ability to affect decision-making of the manager (Sanjaya & Wirawati, 2020).

Timeliness refers to the amount of time it takes for an audited annual financial report to be released to the public, from the closing date of the company's financial year (31 December) to the date of submission to the OJK (at most no later than April 31 of the following year). A company is categorized as late if the financial statements are reported after April 31, while companies that are on time are companies that submit financial statements before May 1. Dummy variable is used to measure this variable.

Timely presentation of financial statements is a strategic action to gain a comparative advantage in supporting the success of the company. Especially so that the company image is better in the eyes of the public which is then expected to raise public trust in the quality of information presented by the company. For the public, the timeliness of the report identifies a signal from the company to show the high quality of accounting information for what it reports. According to Prahesty and Pamudji (2011) the timeliness of the submission of financial reports is very important because it will affect management decisions taken in the future and used by users of financial statements.

Financial Information will be beneficial if it is provided to users in a timely manner, which is closely linked to agency theory. Where in this agency theory, it is explained that the owner is in charge of the agent (employee) to carry out a more efficient performance (Hudayati, 2002). If financial reporting is not submitted on time, the information provide will have less value in decision making.

Demands for decisions on timeliness in publishing financial reports of public companies in Indonesia are regulated in Law No.8 of 1995 concerning the capital market. In 1996, Bapepam (now OJK) also issued an Attachment to the Decree of the Chairman of Bapepam number: 80/PM/1996, concerning the obligation for each issuer or public company to submit annual financial reports for public companies to submit company financial reports and independent audit reports to Bapepam at the latest. no later than the end of the fourth month (120 days) after the date of the company's annual financial statements (BAPEPAM-LK, 2011)

Financial Services Authority (OJK) is concerning the Annual Report of Issuers or Public Companies. Declare that the Issuer or Public Company must file an Annual Report with the Financial Services Authority by the end of the fourth month following the end of the financial year. Companies listed on the Indonesia Stock Exchange are required to submit their annual financial reports to the Financial Services Authority (OJK) and announce them to investors or potential investors and the public. If the company or issuer does not submit an annual financial report, it will be subject to sanctions in the form of fines and other administrative sanctions (OJK, 2016)

The previous research showed various result such as Zebua et al (2017) and Sitinjak and Tobing (2020) showed opposite result compare to agency theory Which means financial variable namely profitability, leverage, liquidity, size and capital structure did not influence the timeliness of financial report announcement to the public. It gives no signal or whatsoever to the market. In contrary, Dewayani et al (2017) found that leverage has positive effect on timeliness. In addition, this kind of research is still limited in Indonesia market. This research aims to fill this gap and enrich these topics in financial studies.

Delays in financial reporting can either directly or indirectly negatively impact the companies. Investors can interpret this as a red flag for a company that fails to file its financial statements on time. For this reason, it is necessary to know what factors can affect the timeliness of financial reporting. According to research by Prahesty (2011) and Prastiwi (2014), High profitability which encourages companies to submit their financial reports in a timely manner. On the other hand, low profitability is bad news so that it encourages companies not to be on time in submitting company financial reports. So, based on this reason we developed the first hypothesis as follow:

Ha1: Profitability has significant impact on timeliness

Then, another factor that is often mentioned in research topic is leverage, which is a company's ability to complete its obligations. Low leverage does not guarantee that the company will deliver its financial reports on time. On the other hand, study by Safitri (2013) reported thet the level of leverage is very influential on the timeliness of financial report submission. Based on this factor, the second hypothesis on this research is:

Ha2: Leverage has significant impact on timeliness

Besides those two factor explained above, liquidity, is also very common in use in explaining company performance. It is the company's ability to hold cash in paying off short-term debt. The level of liquidity of a company is usually used as a benchmark in decision making. The higher the level of liquidity in a company shows the ability to quickly pay off its debts, As a result, the company can file financial reports on time in order to be considered as having good performance, especially in managing short-term debt. Research by (Marathani, 2013) shows that the level of liquidity of a company shows a positive influence on the timeliness of the submission of financial statements, supported also by research by (Nasution, 2013) which shows that liquidity has a positive effect on the timeliness of financial report submission. Based on the background description in this study, the hypothesis of this study are as follow:

Ha3: Liquidity has significant impact on timeliness

Method

This research design uses a scientific approach to causal studies, namely studies that prove whether the variable one or X causes the change of variable Y or not (Sekaran & Bougie, 2016). In this study, quantitative data were obtained from each company in the form of annual financial reports during the research period on the Indonesia Stock Exchange (BEI) 2014-2019.

The population used in this study are food and beverage companies that has been listed on the Indonesia Stock Exchange (BEI) in 2014-2019 with a population of 14 companies. Purposive sampling method was used to draw out the samples out of the population, which is a sampling technique that is not random and based on certain considerations and criteria. Some of the criteria are as follows:

1. A food and beverage sub-sector manufacturing company listed on the Indonesia Stock Exchange and publishing its 2014-2019 financial reports.
2. Food and beverage sub-sector manufacturing companies listed on the IDX that have complete data related to this study.
3. Companies that declare financial statements in rupiah units.

Dependent Variable (Y)

The dependent variable in this study is the timeliness of financial reporting (Y). Timeliness is the timeframe for the announcement of an audited annual financial report to the public, namely the number of days it takes to announce the audited annual financial report to the public, from the closing date of the company's financial year (31 December) to the date of submission to the OJK (at most no later than April 31 of the following year). Y is (1) when the company announces the audited report before April 31 and (0) when past the due date.

Independent Variable (X)

The independent variables in this study are:

1. Profitability

   Profitability is the ability of a company to get company benefits (Silaban & Purnawati, 2016). Profitability analysis is seen from the level of efficiency and effectiveness which is reflected in fundamental performance. In this study using Return On Assets (ROA). ROA can be calculated by dividing net income after tax by total assets.

2. Leverage

   Leverage is the ratio that depicts the level of activity of a company that is financed from the use of debt (Toding & Wirakusuma, 2013). A good company is a company that has a capital composition that is greater than the debt owned by the company (Harahap, 2013: 306). A company with a high level of leverage means that the company is funded by external debt to finance its activities. The high level of leverage indicates that the company has a high level of financial risk.

3. Liquidity

   Liquidity is an important factor that needs to be considered before making a decision to determine the amount of dividends to be distributed to shareholders. The liquidity variable is proxied by the current ratio. The Current Ratio is a liquidity ratio that shows the company's ability to meet its short-term obligations such as maturity periods and in paying dividends.

Hypothesis Test

Since the dependent variable is qualitative data with dummy variables, hypothesis testing is performed using logistic regression. When the dependent variable is a dichotomous variable, logistic regression is used as part of the regression analysis. The dichotomous variable usually consists of only two values, which represent the occurrence or absence of an event which is usually given the number 0 or 1. Where category 0 (zero) is for companies that are on time and category 1 (one) is for companies that are not on time. Logistic regression is used to analyzed whether the probability of the dependent variable occurring can be predicted with the independent variable. The logistic regression model used this research is as follows;

$LN(TL) = a + \beta 1\ ROA + \beta 2\ DER + \beta 3\ CR + e$ .... (1)

Information:

Ln (TL) = Symbol indicating the probability of timeliness of financial statement submission
A = Constant

β = Regression Coefficient

ROA = Return on Assets

DER = Debt Equity Ratio

CR = Curen Ratio

e = error.

The Goodness of Fit test, as determined by the Chi-Square value at the bottom of the Hosmer and Lemeshow test, was used to assess the logistic regression model's feasibility. Consider the output of Hosmer and Lemeshow with the following hypothesis. Basis for decision making:Note the value of the goodness of fit test as measured by the chi-square value at the bottom of the Hosmer and Lemeshow test: If the probability value is > 0.05, H0 is accepted and If the probability value is <0.05 , H0 is rejected

Result and Discussion

In Table 1, you can see the statistical value of the Hosmer and Lemeshow Test for goodness of fit test of 5.353 with a significance probability of 0.719, which is above 0.05.

Table 1 Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	5,353	8	,719

Source: Data Processing, 2021

This means that the regression model is suitable for further analysis, because there is no significant difference between the predicted classifications and the observed classifications.

Next, the whole model test is used to see the hypothesized model is fit or not with the data. The test was carried out by comparing the value between -2 log likelihood at the beginning (block number = 0) with the -2 log likelihood value at the end (block number = 1). The initial -2log likelihood value at block number = 0 can be shown in Table 2.

Table 2 Value – *2 log likelihood at block number*

Iteration History[a,b,c]			
Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	102.327	-.810
	2	102.284	-.858
	3	102.284	-.859

a. Constant is included in the model.
b. Initial -2 Log Likelihood: 102.284
c. Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.
Source: Data Processing, 2021

From Table 3, it can be seen that the initial -2 log likelihood at block number = 0, which is a model that only includes constants which can be seen in step 3, obtains a value of 102.284. Then in Table 4, it can be seen that the final LL -2 value with block number = 1, the -2log likelihood value in step 5 is 93.830. A decrease in the value between the initial -2LL and -

2LL values in the next step (final -2LL) indicates that the hypothesized model is fit with the data (Ghozali, 2018). The -2 log likelihood value is decreasing, indicating that this research model is declared fit, which means that adding independent variables to the research model would increase its fit in this analysis.The following shows the test results using logistic regression at a significance level of 5%.

Table 3 Value - 2 log likelihood at end

Iteration History[a,b,c,d]						
Iteration		-2 Log likelihood	Coefficients: Constant	ROA	DER	Current Ratio
Step 1	1	95,539	,051	-,021	-,004	-,002
	2	93,950	,460	-,039	-,006	-,003
	3	93,831	,588	-,046	-,007	-,004
	4	93,830	,608	-,047	-,007	-,004
	5	93,830	,608	-,056	-,009	-,004

a. Method: Enter
b. Constant is included in the model.
c. Initial -2 Log Likelihood: 102,284
d. Estimation terminated at iteration number 5 because parameter estimates changed by less than ,001.
Source: Data Processing, 2021

Table 4 Logistic Regression Coefficient Test Results

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B) Lower	Upper
Step 1[a]	ROA	-.056	.029	3.613	1	.057	.946	.893	1.002
	DER	-.009	.005	3.608	1	.058	.991	.982	1.000
	CR	-.004	.002	2.406	1	.121	.996	.992	1.001
	Constant	.608	.587	1.072	1	.300	1.837		

a. Variable(s) entered on step 1: ROA, DER, CR.
Source: Data Processing, 2021

From testing the logistic regression equation, the logistic regression model is obtained as follows:

LN(TL) = 0,608 + -0,056 ROA + -0.009 DER + - 0,004 CR +e .... (2)

The significance test results show that there is a probability value of 0.057 where the value is higher than α = 0.05 (0.057> 0.05). This value can prove that Ha1 is rejected, which means that "Profitability has no impact on timeliness". However, at the significant α = 0.10 where the significant value is 0.057 lower than α = 0.10 (0.057 <0.10), then this value can prove that Ha1 is accepted, which means that "profitability has impact on timeliness". This research is in accordance with research conducted by (Zebua et al., 2020) and research (Sitinjak & Tobing, 2020). Which states that the timeliness of the company's financial statements is unaffected by profitability as determined by return on assets (ROA).

Next, the significance test results show that the probability value of the leverage variable is 0.058. This value can prove that Ha2 is rejected, which means that "leverage has no impact on the timeliness of the company's financial statements". Debt to Equity Ratio (DER) refers more to the extent to which a company depends on creditors in financing the company's assets. Debt to Equity Ratio has no effect on the Timeliness of Financial Reporting because the debt in the company is greater than the existing capital so that it can experience financial difficulties (financial distress) due to high liabilities.

Lastly, the results of testing the significance of the liquidity variable show the significant value of 0.121 where the value is higher than $\alpha = 0.05$ (0.121> 0.05). This value can prove that Ha3 is rejected, which means that "liquidity has no effect on the timeliness of the delivery of the company's financial statements". Liquidity refers to a company's willingness (or lack thereof) to fulfill short-term commitments that are due in a timely manner. If the ratio of current assets to current debt is getting bigger, it means that the company's ability to cover its short-term liabilities will be higher. High liquidity of the company is not making the company to be on time in delivering the company's financial statements. This shows that the higher the current assets of a company to finance the company's current debt, the company will be more timely in delivering its financial statements. The company wants to make the market aware of their accomplishment in managing their liabilities. This information could lead to the increasing of stock price. The results of this research are in accordance with research conducted by (Yunita, 2017) and (Sitinjak & Tobing, 2020). which concluded that the level of liquidity of a company does not affect the timeliness of the company's financial statements.

The justification of the discussion for the result are, first, profitability is one indicator of the company's success to generate profits so that the higher the profitability, the higher the company's ability to generate profits for the company. Companies that have high profitability can be said that the company's financial statements contain some good news. The companies that experience good news will tend to submit their financial reports on time. Furthermore, profitability (ROA) does not affect the Timeliness (Timeliness) of Financial Reporting because if the net income decreases every year and total assets increase so that the company's profitability decreases because the company's management is less able to maximize its assets into profit. Low profitability is bad news for the current condition of the company and affects the performance in a company, so that the company leads to not being on time in submitting financial statements. Second, debt to Equity Ratio (DER) refers more to how far a company depends on creditors in financing the company's assets.. Lastly, liquidity refers to the availability of the company's resources (ability) to meet its short-term obligations that are due in a timely manner. If the ratio of current assets to current liabilities is greater, it means that the company's ability to cover its short-term obligations is higher. With the high liquidity of the company, it is necessarily timely in submitting the company's financial statements. This shows that the higher the current assets owned by a company to finance the company's current debt, the company will be more timely in submitting its financial statements.

Conclusion

The aims of this research is to find out the empirical evidence of the factors affecting the financial reporting timeliness of manufacturing companies listed on Indonesia stock exchange using 14 companies in six periods from 2014 to 2019

Based on testing using logistic regression, it shows empirical evidence that the variable profitability (ROA), leverage and liquidity do not affect the timeliness of financial report submission and do not have a coefficient effect at a significant level of 5%. The implication of the study proves that Indonesian Stock Market (IDX) is not efficient. Since, the information regarding profitability, leverage and liquidity are not reflected in stock market. This information is intended to rise public value of the company. This result also suggests and recommended that investors should not refer only on financial report in managing their portfolio. The limitation of this study is the inability to see long-term trends and does not represent all categories of companies listed on the Indonesia Stock Exchange.

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