

Original Article

Analyzing the Factors that Influence Financial Reporting Timeliness of Manufacturing Listed Companies in the Indonesia Stock Exchange

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Citations: Anto, F., Haliah, H., Kusumawati, A. & Ola, A.N. (2023). Analyzing the Factors that Influence Financial Reporting Timeliness of Manufacturing Listed Companies in the Indonesia Stock Exchange. *International Journal of Finance, Economics and Business*, 2(2), 109-116.

Academic Editor: Noor Aina Amirah Binti Mohd Noor.

Received: 22 March 2023

Accepted: 8 June 2023

Published: 30 June 2023

Abstract: Financial report plays an important role in communicating between businesspeople. It has given essential information to economic decision-makers as a communication tool. The relevance of qualitative characteristics of financial reports is timeliness. This study analyzes the factors that affect the timeliness of financial reporting on manufacturing companies listed in Indonesia. Factors tested in this study are profitability, company age and external ownership. The sample used in this study was 126 manufacturing companies consistently listed in Indonesia. This study uses secondary data selected based on the purposive sampling method and analyzed using logistic regression analysis. The result indicates that profitability and company age significantly affect the firm's financial reporting timeliness, whereas ownership structure does not affect the timeliness of financial reporting. This study concludes that the company's profitability variable significantly affects the timeliness of the company's financial reporting. The firm age variable significantly affects the timeliness of financial reporting. External ownership variable does not affect the company's financial reporting timeliness. Variable profitability, company age, and ownership structure simultaneously influence the timeliness of company financial reporting.

Keywords: financial reporting; timeliness; profitability; company age; external ownership; manufacturing companies.



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1. Introduction

Financial reports also have an important role as a communication tool between businesspeople. As a communication tool with important information for economic decision-makers, relevance is one of the qualitative characteristics of financial reports, and one of the indicators of relevance is timeliness.

Timeliness is information ready to be used before it loses meaning by users of financial statements, and its capacity is still available in decision-making (Ikatan Akuntan Indonesia, 2021). If the information is not submitted on time, it will cause the information to lose value in influencing the quality of decisions (Fatmawati & Rohimah, 2022). The rise of late issuers reporting financial reports is a serious concern for the Indonesia Stock Exchange (Indonesia Stock Exchange, 2013). Announcing financial reports to the public is important because it can affect the market. The timeliness of submitting the financial statements of companies listed on the Indonesia Stock Exchange has been regulated in the Financial Services Authority regulation No. 29/POJK.04/2016.

Research conducted by Respati (2004), Hernita (2020) and Hilmi (2008) reported that profitability and ownership structure have a significant effect on the accuracy of financial reporting. Mahendra & Putra (2014) state that profitability, ownership structure and company age do not impact the timeliness of financial reporting. Departing from this matter, companies listed on the Indonesia Stock Exchange must submit or publish their financial reports as soon as possible. Regarding the rules regarding submission or publication of company financial reports on the Indonesia Stock Exchange determined by the Financial Services Authority (OJK). Late financial reports will cause asymmetric information. Information asymmetry arises when managers know more about internal information and the company's prospects in the future, when compared to shareholders and other stakeholders. If the information is not submitted on time, it will cause the information to lose value in influencing the quality of decisions (Fatmawati & Rohimah, 2022). Thus, we concluded that the timeliness of financial reporting is very important. There are various cases of delay in various large companies as well as the different research results from each study conducted by previous researchers encouraging researchers to re-examine the factors such as profitability, company age and ownership structure that affect the timeliness of corporate financial reporting in Indonesia.

2. Literature Review

2.1. Financial Statements

Financial statements for a company are a test tool to determine or assess the company's financial position. The purpose of financial reports is to provide information concerning the financial position, performance, and changes in a company's financial position that is useful for many users in making economic decisions (Ikatan Akuntan Indonesia, 2021). Complete financial statements usually include a balance sheet, income statement, statement of changes in financial position (which can be presented in various ways, for example, as a statement of cash flows or a statement of flows of funds), notes and other reports and explanatory material which are an integral part of the financial statements. Financial reports influence decision-making, so management and parties interested in financial reports appear to provide good information (Sterling, 1997).

2.2. Timeliness

Timeliness means that information must be submitted as early as possible to be used as a basis for assisting in making economic decisions and to avoid delays in making those decisions (Nurhasanah, Husaini, & Febriani, 2021). Timeliness does not guarantee relevance, but information relevance is not possible without timeliness (Tanulia & Osesoga, 2022). Information about the condition and position of the company must be quickly and timely to users of financial statements.

2.3. Factors that Influence Reporting Timeliness of

This study will propose three factors that affect the timeliness of company financial reporting, namely profitability, company age, and ownership structure.

2.3.1. Profitability

Profitability is a ratio to assess a company's ability to seek profits and provides a measure of the effectiveness of a company's management (Hirdinis, 2019). Companies with high profitability can be said that their financial statements contain good news, and companies that experience good news will tend to submit their financial reports on time.

2.3.2. Company Age

According to Owusu-Ansah (2000), he stated firm age has been identified as having a possible impact on the quality of accounting practices in timeliness. The older the company, the more likely they will have strong internal control procedures.” Thus, weak controls can cause delays in the delivery of expected financial reports in older companies.

2.3.3. Ownership Structure

The existence of concentration of ownership of outsiders creates influence from outsiders, thus changing the management of the company, which was originally running according to the wishes of the company itself, to have limitations. So In companies with large outsider ownership, the management will be under more pressure from outsiders to be timely in their financial reporting.

3. Materials and Methods

This study uses a quantitative approach through secondary data collected from Indonesia Stock Exchange (BEI). The dependent variable in this study is timeliness, where category 0 is for companies that are not on time and category 1 is for companies that are on time. The independent variables in this study are profitability, company age, and ownership structure.

3.1. Population and Sample

The population in this study were all manufacturing companies listed on the Indonesia Stock Exchange in the 2015 observation year. Sampling in this study used a purposive sampling approach, meaning that samples meeting certain criteria follow what the researcher wants.

3.2. Data Types and Sources

The type of data used in this research is documentary data. The data required for each sample company is secondary, including profitability, company age, and ownership structure. The secondary data used in this study comes from external sources. External secondary data are generally compiled by entities other than researchers from the organization concerned. This external data is obtained through the website www.idx.co.id.

3.3. Definition of Operational

3.3.1. Timeliness of Financial Reporting

Timeliness indicates the period between the presentation of the desired information and the frequency of information reporting. Timeliness is measured by a dummy variable, where category 1 is for companies on time and category 0 is for companies not on time.

3.3.2. Profitability

Profitability is a ratio to assess a company's ability to seek profits and provides a measure of the effectiveness of a company's management (Ningsi, 2021). The indicator used to measure the level of profitability in this study is a return on assets (ROA) (Saputra, 2022).

3.3.3. Company Age

Ideally, the age of the company is measured on the basis of date when the company was founded. However, the company's age in this study uses the company's listed date on the capital market (Owusu-Ansah, 2000).

3.3.4. Ownership Structure

The company's ownership structure can also be referred to as the share ownership structure, which compares the number of shares owned by insiders or company management (Insider ownership) and the number of shares owned by outsiders (Suharli & Harahap, 2008). The ownership structure in this study is the percentage of the largest share ownership by outsiders (outsider ownership), which is measured by looking at how many shares are owned by outsiders in the company

3.4. Data Collection Technique

The data collection method used in this study is documentation, namely by collecting, recording, and reviewing secondary data in the form of audited financial reports, company annual reports on manufacturing companies published by the Indonesian Stock Exchange (BEI), and through www.idx.co.id

3.5. Data Analysis

The data collected in this study will be analyzed quantitatively using Descriptive statistics - Descriptive statistics are used to describe the variables in this study. The analytical tools used are the average (mean) and standard deviation. Hypothesis testing using logistic regression, all data analysis using SPSS-22.0. The logistic regression model used in this study is as follows:

$$\text{Ln}(KW / 1 - KW) = a + \beta_1 \text{ROA} + \beta_2 \text{AGE} + \beta_3 \text{OWN} + \varepsilon \quad (1)$$

Where, $\text{Ln}(KW/1-KW)$ is Timeliness of Financial Reporting; a is Constant; b_1 - b_2 is Regression coefficient; ROA is Return on Assets; AGE is Company age; OWN is Ownership Structure and ε is errors.

3.5.1. Evaluating the Logistic Regression Analysis

- Assessing Regression Model Feasibility
 - If probability > 0.05 then H0 is accepted
 - If probability < 0.05 then H0 is rejected
- Assessment of the Overall Model (Overall Model Fit)

Testing the entire regression model (overall model fit). First, by looking at the number -2 Log Likelihood (LL) in (block Number = 0) and the number -2 Log Likelihood in block Number = 1, if there is a decrease in the -2 Log Likelihood number (block Number = 0 – block Number = 1) then shows that the second regression model is better than the first regression model, which means that the model is fit to the data (Ghozali, 2011).

3.5.2. Testing the Regression Coefficient

The regression coefficient is tested to determine how much influence each independent variable has on the dependent variable. The regression coefficient can be determined using the Wald statistic, and the probability value (sig) is compared to α . How to determine the rejection or acceptance of Ho is based on a significant level (α) 5%.

4. Results

4.1. Descriptive Statistics

The objects of this study are all manufacturing companies listed on the Indonesia Stock Exchange in 2015 which were published because they can display data and information used to analyze the factors that influence the timeliness of submission of financial reports for 2015. Based on predetermined criteria, as many as 126 companies will be described. Data in research on the timeliness of financial reporting were obtained from www.idx.co.id. As a review of research data, the following will present a summary of the data in the form of descriptive statistics for each variable. There are as many as 126 observational data that can be seen in Table 1.

Table 1. Result of Descriptive Statistics

Variable(s)	Min	Max	Mean	Std. Deviation
ROA	-0.28	0.37	0.0306	0.09596
AGE	0.03	1.00	0.5343	0.25201
OWN	0.01	0.83	0.2674	0.16101
TIMELINESS	0.00	1.00	0.8651	0.34300

Table 1 displays the result of descriptive statistics. The result shows the profitability variable measured using the ROA of all samples during the year of research is an average value of ε 0.0306 with a standard

deviation of 0.09596, and it shows the profitability of the companies used as samples on average earning positive profits. The firm age of all companies sampled during the year of the study showed an average of 0.5343 with a standard deviation of 0.25201. It means that the age of the company in the company that is the object of research is included in the company that is more than 17 years and over because the longest measurement is a company that is 35 years old for the sector that is the object of research. Public ownership of all samples during the year of research shows an average of 0.2674 with a standard deviation of 0.16101. It shows that the companies used as research samples have less than 50% public ownership for variables that use a nominal scale, namely on time. The timeliness (TIME) of all companies sampled during the year of study showed an average of 0.8651 with a standard deviation of 0.34300. The nominal scale is a scale of measurement of a category or group of subjects (Ghozali, 2011). The nominal scale is the simplest measure, where the numbers given to objects are labels only and do not indicate any level (Purwanto, 2009). Therefore, it is incorrect to calculate these variables' minimum, maximum, average and standard deviation values.

4.2. Hypothesis Testing

Testing the hypothesis using the binary logistic regression model with the enter method at a significant level (α) of 5% binary logistic regression is used to test the effect of profitability (ROA), firm age (age) and public ownership (owner), on the timeliness of financial reporting. Hypothesis testing includes (a) assessing the feasibility of the regression model, (b) assessing the entire model, and (c) testing the regression coefficient. The first step is to assess the feasibility of the regression model. Model fit can be tested with the Hosmer and Lemeshow Test. Model fit is known by comparing the Hosmer and Lemeshow values < Chisquare table (at $df = 8$ (15.507) and $\alpha = 5\%$) and comparing the significance of the Hosmer and Lemeshow values (Sig. > 0.05). The SPSS results in

Table 2. Result of the Feasibility of the Regression Model (Goodness of Fit Test)

Step	Chi-Square	df	Sig.
1	7.419	8	0.492

Table 2 shows the Hosmer and Lemeshow statistical value of 7.419 with a significance probability of 0.492 with a significance value of more than 0.05. It means there is no difference in the logistic regression estimation data with the observation data, so the regression model used in this study is suitable for further analysis. The next step is assessing the feasibility of the model (overall model fit).

Table 3. Result of Overall Model Fit Test

Block number = 0	Block number = 1
-2 Logs of likelihoods	-2 log likelihoods
99,700	91,384

Table 3 shows the feasibility test by considering the initial number -2 Log Likelihood (LL) block Number = 0, 99,700 and the number at -2 Log Likelihood (LL) block Number = 1, 91,384. It shows a decrease in the value of -2 Log Likelihood in block 0 and block 1 of 99,700 - 91,384 = 8,316. This decrease in Likelihood indicates a better regression model or the model is hypothesized to fit the data. Further, this study reports the result of Cox and Snell's R and Nagelkerke's values. R is also used to assess model fit.

Table 4. Result of Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	91.384	0.064	0.117

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than 0.001.

Table 4 shows that it gives a Cox and Snell's R value of 0.064 and a Nagelkerke R2 value of 0.117, which means that the variability of the dependent variable can be explained by the variability of the independent variable of 11.7%. Other variables outside the research explain the value of 88.3% or the rest. The other variables are DER, company size, extraordinary items, risk industry, price-earnings ratio, days payable outstanding, Corporate Governance, KAP, solvency, internal auditor, insider ownership, current

ratio, ROE, growth, liquidity, cash of low, price-earnings ratio, days outstanding ratio, auditor changes and types of financial statements. The final stage is the regression coefficient test. The hypothesis testing model in logistic regression is carried out in two stages, namely hypothesis testing by partial and simultaneous hypothesis testing. Table 5 shows the results of testing with regression logistics at a significant level of 5%. From testing the logistic regression equation, the logistic regression model is obtained as follows:

Table 5. Result of Logistics Regression

	B	SE	Wald	df	Sig.	Exp(B)	95% CI for EXP(B)	
							Lower	Upper
ROA	3,993	3,197	1,560	1	0.012	54,238	0.103	28,563,780
AGE	1.705	1,046	2,660	1	0.003	5,503	0.709	42,708
OWN	-3,283	1,672	3,853	1	0.054	0.038	0.001	0.995
Constant	1,928	0.744	6,719	1	0.010	6,875		

a. Variable(s) entered on step 1: X1, X2, X3. *) is significant at the five percent level

Table 6. Result of Simultaneous testing

	B	SE	Wald	Df	Sig.	Exp(B)
Constant	1,858	0.261	50,776	1	0.000	6,412

Table 6 shows that the asymptotic significance (sig) value 0.000 is less than (α) 0.05. It means that simultaneously the variables of profitability, company age, and public ownership affect the timeliness of company financial reporting. It means that in the regression model, hypothesis 4 is accepted.

5. Discussion

5.1. Profitability and Timeliness of Corporate Financial Reporting

The company profitability variable (ROA) shows a regression coefficient value of 3.993 with a variable probability of 0.012 below a significance of 0.05 (5%). It implies that Hypothesis 1a is accepted, thereby proving that profitability as measured by ROA significantly affects the timeliness of financial reporting. The results of this hypothesis are supported by the research results of Hilmi (2008), Respati (2004) and Owusu-Ansah (2000), which state that profitability affects the timeliness of financial reporting. It also follows the theory's logic that high profitability is a good signal and can be good news. Hence, companies tend to report their financial reports more quickly to interested parties (Listiana & Susilo, 2012). It means that if a company has high profitability, which is a good signal, then this is good news, and the company tends to submit its financial reports on time to interested parties (Listiana & Susilo, 2012).

5.2. Firm Age and Timeliness of Corporate Financial Reporting

The company age variable (AGE) shows a regression coefficient value 1.705 with a variable probability of 0.003. A significance value below 0.05 (5%) indicates a significant influence of company age on the timeliness of financial reporting. This means that in the regression model hypothesis 1b is accepted. This result is in accordance with the evidence obtained by Rachmawati (2008), as well as Owusu-Ansah (2000), they found that the age of the company owned by the company will affect the timeliness of financial reporting. The older the company, the more likely they are to have strong internal control procedures in financial reporting, so that the company will be timelier than the age of a young company (Fatmawati & Rohimah, 2022).

5.3. Ownership Structure and Timeliness of Corporate Financial Reporting

The public ownership variable (OWNER) shows a regression coefficient value of -3.283 with a variable probability of 0.054. A significance value above 0.05 (5%) indicates no significant effect of public ownership on the timeliness of financial reporting. It means that in the regression model, hypothesis 1c is rejected. The results of this study do not supported by Hilmi (2008) and Respati (2004); the results they obtained were that public ownership has a significant effect on the timeliness of financial reporting. This difference occurs because of differences in samples and years of research. The results of this statistical test are supported by Saleh (2004), who found empirical evidence that public ownership does not affect the

timeliness of financial reporting. Insignificant results occur because companies with a large or small percentage of public ownership want their financial reports to be published immediately. The company owner wants to know the development of his company's business immediately.

6. Conclusions

In conclusion, this study indicates that the company's profitability variable significantly affects the timeliness of the company's financial reporting. The firm age variable significantly affects the timeliness of financial reporting. External ownership variable does not affect the company's financial reporting timeliness. Variable profitability, company age, and ownership structure simultaneously influence the timeliness of company financial reporting. Also, this study suggests that further research can add back more sample, not limited to manufacturing companies listed on the Indonesia Stock Exchange (IDX). Then, future research can add research variables such as DER variable, company opinion, Extraordinary items, PER, DPO, internal auditor, KAP, solvency, ROE and others. In addition, using secondary data, further research can use primary data, such as conducting intensive interviews regarding the reasons for delays in company financial reporting.

Author Contributions: Conceptualization, F.A. and H.H.; methodology, F.A.; software, F.A.; validation, H.H., A.K. and A.N.O.; formal analysis, F.A. and H.H.; investigation, F.A. and H.H.; resources, F.A.; data curation, H.H., A.K. and A.N.O.; writing—original draft preparation, F.A. and H.H.; writing—review and editing, F.A., H.H., A.K. and A.N.O.; visualization, F.A.; supervision, H.H.; project administration, H.H.; funding acquisition, H.H. All authors have read and agreed to the published version of the manuscript.

Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Not applicable.

Data Availability Statement: Not applicable.

Acknowledgments: The authors would like to thank Hasanuddin University, Makasar, Indonesia, for supporting this research and publication. We would also like to thank the reviewers for their constructive comments and suggestions.

Conflicts of Interest: The authors declare no conflict of interest.

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