PREDICTORS OF THE TIMELINESS OF CORPORATE FINANCIAL REPORTING

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Abstract

Timeliness of financial reporting is an important indicator in assessing a company because it can provide accurate information for users of financial statements. This phenomenon is influenced by various internal and external factors. This study analyzes the effects of profitability, firm size, and ownership structure on financial reporting timeliness. This quantitative descriptive study was conducted on food and beverage companies listed on the Indonesia Stock Exchange (IDX) in the 2018-2021 period. Twelve companies were sampled and analyzed using multiple linear regression tests. Hypothesis testing uses the R2 (coefficient of determination) test, F test, and t test. The results show that partial profitability and ownership structure have no effect on the timeliness of financial reporting. Firm size only had a significant effect. However, profitability, firm size, and ownership structure simultaneously affected the timeliness of financial reporting (94.2%). Future studies should use other variables as predictors.

Keywords: Profitability, Firm Size, Ownership Structure, Timeliness Of Financial Reporting

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Abstrak


Kata kunci: Profitabilitas, Ukuran Perusahaan, Struktur Kepemilikan, Ketepatan Waktu Pelaporan Keuangan
INTRODUCTION

Financial reporting is essential for investors, creditors, and other stakeholders to make informed decisions (Tsoncheva, 2012). However, the informational power of financial statements can be reduced and they may not always meet the needs of stakeholders (Ioachim et al., 2015). Therefore, it is essential that information in financial statements is relevant, reliable, complete, objective, timely, comparable, and understandable (Birt et al., 2020). Despite the wealth of available financial information, there is a need to verify the suitability and utilization of financial statements in decision-making processes (Voss, 2019).

Timeliness of submitting financial reports is an essential quality of financial information. It is crucial to ensure that financial statements are relevant, as the presentation of outdated or irrelevant financial reports can hinder their effectiveness as decision-making tools for stakeholders (Ohaka & Akani, 2017). The timely submission of financial reports is a critical component in the presentation of financial statements (Vuran & Adiloglu, 2013). If financial reports are not timely or relevant, their usefulness as a decision-making tool may be compromised or eliminated (IFRS Foundation, 2022).

Delays in financial reporting can lead to negative sentiment and potential sanctions. Late release of financial reports can indeed have negative implications for companies and investors. The impact of biased investor expectations on the opacity of financial reporting, potentially exacerbating the negative effects (Roychowdhury et al., 2019). Waluyo & Widianingsih (2020) and Ahmed & Thabassum (2020) both underscore the significance of financial performance and corporate social responsibility, respectively, in shaping investor sentiment.

Several factors have been identified as influencing the timeliness of financial reporting. Özcan (2019) found that firm size, type of audit firm, board independency, profitability, and leverage significantly affect the timeliness of financial statements. Al-Ajmi (2008) similarly identified company size, profitability, and leverage as key determinants of reporting delays. Khakim & Ardini (2017) and Suginam et al. (2020) both highlighted the positive impact of profitability and firm size on timeliness, with Khakim also noting a negative and insignificant effect of company age. These findings collectively suggest that the size and financial performance of a company, as well as its governance and audit practices, play a crucial role in determining the timeliness of financial reporting.

Therefore, this study analyzes the factors associated with the timeliness of financial reporting. The main focus of this study measures the effect of profitability, firm size, and ownership structure on the timeliness of financial reporting.

LITERATURE REVIEW

Profitability

Profitability, the ability of a company to generate profits, is influenced by various factors. Liabilities and capital structure have a significant impact on profitability (Wardoyo et al., 2022). In manufacturing companies, ownership structure, capital structure, company scale, and liquidity all affect profitability, with ownership structure and liquidity having a positive impact, and capital structure and company scale having a negative impact (Incahyani, 2019). The ability to generate profits is crucial for attracting investors and expanding business (Lau, 2016).

Firm Size

Firm size is a scale that determines the size of the company, which can be seen from the value of equity, sales value, number of employees, and total asset value, and is a context variable that measures the demands of organizational services or products (Riyanto, 2011; Sawir, 2015). Firm size describes the size of a company which is indicated by total assets, total sales, average sales level and average total assets. Large-scale companies will find it easier to obtain loans than small companies. Large companies have relatively greater growth than small companies, so the return on shares of large companies is greater than the return on shares in small-scale companies. Therefore, investors will speculate more on large companies in the hope of a large return (Lafrance, 2013; Prasetya & Riyanto, 2020).

Ownership Structure

Ownership structure is the proportion of share ownership contained in a company, as
well as the actions taken by the owner of the shares (Petta & Turigan, 2017). The ownership structures chosen in this study are managerial ownership and institutional ownership. Managerial ownership reflects the shares owned by management, commissioners, and directors, which are described by the number of management shares in company decision-making. Whenever there is a mistake in making a decision, management will be consciously or unconsciously affected because their shares are invested in the company. To control the company freely, management must own the majority of shares. If so, the position of management becomes a shared owner simultaneously and can harmoniously try to obtain welfare for the owner (Wijaya, 2019). Institutional ownership refers to the ownership of a company whose shares belong to various forms of institutions or other companies, both at home and abroad (Singal & Putra, 2019). Institutional ownership functions as a guarantor of company management to provide policies that can optimize shareholders to benefit more.

Timeliness of Financial Reporting

The timeliness of financial reporting is the time span for announcing audited annual financial statements to the public, from the company’s closing date (December 31) to the date of submission to Baepam-LK. Companies listed on the Indonesia Stock Exchange must comply with the regulations stipulated in Law No. 8 of 1995 concerning the Capital Market regarding compliance with the timeliness of financial reporting, which clearly states that public companies are required to submit periodic and other incidental reports to Baepam (Nurmiati, 2016). Financial reports must be submitted in a timely manner because their timeliness of financial reports is very important for information users (Dewayani et al., 2017). The obligation to present financial reports in a timely manner proves the firmness of regulations in dealing with various cases of uncertainty in the submission of financial reports, but these regulations have not been fully implemented by companies in Indonesia (Setiawan, 2014).

METHOD

This study uses a quantitative approach to analyze secondary data in the form of financial reports listed on the IDX, www.idx.co.id or the company’s website. A total of 12 manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange from to 2018-2021 were sampled in this study. A purposive sampling method was used for the sampling. The main focus of this study measures the effect of profitability, firm size, and ownership structure on the timeliness of financial reporting. A multiple linear regression analysis was used in this study. Before the regression test, the researchers conducted a classical assumption test consisting of normality, multicollinearity, autocorrelation, and heteroscedasticity tests. Furthermore, the coefficient of determination test was carried out to measure the extent to which the model explained the variation in the dependent variable. Then, an F-test is carried out to show whether all independent variables in the model affect the dependent variable. Student’s t-test was used to test the effect of the independent variable on the dependent variable.

RESULTS AND DISCUSSION

A descriptive statistical assessment was used to determine the data description framework based on the maximum, minimum, mean, and standard deviation values of financial reporting timeliness, profitability, firm size, and ownership structure variables. Table 1 shows that the lowest profitability is 0.00 and the highest is 0.11. Profitability, with an average value of 0.0575 and a standard deviation of 0.04351. The smallest firm size is 20.73 and the largest is 25.91. The average company size was 22.7456 (SD = 1.89177). The lowest ownership structure was 0.00 and the highest was 0.53. The ownership structure has an average value of 0.1916 and a standard deviation of 0.24872. The timeliness of financial reporting is between 0.00 and 1.00. The average timeliness of financial reporting was 0.3333 with a standard deviation of 0.49237.

Tabel 1. Results of Descriptive Statistical Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>0.0575</td>
<td>0.04351</td>
</tr>
<tr>
<td>Firm Size</td>
<td>22.7456</td>
<td>1.89177</td>
</tr>
<tr>
<td>Ownership Structure</td>
<td>0.1916</td>
<td>0.24872</td>
</tr>
<tr>
<td>Timeliness of Financial Reporting</td>
<td>0.3333</td>
<td>0.49237</td>
</tr>
</tbody>
</table>

Source: SPSS Output, 2023
The normality test results showed a p-value of 0.104 (p > 0.05), so it can be said that the data are normally distributed. All independent variables have tolerance > 0.1 and a VIF value < 10, so it can be stated that there is no multicollinearity. The autocorrelation test results show that the Durbin-Watson value is 2.610, and it can be concluded that no autocorrelation symptoms occur. Meanwhile, the test shows that there is no heteroscedasticity in the research data because all independent variables have a residual significance value greater than 0.05. From the classical assumption test above, it can be concluded that the research data can be tested using multiple linear regression.

The relationship between firm size and timeliness of financial reporting is complex and varies across different contexts. Aldaoud (2015) found that higher ownership concentration can delay the release of financial reports by restricting the functions of audit committees and boards of directors. Widyanjaya, (2015) found that ownership structure, among other variables, had no effect on the timeliness of financial reporting. Other studies have found no significant effect of ownership structure on timeliness (Putra et al., 2022). Public ownership, for example, has been found to have no significant effect on the timeliness of financial reporting, as companies with a large or small percentage of public ownership tend to want their financial reports to be published immediately (Pradnyawati et al., 2022).

### Table 2. Multiple Linear Regression Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Std.</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>-4.099</td>
<td>0.575</td>
<td>-7.135</td>
<td>.000</td>
</tr>
<tr>
<td>Profitability</td>
<td>2.203</td>
<td>3.546</td>
<td>0.621</td>
<td>.552</td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.193</td>
<td>0.033</td>
<td>5.862</td>
<td>.000</td>
</tr>
<tr>
<td>Ownership Structure</td>
<td>-0.484</td>
<td>0.560</td>
<td>-0.864</td>
<td>.413</td>
</tr>
</tbody>
</table>

Dari tabel 2 dapat dirumuskan persamaan regresi linear berganda:

\[
Y = -4.099 + 2.203X_1 + 0.193X_2 - 0.484X_3 + e
\]

The constant of the timeliness of financial reporting is -4.099 and it can be simulated that if profitability increases by 1 unit, the timeliness of financial reporting decreases by 2.203. If the company size increases by one unit, the timeliness of financial reporting decreases by 0.193. If the ownership structure grows by one unit, the timeliness of financial reporting decreases by 0.484.

With a t\textsubscript{count} value (0.621) smaller than the t\textsubscript{table} value (1.984), it can be said that ownership structure has no effect on the timeliness of reporting (p = 0.413). The relationship between ownership structure and the timeliness of financial reporting is complex and varies across different contexts. Aldaoud (2015) found that higher ownership concentration can delay the release of financial reports by restricting the functions of audit committees and boards of directors. Widyanjaya, (2015) found that ownership structure, among other variables, had no effect on the timeliness of financial reporting. Other studies have found no significant effect of ownership structure on timeliness (Putra et al., 2022). Public ownership, for example, has been found to have no significant effect on the timeliness of financial reporting, as companies with a large or small percentage of public ownership tend to want their financial reports to be published immediately (Pradnyawati et al., 2022).
Table 3 shows that the $F_{count}$ is 43,679 and the $F_{table}$ value is 3,090, indicating that profitability, company size, and ownership structure have a significant effect on the timeliness of financial reporting.

Table 4 shows an $R^2$ value of 0.942 or 94.2%, and it can be said that the effect of profitability, company size, and ownership structure on the timeliness of financial reporting is 94.2%. However, 5.8% were influenced by other factors.

**CONCLUSIONS AND SUGGESTIONS**

The results show that partial profitability and ownership structure have no effect on the timeliness of financial reporting. Firm size only had a significant effect. However, profitability, firm size, and ownership structure simultaneously affected the timeliness of financial reporting (94.2%). Future studies should use other variables as predictors.

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