

IFactor Determinants of Timeliness of Financial Reporting inLQ45 Companies in Indonesia

Rika Rosita^{1*}, M. Imam Sundarta², Azolla Degita Azis³
^{1,2,3} Universitas Ibn Khaldun Bogor, Indonesia

ABSTRACT

The aim of this study is to earn knowledge about the effect of profitability, firm age, and firm size on the timeliness of financial reporting. This study population is made up of companies listed on the BEI (Indonesia Stock Exchange) that are included in the LQ45 index, which consists of 45 companies for the 2018–2021 period. Sample selection used the purposive sampling method and obtained 100 samples from 25 companies. Collecting data for this study using the documentation Method Hypothesis testing was carried out using the logistic regression analysis method using the IBM SPSS 24 program at a significance level of 5%. The results of the study show that the profitability and company size variable has no effect on the timeliness of financial reporting meanwhile company age has a negative effect on the timeliness of submitting financial reports for LQ45 companies on the IDX with the observation years 2018, 2019, 2020, and 2021.

Keywords: Timelines; Profitability; Company Age; Company Size.

Corresponding author: rositarika372@gmail.com^{1*}

History of Article: Received: Jul 2023. Revision: Sep 2023. Published: Dec 2023.

DOI Prefix 10.32832/

Introduction

One of the sources of information needed by capital market players is financial statements. Financial statements are a report related to financial transactions that occur in a period, the information presented can represent the financial condition of a company and has great benefits for each user as a basis for evaluation (Lumbantoruan & Siahaan, 2018). Financial statements are prepared to provide information to investors, lenders and other users that can help in terms of making their capital allocation decisions (Barth, 2013). To achieve this goal, financial information must meet at least 4 qualitative characteristics set by the Financial Accounting Standards, namely, understandable, relevant, reliable and comparable. However, PSAK No.1 paragraph 43 explains that in an effort to achieve relevant information, there are obstacles that must be faced, namely the timeliness of the submission of financial information.

If investors, lenders, and other users are unable to obtain information in a timely manner, their capital allocation decisions will be sub-optimal because late financial reports may lose their ability to help users make predictions. Bapepam (currently OJK) has emphasized through regulation Number Kep-346/BL/2011 which explains that every entity listed on the IDX is required to report its audited annual financial statements to Bapepam and to the public, with a provision of time given for 3 months or 90 days after the date of the annual report.

Companies that do not report their financial information on time every year have increased. The following are IDX records related to the number of companies that are late in submitting annual financial reports as of December 31, 2018, 2019, 2020, 2021.

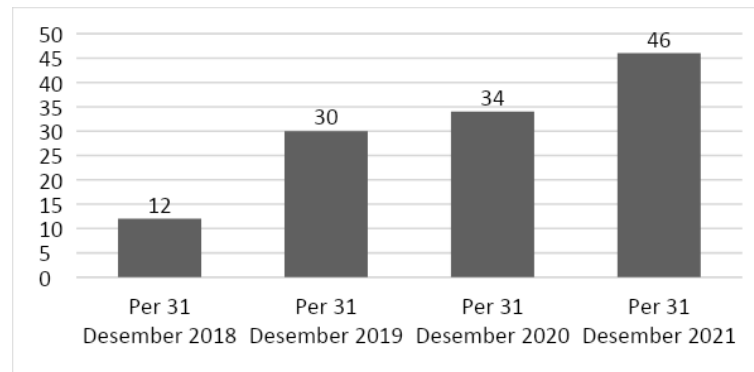


Figure 1: Number of Entities that Did Not Submit Their Annual Financial Statements on Time (2018-2021)

Based on the data presented above, it can be seen that although the government has issued regulations and sanctions that will be given to companies that are late, there are still many companies that do not comply with these regulations so that the regulations issued are not the only factor that can affect the timeliness of financial reporting. Some empirical studies still show inconsistent research results such as (Wulandari, 2018) which examines the factors of profitability, liquidity, solvency, company age, company size, and audit opinion. The results found that profitability, liquidity, and solvency have a significant positive effect on the timeliness of financial reporting. In contrast to research conducted (Purba, 2020) regarding the timeliness of financial reporting which obtained the results that company size, financial difficulties, profitability and company age have a positive effect on timely financial reporting. Based on the differences in research results from previous researchers, the authors are interested in re-examining the factors that have the potential to affect the timeliness of companies in submitting financial reports, namely profitability, company age and company size.

(Ilaboya, 2016) defines profitability as the level of profit in relation to the volume of organizational activities. Profitability is often used as a parameter in seeing the company's ability to make a profit, the greater the profit, the greater the level of profitability the company has (Febriyanti et al., 2020). Research from (Anissa et al, 2019) found that the timeliness of financial reporting is significantly influenced by profitability, while research by (Martha & Gina, 2021) found that there was no effect of profitability on the timeliness of financial report submission.

Company age is defined as the number of years the company has been established (Ilaboya & Ohiokha, 2016). One of the factors that is taken into consideration in investing capital for investors is the age of the company. Based on the research results (Purba, 2020) the age of the company has a positive effect on financial reporting while (Rambe, 2016) shows the opposite result, namely the age of the company has a negative effect on the timing of financial reporting.

Company size is the size of a company which is assessed based on several assessments, one of which is the number of assets, market capitalization, sales, and total workforce (Hastutik, 2015). In research (Lumbantoruan & Siahaan, 2018) shows that company size has a positive influence on the timing of financial report submission. In contrast to research conducted by (Astuti, 2018) which reveals that company size has no positive effect on financial reporting time.

The purpose of this research is to investigate the effect of profitability, company age and company size on the timeliness of financial reporting. The difference between this research and previous research is the research object used, the observation period, namely 2018 to 2021 and the sample used consists of companies listed on the Indonesia stock exchange with the LQ45 index. LQ45 indexed companies are companies that have met the qualifications by achieving the highest value, number and frequency of transactions. So that every development of the company will be in the spotlight by many parties, especially investors. The reason the author wants to do this research is because he sees the facts in the field that there are still many companies that are late in submitting financial information while timeliness of financial report submission is an important thing. The novelty in this research is that it uses 2 (two) grand theories. Previous research mostly used 1 (one) grand theory. The author hopes that the results of this study will be able to contribute both for investors in determining their capital allocation decisions and for the world of education to add to the treasury of knowledge.

Research Method

a) Data Collection Technique

In this study, the data used is quantitative data, namely data in the form of numbers or numbers. The data to be tested is secondary data, namely the financial statements of the LQ45 index companies and related data needed to calculate the dependent and independent variables obtained from the Indonesia Stock Exchange (IDX) and the official website of the company to be studied. Data collection in this study using documentation techniques. This method is carried out by collecting secondary data in the form of audited annual financial reports of companies.

b) Population and Sample

The population in this study are LQ45 index companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021. The sample withdrawal method used in this study is purposive sampling method where the sample determination is determined by certain criteria. These criteria include the following:

1. Companies that are listed consecutively during 2018-2021 in the LQ45 index on the IDX
2. Companies that publish financial reports in rupiah currency.

Table 1. Sample Selection

| Criteria | Number of Companies |
|--|---------------------|
| Number of LQ45 companies listed on the IDX during the period 2018-2021 | 45 |
| Number of companies that publish financial statements in dollar units | (6) |
| Data perusahaan tidak tersedia secara berturut-turut selama 2018-2021 | (14) |
| Company data is not available consecutively during 2018-2021 | 25 |
| Research period (2018-2021) | 4 |
| Number of samples before outliers | 100 |
| Number of samples excluded due to outliers | (3) |
| Number of samples after outliers | 97 |

Source: Processed secondary data, 2023

c) Data Analysis Method

Data analysis in this study used logistic regression analysis techniques. The logistic regression technique is used for research whose dependent variable is categorical with a nominal scale of 2 categories (Anissa et al. 2019). According to (Gujarati & Porter, 353: 2019) a variable is not always influenced by ratio-scale variables but can also be by variables that are essentially qualitative in value, which are classified as nominal scale variables. In quantifying these variables, one way is to create artificial variables that are worth 1 or 0 which are often called dummy variables. The following are the steps in data analysis carried out in this study:

1. Descriptive statistics
2. Classical assumption test: multicollinearity test
3. Hypothesis testing: Using logistic regression analysis techniques

d) Variable Operationalization and Measurement

1. Timeliness (Y)

Measurement of variable Y uses dummy variables, namely score 0 for the late company category and score 1 for companies that are on time (Anissa et al., 2019).

2. Profitability (X1)

The profitability variable is proxied using the Return On Asset (ROA) analysis tool as has been done by research (Astuti, 2018) with the formula:

$$ROA = \text{Net Income} / \text{Total Assets}$$

3. Company Age (X2)

Company age is measured based on the number from the beginning of the year of establishment until the time this research was conducted.

(Ilaboya & Ohiokha, 2016)

4. Company Size (X3)

In this study, it refers to research (Afriyeni & Marlius, 2019) which uses the company's total assets with natural logarithms to calculate company size. The following is the formulation of the company size variable:

$$SIZE = \text{Natural Logarithm (LN) Total Assets}$$

Result

1. Descriptive statistics

Descriptive statistics aim to provide an overview of each research variable without showing a meaning or conclusion. Descriptive statistical output results include profitability variables, company age and company size while the timeliness variable is presented separately in a frequency table because it uses a nominal measurement scale, where the number is used as a category label that has no intrinsic value which is used to calculate the average value and standard deviation (Ghozali, 2020).

Table 2. Statistik Deskriptif

| | N | Min. | Max. | Mean | Std. Deviation |
|-----------------------|----------|-------------|-------------|-------------|-----------------------|
| Profit | 97 | -5.72 | 44.68 | 7.5073 | 8.53068 |
| AGE | 97 | 20 | 137 | 56.97 | 26.099 |
| SIZE | 97 | 30.42 | 35.08 | 32.2506 | 1.36106 |
| Valid N (listwise) 97 | | | | | |

Source: Processed secondary data, 2023

The descriptive statistical results of table 2 above show that the profitability variable in the LQ45 companies on the IDX for the 2018-2021 period has the lowest (minimum) value of -5.72 obtained from the XL Axiata Tbk company in 2018 with the highest (maximum) value of 44.68 obtained from the Unilever Indonesia Tbk company in 2018. These results provide information that the amount of profitability in the companies sampled in this study ranges from -5.72 to 44.68. The average value (mean) of 7.5073 which shows the overall average value of profitability in LQ45 companies. The standard deviation value of the profitability variable is 8.53068.

The age of the company in the LQ45 index company on the IDX in the 2018, 2019, 2020 and 2021 periods has the smallest age (minimum) of 20 years while the highest age (maximum) is 137 years, meaning that the age range of companies sampled in this study is 20 to 137 years old. The youngest age is owned by Bank Mandiri Republik Indonesia (BMRI) in 2018, while the company with the highest age is owned by Telekomunikasi Tbk in 2021. The average value is 56.9691 which shows the overall average age value of companies in LQ45 companies at a standard deviation of 26.09935.

Based on descriptive statistics, the company size variable has the lowest value of 30.42 owned by Media Nusantara Citra Tbk in 2018 and the largest value of 35.08 owned by Bank Mandiri (Persero) Tbk in 2021. This provides information on the size of the companies sampled in this study ranging from 30.42 to 35.08. The mean value obtained is 32.2506 which shows the overall average value of company size in LQ45 companies at a standard deviation of 1.36106.

Table 3. Frequency Distribution of Timeliness of Financial Reporting

| | frequency | Percent | Valid percent | Cumulative percent |
|-------------|-----------|---------|---------------|--------------------|
| Not on time | 5 | 5.2 | 5.2 | 5.2 |
| On time | 92 | 94.8 | 94.8 | 100.0 |
| Total | 97 | 100.0 | 100.0 | |

Source: Processed secondary data, 2023

Based on table 3, it is known that from a total of 97 samples, there are 92 (94.8%) companies that submit financial reports on time, while 5 (5.2%) publish financial reports not on time, the five companies include Aneka Tambang Tbk (ANTM) in 2019 and Telekomunikasi Tbk (TLKM) for 4 consecutive years, namely 2018 to 2021. These results indicate that most LQ45 companies have published financial reports on time.

2. Classic Assumption Test

(Ghozali, 2020) explains that a regression can be said to be good if there are no strong correlation symptoms between the independent variables, to find out this, it can be done with the multicollinearity test. The results of the multicollinearity test can be seen through the tolerance value and VIF (Variance Inflation Factor). The basis of measurement can be seen if the tolerance value obtained exceeds 0.1 and the FIV value is less than 10, then there are no symptoms of multicollinearity between the independent variables. On the other hand, if the tolerance value < 0.1 and the VIF value ≥ 10 , there are symptoms of multicollinearity.

Table 4. Multicollinearity Test Results

| Variable | Tolerance | VIF |
|---------------|-----------|-------|
| Profitability | 0.710 | 1.409 |
| Company Age | 0.859 | 1.165 |
| Company Size | 0.762 | 1.313 |

Source: processed secondary data, 2023

Based on the test results in table 4 above, it is obtained that of all the variables there are no variables that have a tolerance value of less than 0.1 and a VIF value greater than 10. This means that there is no strong relationship or correlation between each variable, namely profitability (X1), company age (X2) and company size (X3). So it can be concluded that there are no symptoms of multicollinearity between the independent variables in this study.

3. Logistic Regression Test Results

a) Regression Model Feasibility Test

(Marfuah et al., 2021) explains that in analyzing logistic regression, the first step is to assess the goodness of fit test. The goodness of fit test aims to determine the distribution of data in accordance with the theoretical distribution, meaning that there is harmony between theory and reality. In this test, if the significance value in the Hosmer and Lemeshow Test table exceeds 0.5, the model is fit or there is no difference between the model and its observation value, if it is less than 0.5, the model is not fit or there is a difference between the observation value and the model to be studied. Below is a table of Hosmer and Lemeshow test results:

Table 5. Hosmer and Lemeshow Test

| Step | Chi-square | df | Sig. |
|------|------------|----|------|
| 1 | 5.818 | 8 | .668 |

Source: processed secondary data, 2023

In the Hosmer and Lemeshow test results, the significance probability value is 0.668 and the chi square value is 5.818. The significance value obtained is greater than 0.05, namely $0.668 > 0.05$, thus the model to be tested is a fit model so that testing can be done because the observation value can be predicted by the logistic regression model used.

b) Assessing the Overall Data

Assessment of the entire data aims to determine the suitability between the model and the data (Ginting, 2018). In the iteration history table we can find out whether the model is fit or not, namely by looking at the -2 Log Likelihood value of block number 0 and block number 1. The following table shows the results of -2 Log Likelihood block number 0 and block number 1.

Table 6. Iteration History

| Iteration | -2 Log Likelihood |
|----------------|-------------------|
| Block Number 0 | 47.786 |
| Block Number 1 | 17.326 |

Source: Processed Secondary Data, 2023

In table 6 above, it is known that the -2 log Likelihood block 0 value is 47,786 and the -2 log Likelihood block 1 value is 17,326. Because there has been a decrease in the value of 30,460, the data studied has been fit in accordance with the hypothesized model so that testing can be carried out.

c) Variability Test (Nagelkerke R Square)

The purpose of this test is to determine the ability of each independent or independent variable to explain the variability of the dependent variable which can be seen in the following model summary table:

Table 7. Model Summary

| Step | -2 Log likelihood | Cox & Snell R Square | Nagelkerke R Square |
|------|---------------------|----------------------|---------------------|
| 1 | 17.326 ^a | .203 | .610 |

Source: processed secondary data, 2023

In the summary model output table above, it is known that the acquisition of the Nagelkerke R Square value is 0.610. This value means that the independent variables, namely profitability, company age and company size, can explain the dependent variable, namely the timeliness of financial reporting by 61%, while the remaining 39% are other explanatory factors not included in this study such as leverage, audit committee, ownership structure, and other factors.

4. Hypothesis Test (Partial-Wald Test)

In logistic regression, the wald test is conducted to obtain results that show the effect that occurs in each independent variable on the dependent variable (Lumbantoruan & Siahaan, 2018). The following is a partial hypothesis testing output table:

Table 8. Variables in the Equation

| | | B | Wald | Df | Sig. |
|---------------------|----------|--------|-------|----|------|
| Step 1 ^a | Profit | .150 | .447 | | .504 |
| | AGE | -.086 | 5.477 | | .019 |
| | SIZE | .238 | .097 | | .762 |
| | Constant | 18.282 | .000 | | .999 |

Source: Processed Secondary Data, 2023

Conclusion

Based on the results of research and discussion, the conclusions that can be drawn from this study are first, the profitability variable has no effect on the timeliness of financial reporting in LQ45 companies on the IDX for the 2018, 2019, 2020 and 2021 periods. These results indicate that in the context of LQ45 companies in Indonesia, profitability is not the main factor influencing the timeliness of financial reporting. There are non-financial factors that may have a greater influence, namely the company's readiness and ability to comply with regulations with strict requirements and the company's ability to coordinate with external auditors.

Second, company age has a negative effect on the timeliness of submitting financial reports on LQ45 companies on the IDX for the 2018, 2019, 2020 and 2021 periods. This means that the older the company, the lower the timeliness of its financial reporting. This finding suggests that newer companies may be more likely to fulfill their financial reporting obligations in a timely manner. This can occur because the longer the company is established, the more complex its operational systems and processes.

Third, company size has no effect on timely financial reporting in LQ45 companies on the IDX in the observation years 2018, 2019, 2020 and 2021. This shows that the company's ability to submit timely financial reports cannot be seen from the company size factor. The management is responsible for the company's financial statements, so that every company, both small and large, is required to submit financial reports in a timely manner.

Based on the results of the analysis, the advice that can be given by the author is for companies that have been operating for a long time to pay more attention to the time efficiency of preparing financial reports, so that the impact that can be caused by companies that are old such as untimely

financial reporting can be minimized. For investors who will make an investment to be able to consider the age factor that the company has, because the older the company will tend not to be on time in submitting its financial statements.

This study has limitations including only testing 3 factors from the many factors that might affect the timeliness of financial reporting. Therefore, future research needs to consider other variables such as ownership structure, corporate governance and management characteristics to gain a more comprehensive understanding of the factors that influence the timeliness of financial reporting. The use of different methods and populations is also needed to validate the results of this study and add a research period, in order to obtain more accurate research results.

Refrence :

- Afriyeni, & Marlius, D. (2019). Analisis Faktor-Faktor yang Berpengaruh Terhadap Ketepatan Waktu Penyampaian Laporan Keuangan pada Perusahaan yang Listing di Bursa Efek Indonesia. *OSF Preprints*, 5(2), 1–17.
- Anissa, N., Kristianto, D., & Widarno, B. (2019). Pengaruh Profitabilitas, Likuiditas, Ukuran Perusahaan, Umur Perusahaan dan Opini Audit Terhadap Ketepatan Waktu Pelaporan Keuangan (Studi Kasus pada Perusahaan Sub Sektor Otomotif dan Komponen yang Terdaftar di BEI Tahun 2012 - 2017). *Akuntansi Dan Sistem Teknologi Informasi*, 15(8), 278–290.
- Astuti, W., & Erawati, T. (2018). Pengaruh Profitabilitas, Umur Perusahaan dan Ukuran Perusahaan Terhadap Ketepatan Waktu Penyampaian Laporan Keuangan Perusahaan (Studi pada perusahaan manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2012-2016). *Kajian Bisnis*, 26(2), 144–157.
- Barth, M. E. (2013). Commentary, Global Comparability of Financial Reporting : What, Why, How, and When ? *China Journal of Accounting Studies*, 1(1), 2–12.
- Febriyanti, D. A., Sundarta, M. ., & Azis, A. D. (2020). Analisis Kinerja dan Tingkat Kesehatan Bank BUMN Berdasarkan Metode Risk Profile, Good Corporate Governance, Earnings, Capital (RGEC) dan Rasio Keuangan. *Prosiding, Hasil Penelitian Dosen Universitas Ibn Khaldun Bogor*, 288–297.
- Ginting, W. A. (2018). Regresi Logistik Dalam Menganalisis Faktor- Faktor Yang Mempengaruhi Pelaporan Keuangan Melalui Internet. 2.
- Gujarati, D.N. (2016). *Dasar-Dasar Ekonometrika Edisi Ketiga*.
- Hastutik, S. (2015). Pengaruh Profitabilitas, Likuiditas, Struktur Kepemilikan, Ukuran Perusahaan dan Opini Audit Terhadap Ketepatan Waktu Pelaporan Keuangan Perusahaan. *Akuntansi Dan Sistem Teknologi Informasi*, 11, 102–111.
- Ilabaya, O. J., & Ohiokha, . F. (2016). Firm Age, Size and Profitability Dynamics: A Test of Learning by Doing and Structural Inertia Hypotheses. *Business and Management Research*, 5(1), 29–39.
- Imam Ghozali, *Aplikasi Analisis Multivariate Dengan Program BM SPSS 25 Edisi 9 (2020)*, Semarang: Undip, 325.
- Lumbantoruan, A. F., & Siahaan, S. B. (2018). Pengaruh Profitabilitas, Likuiditas, Ukuran Perusahaan, Umur Perusahaan, Reputasi KAP, dan Kepemilikan Manajerial Terhadap Ketepatan Waktu Pelaporan Keuangan Pada Perusahaan Otomotif dan Komponen yang Terdaftar Di Bursa Efek Indonesia Periode 2012-2016. *Imiah Simantek*, 2(3), 66–80.
- Marfuah, Sakilah, & Prasetyo, P. P. (2021). Faktor Determinan Ketepatan Waktu Penyampaian Laporan Keuangan Perusahaan Pertambangan di Indonesia. 9(1), 80–90.
- Martha, L., & Gina. (2021). Pengaruh Profitabilitas dan Umur Perusahaan Terhadap Ketepatan Waktu Penyampaian Laporan Keuangan. *Kajian Manajemen Bisnis*, 10(2), 133–143.
- Muchson, M., & MM, S. (2017). *Statistik Deskriptif*. Spasi Media.
- Purba, . (2020). Pengaruh Profitabilitas, Kesulitan Keuangan, Ukuran Perusahaan dan Umur Perusahaan Terhadap Ketepatan Waktu Pelaporan Keuangan Emiten Di Bursa Efek Indonesia. *JRAK*, 6(1), 1–22.
- Rahayu, R. D. T., & Waluyo, . (2017). Pengaruh Ukuran Perusahaan, Umur Perusahaan, Opini Auditor dan Kepemilikan Publik Terhadap Ketepatan Waktu Penyampaian Laporan Keuangan (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di BEI Periode 2011-2015). *Pendidikan Akuntansi*, 1, 12–13.

- Saputra, K. W. S., & Ramantha, . W. (2017). Pengaruh Profitabilitas Dan Ukuran Perusahaan Terhadap Ketepatan Waktu Pelaporan Keuangan Dengan Opini Audit Sebagai Pemoderasi. *E-Jurnal Akuntansi Universitas Udayana*, 20(2), 1592–1620.
- Sundarta, M. ., Azis, A. D., & Dewi, A. C. (2021). Reaksi nvestor Atas Relevansi nformasi Arus Kas Dan Laba AkruaI pada Laporan Keuangan Perusahaan. *Jurnal lmiah Universitas Batanghari Jambi*, 21(2), 575.
- Wulandari, G. H. (2018). Factors That nfluence The Timeliness Of Publication Of Financial Statements On Banking n ndonesia. *Technobiz: nternational Journal Of Business*, 1(1), 16–18.
- Zahroh, Y. F., & Hermanto, S. B. (2018). Pengaruh DER, Profitabilitas, Kualitas Auditor, Opini Audit Dan Ukuran Perusahaan Terhadap Ketepatan Waktu. *Jurnal Ilmu Dan Riset Akuntansi*, 7(11), 1–17.