Factors Affecting the Delay of Company Financial Statements

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ABSTRACT

This study aims to prove the influence of company size and profitability toward timeliness of company's financial statement. The population of this study is mining companies that were listed in Indonesia Stock Exchange (BEI) in 2016 -2018. The method used for determining the sample was purposive sampling method and the number of samples obtained was 36 companies. The results of this study indicate that company size and profitability variables have no effect on timeliness of company's financial statement.
Keywords: Company Size, Profitability, Timeliness Of Company's Financial Statement

1. INTRODUCTION

Financial statements is one of the media that has an important role to provide information for the users in assessing financial condition and company performance. This information must be accompanied by financial statements notes in order to help the users predicting the future cash flows. Financial statements' users such as investors, shareholders, management, creditors, the government and others need timely audited financial reports. It is because the users of financial statements need the relevant and timely information to meet the users' need in decision making process.

Relevant information is the information which can be used to predict future forecasts for decision making. The faster the information is disclosed, the more relevant the information will be. If there is a delay in the delivering the financial statements, the information will be irrelevant for the financial reports users, especially for investors in making decisions about the financial capital that has been or will be invested in the company.

The companies listed on Indonesia Stock Exchange (IDX) are required to report finance to the Financial Services Authority (OJK) and announce it to the public. Financial reports must be submitted to the public after they have been arranged based on Financial Accounting Standards and have been audited by an independent auditor. Based on the Financial Services Authority Regulation Number: 29 / POJK.04 / 2016 article 7, regarding the submission of annual statements, Issuers or Public Companies must submit Annual Reports to the Financial Services Authority by the end of the fourth month at the latest after the book year ends or 120 days after the book closes. The Financial Services Authority has the authority to impose administrative sanctions toward any party that violates the provisions of Financial Services Authority Regulations, including those who cause violations of the provisions, sanctions are in the form of written

warnings, fines, namely the obligation to pay a certain amount of money, restrictions on business activities, freezing of activities business, revocation of business license, cancellation of approval, cancellation of registration.

The cases occurred on the Indonesia Stock Exchange (IDX) noted that there were still issuers who were late in reporting financial statements in the 2016, 2017 and 2018 periods. In 2016, it was reported that there were 17 issuers who were late in reporting the audit financial statements. In 2017 and 2018, there were 10 issuers that did not obey the obligation in submitting financial statements on time (Source: www.idx.co.id). One of the factors causing the issuers to submit financial statements late may be due to the length of the financial statements' completion by the company which resulted in the delay in the completion of the audit report.

Based on the case above, it shows that there are still violations of the regulations issued by the Financial Services Authority. It can be concluded that the regulations and sanctions that are made cannot be the main factors which affect the timeliness of corporate financial reporting because the existence of companies that still violate the regulations in submitting financial statements on time. This case proves that the research on the causes of the timely submission of financial statements is nedeed. There are several factors that are likely to affect the timeliness of financial statements submission, namely company size and profitability (Marthani, 2012, Oktariani and Wirakusuma, 2014., Nugraha and Hapsari, 2015., Sanjaya and Wirawati, 2016., Valentina and Gayatri, 2018. , Suryani and Pinem, 2018).

Company size is a representation that can be measured through the size of the total assets owned by the company (Pande & Mertha, 2016). Companies that have large total assets will be timelier in submitting financial statements compared to companies that have small total assets (Valentina and Gayatri, 2018, Nugraha and Hapsari, 2015, Marthani, 2012).

Profitability is a representation of a company's success in generating profits. The higher the profitability, the higher the company's ability to generate profits for the company. High profitability companies will submit financial statements more timely than those that have low profitability (Sanjaya and Wirawati, 2016, Oktariani and Wirakusuma, 2014).

The results of the studies above indicate that there are still inconsistencies in the results of the study thus, it motivates the researchers to reexamine the effect of company size and profitability on the timeliness of financial statements submission in mining companies listed on the Indonesia Stock Exchange. This research and previous research are differentiated by the independent variables and the scope of the study. In this study, the researchers used company size independent variable and profitability while the previous study by Suryani and Pinem (2018) used profitability independent variable, auditor's opinion and ownership structure. The scope of this research is mining companies listed on the Indonesia Stock Exchange (BEI) in 2016-2018, while the scope of research Suryani and Pinem (2018) are service companies listed on the Indonesia Stock Exchange (BEI) in 2013-2016.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1 Agency Theory

Agency theory explains the relationship between agent and principle. Jansen and Meckling (1976) explain that an agency relationship is a contract between one or more people acting as a principle giving authority to the agent to perform services on behalf of the principal in relation to the delegation of some good decision making for the principal's interests.

The agency theory explains about the asymmetry of information between the agent and principle. Information asymmetry can cause the agents to misuse their obligations in the delivering the information to the principal, by means of the agent providing or holding the information requested by the principal if it is profitable for the agent. Agents as management often have objectives that are contrary to the principle objectives to maximize the wealth of shareholders so that the information imbalance appears. The information imbalance can be reduced by the regulations that require companies to submit financial statements in a timely manner. By requiring every company to submit financial information on time, it will reduce the emergence of information imbalances (Imaniar&Kurnia, 2016).

2.2 Compliance Theory

Obedience is the nature of obedience and obedience to regulations. Compliance is the motivation of a person, group, or organization to do or not do something with the rules that have been set (Rahmawati, 2012). The relevance of the compliancetheory with the timely submission of financial statements is that companies are required to submit financial statementsin a timely manner in accordance with regulations governing the accuracy of the delivery of the company's annual financial statements, namely Rule Number: 29 / POJK.04 / 2016 which states that public companies must submit annual statementsto OJK (Financial Services Authority) no later than 4 (four) months after the fiscal year ends.

2.3 The Effect of Company Size toward Timeliness of Submission of Annual Financial Statementsof the Company

The size of the company is a representation of the size of a company. According to Hastutik (2015) large companies are more inclined to report financialstatementsfaster than small companies so that large companies are more inclined to submit financial statementson time than small companies. This is because large companies have more resources, accounting staff, more advanced systems, and strong internal control systems. Large companies get more supervision from investors and regulators, and large companies tend to be a public highlight, therefore large companies have more responsibilities in delivering financial statementsin a timely manner. Therefore, the first hypothesis of this research is:

H1 = *Company size has a positive effect toward the timeliness of the company's annual financial statements.*

2.4 The Effect of Profitability toward the Timeliness of Submitting the Company's Annual FinancialStatements

Profitability describes the company's ability to make a profit. According to Suryani and Pinem (2018), profitability can affect the timeliness of financial statement submission. High profitability is good news for the company; it means that the company is able to show its performance in generating profits. The greater the profits of the company, the more companies want to accelerate financial reporting. According to Setiawan and Suryono (2015), on the condition of a greater profitability ratio, the company's ability to generate profits will increase and make the auditor have no doubt about the company's ability to continue its business in the coming period so that the company will report financial statements on time. Therefore, the second hypothesis of the study is:

H2 = *Profitability has a Positive Effect toward The Timeliness of The Company's Annual Financial Statements.*

3. RESEARCH METHODOLOGY

3.1 Data and Samples

This study applied quantitative research methods using secondary data types in the form of financial statements of companies listed on the Indonesia Stock Exchange (IDX) obtained through the site: www.idx.co.id. The population in this study were mining companies listed on Indonesia Stock Exchange for the period of 2016-2018. The sampling technique in this study was purposive sampling technique. The following criteria had been set:

1. Mining companies listed on the IDX at least since 2016.

2. The company issued financial statements in 2016 to 2018 in which there are data used in research.

3. The company uses the unit of rupiah in the 2016-2018 financial statements.

3.2 Dependent Variable

The dependent variable in this study was the timeliness of the company's annual financial statements. Timeliness of the company's annual financial statements' submission was measured using a dummy variable; the company which is on time is coded 1 and the company that is not on time (late) is coded 0. The company is on time if the financial statements are submitted before or no later than April 30. While companies that are not on time (late) are companies that submit financial statements more than 30 April.

3.3 Independent variable

3.3.1 Company Size

Company size is a scale which can be used to classify the size of the company. In this study, the company's size would be measured using total assets. Company size using total assets refers to Lumbanturoan and Siahaan research (2018).

3.3.2 Profitability

Profitability is used to measure the level of profits derived by the company and reflect the company's performance. The independent profitability variable was measured using Return on Assets, which compared net income after tax with total assets. Profitability using return on assets refers to research Suryani and Pinem (2018).

3.4 Data analysis method

The analytical tool used in this study waslogit regression model analysis (logistic regression) with the help of the IBM Statistical Package for Social Sciences (SPSS) program. The reason for using logistic regression analysis tools was because the dependent variable was dichotomous or dummy, so it could be analyzed by logistic regression. Logistic regression does not require a classic assumption test and a data normality test on the dependent variable (Ghozali, 2016).

The regression model in this study was shown in the following equation:

$$ln\ (TL/1\text{-}TL) = a\ +\ b1SIZE +\ b2PROF\ + e$$

Notes :

ln (TL / 1-TL) = Symbol that indicates the timeliness of the submission of annual financial statements

SIZE = Company Size

PROF = Profitability

e = Error

4. DISCUSSION

4.1 Description of Research Samples

This study used the population of mining companies listed on the Indonesia Stock Exchange in the period 2016-2018. Sampling used a purposive sampling method. In this population, the researchers obtained 36 research samples.

Tabel 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Ketepatan Waktu	36	,00	1,00	,8889	,31873
Size	36	11,11	15,51	12,9754	1,50265
Prof	36	-393,32	21,19	-10,9004	66,34457
Valid N (listwise)	36				

1. The timeliness variable has the lowest value 0 and the highest value is 1 (using a dummy variable), with an average value of 0.8889 and a standard deviation of 0.31873.
2. The company size variable which is calculated using total assets with total data of 36 has the lowest value of 11.11 and the highest value of 15.51 with an average value of 12.9754 and the standard deviation of 1.50265.

3. Profitability variable which is calculated using profit after tax and total assets with total data of 36 has the lowest value of -393.32 and the highest value of 21.19 with an average value of -10,9004 and the standard deviation of 66.34457.

4.2 Overall Model Fit Test Results (Overall Model Fit)

Tabel 2. Hasil Uji Kesesuaian Keseluruhan Model

Iteration		-2 Log likelihood	Coefficients		
			Constant	Size	prof
Step 1	1	21,243	-,209	,144	,009
	2	18,500	-2,282	,351	,014
	3	17,782	-4,620	,557	,021
	4	17,020	-4,770	,582	,054
	5	16,873	-4,323	,559	,075
	6	16,872	-4,339	,562	,076
	7	16,872	-4,340	,562	,076

Likelihood L of the model is the probability that the hypothesized model represents input data. To test the null and alternative hypotheses, L is transformed into -2LogL. Decreased likelihood (-2LL) shows a better regression model or in other words the model is hypothesized fit with the data. The initial value of -2LL is 25.116. After entering the two independent variables, then by using a sample of 36 companies' observation, the final value of -2LL decreased to 16.872. It shows a good regression model or in other words the model is hypothesized fit with the data. Then, it can be concluded that the overall logistic regression model is feasible to use.

4.3 Determination Coefficient Test Results (Nagelkerke R. Square)

Table 3. Determination Coefficient Test Results

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	16,872[a]	,205	,408

The results of the Nagelkerke R Square value shows that the value of Nagelkerke R. Square with 36 observational data is 0.408 which means that the variability of the dependent variable that can be explained by the variability of the independent variables is 40.8% and the remaining 59.2% is explained by the other variables outside the research model.

4.4 Regression Model Feasibility Test Results

Tabel 4. Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	4,353	7	,738

The spss output display with 36 observational data shows the Chi-square Test value of 4.353 with a significance of 0.738 whose value is well above 0.05. If the statistical significance value (p) of Hosmer and Lemeshow's Goodness of Fit Test is greater than 0.05, then the null hypothesis cannot be rejected and it means that the model is able to predict its observational value or the model can be accepted because it matches the observational data.

4.5 Logistic Regression Test Results

Tabel 5. Hasil Uji Regresi Logistik

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	Size	,562	,659	,727	1	,394	1,754	,482	6,385
	Prof	,076	,060	1,610	1	,204	1,079	,959	1,213
	Constant	-4,340	8,044	,291	1	,590	,013		

Based   on logistic regression testing (logistic regression) as explained in the previous section, the interpretation of test results was presented in two parts. The first part discussed the influence of company size toward the timeliness of financial statement submission (H1). The second part discussed the effect of profitability toward the timeliness of financial statement submission (H2).

4.51. The Effect of Company Size toward Timeliness of Submission of Financial Statements(H1)
Hypothesis testing with 36 observational data with firm size variables (SIZE) shows a positive regression coefficient of 0.562 with a significance level (p) of 0.394, greater than $\alpha = 5\%$. Because the significance level (p) is greater than $\alpha = 5\%$, the first hypothesis (H1) of this study was rejected. The result of this study proves that company size does not affect the timeliness of financial statement submission. The result of this study indicates that the size of the company which is calculated using total assets has not been able to detect the possibility that the company makes timely submission of financial statements. This is because the timeliness is influenced by how much the responsibility of a company in meeting the rules that have been set and how much the responsibility of the company in providing information about the condition of the company to parties who are interested in the company (Astuti and Erawati, 2018).

The result of this study was in line with the research conducted by Dewi and Jusia (2013), Junaidi and Afifi (2016), and Lumbantoruan and Siahaan (2018) which show that company size has no effect on the timeliness of the delivery of the company's financial reports. While, it was in contrast to the research conducted by Valentina and Gayatri (2018), Ohaka and Akani (2017), Nugraha and Hapsari (2015) and Marthani (2012) which prove that company size influences the timeliness of company financial report submission.

4.5.2. The Effect of Profitability toward the Timeliness of Financial Statement Submission (H2).

The profitability variable shows a positive regression coefficient of 0.076 with a significance level (p) of 0.204, greater than α = 5%. Because the significance level (p) is greater than α = 5%, the second hypothesis (H2) of this study was rejected. The result of this study proves that profitability has no effect on the timeliness of financial report submission. High and low profitability obtained by the company does not affect the timeliness in delivering financial statements. The existence of high profits achieved by the company cannot prove the existence of good management performance so it cannot be ensured that the company that gain benefits can submit its financial statements in a timely manner.

The result of this study was in line with research conducted by Valentina and Gayatri (2018) which states that profitability has no effect on the timeliness of financial statements submission. In contrary, the research conducted by Adebayo and Adebiyi (2016), Sanjaya and Wirawati (2016) and Oktariani and Wirakusuma (2014) state that profitability affects the timeliness of financial statements submission.

5. CONCLUSION

Based on the results of the study, it can be concluded that company size and profitability do not affect the timeliness of financial statement submission. Based on the results of the research above, the researcher proposes a number of suggestions, namely to add a wider population so that the scope of conclusions can be broader and can describe the state of the company going public in Indonesia. Also, adding the other independent variables that can affect the timeliness of the delivery of financial statements which are not explained in this study and extending the observation period so that the samples used can be more representative so the research results can be more accurate.

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