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The Timeliness of Financial Reporting on Food and Beverage Companies in Indonesia

Putu Diah Kumalasari[a*], I Dewa Made Endiana[a]

[a]Faculty of Economics and Business, Universitas Mahasaraswati Denpasar, Indonesia

*Corresponding Author: diahkumalasari@unmas.ac.id

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ABSTRACT

The timeliness of financial report publication is the period for announcing audited financial reports to the public, which can be determined using the publication date of the financial reports. This research aims to examine the effect of company size, company age, profitability, leverage, and size of the board of commissioners on the timeliness of financial report publication of food and beverage companies listed on the Indonesia Stock Exchange in 2020-2022. The total number of observations was 84 data. The data analysis technique used in this research is the logistic regression analysis. The result of this research indicates that the variable size of the board of commissioners has a positive effect on the timeliness of financial report publication. Meanwhile, the variables of company size, company age, profitability, and leverage do not affect the timeliness of financial report publication.

Keywords: Timeliness, Company Size, Company Age, Profitability, Leverage, Board of Commissioners

INTRODUCTION

Indonesia Financial Services Authority (OJK) requires going public companies to submit financial reports that have been prepared based on Financial Accounting Standards (SAK) and have been audited by a Public Accountant no later than the end of the fourth month after the financial year ends. Going public companies that violate these regulations will receive sanctions in the form of an initial warning (sending three warning letters), a maximum penalty of one hundred and fifty million rupiah, and even freezing of the company's share trading activities on the Indonesia Stock Exchange (BEI).

Stakeholders, especially investors, need more relevant and timely information. One of the factors that influences the presentation of relevant information is timeliness. Timeliness means presenting information when the it is required. Financial reports must submit information promptly so that decision-makers can make decisions quickly so that the information does not lose its relevance. The sooner a company discloses information, the more relevant the information will be for users of financial reports. Based on BEI monitoring on May 9, 2022, out of a total of 785 companies, there are still 91 listed companies that have not submitted financial reports ending on December 31, 2021. Of the total 91 companies, 6 of them are food and beverage companies. Several factors are considered to influence the timeliness of the publication of financial reports, including company size, company age, profitability, leverage, and the size of the board of commissioners.

Large-sized companies will receive more attention from the public compared to small-sized companies. Therefore, to maintain the image of these large companies, companies will tend to publish their financial reports promptly. Research by Azhari and Nuryatno (2019) proves that company size has a positive effect on the timeliness of financial report publication. This is not in line with the research result of Rafikaningsih, et al (2020), which stated that company size has a negative effect on the timeliness of the publication of financial reports. Meanwhile, Riapangestika (2021) shows that company size does not affect the timeliness of financial report publication.

Furthermore, older companies tend to submit their financial reports on time because these companies have more experience to survive in the business world. The research results of Mardiani, et al (2021) proves that company age has a positive effect on the timeliness of financial report publication. This is different from the research results of Mustika (2022), which states that company age has a negative effect on the timeliness of financial report publication. Meanwhile, the research results of Witasari, et al (2021) shows that company age does not affect the timeliness of financial report publication.

Companies with high profitability tend to submit their financial reports on time because they feel there is good news in their reports. The research results of Angradita and Nazar (2019) proves that profitability has a positive effect on the timeliness of financial report publication. This is different from the research result of Yaputra (2021), which states that profitability has a negative influence on the timeliness of financial report publication, while the research result of Martha and Gina (2021) shows that profitability does not affect the timeliness of financial report publication.

Meanwhile, companies with high levels of leverage tend to delay publishing their financial reports because they feel there is bad news in their financial reports. Ismawati (2018) proves that leverage has a negative effect on the timeliness of financial report publication. Meanwhile, research conducted by Rafikaningsih, et al (2020) shows that leverage has no effect on the timeliness of financial report publication.

On the other hand, companies with a large board of commissioners will encourage the company to always comply with applicable regulations, including publishing financial reports promptly. The research result of Angradita and Nazar (2019) proves that the size of the board of commissioners has a positive effect on the timeliness of financial report publication. This is different from the research result of Duffrisela (2020), which states that the size of the board of commissioners has a negative effect on the timeliness of the publication of financial reports, and the research result of Andarsari (2020), which shows that the size of the board of commissioners does not affect the timeliness of the publication of financial reports.

LITERATURE REVIEW

Agency theory explains that an agency relationship is an agreement where one or more people (principals) employ other people (agents) to perform several services on behalf of the principal. Furthermore, agency theory also explains the existence of a conflict of interest between the principal and the agent in the form of information asymmetry. Information asymmetry occurs when the agent has more internal company information than the principal. Management must report financial reports promptly to reduce information asymmetry and prevent agency conflicts (Simamora, 2023). Apart from that, in agency problems, there are also accompanying costs, which are commonly known as agency costs. Agency costs are costs incurred by the principal to monitor managers' performance so that they work in the company's interests. Disclosing financial reports promptly can help companies reduce agency costs that arise.

Company size is an indicator that can show a condition or characteristic of an organization or company (Setyawan, 2019). Companies with sizeable resources (assets) have more sources of information, more accounting staff, and more sophisticated information systems, have a keen internal control system, and have supervision from investors, regulators, and the public spotlight. This allows companies to report their audited financial reports more quickly to the public. The research results of Azhari and Nuryatno (2019), Yunita, et al (2021), and Hidayat and Prasetyo (2022) prove that company size has a positive influence on the timeliness of the publication of financial reports. Based on the description above, the first hypothesis developed in this research is:

H_1: Company size has a positive effect on the timeliness of financial report publication.

Company age is the beginning of a company implementing operational activities until it can maintain its going concern or existence in the business world (Khasanahwati and Suwarno, 2023). According to Martha and Gina (2021), the advantage of a company that has been operating for a long time is that the company is more mature in facing various challenges in the business world, the company is more adept at managing itself because it already has a lot of experience and qualified experts so that the company has already developed and known by the public. Therefore, companies are better able to minimize the risks that arise. With more experience, older companies tend to publish financial reports on time. The research results of Mardiani, et al (2021), Martha and Gina (2021), and Hidayat and Prasetyo (2022) prove that company age has a positive effect on the timeliness of financial report publication. Based on the description above, the second hypothesis developed in this research is:

H_2: Company age has a positive effect on the timeliness of financial report publication.

According to Kasmir (2019), the profitability ratio is a ratio that assesses a company's ability to seek profit or profits in a certain period. Profit is often a measure of company performance. A company with high profits indicates a good company's performance. According to Salihi, et al (2023), when a company experiences profits, management's confidence increases in asking shareholders to support compensation contracts so that managers will voluntarily disclose their financial reports as soon as possible, and vice versa. When management feels that its performance is good, it tends to publish financial reports on time to get bonuses for the performance. The research results of Ismawati (2018), Anggradita and Nazar (2019), Rafikaningsih, et al (2020), Witasari, et al (2021), and Yunita, et al (2021) prove that profitability has a positive influence on the timeliness of financial report publication. Based on the description above, the third hypothesis developed in this research is:

H_3: Profitability has a positive effect on the timeliness of financial report publication.

According to Kasmir (2019), the leverage ratio determines the liabilities used to fund company assets. Leverage is a ratio that shows the extent to which a company's activities can run when financed by debt. A high leverage ratio reflects the company's poor financial condition. A high level of leverage will make management delay submitting the company's financial reports. This is because management feels that the performance is poor, which could later allow for a change in management's position. This can also make external parties reluctant to invest in the company because they are considered to have poor quality. The research results of Ismawati (2018), Setyawan (2021), and Salihi, et al (2023) prove that leverage has a negative influence on the timeliness of financial report publication. Based on the description above, the fourth hypothesis developed in this research is:

H_4: Leverage has a negative effect on the timeliness of financial report publication.

The Board of Commissioners is a public company organ whose task is to carry out general and or specific supervision by the articles of association and provide advice to the directors (Sariwati, 2022). The board of commissioners supervises the quality of information carried in financial reports because this information will be helpful for investors in making decisions. The existence of a board of commissioners in a company can reduce the occurrence of information asymmetry that often occurs between principals and management. This is because the board of commissioners must encourage the creation of Good Corporate Governance within the company to minimize acts of manipulation that might happen in a company. Companies with a sizeable board of commissioners will promote prominent encouragement for management to comply with applicable regulations as for submitting financial reports. The research results of Angradita and Nazar (2019), Ekaningtyas (2019), and Riapangestika (2021) prove that the size of the board of commissioners has a positive influence on the timeliness of the publication of financial reports. Based on the description above, the fifth hypothesis developed in this research is:

H_5: The size of the board of commissioners has a positive effect on the timeliness of financial report publication.

METHODOLOGY

The object of this research is the annual report of 28 food and beverage companies registered on the BEI for 2020-2022 by accessing the official BEI website at www.idx.co.id.

Variable Operational Definitions

Timeliness is measured using a dummy variable, where category 0 is given to companies that are not on time, and category 1 is given to companies that are on time in publishing their financial reports. Based on OJK Regulation No 29/POJK.04/2016, a company can be supposedly on time if the financial report is published 120 days or four months after the date of the company's financial report.

Company size is measured by the total assets owned by a company. Company age is measured by the difference between the year the research was conducted and the year the company was founded. Profitability in this research is proxied by Return on Assets (ROA), which shows how much assets contribute to creating net profit.

In this research, leverage is proxied by the Debt to Asset Ratio (DAR), which shows the comparison between total liabilities and total assets. The size of the board of commissioners in this study is measured by the number of members of the board of commissioners in a company.

The data analysis technique used is logistic regression analysis, and the equation is as follows:

$$\text{Ln}\,\frac{TW}{1-TW} = \alpha + \beta1\text{SIZE} + \beta2\text{AGE} + \beta3\text{ROA} + \beta4\text{DAR} + \beta5\text{UDK} + \varepsilon \ldots\ldots\ldots\ldots(1)$$

Note:

Ln $\frac{TW}{1-TW}$	=	Timeliness variable dummy (category 0 for companies that are not on time and 1 for companies that are on time)
TW	=	Timeliness of financial report publication
A	=	Constant
β1 β2 β3 β4 β5	=	Regression coefficients
SIZE	=	Company size

AGE	=	Company age
ROA	=	Profitability
DAR	=	Leverage
UDK	=	Size of the board of commissioners
ε	=	Error

RESULTS AND DISCUSSION

The following are the results of the descriptive statistical test.

Table 1. Descriptive Statistics (*N*=84)

Construct	Min.	Max.	M	SD
Timeliness of financial report publication	.00	1.00	.8452	.36385
Company size	.10	180.43	13.6874	37.55989
Company age	3.00	93.00	32.8333	18.88955
Profitability	-.22	.60	.0625	.10435
Leverage	.07	.94	.4393	.19588
Size of the board of commissioners	2.00	8.00	3.6667	1.60821

Note. M = Mean, *SD* = Standard Deviation.

Source: Processed data, 2023

While, the results of the logistic regression are:

Table 2. Logistic Regression Results

Construct	B	S.E.	Wald	df	Sig.	Exp(B)
Constant	-3.351	2.658	1.589	1	.207	.035
Company size	.148	.242	.377	1	.539	1.160
Company age	.283	93.00	.260	1	.610	1.327
Profitability	-.142	.270	.275	1	.600	.868
Leverage	-1.084	.747	2.109	1	.146	.338
Size of the board of commissioners	2.459	1.251	3.861	1	.049**	11.691

Note. Chi-square=7.740(p>.05); *Nagelkerke R square*=.226; ***p*<.05

Source: Processed data, 2023

Tabel 2 shows that company size, company age, profitability, and leverage have no effect on the timeliness of financial report publication, so that H_1, H_2, H_3, and H_4 are rejected. While the size of board of commissioners has a positive effect on the timeliness of financial report publication.

The results of hypothesis testing show that company size does not affect the timeliness of financial report publication. Large and small companies will compete each other, so they recruit skilled workers and make the best use of company facilities to present audited financial reports promptly. Large companies do not always publish their financial reports on time because large companies sometimes have more complicated coordination and time in processing their financial reports.

The results of hypothesis testing also show that company age does not affect the timeliness of financial report publication. Even though older companies are considered to have more experience to survive in running their business, they are also likely to be late in publishing their financial reports. This happens because older companies sometimes think that investors tend not to pay attention to the company's delay in publishing its financial reports.

Furthermore, the results of hypothesis testing show that profitability does not affect the timeliness of financial report publication. Companies with high or low profitability will try to complete the preparation of financial reports and publish these financial reports promptly. The procedures for preparing financial reports for companies that experience profits or losses are the same.

The results of hypothesis testing also show that leverage does not affect the timeliness of financial report publication. The high or low level of leverage owned by a company does not become an obstacle for the company to publish its financial reports promptly. Companies with high levels of leverage also want their financial reports to be published promptly because the company wants to show stakeholders that the company's debt-financed activities are indeed carried out for business expansion for the continuity of the company's operations.

Meanwhile, the results of hypothesis testing show that the size of the board of commissioners has a positive effect on the timeliness of financial report publication. Based on agency theory, the larger the size of the board of commissioners in a company, the greater the encouragement given to management to publish financial reports as soon as possible to avoid information asymmetry between management and stakeholders. Apart from that, the board of commissioners also encourages the creation of Good Corporate Governance within the company to minimize the acts of manipulation that may be carried out in a company. Based on compliance theory, companies with a large board of commissioners can encourage the company to always comply with applicable regulations, especially regarding the timely publication of financial reports.

CONCLUSION

Based on the results, it can be concluded that company size, company age, profitability, and leverage do not affect the timeliness of the publication of financial reports for food and beverage companies listed on the Indonesia Stock Exchange for 2020-2022. Meanwhile, the size of the board of commissioners has a positive effect on the timeliness of publication of financial reports for food and beverage companies listed on the Indonesia Stock Exchange in 2020-2022.

The results of the coefficient determination test show that company size, company age, profitability, leverage, and size of the board of commissioners affect the timeliness of financial report publication by 22.6%, while the remaining 77.4% is explained by other variables outside this research model. Further research is recommended to add other independent variables that are thought to affect the timeliness of financial report publication, such as audit opinion, auditor quality, managerial ownership, and public ownership.

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