

FACTORS DETERMINING THE SUBMISSION'S PROMPTNESS OF FINANCIAL STATEMENT

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Abstract,

This research aims at identifying the factors determining the submission's promptness of financial statement by examining whether the managerial ownership, institutional ownership, independent commissioner, audit committee and profitability affect the promptness of the company for submission of financial statement according to the regulation issued by Bapepam. Besides, the research also examines whether the promptness of company for submission of annual report differs from midyear report.

The research sample is manufacturing companies listed in Indonesian Stock Exchange for the period of 2012-2014 with 61 observations. The hypothesis testing is to examine whether there is a difference between the annual report's submission and the midyear report submission. The result shows that statistically there is a significant difference between the submission's promptness of the annual report and the midyear report. The result indicates that the submission of midyear report is faster than the annual report.

The hypothesis testing is also to examine the effects of managerial ownership, institutional ownership, independent commissioner, audit committee and profitability used the multiple regression analysis. The results indicate that only managerial ownership and institutional ownership have significant effect on the submission's promptness of financial statement. In contrast, the variables of independent commissioner, audit committee and profitability have no significant effect on the submission's promptness of financial statement.

Keywords : Promptness, timeliness, financial statement, ownership, profitability.

Abstrak,

Penelitian ini bertujuan untuk mengidentifikasi faktor-faktor yang menentukan ketepatan penyampaian laporan keuangan dengan memeriksa apakah kepemilikan manajerial, kepemilikan institusional, komisaris

independen, komite audit dan profitabilitas mempengaruhi ketepatan perusahaan dalam penyampaian laporan keuangan sesuai dengan peraturan yang dikeluarkan oleh Bapepam. Selain itu, penelitian ini juga meneliti apakah ketepatan perusahaan untuk penyampaian laporan tahunan berbeda dari laporan pertengahan tahun.

Sampel penelitian ini adalah perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia untuk periode 2012-2014 dengan 61 perusahaan yang menjadi sampel. Pengujian hipotesis adalah untuk menguji apakah ada perbedaan antara penyampaian laporan tahunan dan penyampaian laporan pertengahan tahun. Hasil penelitian menunjukkan bahwa secara statistik ada perbedaan yang signifikan antara penyampaian ketepatan laporan tahunan dan laporan pertengahan tahun. Hasil penelitian menunjukkan bahwa penyampaian laporan pertengahan tahun lebih cepat dari laporan tahunan.

Pengujian hipotesis juga menguji pengaruh dari kepemilikan manajerial, kepemilikan institusional, komisaris independen, komite audit dan profitabilitas dengan menggunakan analisis regresi berganda. Hasil penelitian menunjukkan bahwa hanya kepemilikan manajerial dan kepemilikan institusional berpengaruh signifikan terhadap ketepatan penyampaian laporan keuangan. Sebaliknya, variabel komisaris independen, komite audit dan profitabilitas tidak berpengaruh signifikan terhadap ketepatan penyampaian laporan keuangan.

Kata kunci : Kecepatan, ketepatan waktu, laporan keuangan, kepemilikan, profitabilitas.

The regulation of Bapepam No. KEP-346/BL/2011 requires the companies which listed in Indonesian Stock Exchange to submit the audited financial statement within 90 days as the deadline of the submission since the closing date. But for the midyear report, it must be submitted within 30 days since the closing date especially for unaudited financial report. There have been a lot of researches which

have been done to find empirical evidences concerning the factors determining the promptness of company to submit its financial report either before or exactly on the deadline. They are profitability, type of audit opinion, audit delay, financial distress, size of the company, extra ordinary items, company age, etc. The timeliness of financial statement's submission is an important thing to

disclose information either mandatorily or voluntarily. Theoretically, there are no consistent factors determining why the companies submit the financial statement early, on time or late. There are still a lot of public companies in Indonesia do not submit the financial statement according to stated regulation based on the Press Release of Bapepam. The cases of the submission delay of financial statement still occurs in public companies in Indonesia.

This research explores the other factors that conjectured determining the promptness of companies to submit their financial statements. The factors are managerial ownership, institutional ownership, independent commissioner and audit committee. But this research also examines the profitability whose result is still inconsistent on the previous research. The result hopefully will be necessary for adding the more empirical evidences of factors determining the submission's promptness of financial statement.

Besides, it will be necessary for the regulator to evaluate the effectiveness of existing regulation. This research refers to previous research conducted by Harnida (2005) using the different period to find the consistent evidence of the factors determining the submission promptness of financial statement in the public companies in Indonesia.

The factors determining the delay of submission the annual report related to company's attributes and the factors related to audit (Owusu and Ansah, 2000). Dyer and Mc Hugh (1975) report an increasing in the reporting lags of Australian companies during the period 1965-1971 that listed in Sydney Stock Exchange (SSE). They found a negative association between reporting lag and the company size. This finding for Australian companies were reported also in a study by Davies and Whittred (1980). Similar results for New Zealand were reported by Courtis (1976). While Dyer and McHugh did not find any meaningful relationship between reporting lag and the level of

profitability, Courtis was able to discern an inverse relationship which he described nonetheless as tentative and dependent upon the profitability measure used.

Gilling (1977), the relation between the company's attributes and the timeliness of annual report depended on the management of the company and the auditor who gave the opinion. In that case, the important thing that might be investigated were the factors caused the audit delay. Giling found the negative association between audit delay and company size of the audit company. Carlsaw and Kaplan (1991) investigated the timeliness which related to audit delay. They found company size and profit affected the audit delay. Givoly and Palmon (1982), provided indications that bad news tends to be delayed. This tendency is quite significant. The findings of Palmon and Givoly (1982) also supported by Bowen, et.al (1992). Owusu and Ansah (2000) found that company size, profitability, company age and duration of audit affected the timeliness of submission of financial

statement. They used the samples of the companies listed in Zimbabwe Stock Exchange. Dyer and Sridhar (1995) found that companies whose financial statements were good news reported them earlier than the bad news. Lawrence (1983) also found that companies in US which faced the financial distress reported their financial statements late. Na'im (1999), Respati (2001) and Iskandar (2004) found that profitability affected the timeliness of the financial statement on the public companies in Indonesia. But the research of Komalasari (2003), Ratnadi (2003) and Saleh (2004) could not give the empirical evidence that the profitability affected the timeliness of submission of financial statement.

Based on the previous researches, the determinants of reporting delay related to audit delay and type of audit opinion. For the midyear report, there was no obligation for the company to audit its financial report. Therefore, the reasons of reporting delay due to audit delay and audit opinion received by the

companies should not be occurred. Consequently, the submission of the midyear report should be more immediately than the submission of the annual report.

Agency Theory

Agency theory explains the relation between the agent and the principal. The principal evaluates the information of the management and the agent executes the management activities and decision making. In agency theory mentioned that the agent and the principal naturally own the conflict of interest. Jensen and Meckling (1976) said that both principal and the agent will increase their own wealth, but the principal can border the divergence of their interests by giving the proper incentive and monitoring cost to the agent to prevent the moral hazard. In agency theory also mentioned there is information asymmetry between the manager as the agent and principal as the shareholder. The information asymmetry arises when the manager knows much better about the internal

information and the prospect of the company in the future. In respect of the information asymmetry, Kim and Verrechia (1994) said that the financial submitted immediately or on time will diminish the information asymmetry.

The relationship between the managerial ownership and submission of financial statement.

Jensen and Meckling (1976) said that the conflict of interest between the manager and the shareholder can be reduced by increasing the managerial ownership. The reducing of conflict of interest will also reduce the information asymmetry. According to Jensen and Meckling (1976), convergence of interest, conflict between management and the goal of the company, that is, the agency problem, is reduced as management shareholdings increased. The managerial ownership will make the manager to work hard to achieve the maximal profit and increase the performance of the company. The managerial ownership is also able to enhance the congruence between the

agent and the principal's interest to work hard together to achieve the performance of the company. The company with a good performance will have no incentive to hide or delay the submission of the financial statement, so the higher the managerial ownership, the higher the promptness of the company to submit its financial report.

The relationship between institutional ownership and the submission of financial statement.

Institutional investor is different from individual investor. Shleifer and Vishny (1986), said that the institutional ownership is more successful in monitoring the management's performance. Pound (1988) in his efficient monitoring hypothesis states that institutional shareholders are more professional than common shareholders. Therefore, their monitoring costs are lower and more effective. Pound also developed strategy alignment hypothesis that states that there might be some business relationship between

institutional shareholders and the company. When they have congruence on an issue, the operation can be carried out so effectively that the efficiency can be improved. The monitoring carried out by the institution is more effective than individual, because the institution owns more resources and more capability to carry out a strong monitoring. Therefore, the company will be forced to disclose information immediately to avoid the reduced relevance of the information. The higher the institutional ownership, the higher the submission's promptness of financial statement.

The relationship between independent commissioner and the submission of financial statement

Fama (1980), Fama and Jensen (1983), the existence of independent commissioner is necessary to monitor the management. Beasley (1996) found that there was a relationship between the proportion of independent commissioner and the fraud of financial statement. The fraud of the

company which owned a bigger proportion of independent commissioner was less than the smaller proportion. The role of independent commissioner is to monitor the effectiveness of good corporate governance.

The existence of independent commissioner is conjectured as one of the factors determining the promptness of the company to submit the financial statement, because independent commissioner plays an important role of enhancing the internal control to reduce agency cost and increasing the quality of financial statement and also controlling the management's activity. The higher the proportion of independent commissioner, the higher the promptness of company to submit its financial statement.

Relationship between audit committee and the submission of financial statement

The existence of audit committee in the company is to support the commissioner to increase the effectiveness, responsibility, and

objectivity of commissioner (FCGI, 2002). The role carried out by audit committee conjectured to be able to determine the promptness of financial report's submission. The role carried out by audit committee related to improving the financial reporting and corporate governance. The existence of committee audit is able to increase the integrity and credibility of financial statement to reduce the fraud and illegal actions by management. Klien (2002) found that the company which formed the audit committee reported less accrual discretionary than the company did not. Therefore, the company which owns audit committee should submit the financial statement earlier than the company does not own audit committee.

Relationship between profitability and the submission of financial statement

Profitability is one of indicators to obtain the profit. The higher profitability, the higher the ability of the company to obtain the profit. Previous researches provided the

empirical evidences that profitability is one of the factors determining the timeliness of submission of financial statement. Lawrence (1983) found that US companies which faced the financial distress submit their financial statements more lately than the companies did not. Palmon and Givoly (1982) also found that the reporting delay was due to bad news. If the profitability is able to indicate the ability of company to obtain the profit, the profitable company is likelihood more immediately in submission its financial statement, because the company with high profitability is good news.

H1 : The submission of midyear report is more immediately than the annual report

H2 : The managerial ownership has a positive relationship with the submission's promptness of financial statement.

H3 : Institutional ownership has a positive relationship with submission's promptness of financial statement..

H4 : The proportion of independent commissioner has a positive

relationship with the submission's promptness of financial statement.

H5 : The existence of audit committee has a positive relationship with the submission's promptness. The company owns audit committee will submit its financial statement more immediately than the company does not.

H6 : Profitability has a positive relationship with submission's promptness of financial statement.

METHOD

The sample of this research is the companies listed in Indonesian Stock Exchange for the period of 2012-2014. This research used 61 observations. Dependent variable is the submission's promptness of financial statement. The measure based on the sum of reporting delay. We give the code 0 for submission of financial exactly on the deadline and minus (-) for late submission and plus (+) for earlier submission.

Independent variables are managerial ownership measured by percentage of shares held by manager,

institutional ownership measured by percentage of shares held by institution, independent commissioner measured by the proportion of independent commissioner in the company, audit committee measured by dummy variable, 1 for the companies own the audit committee and 0 for the companies do not own audit committee and the profitability measured by earnings after interest and taxes divided by total assets. The model can be expressed as the following below:

$$\text{PROMPTNESS} = \alpha + \beta_1 \text{MOWN} + \beta_2 \text{INSOWN} + \beta_3 \text{INDCOM} + \beta_4 \text{AUDCOM} + \beta_5 \text{PROFIT} + \varepsilon$$

α, β : constant

MOWN : percentage of managerial ownership

INSOWN : percentage of institutional ownership

INDCOM: proportion of independent commissioner

AUDCOM : the existence of audit committee, 1 for the company owns audit committee, 0 for the company does not own audit committee.

ROA : ratio of net income to total assets.

ε : error

The hypothesis testing of H1 used independent-sample t-test, the hypothesis testing of H2 until H6 used the multiple regression analysis.

RESULT AND ANALYSIS

Table 1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PROMPTNE	61	-32.0	8.0	-.342	5.548
MOWN	61	.0001	.21.82	5.69E-02	8.18303E-02
INSOWN	61	.0467	.9728	.567848	.179640
INDCOM	61	.0000	1.0000	.360120	.151106
AUDCOM	61	.0	1.0	.6763	.474
ROA	61	-.5800	.2600	287E-02	.10674
Valid N (listwise)	61				

Source : Statistic SPSS Output

This research used the classical assumption because the research model used multiple regression analysis. Generally, this research has fulfilled the classical assumption to determine whether the model is properly used. The testing of normality with one-sample Kolmogorov-Smirnov test indicates that it is

significant on 0.467, because the probability is higher than $\alpha=0.05$. Based on the result, we can conclude that residual standardized is normally distributed. The normality test of one-sample Kolmogorov-Smirnov test is shown in table 2 below.

Table 2
One-Sample Kolmogorov-Smirnov Test

		Standardized Residual
N		61
Normal Parameters ^{a,b}	Mean	-3.15639E-08
	Std. Deviation	.93675471
Most Extreme Differences	Absolute	.109
	Positive	.109
	Negative	-.109
Kolmogorov-Smirnov Z		.849
Asymp. Sig. (2-tailed)		.467

a. Test distribution is Normal.

b. Calculated from data.

Source : Statistic SPSS Output

Table 3. Multicollinearity analysis

Model 1	(Constant)	Collinearity Statistics	
		Tolerance	VIF
	MOWN	.722	1.385
	INSOWN	.761	1.314
	INDCOM	.803	1.246
	AUDCOM	.929	1.077
	ROA	.967	1.034

Source : Statistic SPSS Output

Variance inflation factors (VIF) of all independent variables were less than 10 and the tolerance was more than 0.10. Beside the multicollinearity test, we also conducted the autocorrelation test by

looking at the figure of Durbin-Watson. According to Durbin-Watson, there was no autocorrelation because the D-W was above the figure of D-W table of 1.77.

For detection of heterocedasticity, the research used the Glejser test. The result of Glejser test shown in table 4 below :

Table 4. Glejser Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.317	1.043		2.221	.030
	MOWN	-.512	2.509	-.032	-.204	.839
	INSOWN	-.899	1.055	-.131	-.852	.398
	INDCOM	.115	1.382	.012	.083	.934
	AUDCOM	-.138	.378	-.051	-.366	.716
	ROA	-.225	1.646	-.019	-.137	.892

a. Dependent Variable: ABSUT

Source : Statistic SPSS Output

The hypothesis testing of H1

The hypothesis testing of H1 used independent-sample t-test to examine whether there is a difference

between the submission of annual report and midyear report. The result of independent-sample t-test shown in table 5 below:

Table 5

Group Statistics

F.S	N	Mean	Std. Deviation	Std. Error Mean
PROMPTNE AR	61	-.246	4.548	.582
MR	61	3.436	5.398	.728

Source : Statistic SPSS Output

Table.6

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
PROMPTNE	Equal variances assumed	4.090	.045	-3.985	114	.000	-3.682	.924	-5.513	-1.852
	Equal variances not assumed			-3.950	106.125	.000	-3.682	.932	-5.530	-1.834

Source : Statistic SPSS Output

As shown in table 5, the promptness of midyear report's submission is higher than annual report. We can conclude that there is a significant difference between submission of midyear report and annual report. The submission of midyear report is faster than annual report.

The hypothesis testing of H2 until H6

The hypothesis testing of H2-H6 used multiple regression analysis. The result of hypothesis testing of regression analysis shown in table 7 below.

Table 7. Regression analysis

	Unstandardized Coefficients B	T	P-Value	F	P-Value	R ²	Adj R ²
(Constant)	-14,258	-4,284	0,000	6,764	0,000	0,667	0,602
MOWN	26,071	4,341	0,001*				
INSOWN	22,183	6,149	0,000*				
INDCOM	4,872	1,988	0,296				
AUDCOM	1,689	1,587	0,087				
ROA	7,986	1,889	0,167				

* statistically significant on $\alpha = 0,05$

Source : Statistic SPSS Output

Based on table 7, it indicates that managerial ownership has a positive relationship. The result is quite significant. The result indicates that there was a significant relationship between managerial ownership and submission's promptness of financial statement at a significance level of $\alpha=0.05$. This result supports Jensen and Meckling's (1976) convergence-interest hypothesis, which states that the conflict between management and the goals of the company- that is, the agency problem is reduced if management shareholdings increased. The managerial ownership can increase the performance of the company to achieve the maximal profit. Therefore, there is no reason for the manager to hide the information or convey the information late.

The institutional ownership also indicate a positive relationship and significant as well. This result also supports Ang (1977), which states that the institutional shareholdings has a strong power for them to claim and to force the management to submit or

convey the information of the financial statement immediately or on time according to deadline's schedule of the regulation. It also supports the efficient monitoring hypothesis by Pound (1988) which states, that institutional shareholders are more professional and more effective to monitor the management in order to convey the information more immediately.

But, this research does not give the evidence that independent commissioner, audit committee and profitability affect the submission's promptness of financial statement. They were insignificant at the significance level of $\alpha=0.05$. The independent commissioner is insignificant, it might be the proportion of independent commissioner in the company is not enough to influence the company. Its proportion is not enough for independent commissioner to monitor the management's activity effectively. The audit committee was also insignificant at a significance level of $\alpha=0.05$.

CONCLUSION

The purpose of this research is to provide more empirical evidences about the factors determining the promptness of the company to submit the financial statement. The factors are managerial ownership, institutional ownership, independent commissioner, audit committee and profitability. This research also examines whether there is a difference between the submission's promptness of annual report and midyear report.

The result supports Jensen and Meckling (1976) which stated that , the more shares the managers hold, the more they can share the profits and the more incentive they have to increase their efforts toward maximizing the profits of the company. The result also indicates that there is a significant difference between the submission of annual report and midyear report. The obligation for audit is not required for midyear report. Therefore, it would not have had any reasons for the company to submit their midyear report late that due to audit delay or the opinion received by the company. The result of

this research is also still consistent with the previous conducted by Harnida (2005).

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