Analysis of the Determinants for the Publication Speed of Annual Financial Statements

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ABSTRACT

The purpose of this study is to determine the simultaneous and partial effects of Company Age, Financial Distress, Independent Commissioners, Institutional Ownership, and Profitability on the Publication Speed of Financial Statements. The study population is companies listed on the Indonesian Stock Exchange between 2018-2020. It can be drawn from the findings: At the same time, Company Age, Financial Distress, Independent Commissioners, Institutional Ownership, and Profitability influence the speed at which financial statements are issued. In some cases, it may appear that not all variables significantly affect the annual financial report issuance rate. Company Age, Financial Distress, Independent Commissioners, and Profitability affect the Publication Speed of Financial Statements, but Institutional Ownership does not. By considering the impact of Company Age, Financial Distress, Independent Commissioners, Institutional Ownership, and Profitability on the speed of issuing annual financial reports. These companies expect to release their financial statements as soon as possible so that they can optimize their performance to attract investors to invest.

Introduction

Developing the world capital market economy has an essential role for the country itself. Products in the world of capital markets, which are increasingly advanced, compete in the business; of course, there is competition in providing and obtaining information. All company’s public financial statements become essential information as a basis for decision-making (Nurmiati, 2016).

The information in the financial statements can explain the achievements of a company. Submitting financial reports to related parties is one way for its management to account for its performance. Financial statement users and decision-makers need financial reports because if the financial statements are submitted promptly, then the financial statements have a better value in presenting financial statements (Ferdina et al., 2017).

Timeliness is one way to measure the transparency and quality of financial reporting. It must promptly submit the information in the financial statements to avoid losing the relevance of the data to take economic decisions immediately. In addition, the data produced by financial statements and presented promptly has excellent benefits for users of financial statements. However, companies are still unaware of submitting their financial information beyond the predetermined limit (Probookusumo et al., 2017).

Fio (2013) revealed that the speed of audited financial statements and then published is one of the qualitative indicators of accounting information. So that the publication rate of accounting reports also provides a positive signal for parties, especially external parties, which will give confidence to companies that can publish their financial statements on time.

The existence of regulations (regulations) should motivate companies that go public to report their financial statements promptly. Still, the current problem is that every year there is a decline in financial reporting. However, the current regulations are still the same and have not changed. Companies that go public do not make these regulations one factor influencing the timely reporting of financial statements every year. So it is essential to pay attention to other factors that can affect the timely delivery of financial reports (Wulandari & Utama, 2016).
Many previous researchers have researched what factors cause companies to be late in submitting financial statements. One of the causes of delays in submitting financial reports is financial distress or financial difficulties of a company which is terrible news for the company (Krisnanda & Ratnadi, 2017). Financial distress generally characterizes by a sharp decline in a company’s performance and value (Outecheva, 2007). The explanation of this statement strengthens by research by Paulalengan & Ratnadi (2019), which explains that financial distress influences the publication speed of annual financial statements.

However, this study contradicts the results from Krisnanda & Ratnadi (2017) and Kusumayani et al. (2019), which state that there is no influence between financial distress on the publication speed of annual financial statements. That is because the company’s good or bad condition will not affect the publication rate of the yearly financial report.

Profitability describes a company having the company's ability to generate profits or a measure of the effectiveness of the company’s management. Companies that have high profitability can include good news in their financial statements. These companies tend to submit their financial reports following the specified time compared to those with low profitability (Ferdina et al., 2017). That is in line with research from Budiadnyani & Ratnadi (2015) and Hastutik (2015), which state that profitability affects the publication speed of annual financial statements.

Both high and low-profitable companies want to submit their financial reports on time, regardless of the company's profitability. However, this study contradicts Nurmiati's (2016) research, which states that profitability does not affect the publication speed of annual financial statements. That is because the company does not consider the level of profitability owned by the company.

Ratnadi (2015) states that the company's age is proof of how a company can survive all the problems it faces and, at the same time, make a company able to see an opportunity. That is useful in developing the company to become an advanced company and establishing a financial process or condition that is even better than before. The older age of a company or the longer a company is operating. It can say that the company has succeeded in overcoming all the obstacles it has gained.

Dewayani et al. (2017) stated that the company's age could be one of the factors that can affect the speed of publication, and financial distress with so high and low the age of a company can affect the publication rate. That supports by the results of research conducted by Iyoha (2012). However, this result is contrary to that of Saleh (2004), who argues that the company's age does not affect the timing of financial reporting.

In implementing corporate governance, the independent board of commissioners has an important role, especially in monitoring top management. The board of commissioners' ability to effectively oversee depends on its independence from control (Beasley, 1996). Furthermore, an independent commissioner of a company must be wholly separate and resist influence, intervention, and pressure from major shareholders interested in particular transactions or interests. The existence of an independent board of commissioners is suspected to affect the publication speed of financial statements.

In fact, at this time, the timeliness of the publication of financial statements has not been implemented optimally. Many companies on the Indonesia Stock Exchange (IDX) still experience delays in publishing financial statements. Based on the news about cases of late publication of financial statements quoted from various sources, namely (Nabani, 2018), IDX gave sanctions to 15 issuers or companies for negligence in submitting financial reports Ipotnews (2018), as many as 24 issuers or companies listed on the Indonesia Stock Exchange (Ipotnews, 2018). The stock exchange authority will sanction B.E.I. for not submitting financial reports.

**Literature Review**

Companies that go public in Indonesia demand timeliness in submitting financial reports. This claim has been regulated in Law No. 8 of 1995 concerning the Capital Market and subsequently held in O.J.K. Regulation No. 29/POJK.04/2016. This regulation states that public companies must submit annual financial reports to the O.J.K. no later than the end of the fourth month after the financial year ends (Nopayanti & Ariyanto, 2018). This statement follows the compliance theory.

Agency theory is the connection among actors, shareholders, marketers, executives, and executives of companies. In this theory, shareholders who are proprietors or leaders of the organization lease marketers to do the work. The shareholders’ agent is The total delegate who runs the commercial enterprise to the director or manager (Clarke, 2004). Agency theory indicates that personnel or managers in groups may be selfish. Agency theory shareholders anticipate marketers to behave and make choices within the pastimes of the fundamental.

Conversely, agents may not need to make decisions that are in the principal's best interests. Agents may succumb to selfish and opportunistic behavior, failing to meet their clients' and agents' wishes. Understanding risk is also losing its approach. Despite these setbacks, agency theory was introduced essentially as a separation of ownership and control (Bhimani, 2008). The agent controls by rules made by the principal to maximize shareholder value. Therefore, a more individualistic view applies to this theory (Clarke, 2004).

Indeed, agency theory can explore the relationship between ownership and management structure. The model of an employee described in agency theory is more of self-serving, individualistic, and bound rationality in which rewards and punishments appear to be priorities (Jensen & Meckling, 1976).
Financial Distress and the Publication Speed of Annual Financial Statements

To avoid the decline in the quality of financial reports, companies often try to improve and spend a very long time so that delays in submitting financial statements often occur. One of the reasons for the delay in presenting financial statements is financial distress. Financial difficulties in a company are terrible news (Krisnanda & Ratnadi, 2017). Research conducted by Paulalengan & Ratnadi (2019) found that economic distress influences the publication speed of annual financial statements. Based on the theory and findings of previous studies, the hypotheses for this study are:

H1: Financial distress affects the publication speed of annual financial statements.

Profitability and the Publication Speed of Annual Financial Statements

Profitability shows a picture of the company's success in obtaining profits as measured by its capital from the total funds invested. Profitability is said to be successful in earning a profit. Suppose the level of profitability of a company is high. In that case, the company's capacity to obtain company profits will also increase, which can be said to be good news for the company (Putra et al., 2020; Simatupang et al., 2018; Yuliusman et al., 2020). If the company has a high level of profitability, the company tends to be on time in submitting financial statements compared to companies with a low level of profitability. Management will not delay the submission of information regarding the company's profits to the principal because there is a relationship related to the financial rewards that the agent will obtain. Low company profitability can affect the poor performance of a company (Ferdina et al., 2017). Research conducted by Winarta & Putra (2018) states that profitability affects the publication speed of financial statements. Based on the theory and findings of previous studies, the hypotheses for this study are:

H2: Profitability affects the publication speed of annual financial statements.

Age of the Company and the Publication Speed of Annual Financial Statements

Ratnadi (2015) states that the company's age positively affects the publication speed of financial statements. The older the company age, the rate of publication of financial statements increases or tends to be faster. The results, contrary to the research, were later revealed by (Dewi & Ratnadi, 2016). The study showed that the company's age did not affect the publication speed of annual financial statements. Krisnanda & Ratnadi's (2017) research says that the company's age affects the publication rate of a company's financial statements. Based on the theory and findings of previous studies, the hypotheses for this study are:

H3: The company's age affects the publication speed of annual financial statements.

Institutional Ownership and the Publication Speed of Annual Financial Statements

Institutional investors in the ownership structure give rise to influence, thus changing the company's management, which was initially running according to the company's wishes, to have limitations. Ujiyantho & Pramuka (2007) found evidence stating that a company took supervisory actions, and national investors can limit the behavior of managers. (Kadir, 2016) found a relationship between institutional ownership and the timeliness of financial reporting. Based on the theory and findings of previous studies, the hypotheses for this study are:

H4: Institutional ownership affects the publication speed of annual financial statements.

Independent Commissioner and the Publication Speed of Annual Financial Statements

An independent board of commissioners plays an active role in reviewing financial reporting policies and practices, affecting the timeliness of financial reporting within a company. Fama & Jensen (1983) state that non-executive directors (board of commissioners) can act as mediators in disputes between internal managers, oversee management policies, and advise management. The presence of an independent panel of commissioners in preparing financial statements can reduce the time required for companies to publish their financial information to the public (Clatworthy & Peel, 2010; Olimsar & Tialonawarmi, 2021). Based on the theory and findings of previous studies, the hypotheses for this study are:

H5: Independent Commissioner affects the publication speed of annual financial statements.

Research and Methodology

Based on the problems formulated and the hypotheses proposed, the objects of this research are company age, financial distress, independent commissioners, institutional ownership, and profitability as independent variables (free) and the publication speed of annual financial statements as the dependent variable (bound). The JII70 companies listed on the Indonesia Stock Exchange in 2018-2020 conducted this research. The dependent variable used in this study is the publication speed of the annual financial statements. It measures from the closing date of the company's financial statements until the date the yearly financial statements publish on the Indonesia Stock Exchange (IDX) in days.

The independent variables used in this study are company age, financial distress, independent commissioners, institutional ownership, and profitability. Next, the economic distress proxy used in this study is the gearing ratio which compares total debt and equity. The
profitability proxy used in this study is the return on assets (ROA). The company's age proxy used in the study is the date of the company's establishment to the year researched units of years. The institutional ownership proxy is measured by dividing the share ownership by the institutional party by the total number of outstanding shares. The independent commissioner proxy used in this study is the Independent Commissioner's ratio to the entire Board of Commissioners members.

Population and Sample

In this study, the population included was companies listed on JII70 in 2018-2020. The researcher used purposive sampling so that the sample used was following the needs of the unit of analysis in the study.

Data analysis method

Descriptive analysis is a method that aims to convert data sets into concise and easy-to-understand information so that it can describe the results of research and their analysis in a scientific paper. Then the analysis will be a conclusion.

Statistical analysis is concerned with modelling data and making decisions based on data analysis. This study uses data analysis tools in multiple linear regression, coefficient of determination, hypothesis testing using the F test and t-test, and the classical assumption test. A multiple linear regression model can call a good model if the model meets the assumptions of normality of the data. Besides that, the model must be free from classical statistical assumptions.

Results and Discussion

Respondents Characteristics Analysis

The descriptive analysis uses the general picture of the effect of company age, financial distress, independent commissioners, institutional ownership, and profitability on the publication speed of annual financial statements based on the data obtained. This study's descriptive statistical analysis includes the minimum, maximum, average (mean) values and standard deviation values. The table below shows descriptive statistics on the variables in this study.

<table>
<thead>
<tr>
<th>Table 1: Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Distress</td>
<td>114</td>
<td>.043</td>
<td>9,874</td>
<td>1,17718</td>
<td>1,428610</td>
</tr>
<tr>
<td>Profitability</td>
<td>114</td>
<td>−45,080</td>
<td>46,660</td>
<td>8,44237</td>
<td>9,690225</td>
</tr>
<tr>
<td>Company Age</td>
<td>114</td>
<td>4</td>
<td>136</td>
<td>40.08</td>
<td>22,411</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>114</td>
<td>.016</td>
<td>.946</td>
<td>.61139</td>
<td>.153966</td>
</tr>
<tr>
<td>Independent Commissioners</td>
<td>114</td>
<td>.167</td>
<td>.750</td>
<td>.41020</td>
<td>.107523</td>
</tr>
<tr>
<td>The Publication Speed</td>
<td>114</td>
<td>30</td>
<td>154</td>
<td>83,550</td>
<td>25,756</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>114</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed Data, 2021

Based on the results of the descriptive statistics above, it knows that: 1) Financial Distress has an average value of 1.177 with a standard deviation of 1.429. The highest score reached 9,874. While the lowest was 0.043. 2) Profitability has an average value of 8.442 with a standard deviation of 9.690. The highest value reached 46,660. While the lowest was −45,080. 3) Company age has an average value of 40.08 with a standard deviation of 22.411. The highest value reached 136.000. While the lowest is 4,000. 4) Institutional ownership has an average value of 0.611 with a standard deviation of 0.154. The highest value reached 0.946. While the lowest was 0.016. 5) Independent Commissioners have an average score of 0.410 with a standard deviation of 0.108. The highest value reached 0.750. While the lowest was 0.167. 6) The Publication Speed of Annual Financial Statements has an average value of 83,550 with a standard deviation of 25.756. The highest score reached 154,000, while the lowest was 30,000.

Table 2: F test (simultaneously)

<table>
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<th>ANOVA</th>
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<tr>
<td>Model</td>
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<td>1</td>
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</tbody>
</table>

a. Dependent Variable: The Publication Speed of Financial Statements
b. Predictors: (Constant), Company Age, Financial Distress, Independent Commissioners, Institutional Ownership, and Profitability

Source: Processed Data, 2021

From the table above, it can see that the significant value in the first model is 0.04 < 0.05, so from these statistical results, it can conclude that the independent variable (X) simultaneously affects the dependent variable (Y). So simultaneously, company age, financial distress, independent commissioners, institutional ownership, and profitability affect the publication speed of annual financial statements.
The significance value of financial distress is 0.010 < 0.05. It can conclude that the financial distress variable significantly affects the publication speed of annual financial statements. The regression coefficient for financial distress is -2.814 explaining the magnitude of the change in the publication speed of annual financial statements because it influences financial distress. The negative sign indicates that the effect is the opposite, where every increase in financial distress predicts a reduction in the publication period of annual financial statements by 2.814 units. So, Hypothesis (H1) is accepted because financial distress affects the publication speed of annual financial statements.

The results of this study are consistent with research conducted (Pramesti & Suputra, 2019) which states that financial distress has a positive effect on the publication speed of annual financial reports. That shows that the good or bad financial condition experienced by the company will affect the publication speed of financial statements. Research by (Trisnadevy & Satyawan, 2017) also states that financial distress influences the speed of publication of financial statements because the more significant the percentage of financial distress will make the company faster to improve its financial statements so that financial reporting is timely.

The significance value of profitability is 0.022 < 0.05. It can conclude that the profitability variable significantly affects the publication speed of annual financial statements. The regression coefficient for profitability is -0.409 explaining the magnitude of the change in the annual financial statement publication rate because it influences profitability. The negative sign indicates that the effect is the opposite, where every increase in profitability predicts to decrease in the period of publication of the annual financial statements by 0.409 units. So, Hypothesis (H2) is accepted because profitability affects the publication speed of annual financial statements.

These results follow research (Adiman et al., 2018), showing that profitability affects the publication speed of annual financial statements. Companies that have high profitability will show their success in generating profits. That can regard as good news for the company. The company will not delay the delivery of information containing good news. If the company can generate good profitability, it tends to be more timely in its financial reporting compared to companies that experience losses (Suryanti & Harimurti, 2018).

The significance value of firm age is 0.048 < 0.05. It can conclude that the company's generation significantly affects the publication speed of annual financial statements. The regression coefficient for the company's age is 0.211 explaining the magnitude of the change in the rate of publication of the annual financial statements because the company's age influences it. The positive sign indicates that the effect is unidirectional, where every increase in the company's age predicts a reduction in the publication speed of annual financial statements by 0.211 units. So, Hypothesis (H3) is accepted because the company's age affects the publication speed of the annual financial statements.

The results of this study are consistent with the research (Ratnadi, 2015), which states that the company's age positively affects the publication speed of financial statements. The older the age of a company, the publication speed of financial statements increases or tends to be faster. That is because the longer the company age causes, the company has more robust internal controls because of the internal auditor's experiences, so the speed of publication of financial statements increases. Companies listed on the IDX with a long age will show their existence by increasing investor confidence through financial reports submitted as quickly as possible and showing good company performance (good news).

The significance value of institutional ownership is 0.417 > 0.05. It can conclude that the institutional ownership variable has no significant effect on the speed of publication of annual financial statements. Hypothesis (H4) rejects this because institutional ownership has no significant effect on the publication speed of annual financial statements.

The results are as follows (Pramesti & Suputra, 2019), which state that institutional ownership has no effect on the publication speed of financial statements. The greater ownership of institutional shares by the institution will increase management's supervision of decisions and actions to be taken so that the supervisory costs incurred by the principal will reduce.

The significance value of the independent commissioner is 0.005 < 0.05. It can conclude that the independent commissioner variable significantly affects the publication speed of annual financial statements. The regression coefficient for the independent commissioner is 64.672 explaining the magnitude of the change in the rate of publication of the annual financial statements because the independent commissioner influences it. A positive sign indicates that the effect is unidirectional, where every increase in independent commissioners predicts to increase in the annual financial statements publication period by 64.672 units. So, Hypothesis (H5) is accepted because independent commissioners affect the publication speed of annual financial statements.
The results of this study support the statement by (Joened & Damayanti, 2016) that independent commissioners can make companies more timely in publishing their financial statements. Independent commissioners task with ensuring the implementation of Corporate Governance principles, one of which is transparency. Punctuality is the practice of the principle of transparency. The information published in the financial statements promptly means that the company has demonstrated its accountability to stakeholders so that stakeholders can avoid confusing and unclear information, fraud, and insider trading can also reduce. Therefore, independent commissioners will reduce delays in the publication of financial statements by companies.

**Conclusions**

Based on the results of the study, it can conclude as follows: simultaneously, company age, financial distress, independent commissioners, institutional ownership, and profitability affect the publication speed of annual financial statements, which means that H1 is accepted. Partially, it can see that not all variables have a significant effect on the publication speed of annual financial statements. Company age, financial distress, independent commissioners, and profitability significantly affect the publication speed of annual financial statements. That means that H2, H3, H4, and H6 are accepted. Meanwhile, institutional ownership has no significant effect on the publication speed of annual financial statements. That means that H5 rejects.

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**Conflicts of Interest:** The author declares no conflict of interest.

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