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The effect of good governance mechanism, profitability, and leverage on the timeliness on financial reporting

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Abstract

Good corporate governance is an important element to attract the attention of investors in investing. Companies that have good governance will realize the vision and mission very seriously. Companies must implement excellent corporate governance; therefore, the author conducted this study to determine how profitability, leverage, and good corporate governance affect the timeliness of financial reporting on the IDX of Manufacturing Companies for the years 2021–2022. Purposive sampling was used for the sampling methodology, and the population comprised 24 companies. Logistic regression was employe as the analysis technique. The discoveries of the review show that a few qualities connected with the review board of trustees significantly affect the practicality of monetary revealing, but different factors, especially those connected with the executives Possession, Productivity, and Influence, have minimal bearing on this issue. The aftereffects of this study have ramifications for organizations that have opened up to the world, asking them to give convenient and far reaching monetary reports that.

Keywords: profitability, leverage, audit committee, manajerial ownership, GCG

INTRODUCTION

An information about the business that is being run during one period, this information is in the form of information on all financial transactions that occur in a company both information on cash receipt operations, cash funding operations information, cash expenditure operations information, and others are usually called financial statements. The Indonesia Stock Exchange (IDX) mandates that business actors who have sold their company shares freely and openly on the IDX have an obligation to timely report their finance in a transparent manner. The timeliness of financial reporting is carried out by the company in order to carry out the correct GCG principles.

The Indonesia Stock Exchange (IDX) mandates that business actors who have conducted an initial public offering (IPO), or who are known to freely and openly trade their shares on the IDX, are required to disclose their financial information transparently in a timely manner. Financial information is used by information seekers, including internal parties of the company used to evaluate the performance and health of a company and financial information is used by external parties, namely stakeholders as material for decision making.

Ideal distribution of fiscal summaries is a significant figure the conveyance of important data. Something that is utilized as an assessor as far as the significance of a monetary report is idealness. Opportune distribution of monetary data is something obligatory that organizations do to give data that is straightforward and fit to be utilized by data searchers, both outside and inward gatherings, on time no later than the third month or 90 days after the finish of the bookkeeping time frame shut in December. The advantages acquired from the practicality of monetary detailing are extremely helpful for going with business choices.

Conversely, the delay in financial reporting makes the company's image bad and makes external parties as shareholders hesitant if they want to invest because the financial statements presented have no relevance. This delay is also very detrimental to companies that have gone public because there will be an effect that is felt such as the dismissal of free sale of shares on the IDX, and reduced trading that occurs in the stock market. The timeliness of financial reporting is very important and has been regulated by decision No.80 / PM / 1996 by the Chairman of Bapepam and the capital market described in Law Number 8 of 1995.

PSAK Number 1 (IAI, 2019) states that the phrase Financial Statements for one period is a summary of the results of a company's accounting process, the contents of which are used as a benchmark for communication in business for users of the information. In the financial statements of a company, users of information can also assess whether the company is developing and has stable profits or not so that it provides guidelines for stakeholders in terms of determining investment.

The guideline of good and solid corporate administration is a rule that is maintained by following a bunch of decides and guidelines that incorporate measures to boost an association's income, increment worker efficiency and company commitments, and screen any uncommon development or extension of hierarchical tasks. This excellent corporate governance mechanism is important to be implemented in a company to reduce all forms of operating costs of market securities in an uncertain environment to obtain relevant and reliable information based on financial statements. Good Corporate Governance is a system that every business should use to ensure that it operates in accordance with its strategy and to identify potential future business opportunities. This suggests that a good corporate governance affects all types of tuags that apply to businesses.

There are a few factors that can influence the idealness of corporate monetary revealing, among others, productivity. Profitability or what can be said as the profit of a company is very good and important news, the profit that occurs in a company is a very valuable profit for a company to attract the attention of investors to invest and convince investors that the company is a bona fide company that makes a profit not a loss. (Rahmayanti, 2016) Stating that Profitability shows the level of performance of a company. The example used to measure the company's profitability is net profit.

Past examination led research on the practicality of monetary announcing, there were irregularities in the consequences of these investigations. In light of a few distinct factors, among others, with the variable benefit, research directed by (Surachyati, Abubakar, and Daulay, 2019), (Puspitaningrum, 2021), (Wahyudi, 2021) in estimations utilizing this productivity variable has a positive and huge effect that productivity influences the idealness of monetary detailing. Research directed by, Padmanagara and Nazar (2018), Wicaksono (2021) shows irrelevant outcomes or an adverse consequence between benefit on the practicality of monetary covering the IDX. Research led by Magdalena (2021) states that productivity shows immaterial outcomes or adversely affects the idealness of monetary investigating the Indonesia Stock Trade.

Another difference that affects the timeliness of financial reporting published on the IDX is the leverage ratio, which is a ratio that shows how much activity is carried out by the company where the activity is financed from debt rather than the company's capital. A good company is a company that finances the operations and activities of a company from the company's capital where the business results that make a profit are used to develop the business so that the company becomes a good company and has a good image with large profit income and low debt expenditure. Kusumawardani and Priyadi (2018) state that leverage affects the timeliness of financial reporting. Judging from the leverage variebal, previous research conducted by Padmanagara & Nazar (2018), Puspitaningrum (2021), showed positive results in the timeliness of financial reporting. On the other hand, Danaatmaja & Suzan (2018), Surachyati, Abubakar, & Daulay (2019), Wahyudi (2021), prove that leverage has negative results or has no effect on the timeliness of financial reporting on the Indonesia Stock Exchange.

From this explanation it can be concluded that previous studies have inconsistent results (different studies), therefore researchers want to investigate the accuracy of Indonesian stock market information. So that the problem in this study is to take a study entitled **"The Effect of Good Corporate Governance Mechanisms, Leverage and Profitability on the Timeliness of Financial Reporting on the IDX (Case Study of Manufacturing Companies Listed on the IDX in 2020-2022).**

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Literature Review

Agency theory is a theory that describes the relationship between the agent (business manager) and the principle (business owner). In this organization there is a contract where one or more people (principal) instructs another person (agent) to perform a service where this service is on behalf of the principal and gives an authority to another person (agent) to make a decision that is best for the principal (Saputra, 2016). Agency theory in this study has the aim of whether there is a correlation between management and company owners in the timeliness of financial reporting submitted by management to the owner by checking back on the date of submission of financial statements. In an agency relationship, shareholders are assumed to be principals and managers are assumed to be agents, in which case a shareholder delegates his responsibility to a manager or agent to manage a company properly. Managers also play a role in providing signals about the condition of the company to the owner of the company.

Organizations have a commitment to distribute monetary reports as quickly as possibly, which should be focused on exceptional consideration by a director in an organization, this is finished by the supervisor to make partners and other interest clients not disheartened on the off chance that the data gave or revealed by the organization is ideal in this hypothesis, a chief is entrusted with giving a sign (signal) in regards to the genuine state of the organization which should be visible and evaluated through the benefits produced through formally detailed and examined monetary reports. The execution of the GCG system should be improved by building trust between investors.

GCG includes Managerial Ownership, which is a mechanism to reduce management autonomy by aligning management interests with the interests of shareholders. The percentage of managerial ownership calculation is done by dividing the total number of shares owned by management to the total number of shares outstanding. Independent commissioners are members of the board of commissioners who come from outside the company with a percentage calculation, namely comparing the number of independent commissioners to the total board of commissioners. Qualified auditors are auditors who are able to read and detect accounting violations that occur. The Audit Committee is a combination of detecting profitability and reporting financial statements of material value. Institutional ownership is calculated by comparing the percentage of shares owned by companies both from within and outside the country. Calculation of the presentation of the audit committee is done by calculating the presentation of the number of audits of a company. The GCG mechanism must fulfill several principles including justice, accountability responsibility, and transparency.

Mutiara (2022), conducted research on the timeliness of submitting financial reports. The study states that company size, and managerial ownership structure have a positive effect on the timeliness of financial report submission. Negative results or no effect are indicated by the timeliness of financial reporting is not influenced by the profitability variable. Different research with Elviani (2017) explains that the timeliness of financial delivery is influenced by profitability, while the DER variebal has no effect on the timeliness of financial reporting. The timeliness of the publication of financial statements is significantly influenced by the Audit Committee, this is explained in the research of Rivandi & Maria (2017).

It can be concluded that the framework is:

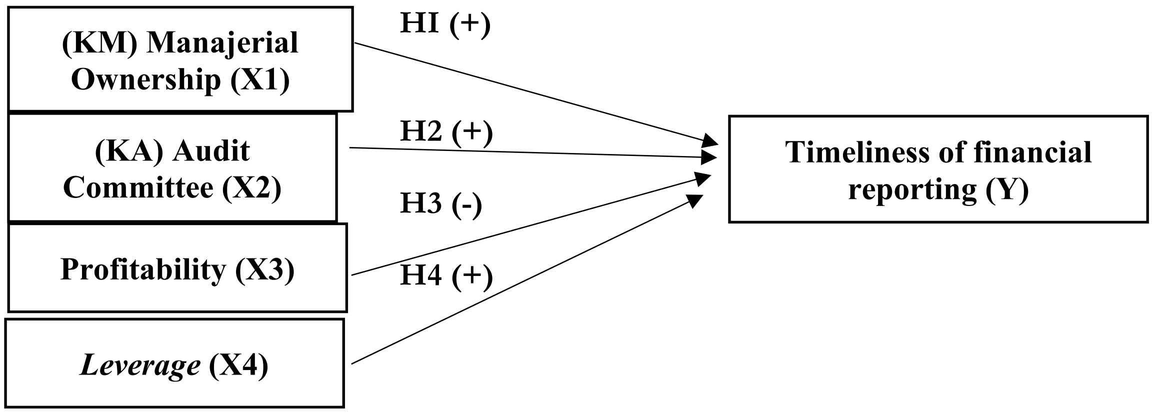

Figure 1. The Conceptual Framework
Source: Self processed

METHODS

The type of research conducted is quantitative research, the purpose of quantitative research is to evaluate the position of the population or sample in the study, then the average methodology for collecting statistical data (Setiawan, 2016). The quantitative research study in question is used to show that certain theories are used to support or not support a theory used where the final stage of a study is a conclusion. Furthermore, the data analysis carried out will come to a conclusion. This study is used to analyze the relationship between managerial ownership, audit committee, profitability and leverage as independent variables on the timeliness of financial reporting as the dependent variable in manufacturing companies listed on the IDX for the period 2020-2022.

The location in this research paper takes data from the Indonesia Stock Exchange sub-sector of manufacturing companies that have IPOs and are not precise in reporting their financial reports in a timely manner on the IDX on the web www.idx.co.id.

The population of this study are companies listed in the Manufacturing sector listed on the IDX (Indonesia Stock Exchange) which have been listed on the IDX in 2020-2022 by taking financial reports for 2021-2022. The sampling technique in this study is the purposive sampling method, which this method aims to take samples based on certain samplers and with certain criteria. Sampling decisions with this method are possible if the researcher decides on sampling based on the contents of the sample selected based on his own considerations. In this sampling, the researcher defines the sample to be used: Manufacturing subsector companies listed on the IDX 2020-2022.

Quantitative research is used by researchers as a type of research to evaluate the position of a population or sample of a study. Data collection was carried out from the Indonesia Stock Exchange Manufacturing Company Sub-Sector through www.idx.co.id, coupled with literature books, and journals as material for consideration. The research population is the Manufacturing Sub-Sector Company for the 2021-2022 period with a sample technique, namely purposive sampling where the criteria have been determined. The criteria for selecting the sample include: (a) Companies that have positive net income (b) Manufacturing Sub-Sector Companies listed on the IDX since 2021-2022 (c) companies that report their financial statements do not use USD (d) Companies that report their finances for two consecutive years.

Analysis Tool Method A combination of metric or dummy variables is used by researchers to calculate the timeliness variable with Logistic Regression as the analysis method. Dummy variables are variables whose results are expressed with YES or NO answers, to measure the timeliness variable, companies that are not on time are given code 0 and companies that are on time are given code 1.

The type of data in this research is secondary data that has been published by the Indonesia Stock Exchange (IDX) through the official website at (www.idx.co.id) in the form of financial reports of manufacturing subsector companies that have been registered in 2020-2022.

This research was conducted using secondary data. The data collection method is carried out by using documentation techniques to obtain data in the form of financial reports of manufacturing subsector companies that have been processed in the 2020-2022 period, where the apran data is obtained through the official IDX website at www.idx.co.id.

The SPSS version 25 test tool is used by researchers as software to test hypotheses with the results of the data tested including: Logistic regression test, descriptive testing, timeliness test, Model Feasibility Test, Overall Model Assessment, Multicononiarity Test, Classification Matrix, and Coefficient of Determination Testing. In addition to the formula used by researchers to prove the truth of the hypothesis of each variable using the formula, namely:

Table 1. Variabel Formula

Variable	Formula
Manaajerial Ownership	$KM = \frac{\sum saham\ Manajerial}{\text{Jumlah saham yang beredar}} x\ 100\%$
Audit Committee	$KA = \text{Jumlah Komite Audi}$
Variabel	**Formula**
Profitability	$ROA = \frac{\text{Laba Bersih}}{\text{Total Aset}} x\ 100\%$
Leverage	$DER = \frac{\text{Total Debt}}{\text{Total Modal}} x\ 100\%$

RESULTS AND DISCUSSIONS

Below is explained about the results of the research software SPSS version 25 with the Logistic Regression analysis method, namely:

Table 2. Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Komite_Audit	48	,00	4,00	2,4583	1,21967
Kepemilikan_Manajerial	48	,00	100,00	33,5287	35,43504
Profitabilitas	48	-22,37	31,64	1,3767	8,71668
Leverage	48	-17,96	1,82	-,1663	3,21490
Valid N (listwise)	48				

Dummy variables are used by researchers to determine whether or not the company is on time in submitting financial reports with companies that are not on time given code 0 and companies that are on time given code 1. Based on table 1, there are 15 companies that are not on time to publish accurate accounting information results with a percentage of 31.3% and there are 33 companies that timely submit their financial reports with a percentage of 68.8%.

Model Feasibility Test

The Hosmer and Lemeshow Test statistical value shows a number of 8.045 with a significance probability of 0.329. The significance value shows a number of 0.329> 0.05, meaning that the research model carried out is accepted because the independent and dependent variables explain each other.

Overall Model Test

This test compares the overall model between the -2Log Likehood value (block number = 0) and -2Log Likehood (block number = 1). When four independent variables are included, the -2Log Likehood value is 59.624 (block number=0) to 36.495. After four independent variables are included. Indicates that the hypothesized model fits the data and the regression model used is good.

Classification Matrix

There are 33 samples of company predictors including on time with a value of 97% from 1 unexpected sample, then there are 6 samples of late predictors with a value of 60% from 9 unexpected samples. The total classification accuracy of this model is 85.4%.

Coefficient of Determination

The test results seen from Nagelkerke R Square are 0.538 which means that the variation of the variables of profitability, leverage, najaerial ownership, and audit committee, as influencing variables can explain 53.8% of the timeliness of financial reporting while 46.2% is likely to be explained by other variables.

Logistic Regression

Table 3. Testing the Logistic Regression Method

Variables in the Equation							
		B	**S.E.**	**Wald**	**df**	**Sig.**	**Exp(B)**
Step 1[a]	Profitabilitas	,045	,052	,755	1	,385	1,047
	Leverage	-,383	,384	,992	1	,319	,682
	Komite Audit	1,352	,499	7,356	1	,007	3,867
	Kepemilikan Manajerial	,012	,013	,776	1	,378	1,012
	Constant	-2,729	1,304	4,382	1	,036	,065

a. Variable(s) entered on step 1: Profitabilitas, Leverage, Komite_Audit, Kepemilikan_Manajerial.

From the table data above, it can be determined that the logistic regression equation that can be formed is:

$$Ln\frac{TL}{1-TL} = -2{,}729 + 1{,}352KM + 0{,}012KA + 0{,}045ROA - 0{,}383DER$$

α = Regression Constant= -2,729
βX_1 = Managerial Ownership= 1,352
βX_2= Audit Committee= 0,012
βX_3 = Profitability (Return on Asset)*)* = 0,045
βX_4 = *Leverage (DER)*

Discussion

The Effect of Managerial Ownership on The Timeliness of Financial Reporting

The variable in the Equation provides real results of calculations using the logistic regression test with a sig value. 0.378> 0.05 for the Managerial Ownership variable, this means that there is no influence on whether or not the financial statements are published for the Managerial Ownership variable. The greater the shares owned by the managerial part of the company has no effect on the proper publication of financial reports. Managerial ownership is stated to be unimportant in determining whether or not financial reporting is appropriate so that the results of this study prove that companies do not consider financial information used for parties outside the company who use financial reports for business decision making.

Tri Utami Lestari (2023) supports the researcher's research which states that whether or not financial delivery is appropriate is not influenced by the Managerial Ownership variable with a statement, whether from samples above the average or below the average, both are on time to accurately submit the results of the financial statements.

The Effect of The Audit Committee on The Timeliness of Financial Reporting

Sig value. Audit Committee of 0.007 <0.05 shown from table 2 these results state that the Audit Committee has an effect on the timeliness of financial reporting. The audit committee team that is increasingly involved in the company explains that the more productive the team is in compiling accounting information reports so that the reported information contains detailed company information and accounting information is also useful in the process of improving company performance. In line with Erna Setiawati's research (2021) entitled the effect of profitability, company size, institutional ownership, and audit committee on the timeliness of financial reporting has negative results for variables.

Effect of Profitability on Timeliness of Financial Reporting

Table 2 shows the sig value. 0.385> 0.05 means that Profitability does not affect the timeliness of financial report publication. This provides evidence that companies that have large or small profits will not affect the timeliness of financial reporting unless there are several factors that cause financial reports to be reported in a timely manner if the company has good performance from each team. Anita's research (2019) supports this research with the statement that the timeliness of financial submission is not influenced by profitability.

Leverage Effect on Timeliness of Financial Reporting

Hypothesis testing that has been carried out based on table 2 shows the value of the Leverage variable shows the results of 0.319> 0.05, which means that the Leverage variable has no effect on the timeliness of financial reporting. Leverage does not affect the timeliness of financial reporting as evidenced by the fact that companies are able to solve debt problems through various ways and debt is considered normal by the company and does not affect anything on whether or not the financial statements will be published. In line with Gusriadi's research (2021) which states that timeliness is not influenced by leverage because debt in the company is considered normal and not a big problem.

CONCLUSIONS

The results and discussion provide conclusions that the timeliness of financial reporting is not influenced by the variables of Profitability, Leverage, Managerial ownership. Whatever the size of the shares owned by the company, the size of the profit generated by the company and the amount of debt owned by the company does not guarantee that the company will report its finances on time. There is one variable that has a positive effect, namely the Audit Committee variable which means that the number of audit committees in a company can provide motivation for the team preparing financial reports to report finances on time. For this reason, the results of this study can still change if future researchers use the same variables with different sampling periods so that the results obtained are more accurate or add other variables to make sure the research is accurate.

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