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Solvency, Profitability, Company Size, and Public Accounting Firm Size (KAP) Towards Timeliness

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ABSTRACT

The purpose of this research is to test empirically the effect of solvency, profitability, company size and the size of a public accounting firm on the timeliness of property and real estate companies listed on the Indonesia Stock Exchange in 2019-2021. This study uses data from 86 property and real estate companies that have been selected using a purposive sampling method with a total of 25 data for three years. The data used is secondary data in the form of financial reports. Data processing in this study uses Statistical Product and Service Solutions (SPSS) version 25. The results of this study indicate that solvency has no significant effect on timeliness, profitability has a significant effect on timelines, company size has a significant effect on timeliness, and the size of a public accounting firm has no significant effect against timeliness

Keywords:

solvency, profitability, company size, public accounting firm size, timeliness

INTRODUCTION

Companies that go public in Indonesia have experienced rapid development. This is marked by the increasing number of issuers listed on the Indonesia Stock Exchange (IDX) every year. This development has an impact on increasing requests for audits of financial statements by independent auditors. Every company that goes public is required to submit annual financial statements and auditor reports to the Capital Market Supervisory Agency (BAPEPAM) or now to the Financial Services Authority (OJK). If the company is late in submitting the report, the company will be subject to administrative sanctions in accordance with the decision that has been set (Putri et al., 2017).

In a global context, the issue of timeliness in financial reporting is critical as it directly affects the efficiency and transparency of global capital markets. Timely financial reporting ensures that investors, both domestic and international, have access to current and accurate financial information, which is essential for making informed investment decisions. Delays in reporting can undermine investor confidence and affect the company's ability to attract foreign investment. Furthermore, adherence to international financial reporting standards and timely submissions demonstrate a company's commitment to transparency and regulatory compliance, enhancing its reputation and credibility in the global market. This global perspective highlights the importance of timely financial reporting not only for regulatory compliance but also for maintaining a competitive edge in an increasingly interconnected financial environment (Sudaryo et al., 2021).

Financial statements are an important element made by company management as a result of the company's performance in a certain period. Financial statements are also commonly used as information by potential investors. In addition, users of financial statements need accurate and timely financial reports in decision-making. Economic decision-making can be done by evaluating events that occur in the present, in the past, and in the future. One of the indicators of relevance is timeliness. Timeliness is one way to measure the transparency and quality of each company's financial reporting as well as the use of information that is ready to be used before it loses its meaning by the user of financial statements with the capacity that is still available in making these decisions (Arista & Nurlaila, 2022).

Companies in Indonesia that are listed on the Indonesia Stock Exchange are required to submit an audited annual report to Bapepam, which is now replaced by the Financial Services Authority (OJK). In the case of the submission of annual financial statements, if the deadline for submitting annual financial statements as stipulated in the OJK Regulations is passed, it will be taken into account as a delay in the submission of annual financial statements (Lumbantoruan & Siahaan, 2018). If a company is late in submitting a report in accordance with the provisions that have been set by the OJK, the company will be subject to administrative sanctions in accordance with the provisions that have been stipulated in the Financial Services Authority regulation Number 29/PJOK.04/2016 (Article 19:1-3). However, as of March 18, 2020, the OJK officially extended the deadline for financial statements and GMS, this is because the status of certain emergency disasters due to the coronavirus outbreak can affect the ability of capital market industry players to hold the General Meeting of Shareholders (GMS), prepare and submit financial statements and annual reports in a timely manner. Therefore, the OJK decided that the submission of the annual financial report which should have been no later than March 30 was changed to May 31, 2020 and the submission of the annual report which should have been no later than April 30 to June 30, 2020 (Indonesia, 2016; Keuangan, 2016).

The first factor that can affect the occurrence of a timeline in a company is solvency. Solvency is the ability of a company to fulfill its financial obligations both in the short and long term, if the solvency level is high, then the risk of failure of the company in repaying loans is also high (Probokusumo et al., 2017). Low solvency is good news so that companies will tend to be late in publishing their financial statements (Gafar et al., 2017). The next factor that can affect the occurrence of a timeliness or timeliness in the company is the size of the KAP, large companies both on time or not on time in the company's financial reporting audited by Public Accounting Firms which are included in the Big Four, there is no guarantee in the timeliness of the company's financial reporting with information about the quality of the auditor (Elviani, 2017).

Agency theory is a relationship between the principal and the agent to provide services for the benefit of the principal, including involving the delegation of decision-making power to the agent. Both principals and agents are assumed to be motivated only by their own interests (Gafar et al., 2017). The problem that arises in agency relationships is the existence of information asymmetry. Financial reports submitted in a timely manner will reduce the asymmetry of information that is closely related to agency theory. So that in the agency relationship, management is expected to take company policies, especially financial policies that benefit the company owner. If the management decision is detrimental to the company owner, there will be an agency problem. Accounting reports in the form of financial statements are indeed intended to be used by various parties, including the company's own management. However, the most interested in financial statements are actually external users (outside management). This accounting information is important for external users especially because this group is in the most uncertain condition. Internal users (managers) have direct contact with their entities or companies and are aware of significant events that occur, so their level of dependence on accounting information is not as large as external users. So that to reduce information asymmetry and prevent agency conflicts, it is an obligation for management to report financial statements in a timely manner (Menne, 2017).

Compliance theory can encourage a person to be more compliant with applicable regulations, as well as companies that strive to submit financial statements on time because it is an obligation of the company to submit financial statements on time in accordance with the regulations of Bapepam and Financial Institutions, will also be very beneficial for users of financial statements (Gafar et al., 2017).

The demand for compliance with the timeliness in the submission of annual financial statements of public companies in Indonesia has been regulated in the regulation of the Financial Services Authority Number 29/PJOK.04/2016 (Article 19:1-3). However, as of March 18, 2020, the OJK officially extended the deadline for financial statements and GMS, this is because the status of certain emergency disasters due to the coronavirus outbreak can affect the ability of capital market industry players to hold the General Meeting of Shareholders (GMS), prepare and submit financial statements and annual reports in a timely manner. Therefore, the OJK decided that the submission of the annual financial report which should have been no later than March 30 was changed to May 31, 2020 and the submission of the annual report which should have been no later than April 30 to June 30, 2020 (Indonesia, 2016; Keuangan, 2016).

This study aims to analyze the influence of solvency, profitability, company size, and size of Public Accounting Firms (KAP) on the timeliness of submitting company financial statements. By examining these factors, this study seeks to provide a deeper understanding of the variables that affect timeliness in financial reporting, which can ultimately be used to improve transparency and accountability in corporate financial reporting practices. The benefits of this study include providing useful information for company management in making decisions related to solvency management, profitability, and company size management in order to achieve timeliness of financial reporting. In addition, this research can also be a reference for Public Accounting Firms (KAP) in understanding the factors that affect the timeliness of their clients' financial reporting, so that they can provide better and timely services. Academically, the results of this study can enrich the literature on the influence of solvency, profitability, company size, and KAP size on the timeliness of financial reporting and become the basis for further research.

METHOD

This study uses quantitative descriptive research. The type of data used in this study is secondary data which is data obtained from the financial statements of property and real estate companies listed on the IDX during 2019-2021. The population in this study is companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) in 2019-2021. While the sample is property and real estate sector companies listed on the Indonesia Stock Exchange (IDX), property and real estate sector companies listed consecutively from 2019-2021, companies issuing audited financial statements, and companies have the completeness of the data needed in the research. The object of this study is the audited financial statements of companies in the property and real estate sector available on the Indonesia Stock Exchange (IDX). The data collection technique is carried out by documentation. Data analysis using descriptive statistics, logistic regression analysis, and hypothesis testing using SPSS 25 for Windows software.

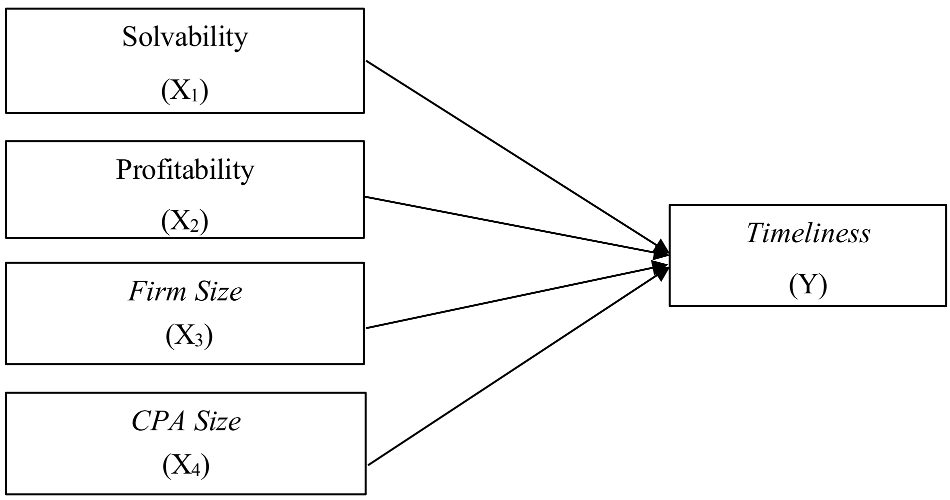

Figure 1. Framework of Thought

Based on the formulation of the masakah, the purpose of the study, and the review of the theory that has been described earlier, the hypotheses that can be proposed are:
H1 : Solvency affects Timeliness financial reporting
H2 : Profitability affects Timeliness financial reporting
H3 : Company size affects Timeliness financial reporting
H4 : The size of KAP affects the Timelines of financial reporting

RESULTS AND DISCUSSION

Based on the results of logistic regression analysis, the following equations were obtained

$$Y = -3{,}034 -0{,}036X1+ 9{,}203X2+ 0{,}189X3 + 0{,}646X4$$

Based on the equation in the model above, it shows that the results of the Logistic Regression Analysis are as follows:

1) The value of the constant is -3.034 which indicates that if other variables are considered constant, then the timeliness will decrease by -3.034.
2) The solvency variable is proxied using the Debt to Equity Ratio. This variable has a coefficient of -0.036. It can be interpreted that for every increase in solvency by 1 unit, the timeliness will experience an increase in decrease of -0.036 assuming that the other variables do not change (constant).
3) The profitability variable is proxied using Return On Asset. This variable has a coefficient of 9.203. It can be interpreted that for every increase in profitability by 1 unit, the timeliness will experience an increase of 9.203 assuming that the other variables do not change (constant).
4) In the variable of company size, the natural logarithm of total assets is proxied. This variable has a coefficient of 0.189. It can be interpreted that every increase in the size of the company by 1 unit, the timeliness will experience an increase of 0.189 assuming that the other variables do not change (constant).

5) In the KAP reputation variable, it is proxied using a dummy variable. This variable has a coefficient of 0.646. It can be interpreted that every increase in the size of KAP by 1 unit, the timeliness will experience an increase of 0.646 assuming that the other variables do not change (constant).

HYPOTHESIS TEST

Table 1. T Test Results

Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1a	Solvency	-.036	.068	.280	1	.597	.965
	Profitability	9.203	4.654	3.910	1	.048	9931.231
	Company Size	.189	.070	7.297	1	.007	1.208
	KAP Size	.646	.791	.665	1	.415	1.907
	Constant	-3.034	1.764	2.959	1	.085	.048

a. Variable(s) entered on step 1: X1 , X2 , X3 , X4.

Based on the table, it can be concluded that:

a) The value of sig. The significance value of the solvency variable 0.597 > 0.05 can be concluded that the solvency proxied by the Debt to Equity Ratio (DER) does not have a significant effect on the timeliness so that H1 is rejected.
b) The value of sig. From the profitability variables of 0.048 < 0.05, it can be concluded that the profitability that is proxied by Return On Asset (ROA) has a significant effect on the timeline so that H1 is accepted.
c) The value of sig. The company size variable 0.007 < 0.05 can be concluded that the size of the company proxied by natural logarithm (Ln) has a significant effect on the timeliness so that H1 is accepted.
d) The value of sig. From the variables of KAP size 0.415 > 0.05, it can be concluded that the size of KAP has no significant effect on the timeliness so that H1 is rejected.

Regression Model Feasibility Test (Hosmer and Lemeshow's)

Based on the results of Hosmer and Lemeshow's test, it is 0.774. The result is 0.774 which is greater than 0.05, then H0 is accepted or suitable for use because the model is accepted or suitable for use so that it is able to predict the observation value. This also explains that the regression model is said to be suitable and appropriate for use in this study.

Discussion

Based on the results of the T test, it was obtained that solvency was rejected, so it can be concluded that solvency does not have a significant effect on the timeliness of financial reporting on property and real estate companies in 2019-2021 listed on the Indonesia Stock Exchange. The results of this study support Siti Rahmaniyah (2020) where the study says that solvency has no effect on timeliness (Rahmaniyah, 2020). According to the results of Effendi's research, Prabowo, Elsa (2017) in her research said that solvency does not have a significant effect on timeliness (Probokusumo et al., 2017). Meanwhile, according to Pande and Mertha (2016), solvency has a positive effect on timeliness (Pande & Mertha, 2016). This is because the high financial risk of the company has no effect on the timeliness of financial reporting in property and real estate companies. This shows that companies that submit financial statements on time or not on time, do not pay attention to their solvency level. This is because both a company that has a large total debt and a company that has a small total debt will not affect the process of completing the financial statement audit, because the appointed auditor must have provided time according to the need to complete the debt audit process.

Based on the results of the T test, it was obtained that profitability was accepted, so it can be concluded that profitability has a significant effect on the timeliness of financial reporting in property and real estate companies in 2019-2021 listed on the Indonesia Stock Exchange. The results of this study support Azhari and Nuryanto (2019) showing that profitability has a positive effect on the timeliness of financial reporting. The research of Nia, Santi, and Mia (2022) shows that profitability has a positive effect on the timeliness of financial report submission. In contrast to the results of Siti Rahmaniyah (2020) research which states that profitability does not have a positive effect on timeliness (Azhari & Nuryatno, 2019; Rahmaniyah, 2020; Setiawati et al., 2021). This proves that the length of time a company submits its financial statements is influenced by its profitability level. And it can be said that the higher the profitability of a company, the faster it will submit a report. This is because companies that have a high level of profitability will tend to have good company management so that reporting will be completed immediately and announced to the public so that there is a lower delay in submitting financial statements because companies that get good news tend to be more timely in submitting their financial reports compared to companies that get bad news.

Based on the results of the T test, it was obtained that the company size was accepted, so it can be concluded that the company size has a significant effect on the financial reporting timeliness of property and real estate companies in 2019-2021 listed on the Indonesia Stock Exchange. The results of this study support

Rahma, Lusiana, and Indriyani (2019). This shows that the size of the company affects the timeliness of financial reporting. In the research of Suriani and Sonya (2021), this research contradicts the research of Ine Apriyanti (2017) which states that the size of the company has no effect on the timeliness of financial reporting. Because the larger the size of the company, the better the quality of the company in the eyes of the public and users of financial statements. Large companies that have good performance and quality provide positive signals so that large companies will accelerate the submission of their financial statements. The factor of the company submitting financial reports on time apart from obligations, large companies also need to maintain their reputation.

Based on the results of the T test, it was obtained that the size of the public accounting firm was rejected, so it can be concluded that the size of the cap does not have a significant effect on the financial reporting timeliness of property and real estate companies in 2019-2021 listed on the Indonesia Stock Exchange. The results of this study support Hilmi and Ali (2008) who stated that the size of the KAP has no effect on the timeliness. The results of the research by Nia, Santi, and Mia (2022) stated that the size of the KAP has a negative effect on the timeliness of financial reporting. In contrast to Dewayani, Amin, and Dewi (2017) who said that the KAP size affects the timeliness (Dewayani et al., 2017; Setiawati et al., 2021). This shows that the auditor does the same thing in the audit process and in accordance with accounting standards. KAP big four and non-big four KAP will not affect the length of time in completing the audit. Companies that use KAP big four and non-KAP big four will continue to comply with applicable rules and submit their financial reports in a timely manner.

CONCLUSION

Solvency, proxied by the Debt to Equity Ratio (DER), does not affect the timeliness of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2021 period, rejecting the hypothesis that "Solvency has a positive effect on timeliness." This study indicates that companies, regardless of their solvency levels, do not consider this factor when submitting financial reports on time. Profitability, proxied by Return on Assets (ROA), does affect timeliness, supporting the hypothesis that "Profitability has a positive effect on timeliness." Higher profitability leads to quicker financial report submissions due to better management practices. Company size, measured by the natural logarithm (Ln) of total assets, also influences timeliness, affirming the hypothesis that "Company size has a positive effect on timeliness." Larger companies, due to better performance and the need to maintain their reputation, expedite their financial reporting. However, the size of the Public Accounting Firm (KAP), whether big four or non-big four, does not affect timeliness, rejecting the hypothesis that "The size of the KAP has a negative effect on timeliness." Both types of KAP follow the same standards and ensure timely financial report submissions.

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