The Determinant Analysis of the Length of Time for Submission of Financial Statements on Manufacturing Companies in Indonesia 2016–2020 Period

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Abstract. Companies that go public have an obligation to publish audited financial statements. Financial statements contain information as a positive or negative signal for stakeholders for economic decisions. The company must pay attention to the length of time for submitting the company's financial statements. This study examines the effect of tax avoidance, managerial ownership, institutional ownership and audit quality on the length of time for submitting financial statements. The analysis technique uses classical assumption test and multiple linear regression. The results of the study show that managerial ownership has a significant positive effect on the length of time for submitting financial statements. Audit quality has a significant negative effect on the length of time for submitting financial statements. Meanwhile, tax avoidance and institutional ownership do not have a significant negative effect on the length of time for submitting financial statements.

Keywords: audited financial statements · audit results · tax

1 Introduction

The preparation of financial statements aims to provide information for stakeholders. The information contained in the financial statements is a positive or negative signal for the company. The obligation of a go public company is to compile reliable financial statements for interested parties. Companies must pay attention to the length of time the company's financial statements are submitted. Financial statements are prepared to provide information on the financial position, financial performance of the company as one of the economic considerations for stakeholders in making business decisions [10]. Financial statements show how far management is responsible for the resources it manages. Financial statements are the result of reflection of economic transactions related to the operational activities of a company. Financial statements contain financial and non-financial information as a signal to the company's stakeholders.

R. Rahmawati et al. (Eds.): ICBE 2022, AEBMR 229, pp. 45–54, 2022.
https://doi.org/10.2991/978-94-6463-066-4_6

Companies listed on the Indonesia Stock Exchange (IDX) are required to report and or publish audited financial statements with the provisions of no later than the end of the fourth month after the date of the financial statements as of December 31st. If the go public companies late in submitting financial reports in accordance with the provisions set by the Financial Services Authority (Indonesian abbreviation is OJK) they will be subject to administrative sanctions and fines in accordance with the provisions of the legislation. Companies that are listed and traded on the Indonesia Stock Exchange (IDX) have an obligation to publish audited financial statements to stakeholders. This is done so that stakeholders can get the information signals in the company as a consideration in making economic decisions.

BAPEPAM Regulation Number X.K.6 in conjunction with BAPEPAM No. KEP-431/BL/2012, states that Issuers or Public Companies listed on the stock exchange are given a maximum period of four months from closing the books to submit their audited financial statements [2]. Financial Services Authority Regulation Number 29/POJK.04/2016 concerning Annual Reports of Issuers or Public Companies [7]. This regulation regulates companies to provide accurate information to investors regarding the condition of the company's performance and in order to keep up with global capital market developments, but in reality, there are still delays in submitting annual financial statements on the Indonesia Stock Exchange (IDX). If this is not complied with by the company, the Indonesian Stock Exchange (IDX) will announce and impose sanctions on the company, starting with warnings, fines and suspension of shares traded on the stock exchange.

In 2020 there were around twenty six listed companies that had not submitted audited financial statements for audited financial statements ending as of December 31, 2019 to August 29, 2020. Based on the decision letter of the Board of Directors of PT. Indonesia Stock Exchange No. Kep-00089/BEI/10-2020 concerning relaxation of the deadline for submitting Financial Statements and Annual Reports, in 2021 there will be around eighty eight companies that have not submitted their audited financial statements until August 31, 2021 consisting of manufacturing companies, insurance companies, services (Transportation, Hotels and Telecommunication) [4]. Then the decision letter of the Board of Directors of PT. Indonesia Stock Exchange Number Kep-00024/BEI/04-2022 dated April 28, 2022 regarding the change in the relaxation of the deadline for submitting audited financial statements and annual reports, there are forty-nine stock listed companies have not submitted audited financial statements for financial statements ending as of 31st December 2021 [5].

The audit must be carried out with great care, thoroughness and sufficient and appropriate collection of audit evidence, considering the amount of material misstatement in the financial statements as the basis for providing an audit opinion. As a result, the auditor needs time to collect sufficient and appropriate audit evidence. The audited financial statements can be published by the company after the auditor has completed the process of examining the financial statements. Auditors need time to complete audit work and make companies submit audited financial statements sometimes late on the Indonesian stock exchange. Reference [11] confirm that the auditor's report is prepared in writing, systematically, and contains as required by the professional association of auditors, valuable information for users who need it. The financial statements that are accompanied by an independent auditor's report provide a signal of positive and/or negative information for the company's stakeholders to make strategic and economic decisions.

The factors that can affect the submission time of audited financial statements are divided into external and internal factor [12]. The company's internal factors such as those related to the company's financial performance, corporate governance, the risk of the company's business processes or efforts to avoid paying taxes. The company's external factors such as audit quality. Management behaviour usually tends to delay publishing financial statements when the information contained in the financial statements is dominated by negative information [19]. The results of the [13] research on Tax Avoidance and Institutional Ownership have a significant negative effect on the length of time for submitting financial statements, while managerial ownership has no effect on the length of time for submitting financial statements.

The results of the [17] research show that the Audit Committee, Audit Quality and Independent Commissioner have a significant positive effect on Timeliness Reporting, Institutional Ownership has a significant negative effect on timeliness reporting. Research results [18] shows that the Independent Commissioner and the Audit Committee have no significant positive effect on the Timeliness of Submission of Financial Reports. KAP's reputation and audit opinion have a significant negative effect on Timeliness of Submission of Financial Reports. The existence of gaps in the results of previous studies provides a gap for researchers to conduct this research. The research questions were posed as follows: Does tax avoidance affect the length of time for submitting financial statements? Does managerial ownership affect the length of time for submitting financial statements? Does institutional ownership affect the length of time for submitting financial statements? Does audit quality affect the length of time for submitting financial statements? The purpose of the study was to obtain empirical evidence on the effect of tax avoidance, managerial ownership, institutional ownership and audit quality on the length of time for submitting financial statements.

2 Literature Review and Hypothesis Development

2.1 Signal Theory

According to [9], company management provides signals to stakeholders through the financial statements which they prepare and publish. The financial statements contain the hope that the parties which outside the company make changes to the valuation of the company. Management will try to send a signal that contains strong information to be able to change the assessment of the company's external parties. Spence (1973) in [9] states that signal theory explains the actions taken by the signaller to influence the behaviour of the signal receiver. Signal theory is concerned with understanding how one signal is valuable and useful while another signal is useless. Signalling theory talks about the actions of company management providing signals about the company through various aspects of financial information disclosure to be seen as a signal for investors as the basis for making economic decisions. Disclosure of financial information, one of which is the presentation and publication of financial statements that have been audited by an independent auditor to users as a basis for making economic decisions.

2.2 The Effect of Tax Avoidance on the Length of Time for Submitting Financial Statements

Tax avoidance is one form of tax plannings that contains information and signals for stakeholders about the current condition of the company. The auditor will take a long time to detect tax avoidance that may be carried out by the company so that it has an impact on the length of time for submitting financial statements. Several previous research results show that the tax avoidance variable has a negative effect on the length of time for submitting financial reports [14, 16]. The companies that do tax avoidance tend to take longer to submit their financial statements.

H1: Tax avoidance has a significant negative effect on the length of time for submitting financial statements.

2.3 The Effect of Managerial Ownership on the Length of Time for Submitting Financial Statements

The managerial share ownership will encourage managers to be careful in making decisions and have an influence on the preparation of financial statements. Financial statements contain both positive and negative information as a signal to stakeholders. The managers with share ownership in the company will be more responsible for managing the company and try to perform better. One of the managements with good performance is submitting the company's financial statements in a timely manner. Research result of [1, 14] provide evidence of managerial ownership has a significant effect on the length of time the company's financial statements.

H2: Managerial Ownership has a significant positive effect on the length of time for submitting financial statements.

2.4 The Effect of Institutional Ownership on the Length of Time for Submitting Financial Statements

The preparation of financial statements is influenced by the capital ownership by outsiders [3]. The involvement of institutional parties in the ownership of a company's shares will increase control for better performing management. Institutional Ownership will provide information signals for stakeholders about the condition of the company in the current year. The results of previous research [1, 17] state that institutional ownership has a significant negative effect on the timeliness of company financial statements.

H3: Institutional ownership has a significant negative effect on the length of time for submitting financial statements.

2.5 The Effect of Audit Quality on the Length of Time for Submitting Financial Statements

Audit Quality is a description of the process of audit results carried out based on audit standards and quality control standards as a measure of the implementation of the duties

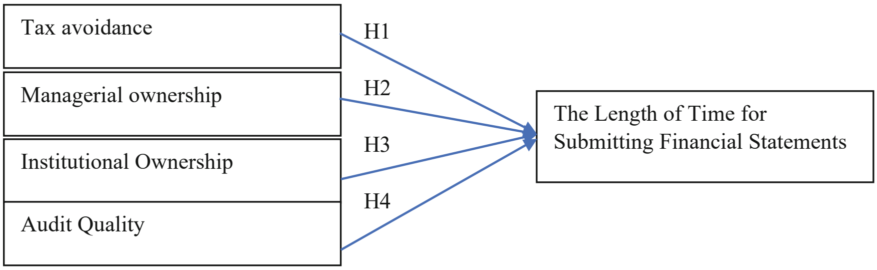

Fig. 1. Research Model

and responsibilities of an auditor's profession [21]. Audit activities generally take a long time so management tries to plan the audit process earlier in order to provide better results. Quality audit results will provide a signal for the company's stakeholders. Audit quality is one of the triggers for companies to submit their financial statements in a timely manner. An earlier audit will make the auditor more careful in auditing and submitting the audit results in a timely manner so that the time for submitting the company's financial statements on the stock market is also timely. Research by [18] shows that audit quality has a negative effect on the length of time for submitting financial statements. The fourth hypothesis proposed is:

H4: Audit quality has a significant negative effect on the length of time for submitting financial statements.

The Research Model is described as follows (Fig. 1).

3 Research Methods

This study uses a quantitative approach that emphasizes testing theories, research variables with numbers and analysing data through statistical procedures [8]. The research data was taken using purposive sampling method with the following criteria: (1). Manufacturing companies in the various industry sub-sectors that publish annual financial statements published during 2016–2020. (2). The company's Annual Report that has been audited for the 2016–2020 period. (3). The company earned a profit during the 2016–2020 period. (4). The company has managerial and institutional ownership in the 2016–2020 period.

The independent variables of this study consist of tax avoidance (X1) measured by the value of the Cash Effective Tax Rate (Cash ETR), managerial ownership (X2) is measured by the number of shares owned by the company's management such as the board of directors, the board of commissioners. Then the third independent variable is institutional ownership (X3) measured using the ratio between the number of shares owned by the institution to the number of company's shares outstanding as a whole [20]. The fourth independent variable, namely audit quality (X4) is measured by dummy, which is given a value of 1 if the company is audited by the Big Four KAP and given a value of 0 if the company is not audited by the Big Four KAP [15]. The dependent variable (Y) the length of time for submitting financial statements is measured by using

Table 1. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.575[a]	0.954	0.914	24.530	1.991

Note(s): a. Predictors: (Constant), tax avoidance, managerial ownership, institutional ownership, audit quality; b. Dependent Variable: Length of time
Source: Data processed 2022

the number of days it takes to announce the audited annual financial statements to the public from the end of the financial statements as of December 31st [6]. The analysis technique in this study uses the classical assumption test consisting of normality test, heteroscedasticity test, multicollinearity test, and autocorrelation test. Multiple linear regression analysis was conducted to examine the effect of the independent variables (tax avoidance, managerial ownership, institutional ownership, and audit quality) on the dependent variable (length of time for submitting financial statements). The research data was processed using the SPSS 22 program.

4 Results and Discussion

This study uses audited financial statements data from 26 companies for the five years for 2016–2020 period. The research sample is 130 research data. Classical Assumption Test in this study uses the normality test by performing the Kolmogorov-Smirnov (K-S) test. K-S test results show a significant value of 0.065 which is above 0.05 (0.065 > 0.05), it can be concluded that the data in this study is normally distributed (Table 1).

Autocorrelation test using Durbin Watson test obtained a value of 1.991. Because the value of DW (1.991) is between dU (1.7774) and 4-dU (2.2226), it can be concluded that there is neither positive nor negative autocorrelation. Multicollinearity test is seen from the value of tolerance and VIF. The test results obtained for tax avoidance of tolerance value of 0.900 and VIF of 1.111, managerial ownership of tolerance value of 0.874 and VIF of 1.144, institutional ownership of tolerance value of 0.858 and VIF of 1.165, audit quality of tolerance value of 0.940 and VIF of 1.063. Thus, the tolerance value is less than 0.10 and the VIF is more than 10, it is concluded that there is no multicollinearity between the independent variables in the regression model. Heteroscedasticity testing can also be seen from the Glejser test to regress the absolute residual value of the independent variable. The significance value for the Tax Avoidance variable is 0.327, Managerial Ownership is 0.113, Institutional Ownership is 0.783 and Audit Quality is 0.183, it can be said that the data in this study did not experience heteroscedasticity disorders.

4.1 Multiple Linear Regression

Multiple linear regression test was used to see the effect of independent variables consisting of tax avoidance variables (X1), Managerial Ownership (X2), Institutional Ownership (X3) and Audit Quality (X4) on the length of time for submitting financial statements

Table 2. Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	B		
1	(Constant)	84.045	11.210		7.497	.000
	PenghPajak	−14.206	8.474	−.148	−1.676	.096
	KepMNJ	105.276	30.905	.306	3.406	.001
	KepInst	13.117	13.841	.086	.948	.345
	KuAudit	−12.356	4.841	−.221	−2.552	.012

Note(s): a. Dependent Variable: The length of time
Source: Data processed 2022

(Y). The results of research data processing for multiple linear regression are presented in Table 2.

4.2 The Effect of Tax Avoidance on the Length of Time for Submitting Financial Statements

The results of multiple linear regression obtained a significant value of 0.096 with a negative direction. It means that tax avoidance does not have a significant negative effect on the length of time for submitting financial statements. Tax avoidance is a form of tax planning by exploiting loopholes in tax regulations. Tax avoidance requires the right business strategy and sufficient time for the company to design it. Companies that go public will consider many things before doing tax avoidance. Because tax avoidance can give a negative signal to company stakeholders. Companies that go public will pay close attention to the timing of their financial statements so that they do not avoid taxes.

4.3 The Effect of Managerial Ownership on the Length of Time for Submitting Financial Statements

Statistical test using SPSS 22 obtained a significant value of 0.001 with a positive direction. It means that managerial ownership has a significant positive effect on the length of time for submitting financial statements. Because managerial share ownership will encourage the board of directors and commissioners as well as other top management to be careful in making decisions. Directors, board of commissioners and top management as the company's operational managers as well as company shareholders. They will be more responsible in managing the company with a sense of belonging to the company. Managerial ownership will affect the performance of the management better. Management will pay attention to the length of time the company's financial statements are submitted because they realize that the financial statements are a reflection of its performance and provide a positive signal for company stakeholders.

4.4 The Effect of Institutional Ownership on the Length of Time for Submitting Financial Statements

The results of data processing using SPSS 22 obtained a significant value of 0.345 with a positive direction. It means that institutional ownership does not have a significant negative effect on the length of time for submitting financial statements. Because institutional ownership is one of the external controls on management performance contained in the financial statements. Institutional ownership should give a positive signal if it is accompanied by a fairly large proportion of institutional ownership in the company. However, institutional ownership that is not large cannot encourage management to submit financial statements in a timely manner or pay attention to the length of time for submitting financial statements.

4.5 The Effect of Audit Quality on the Length of Time for Submitting Financial Statements

Audit quality has a significant value of 0.012 with a negative research direction. It means that audit quality has a significant negative effect on the length of time for submitting financial statements. Audit quality is an examination process based on audit standards, auditor's code of ethics, appropriate audit procedures and sufficient and appropriate audit evidence so that audit results are of high quality. Quality audit results provide positive information for stakeholders. Audit quality is shown from planning to reporting audit results, which pays attention to time. In other words, audit quality will have an impact on the length of time the company's financial statements are submitted. This study supports [18] regarding the results of their research which provides evidence that audit quality has a negative effect on timeliness reporting.

5 Conclusions

Financial statements contain information that is useful for stakeholders to be taken into consideration in making economic decisions. The information gives a positive or negative signal about the condition of the company. So that the company's management must pay attention to the length of time for submitting its financial statements. The results of this study indicate that audit quality as a result of the auditor's work is an integrated process starting from planning to reporting the audit results. The financial statements as the object of examination will be evaluated, assessed by the auditor based on the established criteria. Go public companies listed on the stock exchange have the obligation to submit audited financial statements to the stock market and other interested parties. So that the length of time for submitting the company's financial statements is influenced by the quality of the audit. The managerial ownership variable has a significant positive effect on the length of time for submitting financial statements. The research results also show that tax avoidance and institutional ownership do not have a significant effect on the length of time for submitting financial statements.

The implication of this research is that the length of time for submitting financial statements can be influenced by internal factors and external factors of the company.

Internal factors such as tax avoidance and managerial ownership. External factors can be seen from institutional ownership and audit quality. Further research can examine the risks related to business processes and financial performance from the company's internal aspects. This study takes research samples from manufacturing companies for the 2016–2020 period. Future research can extend the year of observation for better results.

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