The Effect of the Covid-19 Pandemic and *Good Corporate Governance* on the Timeliness of the Company's Annual Financial Reports

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Abstract. This studyi aims to provide empirical evidence by examining the effect of covid-19, managerial ownership, institutional ownership, number of directors, and independent commissioners on the timeliness of the company'si annual financial reporting. Timely financial reporting is an important factor in decision making for report users, so companies are expected not to delay the publicationi of financial statements. This study uses a dummy variable to examine the effect of covid-19 on timeliness and components of good corporate governance to see its effect on the timeliness of financiali reporting. The variables used in this study were covid-19, managerial ownership, institutional ownership, number of directors.

Keywords: Covid-19 · Managerial ownership · institutional ownership

1 Introduction

Delay in financial reporting time is a current trend. Based on data from the IDX for companies that are late in reporting 2016–2021:

During fiscal year 2020 there was a significant increase in companies that were late in reporting their finances, this was related torampantCovid-19 was first discovered in March 2020 in Indonesia. There were 96 companies that were not on time in their financial reporting [1]. During Covid-19, companies view business continuity as more urgent than timely reporting [2]. Thus, the company ignores the provisions that have been determined by the financial services authority (See Table 1).

Companies listed on the Indonesia Stock Exchange must report company financial information, this is regulated by the Financial Services Authority Regulation of the Republic of Indonesia number 29/POJK.04/2016 no later than April or 120 days after closing the company's books. If there are companies that do not or have not reported according to the provisions, they will be subject to administrative sanctions in the form of fines, the amount of which is in accordance with the company's calculations.

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Table 1. Number of Go Publics that are not on Time for Submitting Annual Financial Statements for the 2016–2021 Period

Year	Number of Companies
2016	17
2017	10
2018	10
2019	42
2020	96
2021	91

Source:www.idx.co.id

Timely financial reporting is very useful for users of financial statements as accurate information that provides value related to the company's performance in the future [3]. It is hoped that the publication of financial statements will not be late so that the information needed by investors does not lose its capacity to influence decisions [4]. The corporate governance mechanism aims to monitor and ensure credibility in internal control, to reduce agency problems and minimize the risk of delays in the submission of financial reports [5]. So that good corporate governance as a driver of the timeliness of financial reporting.

The company's efforts to properly inform financial statements through good governance include fairness, transparency, accountability, and responsibility.

The parties that play a role in GCG are the independent board of commissioners, and the audit committee. In addition, the existence of managerial and institutional structures plays a role in the financial reporting system, namely as management control through effective supervision and maintaining the credibility of the company [6].

In addition, Covid-19 is used as an independent variable because the financial years 2020 and 2021 are highly highlighted by investors for business decision making, and as evaluation material for stakeholders. This research is also important to enrich the literature study, especially regarding the delay in submitting financial statements [7].

The results of several research reviews resulted in different conclusions, among others: [8] concluded that there was a negative influence between institutional ownership and delays in the submission of financial statements. [9] and [10] differ from [9] and [10] that institutional ownership has an effect, while managerial ownership has no effect on the timeliness of financial statement reporting, while [10] concludes that managerial and institutional ownership affect the timeliness of financial statement reporting. Company annual.

Based on this phenomenon and background, the purpose of this study is to provide evidence by testing whether the Covid-19 pandemic and the GCG component will have an impact on the timeliness of the company's annual financial reporting.

2 Literature Review

2.1 Signal Theory

Spence introduced the signal theory in 1973. The existence of this signal theory is a signal where one party will send a signal by revealing some relevant information to the other party. Signalling to stakeholders and shareholders is one way to reduce information asymmetry and uncertainty about the company's future goals. It is undeniable that the company has good information about the company, thus attracting investors to invest their shares in the company. The existence of the covid-19 pandemic is a signal for investors to consider making investment decisions.

2.2 Agency Theory

The theory in principle explains that there is a difference between agents and principals, all individuals act for their own interests [13]. The existence of this agency relationship occurs because of the contract between the agent and the principal, where the principal delegates the agent to manage the company [14]. This theory explains that the purpose of financial information is to determine decisions taken by principals and agents, function as an evaluation and distribution of results in accordance with the agreed cooperation to gain a good name in the eyes of stakeholders. Then try to provide good news by reporting financial statements. at the appropriate time. To increase the share price or share volume, the company tries to publish its financial statements as soon as the closing period ends.

2.3 Compliance Theory

Compliance theory is used in this study to see how the company complies with applicable regulations and maintains its relationship with shareholders by submitting timely financial reports based on the rules set by the Financial Services Authority [15].

2.4 Good Corporate Governance

The mechanism of a good corporate governance system is a system in which there is an independent board of commissioners assisted byaudit committee [16] independent commissioner is an institution within the company whose function is to assess the company's performance fairly and openly. Based on OJK regulation No. 33/POJK 04/2014 that companies are required to have at least 30% of the total members of the board of commissioners, directors, and independent commissioners. The ownership structure also consists of institutional ownership and managerial ownership which can help monitor the performance and governance of the company.

2.5 The Effect of the Covid-19 Pandemic on the Timeliness of the Company's Annual Financial Reporting

The COVID-19 pandemic has made the national economy slump [17]. At this time, companies are more concerned with business continuity than timely submission of financial

reports [2], so companies ignore the rules set by the OJK by submitting financial reports on time. Even though financial reports need to be immediately submitted to stakeholders who need the company's financial statements for certain interests, not the business continuity obtained but the losses obtained, this is due to the inaccuracy of the analysis in the financial statements.[18] So the hypothesis in this study:

H1: The COVID-19 pandemic has had a negative impact on the timeliness of the company's annual financial reporting.

2.6 The Effect of Managerial Ownership on the Timeliness of the Company's Annual Financial Statements

Agency theory aims to minimize agency conflicts between owners and managers [19]. There is an increase in managerial ownership (insider ownership) as an agency cost control. The goal is that managerial ownership will determine which policies will be taken in relation to decisions regarding each accounting method taken and applied. This will help companies to spur timely reporting. Companies that perform well will not slow down, have good performance, they disclose their financial statements faster to increase a positive impression for the company. Therefore, companies that have managerial ownership are considered more timely in reporting. So, the hypothesis in this study is:

H2: Managerial Ownership has a Positive Effect on Timeliness of Financial Reporting.

2.7 The Effect of Institutional Ownership on Timeliness of the Company's Annual Financial Statements

Institutional ownership is ownership by financial institutions other than banks that control public funds. Examples include insurance companies, investments, mutual funds, money market dealers, leasing, pension funds, consumer finance and other non-bank institutions. High institutional ownership tends to accelerate the disclosure of information from management and reduce asymmetry [20]. The corporate governance mechanism is indicated by the presence of institutional investors, so that they can supervise the company's management and the company immediately discloses the information. So, the hypothesis in this study is.

H3: Institutional Ownership has a positive effect on the Timeliness of the Company's Annual Financial Statements.

2.8 The Influence of Independent Commissioners on the Timeliness of the Company's Annual Financial Statements

The Independent Commissioner functions as an independent supervisor on the company's performance [21]. The existence of an independent board of commissioners will reduce the level of fraud. Independent commissioners have good oversight of management. The higher the number of independent commissioners, the better corporate governance, so that financial reporting practices can run on time in a company.

H4: Independent Commissioner has a Positive Effect on Timeliness of Financial Reporting.

2.9 The Influence of the Number of Directors on the Timeliness of the Company's Annual Financial Statements

The Board of Directors oversees the determination of policies or strategies taken in the long term and short term. The fewer the number of directors, the more timely financial reporting will be, because many directors will allow fraud in the financial statements, so that supervision of the financial reporting process becomes ineffective.[22].

H5: Number of Directors has a Negative Effect on Timeliness of Financial Reporting.

3 Methodology and Data Analysis

The sample used in this study are consumer goods and health industry companies listed on the IDX. The data used is based on the 2018–2020 annual financial statements that have been published and listed on the Indonesia Stock Exchange (IDX). Source of data obtained from the site www.idx.co.id. The analysis tool uses multivariate analysis with logistic regression test, namely the regression used to see the extent to which the independent variable can predict the probability of the dependent variable Operation Variable.

3.1 Variable Operation

The dependent variable of this study is the timeliness of reporting the company's annual financial statements, which is regulated in [23] POJK 29/POJK.04/2016. Measured using a dummy variable, namely the category of companies that are on time are coded 1 and companies that are not on time or late are coded 0. The independent variables consist of: (1) the Covid-19 pandemic is measured using a dummy variable, 2018–2019 is coded 0, while year 2020–2021 coded 1; (2) managerial ownership is measured by the number of management share ownership compared to the number of outstanding shares; (3) institutional ownership is measured based on institutional share ownership compared to the number of outstanding shares; (4) the number of directors is measured based on the number of directors in the company.

3.2 Research Model

This study uses regression analysis techniques, namely techniques that no longer need to test for normality and classical assumption tests on independent variables because in this analysis the fit model analysis describes whether or not this research is good with the data used.. The logistic regression model in this study is described in the following equation:

$$\ln\left(\frac{TL}{1-TL}\right) = +1CVD + 2KEPMAN +$$
$$3KEPINST + 4JMLDIRECTION +$$
$$5JMLKMSINDEP + e$$

4 Research Results and Discussion

4.1 Result

$$\ln\left(\frac{TL}{1-TL}\right) = -1.533119 + 0.211639 COVID19 -$$
$$0.01640 KEPMAN - 0.00981 KEPINST +$$
$$0.025555 KMSINDEP + 0.716201$$
$$BOARD\ OF\ DIRECTORS\ + e$$

1) Variables of the Covid-19 Pandemic

The regression results show a positive value of 0.211639 with a significance value of 0.7778, which means that the COVID-19 pandemic has no effect on the timeliness of the company's annual financial reporting (See Table 2).

2) Managerial Ownership Variables

The managerial ownership variable shows a negative regression coefficient of -0.016 with a significance of 0.1872 (significance value > 0.05). The significance level is greater than $= 5\%$, so the first hypothesis (H1) of this study states that managerial ownership has a positive effect on the timeliness of the company's annual financial reporting is not supported.

3) Institutional Institutional Ownership Variables

The ownership variable shows a positive regression of 0.009817 with a significance of 0.46 with a significance value > 0.05, meaning that the second hypothesis (H2) in this study is not supported. Where the significance level is less than 5%.

4) Independent Commissioner Variable

Variables These variables show a positive regression of 0.025 with a significance value of 0.28 (significant value > 0.05), so the fourth hypothesis which states that

Table 2. The Logistic Regression Model

Variable	**Coefficient**	**Std. Error**	**z-Statistic**	**Prob.**
C	-1,53312	1,975325	-,776135	0,4377
Managerial ownership	-0,016407	0,012440	-1,318925	0,1872
Institutional Ownership	-0,009817	0,013356	-0,734997	0,4623
Board_Commissioner_Independen	0,025555	0,023803	1,073620	0,2830
Total_Directors	0,716201	0,312481	2,291984	0,0219
Covid_19	0,211639	0,750042	0,282170	0,7778

independent commissioners have a positive effect on the timeliness of the company's annual financial reporting is not supported.

5) Variable Number of Directors

The variable number of directors has a positive regression of 0.875 with a significance value of 0.022 (significance value < 0.05). This means iithat the third hypothesis is accepted which states that the number of directors has a positive effect on the timelinessi of the company's annual financial reporting. So that the third hypothesis is supported.

4.2 Discussion

1) The Effect of the Covid-19 Pandemic on the Timeliness of the Company's Annual Financial Statements.

Based on the results of testing the hypothesis, that the covid-19 pandemic has no effect on the timeliness of reporting. The results of data processing show that even though there is a Covid-19 pandemic, not all companies are affected by Covid-19. The sample of this study shows that the company is timely in financial reporting.

2) The Effect of Managerial Ownership on Timeliness of the Company's Annual Financial Statements.

Based on the significance level of 5%, there is evidence that there is no significant effect between institutional ownership and timeliness of financial reporting, as evidenced by logistic regression, the significance value for the managerial ownership variable is 0.072. In conclusion, the average company studied, many managers such as directors and commissioners do not have share ownership. The negative sign on the coefficient indicates that the less managerial ownership in the company, the faster the company will submit its financial statements.

Managers will try to generate optimal profits as the company's goal. If these goals are achieved, then the performance will be good, if the performance is good then the manager will not delay the good news to be published to the public and investors. The results of this study are inversely proportional to the research conducted by [6] in his research which shows that managerial ownership has an effect on the timeliness of the company's financial reporting. However, this study is supported by research [24]. The results of this study indicate that managerial ownership has no effect on the timeliness of the company's annual financial reporting.

3) The Effect of Institutional Ownership on Timeliness of the Company'si Annual Financial Statements.

The findings of this study are that there is no effect between institutional ownership and the timeliness of the company's annual financial reporting, this is indicated by a significance value of 0.46 with a regression coefficient of 0.0098, meaning that institutional ownership has a positive relationship to the timeliness of financial reporting. On average, the companies studied have a high institutional ownership structure compared to managerial ownership. However, how big the company has high institutional ownership, this has no impact on the timeliness of financial reporting, because even though

institutional shareholders have a high percentage, managers still focus on the company's performance,

The results of this study are inversely proportional to the results of research conducted by [25]. The results of his research indicate that institutional ownership influences the timeliness of the company's annual financial reporting. Share ownership by the institution has the authority to sue and requires management to submit its financial statements.

4) The Influence of Independent Commissioners on Timelinessi of the Company's Annual Financial Statements.

Based on the results of hypothesis testing with = 0.05%, the results of the study provide evidence Independent commissioners have a positive but not significant effect on the timeliness of the company's financial reporting. The purpose of this independent commissioner is none other than to ensure that the company has carried out its duties and performance in accordance with the established policies so that there is no conflict between the agent and the principal. Independent commissioners are the most important part of good corporate governance.

OJK standard statement No. 33/POJK 04/2014 states that independent commissioners are at least 30% of the total board of commissioners in the company. The average of the companies studied; independent commissioner ratio above 30%. There is one company whose independent commissioner ratio is 25%, but still this company submits its financial reports on time.

5) The Influence of the Number of Directors on the Timeliness of the Company's Annual Financial Statements.

Based on the results of the study, the number of directors has a positive effect on the timeliness of the company's financial reporting. This is indicated by a significance that shows a value below 0.05. The more the number of directors, the company will report its finances quickly, in line with the principles of good corporate governance, namely transparency and accountability. Companies that have many directors, the company's performance will be good, and this is because many monitor financial reporting to achieve GCG principles.

5 Summary

This studyi aims to examine whether the COVID-19 pandemic and good corporate governance will affect the timeliness of the company's annual financiali reporting. The variables used in this study were covid-19, managerial ownership, institutional ownership, number of directors, and independent commissioners. The conclusions from the analysis that have been carried out on companies listed on the Indonesia Stock Exchange for the period 2018 to 2021 are as follows:

- The first hypothesis is not supported because the Covid-19 pandemic variable has a positive but not significant effect on the timeliness of financial reporting.
- The second hypothesis of this study is not supported. Where managerial ownership has a negative but not significanti effect on the timeliness of the company's annual financial reporting.

- Timeliness of reporting is influenced by institutional ownership positively but not significantly. So that the second hypothesis of this study is not supported
- Independent commissioners have a positive but not significant effect on the timeliness of the company's annual financial reporting
- The number of directors has a significant positive effect on the timelinessi of the company's financial reporting. So that the third hypothesis is supported.

6 Implications/Limitations and Suggestions for Further Research

This study only uses a small sample, so that further researchers are expected to increase the number of samples, and add independenti variables that affect the dependent variable, because the variables studied are only one variable that has a significanti effect on the dependenti variable.

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